TAB	DESCRIPTION	ACTION
1	**AMENDMENT TO BOARD POLICY** Sections V.I, Real & Personal Property and V.K., Construction Projects - 2nd Reading	Motions to approve
2	**UNIVERSITY OF IDAHO** Kibbie Dome – Life Safety Improvement Project	Motion to approve
3	**UNIVERSITY OF IDAHO** Kibbie Dome – Life Safety Construction Loan	Motion to approve
4	**UNIVERSITY OF IDAHO** Educational Broadcast Service Lease	Motion to approve
5	**UNIVERSITY OF IDAHO** Research Dairy Progress Report	Information item
6	**LEWIS-CLARK STATE COLLEGE** Property Purchase – Clearwater Hall	Motion to approve
7	**LEWIS-CLARK STATE COLLEGE** Property Purchase – Parking Lot	Motion to approve
8	**LEWIS-CLARK STATE COLLEGE** Property Sale	Motion to approve
9	**COLLEGE OF WESTERN IDAHO** Property Transition and Facilities Use Agreements	Motion to approve
10	**COLLEGE AND UNIVERSITIES** Ability to Submit Fee Increases in Excess of 10%	Motion to approve

TAB	DESCRIPTION	ACTION
11	**AMENDMENT TO BOARD POLICY** Section V.W, Litigation – 2nd Reading	Motion to approve

SUBJECT

Second reading to amend Board policy V.I. Real and Personal Property Services and policy V.K. Construction Projects

REFERENCE

August 2008	Board disapproved first reading
October 2008	Board approved first reading

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.I.3.a and V.K.1-3.

BACKGROUND / DISCUSSION

In October, the Board approved the first reading to amend Board policy regarding capital project revisions and major purchases in order to clarify when an institution or agency needs to obtain approval from the Executive Director or the Board.

IMPACT

The attached revised policies will clarify when approvals need to be authorized and who needs to authorize the change.

ATTACHMENTS

Attachment 1 - Governing Policy Section V.I.3.a Page 3
Attachment 2 - Governing Policy Section V.K.1-3 Page 9

STAFF COMMENTS AND RECOMMENDATIONS

The revised policies will assist the Board and Executive Director in maintaining their level of oversight while clarifying when approval is required. There were no changes from the first reading.

BOARD ACTION

A motion to approve the second reading of the amendment to Board Policy V.I. – Real and Personal Property Services.

Moved _____ Seconded_____ Carried Yes _____ No _____

A motion to approve the second reading of the amendment to Board Policy V.K. Construction Projects.

Moved _____ Seconded_____ Carried Yes _____ No _____

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I. Real and Personal Property and Services

1. Authority

   a. The Board may acquire, hold, and dispose of real and personal property pursuant to Article IX, Section 2 and Article IX, Section 10, Idaho Constitution, pursuant to various sections of Idaho Code.

   b. Leases of office space or classroom space by any institution, school or agency except the University of Idaho are acquired by and through the Department of Administration pursuant to Section 67-5708, Idaho Code.

   c. All property that is not real property must be purchased consistent with Sections 67-5715 through 67-5737, Idaho Code, except that the University of Idaho may acquire such property directly and not through the Department of Administration. Each institution, school and agency must designate an officer with overall responsibility for all purchasing procedures.

   d. Sale, surplus disposal, trade-in, or exchange of property must be consistent with Section 67-5722, Idaho Code, except that the University of Idaho may dispose of such property directly and not through the Department of Administration.

   e. If the Executive Director finds or is informed that an emergency exists, he or she may consider and approve a purchase or disposal of equipment or services otherwise requiring prior Board approval. The institution, school or agency must report the transaction in the Business Affairs and Human Resources agenda at the next regular Board meeting together with a justification for the emergency action.

2. Acquisition of Real Property

   a. Acquisition of a real property interest, other than a leasehold interest, with a purchase price between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000) requires prior approval by the Executive Director. A purchase exceeding five hundred thousand dollars ($500,000) requires prior Board approval.

   b. Any interest in real property acquired for the University of Idaho must be taken in the name of the Board of Regents of the University of Idaho.

   c. Any interest in real property acquired for any other institution, school or agency under the governance of the Board must be taken in the name of the State of Idaho by and through the State Board of Education.

d. This does not preclude a foundation or other legal entity separate and apart from an institution, school or agency under Board governance from taking title to real property in the name of the foundation or other organization for the present or future benefit of the institution, school or agency. (See Section V.E.)

e. Acquisition of a leasehold interest in real property by or on behalf of an institution, school or agency requires prior Executive Director approval if the cost exceeds five hundred thousand dollars ($500,000) over the term, or by the Board if the term of the lease exceeds five (5) years or if the cost exceeds one million dollars ($1,000,000) over the term.

f. Appraisal.

   An independent appraiser must be hired to give an opinion of fair market value before an institution, school or agency acquires fee simple title to real property.

g. Method of sale - exchange of property.

   The Board will provide for the manner of selling real property under its control, giving due consideration to Section 33-601(4), applied to the Board through Section 33- 2211(5), and to Chapter 3, Title 58, Idaho Code. The Board may exchange real property under the terms, conditions, and procedures deemed appropriate by the Board.

h. Execution.

   All easements, deeds, and leases excluding easements, deeds, and leases delegated authority granted to the institutions, school and agencies must be executed and acknowledged by the president of the Board or another officer designated by the Board and attested to and sealed by the secretary of the Board as being consistent with Board action.

3. Acquisition of Personal Property and Services

a. Purchases of equipment, data processing software and equipment, and all contracts for consulting or professional services either in total or through time purchase or other financing agreements, between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000) require prior approval by the executive director. The executive director must be expressly advised when the recommended bid is other than the lowest qualified bid. Purchases exceeding five hundred thousand dollars ($500,000) require prior Board approval. If the project budget for a purchase increases above the approved amount, then the institution, school, or agency may be required to seek further authorization, as follows:

Project Originally Authorized By	Original Project Cost	Cumulative Value of Change(s)	Aggregate Revised Project Cost	Change Authorized By
Local Agency	< $250,000	Any	< $250,000	Local Agency
Local Agency	< $250,000	Any	$250,000-$500,000	Executive Director
Local Agency	<$250,000	Any	> $500,000	SBOE
Executive Director	$250,000-$500,000	<= $250,000	<= $500,000	Local Agency
Executive Director	$250,000-$500,000	Any	>$500,000	SBOE
SBOE	> $500,000	< $250,000	Any	Local Agency
SBOE	> $500,000	$250,000-$500,000	Any	Executive Director
SBOE	> $500,000	>$500,000	Any	SBOE

All modifications approved by the Executive Director shall be reported quarterly to the Board.

b. Acquisition or development of new administrative software or systems that materially affect the administrative operations of the institution by adding new services must be reviewed with the executive director before beginning development. When feasible, such development will be undertaken as a joint endeavor by the four institutions and with overall coordination by the Office of the State Board of Education.

4. Hold of Personal Property

a. Inventory

An inventory of all items of chattel property valued at two thousand dollars ($2,000) or limits established by Department of Administration owned or leased by any agency, school or institution must be maintained in cooperation with the Department of Administration as required by Section 67-5746, Idaho Code.

b. Insurance

Each agency, school and institution must ensure that all insurable real and personal property under its control is insured against physical loss or damage and that its employees are included under any outstanding policy of public liability insurance maintained by the state of Idaho. All insurance must be acquired through the State Department of Administration or any successor entity.

c. Vehicle Use

Vehicles owned or leased by an institution, school or agency must be used solely for institutional, school or agency purposes. Employees may not, with certain exceptions, keep institutional vehicles at their personal residences. Exceptions to this policy include the chief executive officers and other employees who have received specific written approval from the chief executive officer of the institution, school or agency.

5. Disposal of Real Property

a. Temporary Permits

Permits to make a temporary and limited use of real property under the control of an institution, school or agency may be issued by the institution, school or agency without prior Board approval.

b. Board approval of other transfers

(1) Leases to use real property under the control of an institution, school or agency require prior Board approval - if the term of the lease exceeds five (5) years or if the lease revenue exceeds two hundred fifty thousand dollars ($250,000).

(2) Easements to make a permanent use of real property under the control of an institution, school or agency require prior Board approval - unless easements are to public entities for utilities.

(3) The transfer by an institution, school or agency of any other interest in real property requires prior Board approval.

6. Disposal of Personal Property

Sale, surplus disposal, trade-in, or exchange of property with a value greater than two hundred fifty thousand dollars ($250,000) and less than five hundred thousand dollars ($500,000) requires prior approval by the Executive Director. Sale, surplus disposal, trade-in, or exchange of property with a value greater than five hundred thousand dollars ($500,000) requires prior Board approval. All disposals approved by the Executive Director shall be reported quarterly to the Board.

a. First Refusal

When the property has a value greater than five thousand dollars ($5,000), the institution, school or agency must first make a good faith effort to give other institutions, school and agencies under Board governance the opportunity of first refusal to the property before it turns the property over to the Department of Administration or otherwise disposes of the property.

b. Sale of Services

The sale of any services or rights (broadcast or other) of any institution, school or agency requires prior approval of the Board when it is reasonably expected that the proceeds of such action may exceed two hundred fifty thousand dollars ($250,000). Any sale of such services or rights must be conducted via an open bidding process or other means that maximizes the returns in revenues, assets, or benefits to the institution, school or agency.

c. Inter-agency Transfer

Transfer of property from one Board institution, school or agency to another institution, school or agency under Board governance may be made without participation by the State Board of Examiners or the Department of Administration, but such transfers of property with a value greater than two hundred fifty thousand dollars ($250,000) require prior Board approval.

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1. Major Project Approvals - Proposed Plans

Without regard to the source of funding, before any institution, school or agency under the governance of the Board begin formal planning to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to exceed five hundred thousand dollars ($500,000), must first be submitted to the Board for its review and approval. All projects identified on the institutions', schools or agencies' six-year capital plan must receive Board approval.

2. Project Approvals

Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to be between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000), must first be submitted to the executive director for review and approval. Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities or construction of new facilities, when the cost of the project is estimated to exceed five hundred thousand dollars ($500,000), must first be submitted to the Board for its review and approval. Project cost must be detailed by major category (construction cost, architecture fees, contingency funds, and other). When a project is under the primary supervision of the Board of Regents or the Board and its institutions, school or agencies, a separate budget line for architects, engineers, or construction managers and engineering services must be identified for the project cost. Budgets for maintenance, repair, and upkeep of existing facilities must be submitted for Board review and approval as a part of the annual operating budget of the institution, school or agency.

3. Fiscal Revisions to Previously Approved Projects

If the project budget increases above the approved amount, then the institution, school, or agency may be required to seek further authorization, as follows:

Project Originally Authorized By	Original Project Cost	Cumulative Value of Change(s)	Aggregate Revised Project Cost	Change Authorized By
Local Agency	< $250,000	Any	< $250,000	Local Agency
Local Agency	< $250,000	Any	$250,000-$500,000	Executive Director
Local Agency	<$250,000	Any	> $500,000	SBOE
Executive Director	$250,000-$500,000	<= $250,000	<= $500,000	Local Agency
Executive Director	$250,000-$500,000	Any	>$500,000	SBOE
SBOE	> $500,000	< $250,000	Any	Local Agency
SBOE	> $500,000	$250,000-$500,000	Any	Executive Director
SBOE	> $500,000	>$500,000	Any	SBOE

All modifications approved by the Executive Director shall be reported quarterly to the Board.

4. Project Acceptance

Projects under the supervision of the Department of Administration are accepted by the Department on behalf of the Board and the state of Idaho. Projects under the supervision of an institution, school or agency are accepted by the institution, school or agency and the project architect. Projects under the supervision of the University of Idaho are accepted by the University on behalf of the Board of Regents.

5. Statute and Code Compliance

a. All projects must be in compliance with Section 504 of the Rehabilitation Act of 1973 and must provide access to all persons. All projects must be in compliance with applicable state and local building and life-safety codes and applicable local land-use regulations as provided in Chapter 41, Title 39, and Section 67-6528, Idaho Code.

b. In designing and implementing construction projects, due consideration must be given to energy conservation and long-term maintenance and operation savings versus short-term capital costs.

UNIVERSITY OF IDAHO

SUBJECT

Capital Project Initial Construction Phase Authorization Request, ASUI Kibbie Activity Center (Kibbie Dome) Life Safety Improvements

REFERENCE

First hearing for Capital Project Initial Construction Phase Authorization

August 2006	Information Item, Technical Assessment & Feasibility Study, Proposed University of Idaho Events Pavilion and ASUI Kibbie Activity Center Improvements.
February 2007	Information Item, UPDATE: Technical Assessment & Feasibility Study, Proposed UI Events Pavilion and ASUI Kibbie Activity Center Improvements. Notification of the Immediate Code Compliance, Guest and Participant Safety Issues Documented in the Technical Assessment & Feasibility Study.
April 2007	Capital Project Authorization, Replace Artificial Turf, ASUI Kibbie Activity Center.
December 2007	Capital Project Design Phase Authorization, ASUI Kibbie Activity Center (Kibbie Dome) Life Safety Improvements.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.K.1 and Section V.K.2.

BACKGROUND/ DISCUSSION

In 2006, the University initiated a Technical Assessment & Feasibility Study of a proposed Events Pavilion and of the ASUI Kibbie Activity Center (KAC). A team of consultants headed by Opsis Architecture and Hastings-Chivetta conducted a technical evaluation of the facility and identified a series of life safety improvements necessary for the KAC.

One element of safety improvement authorized by the Board in April 2007, and subsequently completed in September 2007, was the installation of a new turf play surface in the KAC. Further improvements are needed to address the collection of code deficiencies identified in the report.

A further series of amenity renovations identified as part of the technical evaluation will serve to give a ‘face-lift’ to the 35 year old facility, enhancing the

functionality and seating capacity of the facility, and improving spectator comfort through concession and seating upgrades. These amenity renovations are separate from the Life Safety Improvements, funded by a separate source of funds, and are the subject of specific Board agenda items. In the past, these improvements have been presented to the Board separately from the Life Safety Improvements, and the University will continue to present them separately as required.

In December of 2007, the Board authorized the University to expend up to $2,000,000 to implement the design phase for the ASUI Kibbie Activity Center (Kibbie Dome) Life Safety Improvements.

Subsequent to the Board's authorization to implement the design phase for the ASUI Kibbie Activity Center (Kibbie Dome) Life Safety Improvements, the University issued a Request for Qualifications for A/E Services. A team of consultants headed by Opsis Architecture, Hastings-Chivetta and Lombard Conrad Architects of Boise, Idaho was selected from a field of four candidate consulting teams in February of 2008.

In April of 2008, the University and the design team met with representatives of the State Division of Building Safety (DBS) and the State fire Marshal to establish and verify goals and objectives for the project, and to ensure that all stakeholders were working towards a common end.

The design team worked diligently through the course of the Spring and Summer developing the accurate foundational information needed upon which to base solid design decisions. This information was presented to the University in September of 2008 and to DBS and the State Fire Marshal in October of 2008.

The design team is currently working on Life Safety Improvements measures agreed to by all parties and prioritized in consultation with DBS and the Fire Marshal. The design team is preparing biddable construction documents, performing cost estimation and value engineering services, and verifying constructability and sequencing issues with their specialty consultants. In addition, the Life Safety subconsultant, Rolf Jensen Associates, is currently working on a computer generated, state-of-the-art fire and smoke model and a NFPA 101 Compliant Life Safety Analysis as requested by and agreed upon by DBS and the Fire Marshal.

In addition, the university published a Request for Qualifications for Construction Management Services in October of 2008. The intent is to identify a Qualified Construction Management Firm no later than early December 2008.

At this time, the university has given direction to the design team to develop an initial construction package with an estimated total construction cost, to include

contingencies, of $10,000,000. This package will be in alignment with the University's proposed initial construction funding package.

Overall Project Description
As reported in December of 2007, the life safety improvements to be implemented include replacement of the two wood end-walls, installation of a smoke exhaust system, expansion of the fire sprinkler and alarm system, enhanced exiting systems and capacities, and improvements to the air handling and electrical distribution systems. Code compliance improvements are also included for the north and south concourse restrooms. The life safety project costs are estimated in the range of $16M to $17M, subject to refinement and improvement in the course of project design and development.

Project Design
As reported in December of 2007, the design phase for the life safety element as authorized then and now currently underway is anticipated to cost approximately $2,000,000.

Phasing Strategy
In previous reports to the board on this project effort, the University stated that it intends to proceed with correction of the life safety needs, fully funded through a bond measure. The intent of the University was to approach the Board of Regents in December of 2008 with an Authorization Request package for both the full construction effort and a bond package of $17 million. The current fiscal environment precludes the University's ability to seek a $17 million bond at this point in time.

Given the imperatives associated with this effort, the University has sought alternative strategies to keep the project moving forward. At this time, the University has identified the ability to finance a $10 million initial construction phase. The design team is currently working towards an initial package that would provide additional exiting capacity from the field level at the west end of the Dome and would replace the combustible, wood frame walls with non-combustible construction. The University has reviewed this initial phase scope with both the Division of Building Safety and the State Fire Marshal. Both DBS and the State Fire Marshal are in agreement that this initial phase will make critically needed improvements to the Life Safety systems of the ASUI Kibbie Activity Center, and support the University's strategy.

Current Authorization Request
Therefore, this current authorization request is for an initial construction phase of $10,000,000 to include west end field level exiting improvements and replacement of the east and west end walls with non-combustible construction. This authorization request is in addition to the existing $2,000,000 design phase authorization currently in place, and will bring the total project authorization to $12,000,000.

The University intends to proceed with this initial phase of construction, and return to the Board for additional authorization on the remaining scope as financing conditions allow.

The tentative design and construction timeline for this initial phase of life safety construction is as follows:

Milestone	Proposed Date	Actual Date
SBOE Authorization for $2M Design Phase for Life Safety Improvements	Dec 2007	Dec 2007
Initiate RFQ and design process	Dec 2007	Dec 2007
Complete construction bid package	Dec 2008	
SBOE Authorization for $10M Financing and Initial Construction Phase Contract	Dec 2008	
Initiate Bid and Initial Construction Phase Process	Jan 2008	
Initial Construction Phase Complete	Dec 2009	

The projected timeline for life safety improvements is tentative and subject to change as the project is better defined through the design and construction process.

This project directly supports the University's strategic plan and its education and outreach goals. It is fully consistent with the university's Long Range Campus Development Plan (LRCDP), and the Campus Infrastructure Master Plan. The KAC is an iconic structure which serves a wide variety of campus and community needs, supporting general education, recreational, athletic, and community events. It also serves as a staging and response center in regional emergencies.

IMPACT

The immediate fiscal impact of this effort is $12,000,000. As stated above, this consists of the $2,000,000 design phase authorization currently in place and a $10,000,000 initial construction phase authorization.

Funding		**Estimate Budget**	
State	$ 0	Construction	$ 10,000,000*
Federal (Grant):	$ 0	A/E & Consultant Fees	$ 2,000,000*
Other (UI/Bond)	$ 12,000,000	Contingency	$ inc. above
Private	$ 0		
Total	$ 12,000,000	Total	$ 12,000,000

* Design and Construction Phase Contingency amounts are included in each line item respectively.

ATTACHMENTS

Attachment 1 – Capital Project Tracking Sheet Page 7

STAFF COMMENTS AND RECOMMENDATIONS

The University is using a Construction Manager at Risk process which sets a maximum construction cost for the construction manager while allowing a potential savings to the University. The University states this process is similar to that used in the University's ESCO project and Boise State University's Energy Performance Contract.

The University provided the following characteristics of the CMAR methodology:

- It brings a Construction Manager at Risk (CMAR) Consultant on board early in the process, during design.
- The CMAR is identified and hired on a qualifications basis
- The CMAR reviews the work of the Architect/Engineer, offering constructability review, sequencing review, cost estimation, etc
- The CMAR issues a Guaranteed Maximum Price (GMP) at an agreed upon point in the design and construction document development phase. This allows the owner to understand their costs exposure much earlier in the process
- The CMAR then manages the buy-out process (bidding of the subcontractor packages). All of the work is bid.
- During the construction phase, the CMAR then acts and behaves more like a General Contractor, all of the subcontracts are held by the CMAR rather than the Owner.

The advantages are:

- The CMAR is identified via a qualifications basis – rather than "low bid Joe" being selected on the basis of a bid that may or may not have considered all project elements.
- The CMAR has an investment in the design – and design development, they become a vested partner, rather than an adversary as can happen with design-bid-build.
- The CMAR provides a GMP
- The CMAR handles the buy-out
- The entire project is bid out – It is bid out at a sub-contractor level
- The CMAR holds all of the contracts with the sub-contractors, single point of contact for the Owner. (Under a Construction Manager (CM) process, the individual contracts are held by the Owner. Having a single point of contact dramatically reduces the paperwork and administration load for the Owner.)
- There is the potential that any savings under the GMP are directed back to the Owner

Potential disadvantages:

- The qualifications based selection has the potential for protest.

- The preconstruction services by the CMAR are compensated on a Fixed Fee Basis.
- The construction phase services are compensated on a negotiated % of Construction Cost basis. Some argue that this method is therefore more costly.

This approach appears to provide advantages for project management and cost control, particularly for remodels. Staff recommends that the process be carefully monitored by the University and that the University bring back lessons learned at the completion of the project for use by other institutions.

BOARD ACTION

A motion to approve the request by the University of Idaho to implement the Initial Construction Phase for the life safety improvements in the ASUI Kibbie Activity Center, at a cost not to exceed ten million dollars ($10,000,000), resulting in a total project authorization value up to twelve million dollars ($12,000,000).

Moved by _____ Seconded by _____ Carried Yes _____ No _____

Office of the Idaho State Board of Education
Capital Project Tracking Sheet
As of October 24, 2008

History Narrative

1 **Institution/Agency:** University of Idaho **Project:** Capital Project Initial Construction Phase Authorization Request, ASUI Kibbie Activity Center (Kibbie Dome) Life Safety Improvements

2 **Project Description:** Implement Life Safety Upgrades and Improvements to the Dome. Life safety improvements include improvements to exiting systems and exiting capacity, replacement of light wood frame end walls with non-combustible construction, installation of a smoke exhaust and fire sprinkler system, and enhancements to the HVAC and electrical distribution systems.

3 **Project Use:** Corrects code deficiencies within the Dome.
4 **Project Size:** N/A

5
6

	Sources of Funds				Use of Funds			
7						Use of Funds		
8	PBF	ISBA	Other	Total Sources	Planning	Const	Other	Total Uses
9 Design Phase Authorization - Dec 2007			$ 2,000,000	$ 2,000,000	$ 2,000,000	$ -	$ -	$ 2,000,000
10 Initial Construction Phase Authorization - Dec 2008			$ 10,000,000	$ 10,000,000	$ -	$ 10,000,000	$ -	$ 10,000,000
11								
12								
13								
14 **Total Project Costs**	$ -	$ -	$ 12,000,000	$ 12,000,000	$ 2,000,000	$ 10,000,000	$ -	$ 12,000,000

15

			Other Sources of Funds				
16			|----------				
17 **History of Funding:**	PBF	ISBA	Institutional Funds (Gifts/Grants)	Student Revenue	Other	Total Other	Total Funding
18 Initial Authorization Request - Design Phase, Life Safety Element - Dec 07			$ 2,000,000			$ 2,000,000	$ 2,000,000
19 Authorization Request - Initial Construction Phase, Life Safety Element - Dec 08			$ 10,000,000			$ 10,000,000	$ 10,000,000
20							
21							
22							
23 Total	$ -	$ -	$ 12,000,000	$ -	$ -	$ 12,000,000	$ 12,000,000

24

Notes:
25 1) UI will seek construction authorization from the Regents prior to initiating construction for additional phases of the life safety improvements.
26 2) Design and Construction Phase Contingency amounts are included in each line item respectively.

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UNIVERSITY OF IDAHO

SUBJECT

Financing for ASUI Kibbie Activity Center (Kibbie Dome) Life Safety Improvements

REFERENCE

December 2007 — Capital Project Design Phase Authorization, ASUI Kibbie Activity Center (Kibbie Dome) Life Safety Improvements.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.F.
Section 33-3804, Idaho Code

BACKGROUND/DISCUSSION

The University requests Regents approval for a non-revolving line of credit with the principal not to exceed ten million dollars ($10,000,000) and with a term of 24 months with Wells Fargo Bank, N.A. Interest only payments are due quarterly at an interest rate of the Wells Fargo Prime less .65%. At agenda preparation time, the floating rate was 3.35%. This financing will be used to fund Phase 1 Kibbie Life Safety improvements.

As reported in December of 2007, the life safety improvements to be implemented include replacement of the two wood end-walls, installation of a smoke exhaust system, expansion of the fire sprinkler and alarm system, enhanced exiting systems and capacities, and improvements to the air handling and electrical distribution systems. Code compliance improvements are also included for the north and south concourse restrooms. The life safety project costs are estimated in the range of $16M to $17M, subject to refinement and improvement in the course of project design and development.

In previous reports to the board on this project, the University stated that it intends to proceed with correction of the life safety needs that are fully funded through a bond measure. The intent of the University was to approach the Board of Regents in December of 2008 with an Authorization Request package for both the full construction effort and a bond package of $17 million. The current fiscal environment precludes the University's ability to seek a $17 million bond at this point in time.

Given the imperatives associated with this effort, the University has sought alternative strategies to keep the project moving forward. At this time, the University has identified the ability to finance a $10 million initial construction phase.

The University has sufficient funding within the Student Facility Fee to make the quarterly loan payments estimated at $385,000 per year. Loan repayment will be from the proceeds of the Kibbie Life Safety bond package of approximately $17 million in calendar year 2010.

IMPACT

The University had anticipated the need to borrow for the Kibbie Life Safety project. The University has an approved student fee for FY09 of $15 per semester facility fee for the purposes of debt repayment.

ATTACHMENTS

Attachment 1 – Ten Year Debt Projection Page 4
Attachment 2 – Loan Agreement Page 5
Attachment 3 – Promissory Note Page 19
Attachment 4 – Disbursement Request Page 25
Attachment 5 – Authorizing Resolution Page 27
Attachment 6 – Commitment Letter Page 31

STAFF COMMENTS AND RECOMMENDATIONS

Pledged Revenues include student fees, sales and service revenues from auxiliary enterprises and educational activities, revenues received for facility and administrative cost recovery in conjunction with grants and contracts, various miscellaneous revenues, and certain investment income.

Staff asked the University to explain what would happen if the bond market was not favorable in two years, would they need to renew the line of credit, and would there be any risk that the rates for the line of credit line could go up in the middle of the construction project? According to the University, the bond market has thawed over the last few months, and rates are getting better and should continue to strengthen over the next year. If the University cannot bond to repay the construction loan, there are several options. The University can use the estimated $5 million in the facilities fee reserve to pay-off a portion of the loan and seek converting the remainder to a fully amortized loan with Wells Fargo or another bank. They can seek a private placement or floating rate financing with the assistance of their underwriter. The weekly floating rate market did not freeze up even though rates spiked for a short couple of weeks. The rate risk is always a potential. The University's rate is based upon the Wells Prime Rate less 65 basis points. Higher inflation pressures would need to occur before triggering a prime rate increase. The University believes this risk is low over the next two years.

Staff recommends approval.

BOARD ACTION

A motion to approve the request by the University of Idaho for a non-revolving line of credit with a principal amount not to exceed ten million dollars ($10,000,000) and with a term of 24 months, requiring payments of interest only at an interest rate set at the Wells Fargo Prime less .65%, and to authorize the President of the Board to sign the Authorizing Resolution and to further authorize the Vice President of Finance to execute the Loan Agreement and Promissory Note, all in substantially the same form as attached to the board materials under this agenda item, as well as such other associated documents necessary to carry out the Loan Agreement.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

Assumptions:

1. Average annual operating budget growth of 2%

University of Idaho

10 Year Debt Projection

11/11/2008

					FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
1	**Projects**	**Cost**	**Est Debt Financed**	**Terms**										
2	Kibbie Dome Life Safety - Phase 1	$10,000,000	$10,000,000	24 mo variable	$192,500	$385,000	$192,500							
3	Kibbie Dome Life Safety - Phase 1 & 2	$17,000,000	$17,000,000	30 yr / 5.25%			$568,792	$1,137,584	$1,137,584	$1,137,584	$1,137,584	$1,137,584	$1,137,584	$1,137,584
4	**New Money Financing**				$192,500	$385,000	$761,292	$1,137,584	$1,137,584	$1,137,584	$1,137,584	$1,137,584	$1,137,584	$1,137,584
5	Existing Projected Debt Service				$12,827,493	$12,820,174	$12,318,062	$12,318,062	$11,400,154	$11,398,100	$11,644,036	$11,613,768	$9,465,475	$9,461,368
6	New Projected Debt Service				$192,500	$385,000	$761,292	$1,137,584	$1,137,584	$1,137,584	$1,137,584	$1,137,584	$1,137,584	$1,137,584
7	**Total Projected Debt Service**				$13,019,993	$13,205,174	$13,079,354	$13,455,646	$12,537,738	$12,535,684	$12,781,620	$12,751,352	$10,603,059	$10,598,952
8	**Beginning Facilities Fee Reserve**				$2,465,273	$3,348,875	$4,575,774	$5,366,783	$5,810,704	$7,202,691	$8,625,325	$9,826,442	$11,093,784	$12,388,392
9	Debt Service				-$13,019,993	-$13,205,174	-$13,079,354	-$13,455,646	-$12,537,738	-$12,535,684	-$12,781,620	-$12,751,352	-$10,603,059	-$10,598,952
10	Student Facility Fee (SFF) Revenue - Existing Fee Set				$5,716,200	$5,830,524	$5,859,677	$5,888,975	$5,918,420	$5,948,012	$5,977,752	$6,007,641	$6,037,679	$6,067,867
11	Pledges for Debt Service				$7,264,538	$7,257,548	$6,599,486	$6,599,486	$6,600,106	$6,599,106	$6,593,786	$6,599,853	$4,448,788	$4,448,788
12	Energy Savings				$922,857	$1,344,000	$1,411,200	$1,411,200	$1,411,200	$1,411,200	$1,411,200	$1,411,200	$1,411,200	$1,411,200
13	**Ending Facilities Fee Reserve**				$3,348,875	$4,575,774	$5,366,783	$5,810,798	$7,202,691	$8,625,325	$9,826,442	$11,093,784	$12,388,392	$13,717,296
14	**Operating Budget**				$371,205,400	$378,629,508	$386,202,098	$393,926,140	$401,804,663	$409,840,756	$418,037,571	$426,398,323	$434,926,289	$443,624,815
15	**Debt Service as % of Operating Budget**				3.51%	3.49%	3.39%	3.42%	3.12%	3.06%	3.06%	2.99%	2.44%	2.39%

THE OBLIGATIONS EVIDENCED BY THIS LOAN AGREEMENT SHALL NOT CONSTITUTE A DEBT, LEGAL, MORAL, OR OTHERWISE, OF THE STATE OF IDAHO.

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement"), dated the 1st day of December, 2008, is made by and between The Regents of the University of Idaho, a body politic and corporate and an institution of higher education of the State of Idaho ("Borrower"), whose address is Administration Building, Room 211, Moscow, Idaho 83844-3168, and Wells Fargo Bank, National Association ("Bank"), whose address is 221 South Main Street, Moscow, Idaho 83843.

WITNESSETH:

WHEREAS, Borrower desires to finance the costs of certain improvements to the Kibbie Dome in Moscow, Idaho (the "Kibbie Dome"), owned by the University of Idaho (the "University"); and

WHEREAS, Borrower has requested Bank to make a loan to Borrower in the form of a non-revolving line of credit to finance improvements to the Kibbie Dome, including certain safety improvements as part of the Kibbie Life Safety Phase I Project (the "Improvements") (the Kibbie Dome and Improvements are collectively referred to herein as the "Project") upon the terms, covenants, and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto do hereby covenant, contract, and agree to and with each other as follows:

1. LOAN.

1.1 Commitment. Bank agrees to loan funds to Borrower to be used by Borrower to finance the Project. The aggregate principal amount of such loan shall not exceed the amount of Ten Million and No/100 Dollars ($10,000,000.00) (the "Loan"). It is understood that this commitment is not a revolving commitment and that, under the terms of the Note (defined in paragraph 1.2), Borrower may receive advances up to the Loan but may not reborrow any advances which have been repaid. Nothing herein shall limit the Borrower's right to prepay, without penalty, all or part of the indebtedness at any time.

1.2 Promissory Note. Borrower shall execute a promissory note (the "Note") in the amount of Ten Million and No/100 Dollars ($10,000,000), in the form attached hereto as Exhibit A. Interest on each of the advances, from time to time outstanding, will be payable at a variable rate, pursuant to Section 1.5 hereunder. Interest shall be payable quarterly in arrears. The initial payment of interest from the date of the first advance shall be due on March 31, 2009. Principal shall be due and payable upon maturity of the Note. The Note is issued under the provisions of Title 33,

chapter 38, Idaho Code, for the purpose of financing the Project, and for the payment of expenses properly incident thereto and to the issuance of the Note.

The Note is a limited obligation of the Borrower payable solely in accordance with the terms hereof and thereof and is not an obligation, general, special, or otherwise, of the State of Idaho, does not constitute a debt, legal, moral, or otherwise, of the State of Idaho, and is not enforceable against the State; nor shall payment thereof be enforceable out of any funds of the Borrower other than rental income and other revenues, fees, charges, and other monies legally available therefor.

1.3 Method of Making Loan. During the term of this Agreement, Borrower may request advances under the Note as needed. Borrower may make a single request to include all costs related to the Project; however, the amount requested by Borrower may be advanced in several advances to meet the payment terms of the payments due with respect to the Project. Each drawdown request shall be in the form of the Disbursement Request attached hereto as Exhibit B and shall be made to the Bank in writing, shall be signed by the required parties, and shall be supported by such other information as the Bank may reasonably request.

1.4 Collateral. Advances made hereunder will be unsecured.

1.5 Interest Rate.

(a) Bank Qualified: The interest rate on the Note, which has been designated as a qualified tax-exempt obligation under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and on each advance thereunder is a variable rate equal to the Bank's prime rate less sixty-five (65) basis points per annum. Interest on the outstanding balance shall be calculated on the basis of a three hundred sixty-five/three hundred sixty (365/360) day year for the actual number of days elapsed.

(b) Non-Bank Qualified: In the event the Note becomes ineligible for designation as a qualified tax-exempt obligation under Section 265(b)(3) of the Code, the interest rate on the Note shall be equal to the Bank's prime rate less eight (8) basis points.

(c) Taxable: Upon a Determination of Taxability (as defined below), the Borrower agrees to modify this Note to provide for an interest rate equal to the greater of (i) five percent (5%), or (ii) the Bank's prime rate plus one hundred (100) basis points (the "Taxable Rate"), effective as of the date of Determination of Taxability and the Borrower shall pay to the Bank on demand an amount equal to (a) the difference between the rate of interest paid on this Note and the Taxable Rate for the period from the date this Note became taxable to the date the principal amount hereof is repaid in full, and (b) the amount equal to the sum of (x) any interest and any penalties, additions to tax and additional amounts payable under Chapter 68 of the Code or any successor provisions

thereto which are payable to the United States as a consequence of the failure to include the interest on this Note in the federal gross income of the Bank, and (y) an amount equal to all taxes, fees or other charges attributable to the receipt by the Bank (calculated at the maximum rate applicable to the Bank) of the amounts under (x) that are not deductible for federal income tax purposes.

"Determination of Taxability" means the final adoption of legislation or regulations or the rendering of a final decree or judgment of any court of competent jurisdiction or a final action of the Internal Revenue Service determining that the interest paid or payable on this Note is or was includable in the gross income of the owner thereof for federal income tax purposes under the Code; provided, however, that no decree or judgment by any court or action of the Internal Revenue Service shall be considered final unless (a) the Bank gives the Borrower prompt notice of the commencement of the proceedings which could result in any such decree, judgment or action and, if the Borrower agrees to pay all expenses and liabilities in connection therewith, offers the Borrower the opportunity to control the defense thereof and (b) either (i) the Borrower does not agree within thirty (30) days to pay such expenses and liabilities and to control such defense or (ii) the Borrower shall exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action.

1.6 Term. The Note of the Borrower shall mature December 31, 2010, irrespective of the date of the first advance.

1.7 Conditions Precedent to Initial Draw on the Loan. Prior to funding the initial draw on the Loan, which such initial draw shall equal $50,000 unless the conditions in Section 1.8 below have been satisfied, the Bank must have received on or before the day of, and as a condition to, the following duly executed or appropriately certified, in form and substance satisfactory to the Bank:

(a) A completed Disbursement Request in the form attached hereto as Exhibit B;

(b) A legal opinion from bond counsel in form acceptable to Bank's counsel, addressing (i) authorization and validity of the Note and this Agreement; and (ii) the tax exempt status of the Note.

(c) An executed copy of this Loan Agreement and the original executed Note.

(d) An executed copy of the Resolution of the Borrower approving the Loan.

(e) Project budget in a form satisfactory to the Bank.

(f) Establishment of automatic withdrawal of interest payments and the principal at maturity from a checking account established at the Bank.

(g) Such other documents, instruments, financial statements of the Borrower, appraisals (in MAI format), cash flow projections for the Project, approvals of governmental agencies, or opinions as the Bank may reasonably request.

1.8 Initial Draw in Excess of $50,000 and Additional Draws. Prior to funding a draw on the Loan in excess of the initial draw of $50,000, the Bank must have received all documents required by Section 1.7 above and the audited financial statements for the Borrower for the year ending June 30, 2008, showing no material negative changes in the Borrower's financial condition.

Prior to any subsequent advance of funds under this Loan in excess of the $50,000 initial draw, the Borrower shall meet all conditions in Section 1.7 and 1.8 and shall submit to the Bank a request for such funds by providing to the Bank a completed Disbursement Request in the form attached hereto as Exhibit B at least two (2) days prior thereto with Bank's approval contingent upon Borrower's compliance with this Agreement.

1.9 Loan Fee and Fee of Bank's Counsel. Borrower shall pay Bank a fee of $5,000 upon the first advance under the Note. Borrower shall pay the fees of Bank counsel up to $7,500.

1.10 Security Interest and Right of Setoff. Notwithstanding the sections in the Note entitled Right of Setoff and Security Interest and Right of Setoff, the Bank's right of setoff and security interest in the Borrower's funds held by the Bank shall be limited to the Borrower's unrestricted funds, which shall be determined by the Borrower in its reasonable discretion.

2. GENERAL WARRANTIES OF BORROWER. Borrower warrants, as a condition on a continuing basis precedent to each advance, that:

2.1 Status and Authority. The Borrower is an institution of higher education, a body politic and corporate and a separate and independent legal entity of the State of Idaho, validly organized and existing under the Constitution and laws of the State of Idaho. Borrower has the power to execute, deliver, and carry out, as the case may be, the terms and provisions of this Agreement and the Note, and all documents and instruments in connection with or incidental hereto on their part, to be executed, delivered, or carried out, and has taken all necessary action to authorize the execution, delivery, and performance thereof, the borrowing hereunder, and the making and delivery of the Note and each and every other document or instrument delivered hereunder. This Agreement, and the Note and other documents and instruments issued or to be issued hereunder when executed and delivered pursuant hereto, constitute and will constitute the authorized, valid, and legally binding obligations of Borrower in accordance with their respective terms under the substantive law of Idaho in the procedures and courts hereinafter described.

2.2 Financial Statements. The financial statements of the Borrower for the fiscal year ending June 30, 2008, furnished to Bank by Borrower are true and correct to the best of Borrower's knowledge and belief, and no substantial adverse change has taken place since the date thereof.

2.3 No Default. Borrower is not in default under any material provisions of any material agreement to which it is a party, and neither the execution and delivery of this Agreement or the Note, or other documents or instruments incidental thereto, nor the consummation of the transactions herein and therein contemplated, nor compliance with the terms and provisions hereof or thereof, will violate any material provision of law or any applicable regulation or adopted constitution, bylaw, ordinance, regulation, code, program, plan, custom, or contract of any order, writ, injunction, or decree of any court or governmental department, commission, board, bureau, agency, or instrumentality, or will conflict or will be inconsistent with or will result in any breach of any of the material terms, covenants, conditions, or provisions of, or constitute default under or result in the creation or imposition of (or the obligation to impose) any lien, charge, or encumbrance upon any of the property or assets of Borrower. For purposes of this Section 2.3, "material" shall include only such facts, circumstances, or occurrences which taken as a whole would adversely affect the ability of the Borrower to repay the sums advanced under this Agreement and the Note. No order, consent, approval, or authorization of any governmental or public entity or body, agency, commission, or board is necessary for the consummation of the transactions contemplated by this Agreement.

2.4 No Litigation. No action, suit, proceeding or investigation at law or in equity against the Borrower is pending, or to the Borrower's knowledge threatened, against the Borrower in any court or administrative body contesting the due organization or valid existence of the Borrower or the validity, due authorization or execution of the Note, the Loan Agreement, or affecting the tax-exempt status of the interest on the Note or the proceedings or the authority under which the Note is issued.

2.5 Project. The Project shall constitute a "project" within the meaning of Idaho Code § 33-3802.

3. AFFIRMATIVE COVENANTS. Throughout the course of this Agreement and until the Note is fully and finally paid, Borrower agrees to:

3.1 Compliance. Comply with all of the terms, conditions, and provisions set forth herein and all instruments or agreements executed hereto, with or in favor of Bank.

3.2 Maintenance of Insurance. Borrower shall maintain, or cause to be maintained, general public liability insurance and fire extended coverage insurance on the Project in such form and amounts as are consistent with industry practice and as approved by the Bank. The Borrower will furnish to the Bank such evidence of insurance as the Bank may require.

3.3 Books and Records. Maintain adequate books and records of account on a consistent basis in accordance with generally accepted accounting principles (GAAP), permit any representative of Bank at any reasonable time to inspect, audit and examine books and inspect the property of Borrower. At least annually, and more often if Bank deems it necessary, Bank examiners may examine and audit Borrower's books and records.

Before making the initial advance under this Agreement, Bank may verify, to the extent it deems necessary, through an examination and audit of Borrower's books and records by Bank's examiners, that Borrower is maintaining its respective books and records in accordance with GAAP and that Borrower's representations contained in this Agreement with respect to financial records and reports and Borrower's financial condition are true and correct as of the date of the examination.

3.4 Compliance with Laws. Borrower is in compliance with:

(a) All laws, statutes, codes, acts, ordinances, rules, regulations, directions and requirements, including all environmental laws and the Employee Retirement Income Security Act of 1974, of all Federal, state, county, municipal and other governments, departments, commissions, boards, courts, authorities, officials and officers, domestic and foreign, applicable to it and where the failure to observe or comply would have a material adverse effect on the condition, financial or otherwise, of Borrower; and

(b) All orders, judgments, decrees, injunctions, certificates, franchises, permits, licenses and authorizations of all Federal, state, county, municipal and other governments, departments, commissions, boards, courts, authorities, officials and officers, domestic and foreign, applicable to Borrower and where the failure to observe or comply would have a material adverse effect on the condition, financial or otherwise, of Borrower.

3.5 Reports. Borrower shall provide to Bank the following information at the following times:

(a) Within one hundred eighty (180) days after the end of the Borrower's fiscal year, Borrower shall provide to Bank an audited annual financial statement;

(b) Borrower shall furnish such supplemental information or documentation with respect to its financial condition and operations as Bank may from time to time reasonably request, and shall report any and all material changes in accounting or reporting methods.

3.6 Coverage of the Loan Balance. As of each fiscal year end of the Borrower (the "Testing Date"), the Borrower shall demonstrate that it has Unrestricted Net Assets identified in the Statement of Net Assets in the Borrower's audited financial statements in excess of the outstanding principal balance of the Loan. In the interim

periods following each Testing Date, the Borrower shall be free to maintain such Unrestricted Net Assets at its discretion.

3.7 Conduct of Business. Borrower shall conduct its business and affairs in a prudent manner in compliance with all applicable federal, state, county, and municipal laws, rules, and regulations.

3.8 Litigation. Borrower shall promptly inform Bank of any litigation against Borrower or any other events which may adversely affect Borrower's business operations or financial condition.

3.9 Notice of Default. Borrower will notify Bank immediately if it becomes aware of the occurrence of any event of default or of any fact, condition, or event that only with the giving of notice or passage of time, or both, could become an event of default, or of the failure of the Borrower to observe any of its undertakings hereunder.

3.10 Preservation of Historical Data. In all of its operations contemplated hereunder, the Borrower will comply with the applicable provisions of the National Historical Preservation Act of 1966. In the event any historical or archeological items are discovered in the course of those operations, Borrower will cease operations in the area of the discovery and promptly report the discovery to Bank and proper authorities.

3.11 Arbitrage: Special Tax Covenants. The Borrower covenants and agrees not to take or fail to take any action which would cause the Note to become a private activity bond under Section 141 of the Code, and not to take any action or omit to take any action if such action or omission (i) would cause the interest on the Note to lose its exclusion from gross income from federal income tax purposes under Section 103 of the Code, or (ii) would cause interest on the Note to lose the exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Code in calculating corporate alternative minimum taxable income.

The Borrower hereby further covenants that it will comply with the registration requirements of Section 149(a) of the Code so long as any portion of the Note is outstanding.

The Borrower will execute and file an IRS Form 8038-G and will execute a Federal Tax Exemption Certificate as approved by the Bank's counsel for the Note it issues within the times required by the Code.

The Borrower has designated the Note and Loan Agreement as "a qualified tax-exempt obligation" for the purposes of and within the meaning of Section 265(b)(3) of the Code. The Borrower will not take any action to make the Note and Loan Agreement ineligible for such designation.

4. NEGATIVE COVENANTS. Throughout the course of this Agreement and until the Loan is fully and finally paid, Borrower agrees that, without the written consent of Bank first had and received, such consent not to be unreasonably withheld, Borrower will not use the Loan proceeds for any purpose other than the financing of the Project for which the Borrower shall request advances hereunder.

5. DEFAULTS.

5.1 Events of Default. The occurrence of any one or more of the following events will constitute an event of default hereunder:

(a) Borrower's failure to pay when due any installment of principal or interest or fee payable hereunder or under the Note.

(b) Borrower's failure to observe or perform any other obligation to be observed or performed by it hereunder or under the Note; except that in the event of a breach of the covenants under Section 3.11 hereof, the Bank, at its option, may convert the Loan to the alternate interest rates set forth in Sections 1.5(b) or 1.5(c) hereof, as applicable.

(c) Any financial statement, representation, warranty, or certificate made or furnished by Borrower to Bank in connection with this Agreement, or as inducement to Bank to enter into this Agreement, or in any separate statement or document to be delivered hereunder to Bank, is materially false, incorrect, or incomplete when due.

(d) Borrower admits its inability to pay its debts as they mature or shall make an assignment for the benefit of any of its creditors.

(e) The filing of proceedings in bankruptcy or for reorganization of Borrower or for the readjustment of any of its respective debts under the Bankruptcy Code, as amended, or any part thereof, or under any other laws, whether state or federal, for the relief of debtors, now or hereafter existing.

(f) If a receiver or trustee be appointed for Borrower or for any substantial part of their respective assets, or if any proceedings be instituted for the dissolution or the full or partial liquidation of Borrower.

(g) Borrower's failure to pay a material (as defined in Section 2.3) judgment.

5.2 Termination of Advances. Immediately and without notice upon the occurrence of any event of default specified in Section 5.1 or at any time during the continuance of such default, Bank may, at its option, terminate all further advances under the Note and this Agreement.

5.3 Acceleration. Upon the occurrence of any event of default as specified in Paragraph 5.1 above or at any time during the continuance of such event,

Bank may give the Borrower notice of the default or defaults complained of. Any such notice of default must be in writing and must specify the default or defaults complained of. In the event Borrower fails to cure such default or defaults within fifteen (15) days of the date the written notice of default is given to Borrower, Bank may, at its option, without further notice to Borrower, declare all obligations incurred under this Agreement, including but not limited to the obligations under the Note, to be at once due and payable.

5.4 Remedies. After the acceleration, as provided for in Paragraph 5.3, Bank shall have, in addition to the rights and remedies given it by this Agreement and the Note, all those allowed by all applicable laws.

6. GENERAL CONSTRUCTION. The provisions of this Agreement, the Note or other evidence of such liability held by the Bank shall be construed as complementary to each other. Nothing herein contained shall prevent Bank from enforcing any document in accordance with its respective terms.

6.1 Further Assurance. From time to time, Borrower will execute and deliver to Bank such additional documents and will provide such additional information as Bank may reasonably require to carry out the terms of this Agreement and be informed of Borrower's status and affairs.

6.2 Enforcement and Waiver by Bank. Bank shall have the right at all times to enforce the provisions of this Agreement and the Note in strict accordance with the terms hereof and thereof, notwithstanding any conduct or custom on the part of Bank in refraining from so doing at any time or times. The failure of Bank at any time or times to enforce its rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner modified or waived. All rights and remedies of Bank are cumulative and concurrent and the exercise of one right or remedy shall not be deemed a waiver or release of any other right or remedy.

6.3 Indemnity. The Borrower will indemnify, defend, and hold harmless the Bank from and against all claims and causes of action (and any resulting liability, cost, or expense) that are asserted against the Bank and arise from or relate to the Borrower's ownership, construction, or operation of the Project or the Borrower's failure to comply with applicable laws and regulations.

6.4 Waiver of Jury Trial. The Borrower and the Bank hereby waive any and all right to trial by jury in any action or proceeding relating to the Note, the Loan Agreement, the obligations hereunder or thereunder, or any transaction arising therefrom or connected thereto. The Borrower and the Bank each represents to the other that this waiver is knowingly, willingly and voluntarily given.

6.5 Arbitration Agreement. The Borrower agrees to comply with the Arbitration Agreement provisions of the Note.

6.6 Expenses of Bank. Borrower will, on demand, reimburse Bank for all reasonable expenses, including the reasonable fees and expenses of legal counsel for Bank, incurred by Bank in connection with the enforcement of this Agreement and the Note, and the collection or attempted collection of the Note, whether any default is ultimately cured or whether Bank is obligated to pursue its remedies hereunder, including such fees and expenses incurred before legal action, during the pendency of any such legal action and continuing to all such fees and expenses in connection with any appeal to higher courts arising out of transactions associated herewith, except that if litigation is instituted and Borrower is the prevailing party in such litigation, Borrower, rather than Bank, shall be entitled to recover its reasonable attorney's fees and costs of suit. The obligations of this section shall survive the making of this Agreement and the Note, including any documents or amendments subsequently executed.

6.7 Notices. Any notices or consents required or permitted by this Agreement shall be in writing and shall be deemed delivered or given when delivered in person or when deposited in the U.S. Mail, certified mail, postage prepaid, return receipt requested, or sent by telegraph. Notices shall be addressed as follows, unless such address is changed by written notice hereunder:

If to Borrower:	Administration Building Room 211 Moscow, ID 83844
If to Bank:	221 South Main Street Moscow, ID 83843

6.8 Binding Effect, Assignment, and Entire Agreement. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and permitted assigns of the parties hereto. Borrower has no right to assign any of the rights or obligations hereunder without the prior written consent of Bank. This Agreement, and the documents executed and delivered pursuant hereto, constitute the entire agreement between the parties and may be amended only by a writing signed on behalf of each party.

6.9 Severability. If any provision of this Agreement shall be held invalid under any applicable laws, such invalidity shall not affect any other provision of this Agreement that can be given effect without the invalid provision and, to this end, the provisions hereof are severable.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, in one or more counterparts, effective as of the day and year first above written.

THE REGENTS OF THE UNIVERSITY OF IDAHO

Date: _____ By: _____

Lloyd Mues, Vice President for
Finance and Administration

WELLS FARGO BANK, NATIONAL ASSOCIATION

Date: _____

By: _____
John P. McCabe, Vice President

EXHIBIT A
(Form of Note)

(Attached)

EXHIBIT B
(Draw Procedure and Form of Disbursement Request)

Borrower shall complete the attached Disbursement Request and submit the same to the Bank at least two (2) days prior to the date that funds are needed. The Bank will review the Disbursement Request and disburse to the Borrower the amount requested within the two (2) day period.

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200107337632700650

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$10,000,000.00	10-28-2008	12-31-2010	9147986160		689510	Q4533	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "***" has been omitted due to text length limitations.

Borrower: THE REGENTS OF THE UNIVERSITY OF IDAHO
ADMINISTRATION BLDG ROOM 213
MOSCOW, ID 83844

Lender: Wells Fargo Bank, National Association
Moscow Business Banking Center
221 South Main Street
MAC #U1906-011
Moscow, ID 83843

Principal Amount: $10,000,000.00 **Initial Rate: 3.850%** **Date of Note: October 28, 2008**

PROMISE TO PAY. **THE REGENTS OF THE UNIVERSITY OF IDAHO ("Borrower") promises to pay to Wells Fargo Bank, National Association ("Lender"), or order, in lawful money of the United States of America, the principal amount of Ten Million & 00/100 Dollars ($10,000,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.**

PAYMENT. **Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on December 31, 2010. In addition, Borrower will pay regular quarterly payments of all accrued unpaid interest due as of each payment date, beginning March 31, 2009, with all subsequent interest payments to be due on the last day of each quarter after that. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; and then to any late charges. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.**

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an index which is the floating rate equal to the Prime Rate set from time to time by Lender that serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans and is set by Lender in its sole discretion. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each time the Index changes. Each change in the Prime Rate of interest hereunder shall become effective on the date each Prime Rate change is announced within Lender. The "initial rate" is the rate per annum which Borrower and Lender agree shall be the initial rate of this Note, and the "Index currently" is the Index amount upon which said initial rate is based; they do not necessarily reflect the Index in effect on the date of this Note. Borrower understands that Lender may make loans based on other rates as well. **The Index currently is 4.500% per annum.** The interest rate to be applied to the unpaid principal balance during this Note will be at a rate of 0.650 percentage points under the Index, resulting in an initial rate of 3.850% per annum. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Wells Fargo Bank, National Association, BBG-Boise Loan Operations Center, MAC #U1851-014, Attn: Accounting, PO Box 8203 Boise, ID 83707-2203.

LATE CHARGE. If a payment is 15 days or more late, Borrower will be charged **$50.00.**

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by adding a 4.000 percentage point margin ("Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no default. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help,

repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including without limitation all reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Idaho without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Idaho.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

LINE OF CREDIT. This Note evidences a straight line of credit. Once the total amount of principal has been advanced, Borrower is not entitled to further loan advances. Advances under this Note may be requested either orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

PAYMENT DUE DATE DEFERRAL. Payment invoices will be sent on a date (the "billing date") which is prior to each payment due date. If this Note is booked on or after the billing date for the first scheduled payment, Lender may defer each scheduled payment date and the maturity date by one month.

FINANCIAL STATEMENTS. Borrower agrees to provide to Lender, upon request, financial statements prepared in a manner and form acceptable to Lender, and copies of such tax returns and other financial information and statements as may be requested by Lender. Borrower shall also furnish such information regarding Borrower or the Collateral as may be requested by Lender. Borrower warrants that all financial statements and information provided to Lender are and will be accurate, correct and complete.

AUTOMATIC DEBIT OF PAYMENTS. Borrower agrees to maintain Borrower's deposit with Lender, account number 280009135, from which Lender is authorized to debit loan payments, fees and such other sums as may be payable under the Note or related loan documents as they become due with respect to this loan and any renewals and extensions of this loan, and shall keep such deposit account in good standing at all times. This authorization shall remain in full force and effect until discontinued by Lender, or until written revocation from Borrower has been received and processed by Lender at the address of Lender set out in the "PREPAYMENT" or "PREPAYMENT PENALTY" paragraph of the Promissory Note. If this authorization is revoked, or if the account is not maintained in good standing, or if Lender is not able to collect such amounts from the account as they become due for any reason, then Lender may increase the pre-maturity interest rate applicable to this Credit immediately and without notice by one quarter percent (1/4%).

EXTENSION AND RENEWAL. Lender may, at Lender's discretion, renew or extend this Note by written notice to Borrower. Such renewal or extension will be effective as of the maturity date of this Note, and may be conditioned among other things on modification of Borrower's obligations hereunder, including but not limited to a decrease in the amount available under this Note, an increase in the interest rate applicable to this Note and/or payment of a fee for such renewal or extension. Borrower will be deemed to have accepted the terms of such extensions and renewals if Borrower does not deliver to Lender written rejection of such renewal or extension within 10 days following the date of the written notice of such changes, or if Borrower draws additional funds following receipt of such notice. After any renewal or extension of Borrower's obligations under this Note, the term "maturity date" as used in this Note will mean the new maturity date set forth in the written notice of extension or renewal of this Note. The Note may be modified, extended and renewed repeatedly in this manner.

LINE ADVANCES. Notwithstanding anything to the contrary, requests for advances communicated to any office of Lender by any person believed by Lender in good faith to be authorized to make the request, whether written, verbal, telephonic or electronic, may be acted upon by Lender, and Borrower will be liable for sums advanced by Lender pursuant to such request. Such requests for advances shall be deemed authorized by Borrower, and Lender shall not be liable for such advances made in good faith, and with respect to advances deposited to the credit of any deposit account of Borrower, such advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. Borrower agrees to indemnify and hold Lender harmless from and against all damages, liabilities, costs and expenses (including attorney's fees) arising out of any claim by Borrower or any third party against Lender in connection with Lender's performance of transfers as described above.

CREDIT BUREAU INQUIRIES. The parties hereto, and each individual signing below in a representative capacity, agree that Lender may obtain

business and/or personal credit reports and tax returns on each of them in their individual capacities.

APPLICATION OF PAYMENTS. Notwithstanding the application of payment provided in the Payment section of this Note, unless otherwise agreed, all sums received from Borrower may be applied to interest, fees, principal, or any other amounts due to Lender in any order at Lender's sole discretion. If a final payment amount is set out in the Payment section of this Note, Borrower understands that it is an estimate, and that the actual final payment amount will depend upon when payments are received and other factors

ADDITIONAL EVENTS OF DEFAULT. In addition to the Events of Default described above, the following shall be an Event of Default, if applicable: (i) any change in ownership of an aggregate of twenty-five percent (25%) or more of the common stock, members' equity or other ownership interest in Borrower, (ii) the withdrawal, resignation or expulsion of any one or more of the general partners in Borrower with an aggregate ownership interest in Borrower of twenty-five percent (25%) or more, or (iii) any of the preceding events occurs with respect to any general partner of Borrower or guarantor of any indebtedness of Borrower under this Note

TAX-EXEMPT INDEBTEDNESS. Borrower represents and warrants: (a) that the loan evidenced by this Note is a qualified tax-exempt obligation under the Internal Revenue Code ('Code"), including if applicable, after aggregating the amount of this Note with all other tax-exempt indebtedness of Borrower; and (b) all proceeds of the loan evidenced by this Note will be used only for essential governmental functions of the Borrower. Borrower agrees to refrain from taking any action causing the loan evidenced by this Note to be disqualified as a tax-exempt obligation under the Code, and to use the all proceeds of the loan for purposes which maintain the tax-exempt status of the loan Borrower hereby agrees to indemnify Lender for any and all charges (whether as tax, interest or penalty) which may be assessed against Lender by reason of the interest paid or due under this Note being determined to be taxable. If the interest received or to be received under this Note is determined to be taxable, Lender may increase the interest rate applicable to the Note by an amount equal to the resulting tax liability imposed upon Lender. As an additional condition of closing the loan described in this Note, Borrower shall deliver to Lender an opinion of Borrower's legal counsel, in form and substance acceptable to Lender, that the loan is qualified tax exempt indebtedness under the Code. If the interest received or to be received under this Note is determined to be taxable, Lender may increase the interest rate applicable to the Note by an amount equal to the resulting tax liability imposed upon Lender

DEFAULT RATE. At Lender's option and without prior notice, upon default or at any time during the pendency of any event of default under the Note or any related loan documents, Lender may impose a default rate of interest (the 'Default Rate") equal to the pre-default interest rate plus four percent per annum, not to exceed the maximum lawful rate. If the pre-default rate is a floating or adjustable rate based upon an Index, it will continue to float or adjust on the same periodic schedule, and the Default Rate will be a variable rate per annum equal to the applicable Index plus the pre-default margin plus four percent, not to exceed the maximum lawful rate. The Default Rate shall remain in effect until the default has been cured and that fact has been communicated to and confirmed by Lender. Lender shall give written notice to Borrower of Lender's imposition of the Default Rate, except that if the Note is not paid at maturity, Lender may impose the Default Rate from the maturity date to the date paid in full without notice Lender's imposition of the Default Rate shall not constitute an election of remedies or otherwise limit Lender's rights concerning other remedies available to Lender as a result of the occurrence of an event of default. In the event of a conflict between the provisions of this paragraph and any other provision of the Note or any related agreement, the provisions of this paragraph shall control. If a default rate is prohibited by applicable law, then the pre-default rate (including periodic rate adjustments for floating or adjustable rates) shall continue to apply after default or maturity

FURTHER ASSURANCES. The parties hereto agree to do all things deemed necessary by Lender in order to fully document the loan evidenced by this Note and any related agreements, and will fully cooperate concerning the execution and delivery of security agreements, stock powers, instructions and/or other documents pertaining to any collateral intended to secure the Indebtedness. The undersigned agree to assist in the cure of any defects in the execution, delivery or substance of the Note and related agreements, and in the creation and perfection of any liens, security interests or other collateral rights securing the Note.

CONSENT TO SELL LOAN. The parties hereto agree: (a) Lender may sell or transfer all or part of this loan to one or more purchasers, whether related or unrelated to Lender; (b) Lender may provide to any purchaser, or potential purchaser, any information or knowledge Lender may have about the parties or about any other matter relating to this loan obligation, and the parties waive any rights to privacy it may have with respect to such matters; (c) the purchaser of a loan will be considered its absolute owner and will have all the rights granted under the loan documents or agreements governing the sale of the loan; and (d) the purchaser of a loan may enforce its interests irrespective of any claims or defenses that the parties may have against Lender

FACSIMILE AND COUNTERPART. This document may be signed in any number of separate copies, each of which shall be effective as an original, but all of which taken together shall constitute a single document An electronic transmission or other facsimile of this document or any related document shall be deemed an original and shall be admissible as evidence of the document and the signer's execution.

SECURITY INTEREST AND RIGHT OF SETOFF. In addition to all liens upon and rights of setoff arising by law, Borrower pledges and grants to Lender as security for Borrower's indebtedness and obligations under the Note (excluding any consumer obligations subject to the Federal Truth In Lending Act) a security interest and lien upon all monies, securities, securities accounts, brokerage accounts, deposit accounts and other property of Borrower now or hereafter in the possession of or on deposit with Lender or any Wells Fargo Affiliate, whether held in a general or special account or for safekeeping or otherwise, excluding however all IRA and Keogh accounts. No security interest, lien or right of setoff will be deemed to have been waived by any act or conduct on the part of Lender, or by any neglect to exercise such right, or by any delay in so doing, and every right of setoff, lien and security interest will continue in full force and effect until specifically waived or released by Lender in writing.

LOAN FEE AUTHORIZATION. Borrower shall pay to Lender any and all fees as specified in the "Disbursement Request and Authorization" executed by Borrower in connection with this Note. Such fees are non-refundable and shall be due and payable in full immediately upon Borrower's execution of this Note

TRADE FINANCE SUBFEATURE. Borrower shall have available a Letter of Credit Subfeature and a Foreign Exchange Subfeature as described in this section, in a total amount not to exceed the available principal amount of the line of credit evidenced by this Note.

A. Letters of Credit Subfeature. As a subfeature of this Note. Lender may from time to time issue or cause to be issued by a Wells Fargo Affiliate (such Lender or Wells Fargo Affiliate being referred to herein as the "Issuer') for your account, commercial and/or standby letters of credit (each individually, a "Letter of Credit" and collectively "Letters of Credit"); provided however, that the form and substance of each Letter of Credit shall be subject to approval by the Issuer in its sole discretion. Each Letter of Credit shall be issued for a term designated by Borrower; provided however, that no Letter of Credit shall have an expiration subsequent to the maturity of the Note unless otherwise agreed to by Issuer and Lender Each Letter of Credit shall be subject to the terms and conditions of a Letter of Credit Agreement and related documents, if any, required by Issuer in connection with the issuance of such Letter of Credit (each individually a "Letter of Credit Agreement" and collectively, the "Letter of Credit Agreements"). Each draft paid by Issuer under a Letter of Credit and reimbursed by Lender shall be paid with an advance under the Note and shall be repaid by Borrower in accordance with the terms and conditions of the Note applicable to such advances; provided however, that if advances under the Note are not available, for any reason whatsoever, at the time any amount is paid by Lender, then the full amount of such advance shall be immediately due and payable, together with interest thereon, from the date such amount is paid by Issuer or Lender to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Note. In such event,

Borrower agrees that Issuer or Lender, at Issuer's or Lender's sole discretion, may debit Borrower's deposit account(s) with Lender or a Wells Fargo Affiliate for the amount of any such draft. Upon the issuance of an amendment to a Letter of Credit, upon the reimbursement by Lender of a draft under any Letter of Credit, and otherwise as agreed by Borrower and Issuer pursuant to the Letter of Credit Agreements, Borrower shall pay to Issuer or Lender fees determined in accordance with Issuer's/Lender's standard fees and charges at such time

B. **Foreign Exchange Subfeature**. As a subfeature of this Note, Lender or a Wells Fargo Affiliate (such Lender or Wells Fargo Affiliate being referred to herein as the "Exchanger") may make available to Borrower a foreign exchange facility under which Exchanger, from time to time up to and including the maturity date of the Note, will enter into foreign exchange contracts for the account of Borrower for the purchase and/or sale by Borrower in United States Dollars of the foreign currency or currencies specified in the foreign exchange agreement establishing the foreign exchange facility. Each foreign exchange transaction shall be subject to the terms and conditions of the foreign exchange agreement, the form and substance of which must be acceptable to the Exchanger in all respects in its sole discretion.

C. **Subfeature Limits**. The outstanding amount of all Letters of Credit and foreign exchange contracts, plus the reserve percentage applicable to foreign exchange contracts, shall be reserved under the Note and shall not be available for Note advances. The amount of all outstanding foreign exchange contracts plus a reserve percentage of 20% of said amount, plus the aggregate principal amount of all outstanding Letters of Credit, plus the principal amounts of any advances outstanding under the Note, shall not at any time exceed the principal amount of the Note, unless allowed by Lender at Lender's full discretion. Any excess amount shall be fully due and payable immediately without notice. As used herein, Wells Fargo Affiliate means any present or future subsidiary of Wells Fargo & Company, any subsidiary thereof, and any successors of such financial service companies.

ARBITRATION AGREEMENT. Arbitration - Binding Arbitration. Lender and each party to this agreement hereby agree, upon demand by any party, to submit any Dispute to binding arbitration in accordance with the terms of this Arbitration Program. A "Dispute" shall include any dispute, claim or controversy of any kind, whether in contract or in tort, legal or equitable, now existing or hereafter arising, relating in any way to any aspect of this agreement, or any related agreement incorporating this Arbitration Program (the "Documents"), or any renewal, extension, modification or refinancing of any indebtedness or obligation relating thereto including without limitation, their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination. DISPUTES SUBMITTED TO ARBITRATION ARE NOT RESOLVED IN COURT BY A JUDGE OR JURY.

A. **Governing Rules**. Any arbitration proceeding will (i) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (ii) be conducted by the American Arbitration Association ("AAA"), or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Arbitration proceedings hereunder shall be conducted at a location mutually agreeable to the parties, or if they cannot agree, then at a location selected by the AAA in the state of the applicable substantive law primarily governing the Note. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any Dispute. Arbitration may be demanded at any time, and may be compelled by summary proceedings in Court. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief. The arbitrator shall award all costs and expenses of the arbitration proceeding. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. Section 91 or any similar applicable state law.

B. **No Waiver of Provisional Remedies, Self-Help and Foreclosure**. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any Dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

C. **Arbitrator Qualifications and Powers**. Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any Dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. Every arbitrator must be a neutral practicing attorney or a retired member of the state or federal judiciary, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the Dispute. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all Disputes in accordance with the applicable substantive law and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the applicable state rules of civil procedure, or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

D. **Discovery**. In any arbitration proceeding discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the Dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

E. **Class Proceedings and Consolidations**. No party shall be entitled to join or consolidate disputes by or against others who are not parties to this agreement or related Documents in any arbitration, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

F. **Miscellaneous**. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the Dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a Dispute, the arbitration provision most directly related to the Documents between the parties or the subject matter of the Dispute shall control. This arbitration provision shall survive the repayment of the Note and the termination, amendment or expiration of any of the documents or any

relationship between the parties

G. State-Specific Provisions.

If California law governs the Dispute, the following provisions are included:
Real Property Collateral; Judicial Reference. Notwithstanding anything herein to the contrary, no Dispute shall be submitted to arbitration if the Dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of California, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable. If any such Dispute is not submitted to arbitration, the Dispute shall be referred to a referee in accordance with California Code of Civil Procedure Section 638 et seq., and this general reference agreement is intended to be specifically enforceable in accordance with said Section 638. A referee with the qualifications required herein for arbitrators shall be selected pursuant to the AAA's selection procedures. Judgment upon the decision rendered by a referee shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645

Small Claims Court. Any party may require that a Dispute be resolved in Small Claims Court if the Dispute and related claims are fully within that court's jurisdiction.

If Idaho law governs the Dispute, the following provision is included:
Real Property Collateral. Notwithstanding anything herein to the contrary, no Dispute shall be submitted to arbitration if the Dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of Idaho, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable.

If Montana law governs the Dispute, the following provision is included:
Real Property Collateral. Notwithstanding anything herein to the contrary, no Dispute shall be submitted to arbitration if the Dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of Montana, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable

If Nevada law governs the Dispute, the following provision is included:
Real Property Collateral. Notwithstanding anything herein to the contrary, no Dispute shall be submitted to arbitration if the Dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of Nevada, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable.

If South Dakota law governs the Dispute, the following provision is included:
Real Property Collateral. Notwithstanding anything herein to the contrary, no Dispute shall be submitted to arbitration if the Dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of South Dakota, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable.

If Utah law governs the Dispute, the following provision is included:
Real Property Collateral; Judicial Reference. Notwithstanding anything herein to the contrary, no Dispute shall be submitted to arbitration if the Dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of Utah, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable. If any such Dispute is not submitted to arbitration, the Dispute shall be referred to a master in accordance with Utah Rule of Civil Procedure 53, and this general reference agreement is intended to be specifically enforceable. A master with the qualifications required herein for arbitrators shall be selected pursuant to the AAA's selection procedures. Judgment upon the decision rendered by a master shall be entered in the court in which such proceeding was commenced in accordance with Utah Rule of Civil Procedure 53(e)

ELECTRONIC TRANSMISSION OF DOCUMENTS. Lender may, in its sole discretion, rely upon any document, report, agreement or other communication ("Document") you send by email, facsimile or other electronic means, treating the Document as genuine and authorized to the same extent as if it was an original document executed by you or your authorized representative. Lender may from time to time in its sole discretion reject any such electronic Document and require a signed original, or require you to provide acceptable authentication of any such Document before accepting or relying on same. You understand and acknowledge that there is a risk that Documents sent by electronic means may be viewed or received by unauthorized persons, and you agree that by sending Documents by electronic means, you shall be deemed to have accepted this risk and the consequences of any such unauthorized disclosure.

ADDITIONAL PROVISION. The obligations evidenced by this Note shall not constitute a debt, legal, moral or otherwise of the State of Idaho.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

THE REGENTS OF THE UNIVERSITY OF IDAHO

By:_____
Lloyd E. Mues, Vice President for Finance and Administration

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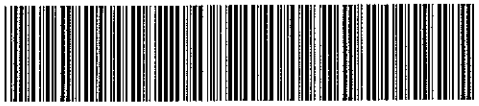

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DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$10,000,000.00	10-28-2008	12-31-2010	9147986160		689510	04533	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "***" has been omitted due to text length limitations.

Borrower: THE REGENTS OF THE UNIVERSITY OF IDAHO
ADMINISTRATION BLDG ROOM 213
MOSCOW, ID 83844

Lender: Wells Fargo Bank, National Association
Moscow Business Banking Center
221 South Main Street
MAC #U1906-011
Moscow, ID 83843

LOAN TYPE. This is a Variable Rate Nondisclosable Draw Down Line of Credit Loan to a Government Entity for $10,000,000.00 due on December 31, 2010. The reference rate (floating rate equal to the Prime Rate set from time to time by Lender that serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, currently 4.500%) is added to the margin of -0.650%, resulting in an initial rate of 3.850.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

☐ **Personal, Family, or Household Purposes or Personal Investment.**

☒ **Business (Including Real Estate Investment).**

SPECIFIC PURPOSE. The specific purpose of this loan is: Renovation (includes all non consumer Multi-Family, 1-4 Family dwelling, or Non-dwelling)

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of $10,000,000.00 as follows:

Undisbursed Funds:	$9,995,000.00
Total Financed Prepaid Finance Charges: $5,000.00 Commitment Fee	$5,000.00
Note Principal:	$10,000,000.00

FACSIMILE AND COUNTERPART. This document may be signed in any number of separate copies, each of which shall be effective as an original, but all of which taken together shall constitute a single document. An electronic transmission or other facsimile of this document or any related document shall be deemed an original and shall be admissible as evidence of the document and the signer's execution.

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED OCTOBER 28, 2008.

BORROWER:

THE REGENTS OF THE UNIVERSITY OF IDAHO

By: _____
Lloyd E. Mues, Vice President for Finance and Administration

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AUTHORIZING RESOLUTION OF THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO

A RESOLUTION OF THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO, AUTHORIZING THE EXECUTION AND DELIVERY OF LOAN AGREEMENT AND A PROMISSORY NOTE WITH WELLS FARGO BANK, NATIONAL ASSOCIATION AND RELATED DOCUMENTS WITH RESPECT TO THE FINANCING OF CERTAIN IMPROVEMENTS TO THE KIBBIE DOME AT THE UNIVERSITY IN MOSCOW, IDAHO; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION.

WHEREAS, THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO (the "University"), a body politic and corporate and institution of higher education duly organized, existing and authorized by the Constitution and laws of the State of Idaho, to borrow money and issue notes or bonds to finance the construction and acquisition of improvements to the Kibbie Dome in Moscow, Idaho (the "Project"); and

WHEREAS, the University desires to finance the Project through a Loan Agreement (the "Agreement") and Promissory Note (the "Note") in the amount of $10,000,000 and at a variable rate of interest described in the Agreement and Note with Wells Fargo Bank, National Association (the "Bank", evidencing a loan (the "Loan") for the Project;

WHEREAS, in order to finance the Project, the University proposes to enter into the Loan Agreement, Note and related documents with the Bank (the "Financing Documents"), the form of which have been presented to the Board of Regents at this meeting,; and

WHEREAS, the Board of Regents of the University deems it for the benefit of the University and for the efficient and effective administration thereof to enter into the Financing Documents on the terms and conditions therein provided;

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO as follows:

Section 1. Approval of Documents.

The form, terms and provisions of the Financing Documents are hereby approved in substantially the forms presented at this meeting; and the Bursar of the University is hereby authorized and directed to execute the Financing Documents and to deliver the Financing Documents to the respective parties thereto.

Section 2. Other Actions Authorized.

The officers and employees of the University shall take all action necessary or reasonably required by the parties to the Agreement and all related documents to carry out, give effect to and consummate the transactions contemplated thereby and to take all action necessary in conformity therewith, including, without limitation, the execution and delivery of any closing and other documents required to be delivered in connection with the Agreement.

Section 3. Severability.

If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 4. Repealer.

All bylaws, orders and resolutions or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order, resolution or ordinance or part thereof.

Section 5. Effective Date.

This Resolution shall be effective immediately upon its approval and adoption.

ADOPTED AND APPROVED by the BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO this ___th day of December, 2008.

THE REGENTS OF THE UNIVERSITY OF IDAHO

By: _____
Printed Name: _____
_____
Title: President, State Board of Education and Board of Regents of the University of Idaho

By:
_____
Name:
_____
Title: Bursar

ATTEST:

By: _____
Printed Name: _____
Title: Secretary of The Board

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WELLS FARGO

COPY

Business Banking Center
MAC U1906-011
221 South Main
Moscow, ID 83843
208 883-5625
208 882-9377 Fax

Wells Fargo Bank, N.A.

October 24, 2008

Lloyd Mues
Vice President
Division of Finance and Administration
University of Idaho
PO Box 443162
Moscow, ID 83844-3162

RE: COMMITMENT LETTER – $10,000,000 NON-REVOLVING LINE OF CREDIT (Bank Qualified Tax-exempt)

Dear Mr. Mues:

Wells Fargo Bank, National Association (**"WELLS FARGO"**) is pleased to inform you that, based on our discussions, we are willing to issue this Commitment Letter subject to the following terms and conditions:

1) **BORROWER:** The Regents of the University of Idaho.

2) **PURPOSE:** Kibbie Life Safety Phase 1 Project for improvements to Kibbie Dome (**"Project"**).

3) **COMMITMENT:** A $10,000,000, non-revolving line of credit (**"Facility"**).

4) **TERM/MATURITY:** Commitment term and loan maturity - 24 months from issue date.

5) **INTEREST RATE:** Floating Rate – at Wells Fargo Prime less sixty five basis points. Based on the current Prime Rate of 4.50%, the initial interest rate would be 3.85% as of 10-24-08. This pricing is conditioned upon the Borrower being eligible to designate the Facility as a qualified tax exempt obligation under Section 265(b)(3) of the Internal Revenue Code (the "Code"). If the Borrower is not able to make this designation, the Borrower shall have the option of reducing the Facility amount or pricing the Facility at the Wells Fargo "non bank qualified" rate which is Wells Fargo Prime less eight basis points, or 4.42% as of 10-24-08.

6) **PAYMENTS:** Interest accrues on a 360-day basis and shall be payable quarterly in arrears. Principal shall be payable at maturity. Prepayment is permitted in whole or in part at any time without penalty.

7) **COLLATERAL:** The Facility shall be unsecured.

8) **FEE STRUCTURE:** Commitment origination fee of 5 basis points ($5,000.00). Payment of Bank counsel fee not to exceed $7500.

9) **CONDITIONS PRECEDENT TO CLOSING:**

a. Due diligence satisfactory to Wells Fargo.

b. Receipt of legal opinions from the Borrower's counsel, in form and substance satisfactory to Wells Fargo, but including at a minimum (i) that the Facility has been duly authorized and is valid and enforceable under Idaho law, and (ii) that

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interest on the Facility will be excluded from income for federal tax and Idaho state income tax purposes

c. Borrower shall be qualified as a governmental entity or "political subdivision" within the meaning of Section 103(a) of the Internal Revenue Code of 1986 as amended. Borrower agrees to cooperate with Wells Fargo in providing evidence as deemed necessary or desirable by Wells Fargo to substantiate the tax-exempt status.

d. Approval from the Board of Regents and a certified copy of the same.

e. Receipt of Borrower's Audited financial statement for the year ending June 30, 2008, with no material negative changes in the financial condition.

f. Automatic payment from Wells Fargo checking account.

g. Receipt of Project budget satisfactory to Wells Fargo.

10) LOAN DOCUMENTS: The Facility will be subject to the negotiation, execution and delivery of a Credit Agreement and other loan documents, which will contain conditions to borrowings, representations and warranties, covenants, events of default, indemnification, waiver of sovereign immunity, waiver of jury trial, arbitration, absence of material adverse change, and other provisions that are customary for similar financings by Wells Fargo, including without limitation those indicated below. This letter does not include all of the conditions business and financial covenants, representations, warranties, defaults, definitions and other terms to be contained in the loan documents, some of which must still be developed and agreed upon. We reserve the right to propose additional terms.

11) CONDITIONS TO EACH BORROWING:

The obligation of Wells Fargo to make each advance under the Line of Credit will be subject to all representations and warranties remaining true and correct in all material respects, and no Event of Default (as defined below) or other event which would, with the passage of time or the giving of notice, or both, constitute an Event of Default existing or resulting from the loan.

12) REPRESENTATIONS AND WARRANTIES: As customary, including but not limited to the following, as applicable to Borrower: proper status and authority; loan documents valid, binding and enforceable against Borrower; loan documents not violating laws or existing agreements or requiring governmental, regulatory or other approvals; payment of taxes; no litigation that may have a material adverse effect; compliance with ERISA, environmental and other laws and regulations; no adverse agreements, existing defaults or non-permitted liens; financial statements true and correct.

13) PRINCIPAL COVENANTS:

The principal covenants expected to be included in the Credit Agreement are indicated below.

- Provide annual audited financial statements with unqualified opinion within 180 days of fiscal year end.
- Provide any other reasonable financial information, as requested by Wells Fargo.

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- Comply with Code and IRS Regulations for tax exempt loans
- Maintain Unrestricted Net Assets identified in the Statement of Net Assets in the Borrower's annual audited financial statements sufficient to cover the Facility balance.

14) EVENTS OF DEFAULT:

As customary for similar financings, including but not limited to the following: bankruptcy, insolvency, failure to make payments when due under the loan documents, debt moratorium declared, unenforceability, repudiation, illegality, failure to pay materia judgment, breach of any representation or warranty, breach of any covenant, adverse ERISA event.

15) PROPOSAL EXPIRATION: This proposal shall expire on October 31, 2008.

16) CLOSING DATE: Not later than December 31, 2008. If the Facility is not closed by such date, or if the Board of Regents does not approve the Facility, this Commitment will be null and void.

17) GOVERNING LAW: State of Idaho

This letter constitutes the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior and current understandings and agreements, whether written or oral. Any changes to this letter must be agreed in writing by the parties hereto. This letter may be executed in any number of counterparts (and delivery of an executed counterpart by facsimile will be effective as delivery of a manually executed counterpart), which together will constitute one agreement, and will be governed by and construed in accordance with the internal laws of the State of Idaho.

If you are in agreement with the foregoing, please sign and return to us a copy of this letter by no later than 5:00 p.m Pacific time, on October 31, 2008. Our commitment and other agreements herein will expire at that time if by then we have not received such signed letter.

We sincerely appreciate the opportunity to provide you with these terms for your consideration. This letter is a commitment by Wells Fargo to lend money under the above terms. Please feel free to call me at 883-5630 should you have any questions or concerns relative to anything stated in this letter.

Sincerely,

John P. McCabe
Vice President

Agreed and accepted as of _____, 2008:

UNIVERSITY OF IDAHO

By: _____
Name: _____
Title: _____

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UNIVERSITY OF IDAHO / IDAHO FALLS

SUBJECT

Approval of a lease to Digitalbridge Spectrum Corp. (DBSC) - Educational Broadcast Service (EBS) bandwidth

REFERENCE

December 1995	Board of Regents approved original lease to Teton Wireless Television of Instructional Television Fixed Service bandwidth.

.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.I.6.

BACKGROUND/DISCUSSION

In 1994, Teton Wireless Television began working with the University of Idaho, Idaho State University, Ricks College (now BYU/Idaho), and Hope Lutheran to obtain licenses from the FCC for Instructional Television Fixed Service (ITFS) stations capable of providing wireless television signals in Idaho Falls. ITFS licenses were issued by the FCC to institutions of learning to provide educational programming in the broadcast area, in this case Idaho Falls. ITFS licensees are permitted to lease excess capacity on ITFS stations so long as minimum educational uses are provided as well.

The Board of Regents for the University of Idaho approved the original lease with Teton Wireless Television in December, 1995. Teton Wireless paid a fee for the use of the excess bandwidth beyond what was used to broadcast the educational programming. Teton Wireless began broadcasting under this agreement in 1996 under a temporary license granted by the FCC. The FCC granted a full ITFS license to the University of Idaho in August of 1998. In November of 2006, Digital Bridge Communications Corp. (DBC), an affiliate of DBSC, acquired Teton Wireless and assumed the ITFS lease with the University.

The FCC in 2005 generally re-evaluated the use of the ITFS bandwidth for television broadcasting of educational materials and changed the nature of the authorized communications service and the applicable technical rules to permit licensees to operate cellularized, two-way wireless broadband systems. The FCC changed the name of the service to the Educational Broadband Service (EBS), to recognize and incorporate the use of the Internet for educational purposes. The revamping of EBS spectrum makes it possible for EBS users to provide their instructional services utilizing low-power broadband systems thereby providing the University and its students with high-speed internet access. The FCC still allows leases of excess capacity to other entities so long as educational use requirements are met.

The University's original ITFS FCC license expired in August, 2008. The University renewed the ITFS license, now under the EBS format in August, 2008, through August of 2018. Simultaneously, the University assessed the market for the license, as the original lease to Teton Wireless, which had since been acquired by DBC, was set to terminate with the expiration of the original FCC license. After determining that the market warranted a sole source process, the University extended the existing lease with DBC through the end of 2008, pending negotiation of a new lease. Herein, the University is seeking approval of the new lease, which will be with Digitalbridge Spectrum Corporation (DBSC), a wholly owned subsidiary of Digital Bridge Communications Corp. (DBC).

The new lease represents a migration from use of ITFS capacity for television transmissions to use by an Internet Service Provider. This lease will allow us to utilize the bandwidth for delivering class materials from the Idaho Falls campus to our students in the area and around the country. Current Internet connectivity for the University of Idaho at Idaho Falls returns back through the main campus in Moscow through two T1 lines. This lease will allow the Idaho Falls center to have a local connection for our students to access class content including streaming video, faculty web pages, and a course management system to help instructors to distribute classroom materials to their students. We will also be able to setup a couple of student project servers to allow students to share information about their projects. The financial rewards of this agreement, described below, will help us to gain much needed bandwidth through the Idaho Regional Optical Network (IRON) project.

IMPACT

The financial terms are set out in Sections 4.1, Annual Royalties, and Section, 4.2 Inducement Royalty Payment. The terms include an initial inducement payment of $30,000 upon the FCC's approval of the Long Term Lease Agreement, and an annual royalty of $22,144, which is prorated for 2008, and in future years scaled to increase based on the Consumer Price Index. Combined, the total potential revenue for this license over its initial term of 15 years, plus the renewal term of 15 years, for a total potential 30 year term, is in excess of $600,000.

The revenue generated from this lease primarily will be used for information technology improvements at the University of Idaho at Idaho Falls. Such improvements include improving bandwidth and local connectivity to the IRON project, which is necessary for the University of Idaho at Idaho Falls to be an integral part of the research going on in the Idaho Falls area.

ATTACHMENTS

Attachment 1 – Proposed Lease Page 5

STAFF COMMENTS AND RECOMMENDATIONS

According to the University, the thirty (30) year lease is necessary because companies seeking to deploy networks in the EBS band require the longest possible lease terms in order to make the investment in building the network, subsidizing development of a subscriber base, operating the system, and eventually obtaining a return on investment. In the communication industry, whatever is the longest lease term allowed by the FCC becomes the de facto standard for term lengths. The FCC began to allow 30 year terms in 2006, and virtually all leases being entered into now are 30 years.

The market price is based on two factors – the population and household counts within the service area of the station, and the amount of competition for the lease. In the case of the University of Idaho lease, the area served is relatively small in terms of population/household counts, and there is no significant competition among prospective wireless system operators driving up the price. The University believes this lease is within the expected range of fair market value for a market of this size.

According to the University, various amounts of spectrum are available in different bands in various places across the US. A commercial operator has to lease EBS spectrum, numerous individually negotiated leases are necessary to aggregate spectrum to run a system, the FCC requires a certain level of educational capacity reservation and use, and the leases run for set terms and then are at risk of not being renewed, etc. EBS spectrum tends to go for considerably less than other spectrum bands on a per MHz/pop basis. DBC has acquired a spectrum position in this geographic area on EBS/BRS spectrum (BRS being the commercially licensed channels in this band), and it seeks to continue and augment that spectrum position in this band.

This lease arrangement is advantageous to the University. The University doesn't have the resources to deploy a wireless broadband system on its own spectrum, and the coverage area of the University's channels, by themselves, wouldn't fulfill the University's educational objectives. One element of value of this lease is in obtaining access to DBC's network that covers a wider area than the University could cover.

According to the University, the University has facilities previously put into place by a predecessor of DBC that are capable of transmitting a single video signal to receiver sites. These facilities, however, do not enable DBC or the University to provide wireless broadband service consistent with the FCC's new rules for the EBS band or with the underlying intent of this license to move to wireless broadband service. The facilities that need to be built out now are cellularized interconnected base stations and network control facilities that will provide wide area coverage for high speed two-way data services. This will require DBC to build out at least these facilities by the FCC's deadline of May 1, 2011, so that the University's license can be preserved.

Staff inquired as to the methodology of increasing rates as outlined in Section 3.9. The University does not have any specific answer to this question. DBC presumably will price its service in a manner to collect the greatest revenue consistent with developing and maintaining its customer base. There are of course in some areas competitive alternatives to the DBC service (cable modems, DSL lines, etc.), and over time, the University expects that there will be new competitive alternatives that prevent DBC from raising prices indiscriminately (ie, LTE service by phone companies, broadband services by satellite companies, etc.)

Section 7.3.f requires an education use review after fifteen (15) years and then a review every five (5) years. This is a specific requirement of the FCC that, in leases over fifteen (15) years in length, there be a review of educational use at the fifteen (15) year point and each five years thereafter.

Staff recommends approval.

BOARD ACTION

A motion to approve the request by the University of Idaho to enter into a lease of its EBS FCC License to Digitalbridge Spectrum Corporation in substantially the same form as the attached lease and to authorize the Financial Vice President to execute all necessary related documents.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

Execution Version

LONG TERM DE FACTO TRANSFER EBS SPECTRUM LEASE AGREEMENT

by and between

REGENTS OF THE UNIVERSITY OF IDAHO

and

DIGITALBRIDGE SPECTRUM CORP.

Dated as of _____ __, 2008

4966569

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EXHIBITS

EXHIBIT A — COPY OF LICENSE

EXHIBIT B — MAP OF LICENSEE GEOGRAPHIC SERVICE AREA

Execution Version

LONG TERM DE FACTO TRANSFER EBS SPECTRUM LEASE AGREEMENT

This Long Term De Facto Transfer EBS Spectrum Lease Agreement (the "Agreement"), dated as of _____ __, 2008 is entered into by and between the Regents of the University of Idaho ("Licensee") and DigitalBridge Spectrum Corp., a Delaware corporation ("DBC") (each of Licensee and DBC, a "Party," and collectively, the "Parties"). This Agreement shall be binding upon the Parties as of the date of execution, and those rights, duties and responsibilities that can be performed by the Parties prior to FCC Consent to the FCC Long Term Lease Application by Final Order (as hereinafter defined) shall be performed.

RECITALS

WHEREAS, Licensee and DigitalBridge Communications Corp. are parties to an Airtime Use and Royalty Agreement that is dated December 21, 1995, was amended on October 19, 1999, was assigned from Teton Wireless Television, Inc. to DigitalBridge Communications Corp. on November 21, 2006 and was extended on August 14, 2008 to December 31, 2008;

WHEREAS, Licensee holds a license issued by the Federal Communications Commission ("FCC") under call sign WND470 with a current expiration date of August 14, 2018 (the "License" a copy of which is attached hereto at Exhibit A) for the A-group Educational Broadband Service ("EBS") channels, together with all associated or transitioned spectrum and guardband that may be granted to Licensee (each a "Channel" and collectively the "Channels") for the area in and around Idaho Falls, Idaho (the "Market"); and

WHEREAS, Licensee wishes to continue leasing excess transmission capacity on its Channels to DBC pursuant to the terms of this Agreement and DBC wishes to utilize such capacity to provide wireless subscription services in the Market.

NOW, THEREFORE, in consideration of the premises and the mutual promises, representations and covenants contained herein, Licensee and DBC agree as follows:

ARTICLE I

Definitions

When used in this Agreement the following terms shall have the meanings as specified below (additional terms are defined elsewhere herein):

Affiliate shall mean with respect to any entity, an entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with another entity, where "control" means to own or control over fifty percent (50%) of the voting power of the applicable entity or otherwise to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or by contract or otherwise, but any such entity shall be deemed to be an Affiliate only so long as such control exists; Affiliate shall also mean any entity to whom DBC sells spectrum capacity in bulk over the Leased Transmission Capacity, and any entity with whom DBC partners for the provision of

wireless services over the Leased Transmission Capacity. Any of the foregoing transactions with "Affiliates" will be at arm's length and will comply with Generally Accepted Accounting Principles and the regulations of the Securities and Exchange Commission.

Agreement shall have the meaning ascribed to it in the Preamble.

Annual Royalties shall mean the Annual Royalties described in Section 4.1.

Article shall mean one of the articles of this Agreement unless reference specifically is made to a source other than this Agreement.

Bona Fide Offer shall have the meaning ascribed to it in Section 5.1.

BRS shall mean the Broadband Radio Service.

Channel or Channels shall have the meaning ascribed to it in the Recitals.

Communications Act shall mean the Communications Act of 1934, as amended (47 U.S.C. § 151 et seq.).

Confidential Information shall have the meaning ascribed to it in Section 13.3.

CPI shall mean the Consumer Price Index for Urban Wage Earners and Clerical Workers, Northeast, All Items, Base Period: 1982-84=100, as published by the Bureau of Labor Statistics. If the CPI is changed so that a base period other than November 1982-84=100 is used, the Index used herein shall be converted in accordance with the conversion factor published by the Bureau of Labor Statistics of the United States Department of Labor or any successor agency. If the CPI is discontinued or otherwise revised during the term of this Agreement, the Parties shall mutually agree on a substitute government index or computation that will obtain substantially the same result as would be obtained if the CPI had not been discontinued or revised; provided, however, that if a successor agency index is not available, the Parties shall agree on a comparable index published by a nonpartisan organization.

CPI Adjustment shall mean a fraction, the numerator of which is the CPI for the month of November immediately preceding the date on which the Annual Royalty is to be adjusted, and the denominator of which is the CPI for November in the year 2008.

Dedicated Equipment shall have the meaning ascribed to it in Section 5.5.

Defaulting Party shall have the meaning specified in Article X.

EBS shall have the meaning ascribed to it in the Recitals.

Event of Default shall have the meaning ascribed to it in Section 10.1(b).

FCC shall mean the Federal Communications Commission or any successor agency.

FCC Consent shall mean FCC approval by Final Order of an FCC Long Term Lease Application.

FCC Long Term Lease Application shall have the meaning ascribed to it in Section 6.1.

FCC Rights shall have the meaning ascribed to it in Section 3.7.

FCC Rules shall mean Title 47 of the Code of Federal Regulations, as amended at any time and from time to time, and FCC decisions, policies, reports and orders issued pursuant to the adoption of such regulations.

Final Order shall mean a written action or order issued by the FCC: (a) which has not been reversed, stayed, enjoined, set aside, annulled or suspended; and (b) with respect to which (i) no timely-filed requests have been filed for administrative or judicial review, reconsideration, appeal or stay and the time for filing any such requests, and the time for the FCC to set aside the action on its own motion, has expired, or (ii) in the event of review, reconsideration or appeal, the action or order has been affirmed and the time for further review, reconsideration or appeal has expired.

Geographic Service Area or GSA shall mean the service area designated by the FCC for the License and Channels as depicted on Exhibit B hereto, and shall also have the meaning ascribed to it in Section 27.1206(a)(1) of the FCC Rules.

Governmental Authority shall mean any court, or any federal, state, municipal or other governmental authority, department, commission, board, agency or other instrumentality (domestic or foreign), including the FCC.

Governmental Authorizations means any license, permission, approval, authority or consent required to be obtained from a Governmental Authority in order to maintain the License.

Including shall mean "including, without limitation".

Indemnified Party shall have the meaning ascribed to it in Section 12.3.

Indemnifying Party shall have the meaning ascribed to it in Section 12.3.

Inducement Royalty Payment shall have the meaning ascribed to it in Section 4.2.

Initial Term shall have the meaning ascribed to it in Section 2.2(a).

Law or Laws means applicable common law and any statute, ordinance, code or other law, rule, permit, permit condition, regulation, order, decree, technical or other standard, requirement or procedure enacted, adopted, promulgated, applied or followed by any Governmental Authority including, but not limited to, FCC Rules.

Lease Year shall mean the period beginning on the date the Initial Term commences and ending on the last day of that calendar year, and each calendar year thereafter during the Term.

Leased Transmission Capacity shall mean the entire Transmission Capacity on the Channels excluding the Reserved Transmission Capacity.

License shall have the meaning ascribed to it in the Recitals.

Licensee shall have the meaning ascribed in the Preamble.

Lower Band Segment shall have the meaning ascribed to it in Section 27.5(i)(2) of FCC Rules.

Market shall have the meaning ascribed to it in the Recitals.

Middle Band Segment shall have the meaning ascribed to it in Section 27.5(i)(2) of FCC Rules.

Non-Defaulting Party shall have the meaning specified in Article X.

Non-Disclosure Agreement means the agreement titled Non-Disclosure Agreement by and between DBC and Licensee dated July 8, 2008.

Non-Terminating Party shall have the meaning ascribed to it in Section 13.5.

Offer Notice shall have the meaning ascribed to it in Section 5.1.

Parties or Party shall have the meaning ascribed to it in the Preamble.

Proponent shall have the meaning ascribed to it in Section 27.1231 of FCC Rules.

Renewal Term shall have the meaning ascribed to it in Section 2.2(b).

Reserved Transmission Capacity shall mean the Transmission Capacity that is set aside for Licensee's educational use pursuant to Section 3.2 The Reserved Transmission Capacity provided to Licensee hereunder shall both serve as the Licensee's primary educational airtime and it shall satisfy any airtime reservation requirements the FCC may require for EBS licensees under FCC Rules.

Right of First Refusal shall have the meaning ascribed to it in Section 5.1.

ROFR Period shall have the meaning ascribed to it in Section 5.1.

Royalties shall mean Royalties paid during each year of the Term.

Sale Notice shall have the meaning ascribed to it in Section 5.2.

Service shall mean the provision of wireless services over Licensee's Leased Transmission Capacity in the GSA including, but not limited to, any IP-enabled service, any one-way or two-way digital communications, telephony services, web hosting services, video services and Internet access services or any other lawful uses, technologies or architectures DBC or its Affiliates may choose or the FCC may now or hereafter permit for EBS spectrum.

Shared Equipment shall have the meaning ascribed to it in Section 5.6.

Successor Licensee shall have the meaning ascribed to it in Section 13.8(c)(i).

Swapped Channels shall have the meaning ascribed to it in Section 3.3.

Term shall have the meaning ascribed to it in Section 2.2(b).

Terminating Party shall have the meaning ascribed to it in Section 13.5.

Termination Notice shall have the meaning ascribed to it in Section 10.1(a)(i).

Tower shall have the meaning ascribed to it in Section 5.4.

Transition shall mean the transition to a new spectrum plan that is required of EBS and BRS licensees pursuant to Sections 27.1230 through 27.1235 of the FCC Rules.

Transmission Capacity shall mean the entire transmission capacity of all Channels licensed to Licensee in the 2500-2690 MHz band, including all of Licensee's capacity in the Lower Band Segment, Middle Band Segment, and Upper Band Segment, all subcarriers, subchannels, blanking intervals, second audio carriers, guardband and any other spectrum, capacity, rights or transmission medium associated with the Channels, as the same exists today and as may be granted to Licensee by the FCC during the Term.

Unimpaired with respect to the License means that there has been material compliance with all Laws and FCC Rules related to the License, no interest or future interest of any kind in the License has been leased or hypothecated to any third party in any manner, no interference has been allowed and no interference consents or interference agreements have been entered into or granted with respect to the License that limits the use by DBC of the Leased Transmission Capacity within the GSA in a manner not otherwise contemplated by FCC Rules (unless approved in writing by DBC), no part of the service area or frequencies associated with the License have been partitioned or disaggregated, the License is not subject to any pending claims or litigation in any forum, and, all state, local and federal permits, licenses, franchises, variances, exemptions, orders, operating rights and other state, local and federal governmental authorizations, consents and approvals, if any, necessary to hold the License and lease capacity on it to DBC as contemplated herein have been received.

Upper Band Segment shall have the meaning ascribed to it in Section 27.5(i)(2) of FCC Rules.

ARTICLE II

Recitals; Term; Leased Transmission Capacity

2.1 Recitals. The recitals and definitions set forth at the beginning of this Agreement are integral to this Agreement, are to be considered substantive provisions hereof, and are incorporated herein by reference.

2.2 Term.

(a) Initial Term. Subject to the termination rights contained in Article X, the initial term shall begin on the date FCC approval of the FCC Long Term Lease Application (filed by the Parties pursuant to Section 6.1) becomes a Final Order, and shall continue for fifteen (15) years (the "Initial Term"). The requirement of a Final Order can be waived by DBC in its sole discretion. Upon such waiver the Initial Term shall begin on the first day of the first full calendar month following the later of: (i) the date the FCC approves the FCC Long Term Lease Application; or (ii) DBC's written notice to Licensee waiving the requirement of finality.

(b) Renewal Term. Subject to the termination rights contained in Article X, this Agreement shall extend from the end of the Initial Term for fifteen (15) additional years (such extension the "Renewal Term") conditioned only upon: (1) the Parties' appropriate and timely application to the FCC for approval of the renewal of this Agreement, which application the Parties agree to file at least twenty-one (21) days prior to the expiration of the any term of the License, and the FCC's grant thereof; and (2) the FCC's renewal of the License. The Initial Term along with the Renewal Term (if the Renewal Term comes into effect) shall be collectively referred to herein as the "Term." The terms and conditions of the Agreement for the Renewal Term shall be identical to the terms and conditions of the Initial Term, except as otherwise set forth herein or as otherwise agreed upon by the Parties in writing. It is expressly understood that the Initial Term and the Renewal Term shall automatically extend during the pendency of the FCC's consideration of any application for consent to renew the License or approval for this Agreement. Licensee shall be under no obligation to renew or extend this Agreement beyond the Term and shall have the right to initiate a competitive bid process or otherwise solicit and conduct negotiations with a third party beginning twelve (12) months prior to the expiration of the Term, subject to DBC's Right of First Refusal as set forth in Section 5.1.

2.3 Exclusivity. Licensee agrees that it shall not, during the Term, negotiate or discuss with any third party the use, lease, sale, transfer or assignment of the Channels or the License, or any part thereof, or any right or option therefor, whether such use, lease, sale, transfer, option or assignment is to take place during the Term or thereafter, subject to Licensee's rights under Section 2.2(b) above, Licensee's right to assign the License to a qualified EBS entity eligible under the circumstances described in Section 13.8(c) hereof and Licensee's right to use its Reserved Transmission Capacity in a manner that does not compete with the Service as set forth in Section 3.4 hereof.

ARTICLE III

Spectrum Lease

3.1 Leased Transmission Capacity. Licensee covenants and agrees that so long as DBC is not in breach of this Agreement, DBC may peaceably and quietly enjoy the Leased Transmission Capacity throughout the Term, subject at all times to the terms and conditions of this Agreement. DBC shall be entitled to use the Leased Transmission Capacity for any purpose allowed by the FCC. In furtherance of the foregoing, Licensee shall not take or fail to take any action that may have a material adverse effect on DBC's right to possession and peaceable enjoyment of the Leased Transmission Capacity. If Licensee is required to expend funds to secure DBC's right to possession and peaceable enjoyment of the Leased Transmission Capacity, then Licensee and DBC shall consult about the problem to be addressed, DBC shall propose a plan to be undertaken by Licensee to secure DBC's rights, and Licensee shall be reimbursed by DBC for its reasonable expenditures in carrying out the DBC plan. If, pursuant to changes in FCC Rules, the parties have additional flexibility in implementing DBC's use of Leased Transmission Capacity, then Licensee and DBC agree to implement such flexibility and, if necessary, to negotiate revisions to this Agreement which will maximize the availability of Leased Transmission Capacity on the Channels for DBC's use consistent with Licensee's rights under this Agreement.

3.2 Licensee Reservation and Minimum Educational Use Requirements. Licensee's Reserved Transmission Capacity, which Licensee may utilize upon launch of DBC's Service anywhere such Service is available in the Market shall be the greater of five percent (5%) of the digital capacity created on the Channels, or the Transmission Capacity required to meet the obligations of an EBS licensee under FCC Rules. The allocation of Reserved Transmission Capacity to Licensee shall be measured by determining five percent (5%) of the product of (x) the ratio of the Leased Transmission Capacity (in MHz) divided by the total amount of spectrum (in MHz) of all BRS and EBS channels utilized by DBC's Service in the Market and (y) the average aggregate throughput capacity of DBC's Service operating on all BRS and EBS channels utilized in the Market at the time of measurement. For example, and for purposes of illustration only, if DBC's Service utilizes eight (8) EBS and/or BRS channels in the Market, four (4) of which are Licensee Channels, and the average aggregate system capacity of DBC's Service is 500 mbps, Licensee's Reserved Transmission Capacity would be 12.5 Mbps ((4/8 x 500 Mbps) x 5% = 12.5 Mbps). This calculation of Reserved Transmission Capacity, whatever the actual calculation may be, will translate into a number of modem connections for Licensee in compatible devices purchased by Licensee for use with the Reserved Transmission Capacity. Assuming a Reserved Transmission Capacity of 12.5 Mbps for purposes of this example, if the peak data throughput of modem connections made available to Licensee is 1 Mbps, then Licensee will receive 13 modem connections to use for educational purposes and thereby fulfill its minimum educational use requirements at no cost to Licensee with the exception of the cost of end user equipment as described in Section 3.4. In calculating the number of modem connections to be provided, the result will be rounded to the next greater integer value of the calculated Reserved Transmission Capacity. Licensee will be offered modem connections on a par with the highest tier of service commercially marketed by DBC in the Market. Without

limiting the foregoing, it is acknowledged and agreed that one of the connections provided to Licensee may at Licensee's option be located on Licensee's campus in Idaho Falls and will be connected to Licensee's router(s) to enable Licensee to serve educational content, including HTML pages and streaming video, through DBC's connection to the Internet. DBC will provide a /28 set of routable addresses for this connection to enable Licensee's servers to be visible to Internet user. Licensee's use of the Reserved Transmission Capacity shall be at will, and any capacity that goes unused by Licensee cannot be recaptured at a later time. Licensee is responsible for utilizing the modem connections in locations which allow the maximum throughput rate, which may require an external antenna or other enhancements in some locations. To account for network enhancements and other technological improvements, the number of modem connections available to Licensee will be recomputed annually, on the anniversary of commencement of commercial service on the Channels. DBC will provide Licensee with the details used in the calculation of the modem connections. Licensee recognizes that DBC has an interest in limiting the Reserved Transmission Capacity to the greater of five percent (5%) of the Transmission Capacity on the Channels or the capacity required by the FCC to be maintained by an EBS licensee for educational purposes. Accordingly, DBC may, at its expense, use available technical and other means to restrict excess usage.

3.3 Channel Loading; Channel Shifting; Channel Swapping. Consistent with FCC Rules, and as designated by DBC from time to time, Licensee's Reserved Transmission Capacity may be transmitted and received over any EBS or BRS spectrum leased or held by DBC in the Market. DBC may request Licensee to enter into agreements to swap some or all of the Channels for other channels in the Market (the "Swapped Channels"), and in connection therewith file any necessary FCC applications to accomplish the swap, and Licensee shall consent so long as the population residing within the GSA for the Swapped Channels is not less than 96% of the population residing within the GSA for the Channels as of the date of such exchange, the GSA of the Swapped Channels fully encompasses Licensee's campus boundaries to the same extent that Licensee's current GSA encompasses its campus boundaries, and thereafter Licensee is, or would be after giving effect to the Transition, licensed for at least a block of 16.5 MHz of contiguous spectrum in either of the Lower Band Segment or the Upper Band Segment. Licensee may not swap or exchange its Channels or any portion thereof without the prior written approval of DBC, which consent may be granted or withheld in DBC's sole discretion.

3.4 Use of Reserved Transmission Capacity. Licensee shall be solely responsible for satisfying its educational requirements over its Reserved Transmission Capacity; provided, however, that the parties acknowledge and agree that (i) Licensee does not currently have the capability of utilizing the Reserved Transmission Capacity through its own facilities and is not required by this Agreement, at any time during the Term hereof, to construct and operate any facilities in order to utilize the Reserved Transmission Capacity, and (ii) that Licensee is intending to, and may, rely on the use of DBC's Service provided pursuant to Section 3.5 in order to meet the educational requirements. Licensee shall be solely responsible for the cost of end user equipment used to receive transmissions over its Reserved Transmission Capacity (*e.g.*, modems, Blackberrys, mobile phone devices, etc.; provided, however, DBC shall provide Licensee with a minimum of thirteen (13) free standard accounts which provides data rates of

256 kbps upstream and 1Mbps downstream, plus a block of static IP addresses (approximately 12 addresses) to be utilized by the Licensee's IT department (the maximum number of accounts to be determined by the provisions of Section 3.2), together with the necessary equipment, to enable Licensee and its constituents to access DBC's Service in the Market without charge, but Licensee's total usage shall be capped by the amount of Licensee's Reserved Transmission Capacity. Licensee shall use Licensee's Reserved Transmission Capacity for non-commercial, non-profit, educational purposes only. During the Term, Licensee shall not use the Reserved Transmission Capacity, directly or indirectly, acting alone, through an Affiliate, or as a member of a partnership or other business combination, to offer, provide or deliver a competing service to DBC's Service, or lease or license any part of the Channels to a third party that offers, provides or delivers a competing service to DBC's Service. Nothing in this section prohibits Licensee from leasing the capacity of the Channels to a third party after the termination or expiration of this Agreement, subject to DBC's Right of First Refusal hereunder, leasing other EBS channels or other spectrum licensed to Licensee, that is not already leased to DBC, to any other party for any other purpose or at any time providing educational services to itself or other schools, colleges, universities or other governmental or nonprofit entities, or undertaking other activities advancing its educational purposes.

3.5 Build-Out; Substantial Service. While the legal responsibility for meeting any performance or build-out requirements applicable under the License remains the responsibility of Licensee under the FCC Rules and is not delegable to DBC, DBC shall, as required by Section 7.1(c) of this Agreement, construct and maintain facilities for the Channels that satisfy minimum build-out or performance requirements applicable to the Channels under standards prevailing at any given time under FCC rules, and Licensee is relying on, and Licensee may attribute to itself the build-out or performance activities of DBC for purposes of complying with any substantial service, build-out or performance requirements applicable to the License.

3.6 Use of Middle Band Segment Channel. Consistent with FCC Rules regarding channel loading, the Parties agree that after the Channels are subject to a Transition, and the FCC grants Licensee a Channel in the Middle Band Segment, at DBC's option, the Middle Band Segment Channel may be used for low power wireless services, provided such use is permitted under FCC Rules and provided such use does not result in incurable interference to Licensee's Middle Band Segment Channel, or incurable interference to other channels in the Middle Band Segment.

3.7 Spectrum Changes. Prior to taking any voluntary action pursuant to which Licensee converts, swaps, exchanges, relinquishes or in any way transfers, its License or the Channels for the same, similar or different spectrum, licenses or channels (the "FCC Rights"), Licensee will obtain DBC's written consent to such action, which may be withheld in DBC's discretion. Subject to reservation of the FCC-required channel capacity by Licensee in accordance with FCC Rules, all such FCC Rights will inure solely to the benefit of, and be exclusively available for use by, DBC during the Term. This Agreement will be automatically amended to cover the FCC Rights. Unless otherwise required by the FCC, Licensee will not take any action with regard to the License or the Channels other than in accordance with this Agreement or as consented to by DBC in writing.

3.8 Discontinuance. Except as required by Licensee for operation of its existing educational service (as certified in writing by an officer of Licensee), the Parties agree that DBC may (but shall not be required to) discontinue legacy wireless services carried on the Channels as of execution of this Agreement, which discontinuance shall not be considered a default by DBC provided it is in conformance with FCC Rules. It shall be the duty of the Party who owns or leases the transmission facilities for the legacy wireless services to bear all costs associated with dismantling such facilities for the Channels (including, but not limited to, costs or fees associated with the Tower or use thereof, costs associated with dismantling transmitter(s), combiner, transmission line, EBS antenna, studio to transmitter link antenna, receiver and related equipment and hardware (if any), as well as the studio to transmitter link antenna and transmitter located at Licensee's control center (if any), and any modifications, additions, or replacements to the foregoing). Licensee shall be solely responsible for dismantling and disposing of all equipment associated with its wireless services that are located at any of its receive sites.

3.9 Service Discounts for Licensee Community. DBC will offer Service to University of Idaho students, staff and faculty in the Market, wherever DBC's Service is available, at a 10% discount for Service that offers data rates of 256 kpbs upstream and 1 Mbps downstream. Customers taking advantage of this Service discount must pay standard charges for equipment and installations and agree to all standard DBC terms and conditions of Service. However, the Parties understand and agree that DBC's rates will increase over time and that the 10% discount will apply to whatever price is charged by DBC for the 256k/1MB Service.

3.10 Quality of Service. DBC's Service in Idaho will be comparable to the quality of service it provides in other markets.

3.11 Changes in Geographic Service Area of Channels. In the event there is a change in the size or location of the GSA for any Channel(s) (as compared to the GSA depicted in Exhibit B), this Agreement will be deemed to cover the modified GSA, but the compensation to be paid by DBC to Licensee pursuant to Article IV shall be increased or reduced from the date of such GSA change on a pro rata basis (based on the increase or reduction in MHz per population (MHz/pop) as of such date, as a proportion of the original GSA MHz/pop as of such date). However, the reduction in size of EBS lower or upper band segment channels from 6 MHz to 5.5 MHz mandated by the FCC Rules concerning the Transition shall not in itself be the subject of any change in compensation. In the event of an increase in compensation contemplated by this Section 3.11, an additional payment supplementing the Annual Royalty for the then-current Lease Year and the increase in the Inducement Royalty shall be paid by DBC to Licensee at the same time as the next Annual Royalty payment following the change in GSA. In the event of a reduction in compensation contemplated by this Section 3.11, a pro rata refund of the Annual Royalty for the then-current Lease Year and the Inducement Royalty shall be paid by an appropriate offset by DBC of payments otherwise due Licensee under this Agreement. In either case, the Annual Royalty Payments for future Lease Years shall be paid in the increased or reduced amount as contemplated in this Section 3.11.

ARTICLE IV

Compensation to Licensee

4.1 Annual Royalties.

In consideration for Licensee's grant to DBC of the right to utilize the Leased Transmission Capacity in accordance with the terms and conditions of this Agreement and subject to Section 3.11 above, DBC agrees to pay Licensee the following amounts in advance on an annual basis at the start of each Lease Year:

(a) Annual Royalties During Lease Year 1: On commencement of the Initial Term, DBC shall pay Licensee in advance a sum equal to $60.50 multiplied by the number of days remaining in the first Lease Year.

(b) Annual Royalties During Lease Years 2-30: In Lease Year 2, DBC shall pay Licensee the annual sum of $22,144.00. Beginning in Lease Year 3, and at the start of each Lease Year for the remainder of the Term, DBC shall pay Licensee the annual sum of $22,144.00 increased by the CPI Adjustment, with such payment being accompanied by a statement, signed by an officer of DBC, setting forth the calculation of the CPI Adjustment and the Annual Royalty. All such payments shall be made within 10 days of the start of the Lease Year. The rent for the final Lease Year shall be pro-rated to reflect the partial Lease Year that is necessary in order to extend the Term for a total of thirty (30) years.

4.2 Inducement Royalty Payment. As an inducement for Licensee to enter into this Agreement, DBC shall pay Licensee the sum of $30,000.00 ("Inducement Royalty Payment") on the date FCC approval of the FCC Long Term Lease Application becomes a Final Order

4.3 Late Payment Fees. In the event any payment due hereunder shall not be made by its due date, a late payment charge shall be assessed at a monthly rate equal to the principal amount of the late payment multiplied by one twelfth of the then-current prime rate (plus three percentage points) as published in the New York Eastern version of *The Wall Street Journal* on the date the payment was due.

ARTICLE V

Additional Obligations and Rights

5.1 Right of First Refusal. If Licensee and DBC have not entered into a new, renewed or extended Agreement one year before the end of the Term, then from one year before the end of the Term until twenty four (24) months following expiration of the Term, or early termination of the Agreement pursuant to Article X ("ROFR Period"), unless this Agreement is terminated early because of DBC's Default, if Licensee makes or receives a good faith offer for either (a) purchase (by assignment or transfer of control) of the License or (b) lease of any portion of the Transmission Capacity (either a "Bona Fide Offer") and Licensee desires to convey or lease such License or Transmission Capacity pursuant to the terms of the Bona Fide

Offer, Licensee shall deliver to DBC a written notice (the "Offer Notice") setting forth the material terms and conditions of the Bona Fide Offer. For a period of thirty (30) days after receipt of such Offer Notice, DBC shall have a right of first refusal to acquire the License (if DBC is, at the time, eligible under FCC rules to acquire the License) or lease the Transmission Capacity that is the subject of the Offer Notice ("Right of First Refusal"); provided, however, that DBC shall not have a Right of First Refusal with respect to any proposed assignment or transfer of the License to a bona fide Idaho Falls, Idaho area educational institution, organization or foundation pursuant to Section 13.8(c)(i). DBC's Right of First Refusal shall be exercisable by delivering written notice thereof to Licensee prior to the expiration of such thirty (30) day period. The purchase price for the License (if DBC is eligible to hold the License) or lease price for the Transmission Capacity shall be the price as set forth in the Bona Fide Offer, and the purchase or lease by DBC shall be on the same terms and subject to the same conditions as those offered by the proposed assignee, transferee, or lessee. If DBC does not exercise its Right of First Refusal within the permitted period set forth above, then Licensee may enter into the transaction with the proposed assignee, transferee, or lessee named in the Offer Notice, in accordance with the terms contained in the Offer Notice. Should Licensee decline to make the transaction with the proposed assignee, transferee or lessee named in the Offer Notice, then DBC's Right of First Refusal would continue for the remainder of the ROFR Period. Should Licensee at any time during the ROFR Period desire to make the transaction with the proposed assignee, transferee or lessee named in the Offer Notice on terms that are, in the aggregate less favorable than the terms considered and rejected by DBC, then Licensee shall present such revised offer to DBC pursuant to the procedures set forth in this Section 5.1.

5.2 Notice of Sale. If, during the Term, FCC Rules are modified in a manner that allows DBC to be directly licensed to operate EBS Channels, and if Licensee elects to sell its License to a commercial entity, it shall provide DBC with 30-days prior written notice of its intention to sell the License ("Sale Notice") before providing any notice of the potential sale to the public. Any potential sale of the License, except to a bona fide Idaho Falls, Idaho area educational institution, organization or foundation, shall be subject to DBC's Right of First Refusal as set forth in Section 5.1 hereof and subject to Section 13.8(c)(ii) hereof.

5.3 Ownership of Facilities. The Parties acknowledge and agree that the facilities constructed by DBC or its Affiliates for any of the Transmission Capacity, and any modifications thereof, shall be owned by DBC or its Affiliates.

5.4 Towers. DBC shall, in its own name or in an Affiliate name, and at its sole cost and expense, separately arrange for the right to use any tower and other facilities required in connection with operation of the Leased Transmission Capacity (the "Towers"), including any new Towers on Licensee's campus or at other Licensee owned or controlled locations. Licensee shall have no independent right to use the DBC Towers, except that Licensee may continue to use for Licensee's current educational and public safety purposes the Tower constructed by DBC's predecessor on Licensee's campus. Licensee may also modify and/or expand its use of that Tower with DBC's prior approval, such approval not to be withheld, so long as Licensee's additional equipment and activities do not interfere with DBC's operations and are in compliance with all local, state and Federal laws.

5.5 Dedicated Equipment Purchase or Lease Option. In the event this Agreement expires or is terminated for any reason other than a default by Licensee, Licensee shall have the option, upon giving written notice to DBC within thirty (30) days of such expiration or termination, to purchase or to lease at DBC's option that portion of any constructed wireless facilities (not including any Tower rights) then in operation that is dedicated solely to transmission of Licensee's Reserved Transmission Capacity, or comparable equipment (the "Dedicated Equipment"), at a price equal to the Dedicated Equipment's fair market value for such purchase or lease as applicable. If the Parties do not agree on the fair market value of the Dedicated Equipment within thirty (30) days of Licensee's exercise of its option, the fair market value shall be determined by arbitration pursuant to Section 11.2 hereof.

5.6 Shared Equipment Purchase or Lease Option. In the event this Agreement expires or is terminated for any reason other than a default by Licensee, Licensee shall have the option upon giving written notice to DBC within thirty (30) days of such expiration or termination to purchase or to lease at DBC's option any equipment owned by DBC and used in connection with the transmission of Licensee's Reserved Transmission Capacity that is not Dedicated Equipment, or comparable equipment (not including any Tower rights) (the "Shared Equipment"), at a price equal to the Shared Equipment's fair market value for such purchase or lease as applicable. If the Parties do not agree on the fair market value of the Shared Equipment within thirty (30) days of Licensee's exercise of its option, the fair market value shall be determined by arbitration pursuant to Section 11.2 hereof.

ARTICLE VI

Filings

6.1 Application for Lease Approval. Within ten (10) business days following the execution of this Agreement, and prior to consummating the transfer of *de facto* control of the Leased Transmission Capacity, the Parties agree to cooperate as required to prepare and file with the FCC all forms and related exhibits, certifications and other documents necessary to obtain the FCC's consent to this Agreement and satisfy the FCC's requirements for long term de facto lease approval as set forth in 47 C.F.R. § 1.9030(e) (such filing being the "FCC Long Term Lease Application"). Each Party covenants and agrees that it will fully cooperate with the other, and do all things reasonably necessary to timely submit, prosecute and defend the FCC Long Term Lease Application and the Term as contemplated herein, including responding to any petitions for reconsideration or FCC reconsiderations of the grant of the FCC Long Term Lease Application, and will promptly file or provide the other Party with all other information which is required to be provided to the FCC in furtherance of the transactions contemplated hereby. Subject to the termination rights contained in Article X, the Parties will disclose in the FCC Long Term Lease Application the Renewal Terms of this Agreement subject to the renewal of the underlying License. The Parties further covenant and agree to include in any License renewal application a request to extend and renew this Agreement for the renewal term of the License. Any fees associated with the filing of the FCC Long Term Lease Application shall be paid by DBC. To the extent Licensee is required to file this Agreement with the FCC, Licensee shall first notify and consult with DBC, and will redact all information from the Agreement

which DBC reasonably designates as confidential including, but not limited to, all payment information.

6.2 FCC Filings; Consents. Upon DBC's reasonable request, and within five (5) days of Licensee's receipt of such request, Licensee shall promptly review, execute and file (if necessary), and, together with DBC, prosecute all notifications, applications, petitions, waivers, appeals, amendments, and other related documents necessary to secure FCC approval for Licensee's and DBC's intended uses of the Channels. Licensee also shall promptly file any requests for extension of construction periods or performance benchmarks reasonably requested by DBC, but only on the conditions, which must be agreed to in writing by DBC prior to any such filing in form reasonably satisfactory to Licensee, that Licensee's consent to such extension for the purposes of this Agreement is not voluntary or agreed-to by its making any such filing, and that, in the event that the extension request is not granted and the License is not constructed, and the Licensee suffers any penalty as a result of the failure to satisfy construction requirements or performance benchmarks, including loss of the License, DBC will hold Licensee harmless with respect to any such loss including, in the case of a loss of the License or any rights thereunder, full compensation for the value of such License or rights thereunder. Licensee shall promptly, within fifteen (15) business days of its receipt, review, execute and provide DBC with any "no objection" letters, interference consent agreements or retransmission consents that DBC may reasonably request, provided that the action requiring consent does not cause material degradation of Licensee's use of its Reserved Transmission Capacity and the agreements or consents do not extend beyond the Term. During the Term, Licensee shall not make any filings (other than routine, ministerial filings) with any Governmental Authority, including the FCC, without prior written consent from DBC, not to be unreasonably withheld, conditioned or delayed, and Licensee shall not provide any "no objection" letters, interference consents and/or retransmission consents to any third party without prior written consent from DBC.

6.3 Transition Filings. Licensee and DBC agree that, for any Transition involving the Channels, DBC will have the option of serving as the Proponent or co-Proponent of the Transition, and Licensee shall not seek, under any circumstance, unless requested to do so by DBC and both parties agree, to be a Proponent or co-Proponent of such Transition. Notwithstanding the foregoing, Licensee agrees that it will cooperate with all lawful activities undertaken by DBC as part of a Transition to the new spectrum plan. Licensee agrees, at DBC's option and DBC's expense, to cooperate fully with DBC to take such actions as are reasonably necessary and appropriate in order to Transition the Channels, as DBC may designate, including filing any FCC notifications or applications which may be necessary. If requested to do so by DBC in connection with any Transition, Licensee will waive its right to upgraded downconverters and to the migration of video programming to the Middle Band Segment. Licensee also will not (a) oppose any Transition plan advanced by, or agreed to by, DBC which complies with FCC Rules and which is commercially reasonable or, (b) if any third party proposes a Transition impacting the License, submit any counter-proposal unless requested to do so by DBC. However, Licensee shall not be required by this Section 6.3 to accept any transition plan that contemplates that Licensee would forego any spectrum from the Lower Band Segment or Upper Band Segment in exchange for spectrum in the Middle Band Segment or guard band segment, or contemplates that Licensee would hold a smaller amount of contiguous spectrum as

compared to the spectrum it would hold under the default provisions of the Transition regulations contained in the FCC Rules. In addition, in the event that neither DBC nor any third party initiates and/or completes the Transition within the time frames specified by the FCC Rules, Licensee may, at its sole option, avail itself of any "self-transition" rights made available pursuant to FCC Rules at DBC's expense, provided that Licensee: (a) supplies DBC with prior written notice of its intention to self-transition; (b) provides DBC with Licensee's self-transition plan and associated expenses for DBC's reasonable approval; and (c) self-transitions its License pursuant to such plan.

6.4 Maintenance of Channels. Licensee shall use its best efforts to maintain in full force and effect throughout the Term its License and any associated authorizations for the Channels, it shall maintain its qualifications to hold such License and authorizations, and it will comply in all material respects with its regulatory requirements as an FCC licensee, subject to the understanding that Licensee is relying on DBC to enable it to satisfy certain educational use and performance requirements as specified in Sections 3.4 and 3.5 of this Agreement. Licensee agrees that it will timely file its License renewal applications and its FCC Long Term Lease Applications as provided herein and in FCC Rules. Each Party shall, with respect to its activities and operations related to the Channels, comply with all FCC Rules and all other applicable laws, rules and regulations of every kind. Licensee shall provide to DBC a copy of any notice received from the FCC concerning the License within five (5) business days of receipt.

6.5 Other Rights. Following receipt of the FCC's consent to the FCC Long Term Lease Application, DBC may, in its sole discretion, without the prior consent or notification to Licensee file any application with the FCC related to the Channels it deems reasonably necessary, enter into any coordination document with respect to the Channels (so long as any obligation under such coordination document ends upon the expiration or termination of this Agreement), and submit to the FCC informal or formal complaints regarding the conduct of other licensees that results in interference to DBC's use of the Leased Transmission Capacity and enjoyment of its rights hereunder.

6.6 Reimbursement of Expenses. Except for Licensee's payment obligations and other responsibilities as set forth in this Agreement, including, but not limited to, those obligations set forth in Sections 5.5 or 5.6 hereof, DBC shall reimburse Licensee, not later than thirty (30) days after receipt of any invoice from Licensee, for Licensee's reasonable, documented out-of-pocket legal and engineering expenses incurred at DBC's request or as required by the FCC after execution of this Agreement in connection with obtaining, renewing, and continuing in full force and effect the License and the authorization to lease capacity on the Channels as contemplated herein, otherwise complying with FCC regulatory obligations relating to the License, and providing assistance to DBC in licensing and other matters as DBC may request from time to time during the Term. Any expense for which Licensee intends to seek reimbursement that is in excess of five hundred dollars ($500) shall be subject to approval by DBC, not to be unreasonably withheld. In addition, upon receipt of appropriate supporting documentation, DBC shall pay or reimburse all legal fees and related expenses of Licensee in connection with consideration, negotiation and execution of this Agreement, not to exceed Five Thousand Dollars ($5,000.00) for this Agreement.

ARTICLE VII

Covenants and Obligations of the Parties

In addition to the agreements and covenants of the Parties contained elsewhere in this Agreement, the Parties agree to the following:

7.1 Covenants and Obligations of DBC. During the Term, DBC shall at its sole cost, faithfully fulfill the following covenants and obligations:

(a) Obtain Authorizations. Obtain all Governmental Authorizations necessary to perform its obligations hereunder.

(b) Operate in Accordance with Law. Construct, operate and maintain its equipment, and provide the Services it is authorized to provide under this Agreement, in accordance with this Agreement and all applicable statutes and regulations including, but not limited to, FCC Rules and other Laws applicable to the equipment and/or services. Without limiting the generality of the foregoing, DBC shall cooperate at Licensee's reasonable request with Licensee's fulfillment of its responsibilities as an FCC Licensee.

(c) Build-Out of DBC Service. DBC already is operational in the Market and DBC will therefore either continue to operate and maintain, or will construct, operate and maintain, facilities for the DBC Service so as to permit Licensee to satisfy all applicable FCC Rules relating to construction and operation under the License and minimum educational use (including substantial service, build-out, performance, or similar FCC requirements) and all other applicable statutes and regulations (including the rules, regulations, and policies of other Governmental Authorities having jurisdiction over equipment and/or services), by applicable deadlines.

(d) Avoid Interference. Avoid causing interference in contravention of FCC Rules to Licensee's lawful transmissions or to the lawful transmissions of any third party, and operate and maintain its equipment consistent with this obligation; provided that, in the event any interference in contravention of FCC Rules is caused by DBC's operations or equipment, it shall be DBC's obligation to resolve such interference in accordance with FCC Rules.

(e) Non-FCC Governmental Authorizations. At its own expense, prepare, file and prosecute all applications necessary to secure and maintain in force all non-FCC Governmental Authorizations required for it to operate or lease the Leased Transmission Capacity, and to use commercially reasonable efforts to defend against any proceeding that could result in the termination of such Governmental Authorizations.

(f) Insurance. At its expense, DBC will secure and maintain with financially DBC and its contractors and subcontractors of any tier shall carry, at their expense, the types and limits of insurance set forth below, and shall provide Licensee with a Certificate of Insurance executed by a duly authorized representative of each insurer, showing compliance with these insurance requirements. All insurers shall have a Best's rating of AV or better, or its equivalent,

and be licensed and admitted in Idaho. All policies required shall be written as primary policies of DBC and not contributing to nor in excess of any coverage Licensee may choose to maintain. Additionally and at its option, Licensee may request certified copies of required policies and endorsements. Such copies shall be provided within ten (10) days of Licensee's request. All certificates shall contain cancellation notice clauses that provide for thirty (30) days' written notice to Licensee prior to cancellation or material change of any insurance referred to therein.

All policies except Workers Compensation shall name State of Idaho and the Regents of the University of Idaho as additional insureds. Certificates shall be mailed to Licensee at: P.O. Box 443162, Moscow, ID 83844-3162, Attn: Risk Management.

All policies shall contain waiver of subrogation coverage or endorsements. Failure of Licensee to demand certificates or other evidence of full compliance with these insurance requirements or failure of Licensee to identify a deficiency from evidence that is provided shall not be construed as a waiver of DBC's obligation to maintain such insurance. Failure to maintain the required insurance may be considered a default under this Agreement. By requiring insurance herein, Licensee does not represent that coverage and limits will necessarily be adequate to protect DBC, and such coverage and limits shall not be deemed as a limitation on DBC's liability under the indemnities granted to Licensee by this Agreement.

Commercial General Liability (CGL) and, if necessary, Commercial Umbrella Liability Insurance with a limit of not less than $2,000,000 each occurrence and in the aggregate. CGL insurance shall be written on standard ISO occurrence form (or a substitute form providing equivalent coverage) and shall cover liability arising from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury and liability assumed under an insured contract including the tort liability of another assumed in a business contract.

"All Risk" Personal Property Insurance covering transmission equipment for its full replacement value, and to otherwise cover DBC's personal property.

Where required by law, all statutorily required Workers' Compensation coverages including Employer's Liability.

7.2 Covenants and Obligations of Licensee. During the Term, Licensee shall at its sole cost, faithfully fulfill the following covenants and obligations:

(a) Operate in Accordance with Law. Operate and maintain equipment relating to this Agreement in accordance with all FCC Rules and applicable Laws.

(b) Avoid Interference. Avoid causing interference in contravention of FCC Rules to DBC's lawful transmissions or to the lawful transmissions of any third party, and operate and maintain its equipment relating to this Agreement consistent with this obligation; provided that, in the event any interference in contravention of FCC Rules is caused by

Licensee's operations, it shall be Licensee's obligation to resolve such interference in accordance with FCC Rules.

(c) Maintain License. Use best efforts, in cooperation with DBC, to maintain in full force and effect and in its name the License, as well as all permits and other state or local government authorizations related thereto, including the timely filing and diligent prosecution of applications for License renewal required to maintain its License in full force and effect throughout the Term, and to continually receive FCC Consent to the leasing arrangement provided in this Agreement. The failure to maintain the license or FCC Consent to the leasing arrangement shall not be deemed a default by Licensee if the failure was beyond the reasonable control of Licensee, and Licensee used its best efforts to preserve the License and/or FCC Consent.

(d) No Encumbrances. Throughout the Term, ensure that the License is and remains Unimpaired.

(e) Obtain Modifications. Subject to reimbursement from DBC, request from the FCC any modification to the License or to any FCC authorization relating to the License that is requested in writing by DBC, so long as such modifications do not impair the value of the Channels upon the expiration or termination of this Agreement.

(f) Prohibited Modification of Spectral Platform. During the Term of this Agreement, Licensee shall not subdivide, combine, alter, or enter into any spectrum sharing or time-sharing arrangements with respect to the Transmission Capacity without the prior written consent of DBC, which may be granted or withheld in DBC's sole discretion, except that DBC will consent to any arrangements by which a public, accredited, local Market educational institution (i.e., a school) or a local Market governmental organization engaged in the formal education of enrolled students (i.e., a school district or school board) share in the use of the Reserved Transmission Capacity in a manner that is useful for Licensee to satisfy its educational use requirements and that does not compete with DBC as set forth in Section 3.4 hereof.

(g) Suits. If a suit or other proceeding is brought against Licensee that could result in a judgment or obligation against Licensee that would materially affect Licensee's ability to meet its obligations under this Agreement, Licensee shall notify DBC in writing as soon as reasonably practicable about the nature of such suit or proceeding and the forum in which it has been brought.

(h) Access to Information. Throughout the Term, Licensee shall use reasonable efforts to furnish DBC with financial, operating and other data and information in its possession that is related to the License as requested herein or as DBC may reasonably request. No request made under this Section 7.2(h) or otherwise shall affect any representation or warranty in this Agreement of either Party or any condition to the obligations of the Parties.

(i) Acceptable Use. Licensee covenants that with respect to any Internet access or other wireless Services it receives from DBC, it will use reasonable efforts to ensure

that it and its users will strictly comply at all times with applicable Laws, any applicable acceptable use policies and terms of service, and such other policies of general applicability which may apply to such Services which may be amended from time to time.

7.3 Additional Covenants of the Parties

(a) Effect of Agreement. Notwithstanding anything in this Agreement to the contrary, and subject to prior FCC Consent to this Agreement, the Parties expressly acknowledge that this Agreement is designed to transfer de facto, but not de jure, control of the leased spectrum to DBC in accordance with Sections 1.9010 and 1.9030 of FCC Rules. This Agreement: (i) does not and will not vest in DBC, or constitute, create or have the effect of constituting or creating, de jure control, direct or indirect, over Licensee or the License, which ownership or de jure control remains exclusively and at all times in Licensee; and (ii) does not and will not constitute the transfer, assignment, or disposition in any manner, voluntary or involuntary, directly or indirectly, of the License or the transfer of control of Licensee within the meaning of Section 310(d) of the Communications Act other than for spectrum leasing purposes. During the Term, DBC will not take any action inconsistent with or contrary to Licensee's de jure control, as that term is construed by the FCC, over the License. During the Term, DBC will not hold itself out to the public as the holder of the License.

(b) Responsibilities for Complying with Communications Act. DBC hereby assumes primary responsibility for complying with the Communications Act and applicable FCC Rules with respect to the Leased Transmission Capacity, and Licensee is relieved of primary and direct responsibility for ensuring that operations on the Leased Transmission Capacity comply with the Communications Act and FCC Rules. However, Licensee shall remain responsible for complying with FCC Rules with regard to the spectrum it retains use of for purposes of Licensee's Reserved Transmission Capacity, Licensee is responsible to satisfy its minimum educational use requirements, subject to the understanding that Licensee is relying on DBC to enable it to satisfy educational use and performance requirements as specified in Sections 3.4 and 3.5 of this Agreement. Licensee is responsible to comply with other FCC Rules that specifically apply to licensees in long term de facto leasing arrangements, and Licensee is responsible for its own FCC Rule violations and any ongoing violations or other egregious behavior pertaining to use of the License about which it is aware.

(c) DBC Compliance with Secondary Markets Rules. DBC shall comply with applicable secondary markets leasing rules as set forth in Section 1.9000 et seq. of FCC Rules. DBC acknowledges that this Agreement may be revoked, cancelled or terminated by Licensee or by the FCC if DBC materially fails to comply with such rules; provided, however, that to the extent permitted by the FCC, before Licensee may exercise such termination right, it shall first provide DBC with notice of an Event of Default pursuant to Section 10.1(a)(ii) hereof, and provide DBC with an opportunity to cure such default or failure as specified therein. If the License is revoked, cancelled, terminated or otherwise ceases to be in effect, DBC understands that it will have no continuing authority or right to use the leased spectrum, unless otherwise authorized by the FCC, or unless the FCC grants DBC special temporary authority to operate as contemplated in Section 10.1(c).

(d) Reserved.

(e) Provide Information. The Parties shall promptly provide each other with all correspondence, notices, and filings by it or any third party that relate to the License, including all Transition correspondence, any applications relating to the License, and all communications and correspondence by Licensee to the FCC or by the FCC to Licensee. The Parties shall provide each other with prompt written notice of any conversation with the FCC or third parties that would be reasonably likely to materially and adversely affect either Party's rights under this Agreement.

(f) Review of Educational Use. On the fifteen (15) year anniversary of the commencement of the Initial Term, and every five (5) years thereafter until the end of the Term, Licensee may request a review of its educational use requirements under this Agreement (a "Review"). Upon such request, the parties shall negotiate in good faith an amendment to this Agreement ("Amendment") to accommodate changes in Licensee's use of Licensee's Reserved Transmission Capacity and access to additional educational use resources to further its educational mission (i.e., additional services, support, capacity and/or equipment). The following provisions shall apply to any such Review.

(i) Costs. The parties agree that to the extent the Amendment materially increases DBC's costs to either operate the leased capacity or meet Licensee's additional educational use capability then, at DBC's option, the Amendment shall provide that such costs will be offset by a reduction in DBC's Royalties to Licensee to account for such increase.

(ii) Accommodating Changes. The parties further agree that DBC may accommodate Licensee's changed educational use requirements through any reasonable means available so as to avoid disruption to the advanced wireless services provided by DBC.

(iii) Impact on Operator's Business. DBC shall not be required to accommodate proposed changes in Licensee's Reserved Transmission Capacity and access to additional educational use resources, in a manner that materially and negatively impacts the economics of this Agreement or DBC's commercial operations thereunder. In the event Licensee requests such changes and DBC determines that such changes or recapture will have such material and negative impacts, DBC shall negotiate in good faith with Licensee to reach alternate arrangements for meeting Licensee's educational needs.

ARTICLE VIII

Taxes

8.1 Property Taxes. All property taxes, and other taxes, if any, applicable to DBC's equipment shall be the responsibility of DBC, and all property taxes and other taxes applicable to the equipment that Licensee owns shall be the responsibility of Licensee.

8.2 Sales and Related Taxes. All sales taxes, message taxes, utility taxes, excise taxes and other taxes, and federal or state regulatory charges or fees, applicable to DBC's Service, if any, shall be the responsibility of DBC. All sales taxes, message taxes, utility taxes, excise taxes and other taxes, and federal or state regulatory charges or fees applicable to Licensee's EBS operations or use of its Reserved Transmission Capacity, if any, shall be the responsibility of Licensee. Licensee shall be responsible for payment of federal or state taxes, if any, on its taxable income.

ARTICLE IX

Representations and Warranties

9.1 Joint Representations and Warranties. Each of the Parties represents and warrants to the other from execution of this Agreement and throughout the Term as follows:

(a) Brokers. To the extent either Party employs a broker with respect to the transactions contemplated by this Agreement, such Party shall be solely liable to pay fees due to such broker.

(b) No Untrue Document. No contract or document that it has shown to the other Party in connection with the negotiation or execution of this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading, except as to material facts which the representing Party had no reasonable basis to question.

(c) No Judgments. To the best of its knowledge, there is no outstanding judgment, litigation, or proceeding, pending or threatened, involving or affecting the License or the transactions contemplated by this Agreement (other than matters of general applicability to EBS licensees generally).

(d) No Disqualification. To the best of its knowledge, there are no facts or circumstances that would disqualify it from performing its obligations hereunder, or would cause the FCC to decline to approve this Agreement or the transactions contemplated herein.

(e) Filings. There is no requirement applicable to it to make any filing, declaration or registration with, or to obtain any permit, authorization, consent or approval of, any Governmental Authority or third party as a condition to the lawful consummation of the

transactions contemplated by this Agreement to be executed pursuant hereto, except for receiving the FCC Consent.

9.2 Representations and Warranties of DBC. DBC hereby represents and warrants to Licensee that:

(a) Authority. DBC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full power and authority to own its properties and to carry out all its transactions as contemplated by this Agreement. All requisite resolutions and other authorizations (except FCC Consent) necessary for the execution, performance, and satisfaction of this Agreement by DBC have been duly adopted and complied with prior to execution of this Agreement, including, but not limited to, corporate authority for execution of this Agreement by a duly authorized executive officer of DBC.

(b) No Disqualification. DBC knows of no fact or circumstance that would disqualify it from performing its undertakings hereunder (save for the FCC Consent), and neither DBC nor any of its principals or its Affiliates will do any act, cause any act to be done, or fail to take any action that would so disqualify them. DBC is qualified under FCC Rules to lease the Leased Transmission Capacity.

(c) No Judgments. There are no proceedings, judgments, investigations, or litigation existing or, to the best of DBC's knowledge, threatened against DBC that (i) would have a material adverse effect on DBC's ability to perform its obligations under this Agreement; or (ii) would or could have a material adverse effect on the solvency or financial condition of DBC.

9.3 Representations and Warranties of Licensee. Licensee represents and warrants to DBC that:

(a) License. The License was granted pursuant to Final Order of the FCC and has a current expiration date of August 14, 2018. Licensee holds the License and the License is in effect and is Unimpaired.

(b) No Judgments. There are no proceedings, judgments, investigations, or litigation existing or, to the best of Licensee's knowledge, threatened against Licensee or the License that (i) would have a material adverse effect on Licensee's ability to perform its obligations under this Agreement; (ii) would or could have a material adverse effect on the solvency or financial condition of Licensee; (iii) affect the validity, term, functionality, service area, authorization, or status of the License or the Transmission Capacity, except for proceedings affecting EBS licensees generally; or (iv) question the ability of Licensee to enter into this Agreement.

(c) Authority. Licensee is in good standing under the laws of the State of Idaho, and has full power and authority to own its property and to carry out all of the transactions contemplated by this Agreement. As of the execution date, Licensee has all requisite consents, approvals, authorizations, corporate resolutions and authorizations necessary for the execution,

delivery, performance, and satisfaction of this Agreement (except for FCC Consent). Licensee knows of no fact or circumstance that would disqualify it from performing its undertakings hereunder, and neither Licensee nor any of its principals or its Affiliates will do any act, cause any act to be done, or fail to take any action that would so disqualify any of them.

(d) Reserved.

(e) Filings; Other. All material documents required to be filed by Licensee with the FCC or any other governmental entity with respect to the License have been filed or the time period for such filing has not lapsed. The License is not subject to any conditions other than those appearing on the face of the License and those imposed by FCC Rules upon EBS licenses or the EBS industry generally. Licensee has not executed any interference consent agreement or letter, nor has it allowed any interference, with respect to the License that would result in interference to the Channels following Transition in excess of the level of interference allowed by FCC Rules. Licensee is and, at all times since issuance of the License, has been in material compliance with applicable Laws and FCC Rules, including (a) the rules, regulations and policies pertaining to eligibility to hold the License, (b) construction and operational rules, and (c) the rules, regulations and policies restricting foreign ownership of radio licenses. No person or entity other than Licensee is authorized to use the Transmission Capacity either now or in the future.

ARTICLE X

Events of Default and Termination

10.1 Termination.

(a) Termination Rights. This Agreement may be terminated prior to expiration of the Term under any of the following circumstances:

(i) Termination Without Default. The Parties may terminate this Agreement by mutual written agreement at any time, or either party may terminate this Agreement pursuant to the provisions of Section 13.5 hereof. DBC may terminate this Agreement as of the end of the Initial Term upon written notice to Licensee ("Termination Notice") at least one year prior to the end of the Initial Term. In the event of termination pursuant to this paragraph, the Agreement shall terminate without further liability, penalties or damages of any kind owing from one Party to the other.

(ii) Termination With Default. Licensee may terminate this Agreement after giving written notice to DBC of an Event of Default (as hereinafter defined). DBC may terminate this Agreement after giving written notice to Licensee of an Event of Default. In the event of termination pursuant to this paragraph, the Non-Defaulting Party shall have the right to terminate this Agreement, seek indemnification from the Defaulting Party, seek its remedies at law and in equity, or seek any combination of the foregoing.

(iii) Termination for FCC License Revocation or Failure to Receive FCC Approval. Either Party may terminate this Agreement upon giving written notice to the other Party, within thirty (30) days of the FCC's termination or revocation of the License by Final Order, or the FCC's denial of the FCC Long Term Lease Application by Final Order, or if the Initial Term has not commenced within thirteen months of the Effective Date. In the event of termination pursuant to this paragraph, if neither Party is responsible for an Event of Default leading to termination of this Agreement, then the Agreement shall terminate without further liability, penalties or damages of any kind owing from one Party to the other. If the FCC denies the FCC Long Term Lease Application by Final Order, the Parties shall, for a period of sixty (60) days, use good faith efforts to enter into a new or modified spectrum lease for the Channels. If such efforts fail, then DBC shall have a Right of First Refusal with respect to any Bona Fide Offers received by Licensee during the ROFR Period in accordance with Section 5.1 herein. If the FCC denies the FCC Long Term Lease Application due to the failure of either Party to perform or observe any material term, obligation, or covenant contained herein, then the Non-Defaulting Party shall be entitled to all remedies available at law and in equity, and the Defaulting party shall not have the right to terminate.

(b) Default. It shall be an "Event of Default" hereunder if either Party fails to perform a material obligation or covenant or breaches a material representation and warranty contained in this Agreement, and the Defaulting Party fails to cure such default within sixty (60) days following the receipt of written notice from the Non-Defaulting Party, except with respect to a failure to make any payment of money, in which case the Defaulting Party shall have thirty (30) days to cure; provided however, that if the Defaulting Party proceeds with due diligence during such sixty (60) day period with respect to any failure to perform other than a failure to make payment of money and is unable, because of circumstances beyond its control or because of the nature of the default, to cure such default within sixty (60) days, the time for cure shall be extended, but in no event beyond one hundred twenty (120) days after receipt of written notice from the Non-Defaulting Party.

(c) Special Temporary Authority. In the event the License is terminated or revoked, for any reason except as a result of an Event of Default by DBC, the Parties shall cooperate in seeking special temporary authority from the FCC to allow DBC to continue operating on the Channels until such time as it can transition its users to other spectrum and minimize service disruption to its business and other activities.

10.2 Remedies in Addition to Termination.

(a) Remedies for Default. After the occurrence of an Event of Default, the Non-Defaulting Party shall have the right to terminate this Agreement, seek indemnification from the Defaulting Party, seek its remedies at law and in equity in respect thereof, or seek any combination of the foregoing.

(b) Specific Performance. Each Party acknowledges and agrees that the other Party may be damaged irreparably in the event any provision of this Agreement is not performed in accordance with its specific terms or otherwise is breached, so that the other Party shall be

entitled to injunctive relief to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in addition to any other remedy to which such Party may be entitled, at law or in equity. In particular, the Parties acknowledge that the License is unique and recognize and affirm that in the event either Party breaches this Agreement in a manner that places the License at risk of loss of other sanction, money damages would be inadequate and the other Party would have no adequate remedy at law, so that such other Party shall have the right, in addition to any other rights and remedies existing in its favor, to enforce its rights and Defaulting Party's obligations hereunder not only by action for damages but also by action for specific performance, injunctive, and/or other equitable relief.

10.3 Bankruptcy or Insolvency Termination. If either Party shall cease doing business as a going concern and, without assigning its obligations hereunder pursuant to Section 13.8, make an assignment for the benefit of creditors, admit in writing an inability to pay its debts as they become due, file a voluntary petition in bankruptcy, be adjudicated bankrupt or insolvent, file a petition seeking for itself any reorganization, composition, readjustment, liquidation, dissolution or similar arrangement under any present or future statute or regulation, or file an answer admitting the material allegations of a petition filed against it in any such proceeding, or consent to or acquiesce in the appointment of a trustee, receiver, or liquidator of it or of all or any substantial part of its assets or properties, or if it shall take any action designed to obtain its dissolution or liquidation, or within thirty (30) days after the commencement of any proceedings against it seeking reorganization, readjustment, liquidation, dissolution or similar relief under any present or future statute or regulation, fail to have such proceeding dismissed, or if within thirty (30) days after the appointment, without the Party's consent or acquiescence, of any trustee, receiver or liquidator of it or of all or any substantial part of its assets or properties such appointment shall not vacate, the other Party may terminate this Agreement upon ten (10) days written notice thereof to the Defaulting Party. Any act or event entitling one Party to terminate this Agreement under this Section shall, for all purposes of this Agreement, constitute a default in and failure by the other Party to perform its obligations under the terms of this Agreement.

ARTICLE XI

Dispute Resolution

11.1 Dispute Resolution. In the event any controversy, claim, breach, dispute, difference or misunderstanding arises out of or relates to this Agreement or any term or condition hereof, the respective representatives designated by the Parties shall meet and negotiate in good faith in an attempt to amicably resolve such controversy, claim, dispute, difference or misunderstanding within twenty (20) business days, or such other time period mutually agreed to by the Parties, after such controversy, claim, dispute, difference or misunderstanding arises. If the Parties are unable to resolve the controversy, claim, dispute, difference or misunderstanding, either Party may initiate arbitration in accordance with the provisions of Section 11.2 below. The meeting and arbitration shall be initiated in Idaho Falls, Idaho. However, with respect to any controversy, claim, dispute, difference or misunderstanding arising out of or relating to this Agreement by which one Party seeks to obtain from the other either (a) monetary damages in excess of One Million Dollars ($1,000,000.00), or (b) specific performance subject to Section

10.2(b), such Party may commence an action in a state court specified in Section 13.6 to resolve such matter in lieu of proceeding with an arbitration pursuant to and in accordance with Section 11.2 below and may only proceed with an arbitration with the written consent of the other Party.

11.2 Arbitration. Subject to the limitations of Section 11.1 and Section 12.4, if a dispute arises out of or relates to this Agreement or its breach, and is not resolved through the procedures provided in Section 11.1 above, then, within thirty (30) days after the expiration of the twenty (20) business day period provided in Section 11.1 above, either Party shall have the right to submit the dispute to binding arbitration by a panel of three arbitrators selected by the Parties, which arbitration shall be governed by the rules of the American Arbitration Association, and judgment on the award may be entered in any court having jurisdiction. Within fifteen (15) days of the commencement of the arbitration, each Party shall select an arbitrator. The two selected arbitrators shall select a third, neutral arbitrator within ten (10) days of the appointment of the last selected arbitrator. Neither Party may appeal such award to any court. The arbitrators may determine issues of arbitrability, but may not award punitive damages or limit, expand or otherwise modify the terms of this Agreement. The Parties, their representatives, other participants and the arbitrators shall hold the existence, content and result of the arbitration in confidence, except as such disclosure may be necessary for the purpose of recording or otherwise acting upon an arbitrator's award. The costs and expenses of the arbitrators shall be shared equally by the Parties, or shall be allocated as otherwise determined in the arbitration award.

11.3 Provisional Remedies. Notwithstanding anything in this Agreement to the contrary, for actions that are subject to arbitration, the Parties shall each have the right to file with (a) an Idaho state court of competent jurisdiction an application for temporary or preliminary injunctive relief, writ of attachment, writ of possession, temporary protective order, or appointment of a receiver or (b) the FCC, if the arbitration award to which the applicant may be entitled may be rendered ineffectual in the absence of such relief or if there is no other adequate remedy. This application shall not waive a Party's arbitration right under this Agreement.

Indemnification; Limitation of Liability

12.1 Indemnification of Licensee by DBC.

Neither Licensee nor any Affiliate shall be liable to DBC for any expense, damage, injury, claim, judgment, inclusive of attorneys' fees, or other loss sustained by DBC on account of the matters specified below in subsections (a) through (d); nor shall Licensee or a Licensee Affiliate be liable to DBC for any claim or demand made by a third party related to the matters specified in subsections (a) through (d). In furtherance of these provisions, DBC shall indemnify, hold harmless, and defend Licensee and its Affiliates and their respective employees from and against any expense, damage, liability, claim, or other loss, with respect to:

(a) The installation, maintenance, testing, repair, operation, or removal of DBC's equipment to utilize the Leased Transmission Capacity;

(b) The commission by DBC of an Event of Default pursuant to Section 10.1 above;

(c) The provision of DBC's Service; and

(d) Any third party claims which result from the conduct or activities of DBC or principals thereof related to the Leased Transmission Capacity, or related to their actions or failure to act under this Agreement.

12.2 Indemnification of DBC by Licensee.

Neither DBC nor any Affiliate shall be liable to Licensee for any expense, damage, claim, judgment (inclusive of attorney's fees) or other loss sustained by Licensee on account of the matters specified below in subsections (a) through (d); nor shall DBC or any Affiliate be liable to Licensee for any claim or demand made by a third party upon Licensee for any such expense, damage, injury or other loss on account of the matters specified in subsections (a) through (d). In furtherance of these provisions, and except as stated herein, Licensee shall, subject to the limits of liability in the Idaho Tort Claims Act, Idaho Code Section 6-901 *et seq.* indemnify and hold harmless DBC and DBC's Affiliates and their respective employees from and against any expense, damage, liability, claim or other loss, with respect to:

(a) The installation, maintenance, testing, repair, operation, or removal of Licensee's equipment;

(b) The commission by Licensee of an Event of Default pursuant to Section 10.1 above;

(c) The transmission or broadcasting of service by Licensee over the Reserved Transmission Capacity; and

(d) Any proceeding or claim which results from the conduct or activities of Licensee or principals thereof, related to their actions or failure to act under this Agreement.

12.3 Notification of Suits and Claims. Whenever any claim for indemnification shall arise under Section 12.1 or 12.2, the Party to be indemnified (the "Indemnified Party") shall promptly notify in writing the Party to provide indemnification (the "Indemnifying Party") of the claim and, when known, the facts constituting the basis for such claim and the amount or estimate of the liability arising therefrom. The Indemnifying Party shall have the right to defend against such claim. An Indemnified Party shall not settle or compromise any claim by a third party for which the Indemnified Party is entitled to indemnification hereunder without the prior written consent of the Indemnifying Party, unless suit in respect of such third party claim shall have been initiated against the Indemnified Party and the Indemnifying Party shall not have undertaken the defense thereof. At the time any such defense may become necessary, the Indemnifying Party shall furnish such bond or undertaking reasonably adequate to the Indemnified Party to guarantee this obligation. Except as otherwise provided herein, no action taken by an Indemnified Party under advice of its legal counsel, in the exercise of its judgment,

shall relieve the Indemnifying Party of its obligations hereunder, including the obligation to reimburse the Indemnified Party for expenses incurred in defending against any investigation or proceeding.

12.4 Limit of Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE IN ANY WAY, REGARDLESS OF THE FORM IN WHICH ANY LEGAL OR EQUITABLE ACTION MAY BE BROUGHT (WHETHER IN TORT, CONTRACT, STRICT LIABILITY OR OTHERWISE), FOR ANY LOSS OF USE, INTERRUPTION OF BUSINESS, LOST PROFITS, SALES, DATA OR GOODWILL, COSTS OF PROCURING SUBSTITUTE GOODS OR SERVICES, OR ANY SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES WHATSOEVER, HOWEVER CAUSED, EVEN IF THE PARTIES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE, AND REGARDLESS OF WHETHER THESE LIMITATIONS CAUSE ANY REMEDY TO FAIL OF ITS ESSENTIAL PURPOSE. The limitations of liability in this Section 12.4, are material conditions to the Parties' entering into this Agreement, without which the Parties would be unwilling to enter into this Agreement, and will survive any termination or expiration of this Agreement.

ARTICLE XIII

Miscellaneous

13.1 Benefit. Each Party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any party not a signatory hereto or referenced herein other than DBC and Licensee and their respective successors and permitted assigns.

13.2 Press Announcements. No announcement to the press or general public of this Agreement or the terms or conditions thereof (not including statements made to, or filings with, the FCC, or as otherwise may be required by law) shall be made unless such announcement or release shall have been approved in advance by both Parties.

13.3 Confidential Information. Pursuant to this Agreement and the performance thereof, Licensee may receive non-public proprietary information relating to the plans and/or operations of DBC and its affiliates, parents and subsidiaries ("Confidential Information"). Confidential Information includes, but is not limited to, information regarding vendors, customers and lender arrangements, line-of-sight and other customer calculations, product/service specifications, prototypes, computer programs, models, drawings, acquisition plans, financing plans and arrangements, marketing plans, business plans, financial data, personnel statistics and any similar non-public or otherwise confidential or sensitive information. Licensee shall not use for itself, except in performance of the Agreement, or disclose to any third person, firm, corporation or other entity any Confidential Information, except (a) information that was gained independent of Licensee's relationship with DBC and becomes publicly available through no breach of any obligation of confidentiality by Licensee; (b) information that is communicated to a third party with the prior written consent of DBC; or (c) information that is required to be disclosed pursuant to the lawful order of a Governmental Authority or disclosure

that is required by operation of law, but in such event, only to the extent such disclosure is required and, to the extent reasonably practicable, prior written notice must be given to allow DBC to seek a protective order or other appropriate remedy or (d) information about the Agreement that is required to be disclosed to the Securities Exchange Commission. In the event of a beach or threatened breach of the terms of this Section, DBC shall be entitled to seek an injunction prohibiting any such breach. Any such injunctive relief shall be in addition to, and not in lieu of, any appropriate relief in the way of money damages or any other remedies available at law or in equity. DBC may disclose this Agreement with its affiliates, strategic partners, actual or potential investors, lenders, acquirers, merger partners, and others whom DBC deems in good faith to have a need to know such information for purposes of pursuing a transaction or business relationship with DBC, so long as DBC secures an enforceable obligation from such third party to limit the use and disclosure of Confidential Information as provided herein. The parties acknowledge that this Agreement is subject to disclosure as a public record under the Idaho Public Records law, and that it is subject to approval by Licensee's governing Board of Regents, and as such, may be placed on the public meeting agenda for the Board of Regents; provided, however, that Licensee shall use its best efforts, when practicable, to provide DBC with prior notice (and post-notice) or any public disclosures of the Agreement.

13.4 Entire Agreement. Except for the Non-Disclosure Agreement which shall remain in full force and effect, and except for any applicable acceptable use policies or terms of service that are related to use of DBC's Service, this Agreement, together with any written amendments, exhibits, appendices and/or schedules, constitutes the entire agreement between Licensee and DBC with respect to the subject matter addressed herein. This Agreement can be modified only by written instrument executed by each of the Parties. No collateral or prior statements, representations, understandings, agreements or warranties, express or implied, are part of this Agreement. This Agreement shall be binding upon the Parties, and their permitted successors, legal representatives, and assigns of the rights and duties hereunder. DBC and Licensee intend this Agreement to be a valid legal instrument and no provision of this Agreement which shall be deemed unenforceable shall in any way invalidate any other provision or provisions of this Agreement, all of which shall remain in full force and effect.

13.5 Compliance with Applicable Law. Licensee and DBC agree that all of the acts contemplated by this Agreement shall be performed in strict compliance with all applicable provisions of the Communications Act of 1934, as amended; FCC Rules; any order, license, permit, waiver or other authorization of the FCC issued with respect to the subject matter hereof; as well as any other applicable statutes and governmental requirements. If (i) Congress or the FCC amend the Communications Act, FCC Rules or applicable law in a manner that requires amendment of this Agreement, or (ii) the FCC determines that this Agreement should or must be amended or (iii) any court of competent jurisdiction interprets the Communications Act, FCC Rules or applicable law in a way that results in this Agreement violating the Communications Act, FCC Rules or any applicable law, then the Parties shall promptly negotiate in good faith to reform and amend this Agreement so as to bring it into compliance with the Communications Act, FCC Rules or applicable law (unless the offending terms are grandfathered). Such reformation or amendment shall afford the Parties the benefit of the bargain and preserve, insofar as possible, the original intent of this Agreement and the respective rights and obligations of the

Parties. If satisfactory reformation or amendment of the Agreement is not achievable by the Parties, then the Party who cannot substantially realize the benefit of its bargain hereunder, may terminate this Agreement in writing; provided, however, that such termination shall not relieve either Party of its prior obligations. If the non-terminating Party ("Non-Terminating Party") objects to termination by the other Party ("Terminating Party"), the Non-Terminating Party shall provide written notice of such Party's objection within ten (10) business days of receipt of the Terminating Party's notice and the Parties shall meet within ten (10) business days of the date of the objection notice to discuss the Terminating Party's reason for termination and attempt to resolve any disagreement about whether the Terminating Party has a right to terminate pursuant to this Section 13.5. If the Parties cannot resolve the matter, they shall arbitrate the dispute in accordance with Article XI.

13.6 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with the Communications Act, the FCC Rules and the internal laws of the State of Idaho without giving effect to any choice or conflict of law provision or rule (whether of the State of Idaho or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Idaho. Except as provided in Article XI, the Parties hereto, their successors and assigns consent to the jurisdiction of the state courts of Idaho in respect of any legal proceedings that may result from a dispute as to the interpretation or breach of any of the terms or conditions of this Agreement.

13.7 Further Action. After the execution of this Agreement, the Parties shall take such further action and execute such further documents, assurances, and certificates as either Party reasonably may request of the other to effectuate the transactions contemplated by this Agreement. In addition, each Party agrees that it will not take any action that would adversely affect the rights granted by it to the other Party hereunder.

13.8 Assignments.

(a) Eligibility for Transfer or Assignment. Subject to all applicable restrictions contained in this Agreement, Licensee shall only sell, assign, or transfer its interest in this Agreement or the License to a person or entity that is eligible or qualified to hold the License or lease the spectrum under applicable FCC Rules. DBC shall not sell, assign, or transfer its interest in this Agreement and will not enter into spectrum subleasing arrangements for the spectrum subject to the License with any person or entity that is not eligible or qualified to lease the spectrum under applicable FCC Rules.

(b) DBC Assignment. Pursuant to Section 1.9030(h) of FCC Rules, DBC may assign this Agreement to another entity, provided that (in the case of assignments that are not pro-forma) Licensee has consented to such assignment (such consent not to be unreasonably withheld, delayed or conditioned), the assignee agrees in writing to assume DBC's obligations under this Agreement, and the assignment of the Agreement is approved by the FCC after the Parties file an FCC Long Term Lease Application. Licensee agrees that it shall, under all circumstances, consent to a sale, assignment, or transfer of the Agreement to (i) a non-Affiliate successor entity to DBC with an equity book value of at least $25 million or (ii) an Affiliate of

DBC. Pursuant to Section 1.9030(i) of FCC Rules, DBC may undergo a transfer of control (other than a pro forma transfer of control) during the Term of this Agreement, provided it first obtains FCC Consent. Upon assignment or transfer of this Agreement by DBC pursuant to the foregoing, the assignee or transferee will be solely responsible for the obligations of DBC hereunder and DBC shall be relieved and discharged of all responsibilities, liabilities and obligations. Each Party shall be entitled, without the consent of the other Party, to undertake a pro forma assignment or transfer of this Agreement, or its rights hereunder, and shall provide notice to the other Party and notice to the FCC as required by Sections 1.9030(h) and (i).

(c) Licensee Assignment.

(i) With DBC's prior written approval, not to be unreasonably withheld, conditioned, or delayed, Licensee may assign its License to a bona fide Idaho educational institution, organization or foundation, so long as such entity assumes and agrees to be bound by the terms of this Agreement ("Successor Licensee") and the FCC has consented to the assignment of the *de facto* spectrum leasing arrangement reflected in this Agreement.

(ii) To the extent Licensee determines that it wishes to discontinue EBS operations and/or sell its License to an EBS eligible other than the type of eligible discussed in paragraph 13.8(c)(i) above, DBC shall have a Right of First Refusal to purchase the License pursuant to Section 5.1 hereof, but if DBC is not itself eligible to directly hold the License, then DBC shall have the right to assign its Right of First Refusal pursuant to Section 5.1 hereof to an EBS eligible. In all cases, Licensee shall assign any affected Channels and the License to an FCC-qualified Successor Licensee approved by DBC, such approval not to be unreasonably withheld, who will assume the Channels and License and agree to assume Licensee's obligations under this Agreement.

(iii) Under all the circumstances set forth in the subsections to Section 13.8(c), Licensee and DBC shall cooperate in filing with the FCC any and all paperwork necessary to assign the license to the Successor Licensee and receive continued FCC Consent, if necessary. Any Licensee assignment in violation of the terms of Section 13.8(c) and its subsections shall be void.

(d) DBC Sublease. DBC shall have the right to sublease capacity on the Leased Transmission Capacity in accordance with FCC Rules after receiving FCC Consent. Licensee shall provide its written consent to such subleasing which DBC may submit to the FCC, and Licensee will reasonably cooperate with DBC to effect any such sublease; provided however, that DBC shall bear all reasonable costs and expenses associated with any such sublease, and no such sublease shall relieve DBC of any responsibility for compliance with all of DBC's obligations under this Agreement. Under all circumstances, Licensee shall consent to a

sublease by DBC to an entity who is qualified to be a sublessee of the Leased Transmission Capacity under FCC rules and who executes DBC's business model for its services through a franchise agreement or similar arrangement.

(e) Licensee Release. Upon the valid consummation of the sale, assignment or transfer of the License to any Successor Licensee as described in this Section 13.8, the execution by such Successor Licensee of an assignment and assumption agreement with respect to this Agreement, and the expiration of any applicable FCC reconsideration periods for such assignment or transfer: (i) Licensee will be released and discharged from all obligations to DBC arising thereafter; and (ii) Licensee will not incur any penalties as a result of and will not be responsible for any of DBC's expenses associated with the sale, assignment or transfer, except that nothing shall release Licensee from any liabilities incurred prior to the execution of such assignment and assumption agreement.

(f) Ownership of Equipment. DBC shall be the owner of any facilities or equipment purchased, owned or installed by DBC pursuant to this Agreement and Licensee shall be the owner of any facilities or equipment purchased, owned or installed by Licensee pursuant to this Agreement.

(g) Sale of License at Auction. Subject at all times to observing the FCC's anti-collusion rules, in the event the FCC determines to hold an auction pursuant to which EBS licenses are auctioned, Licensee and DBC shall cooperate and agree upon whether the License will be submitted as part of the auction. Licensee shall not submit the License for potential sale at the auction without the prior written consent of DBC. In the event that any Channel or the License is sold at auction, Licensee shall cause: (i) the transferee of such Channel or License to unconditionally agree in writing to assume Licensee's obligations under this Agreement with respect to any such Channel or the License; and (ii) the written instrument described in the foregoing subsection shall provide that DBC will be a third-party beneficiary of such instrument.

13.9 Notices. Any notices and documentation given under this Agreement shall be in writing and shall be deemed given (i) on the first (1st) business day (excluding Federal holidays) after being sent by United States Express Mail, return receipt requested, (ii) on the fourth (4th) business days after mailing by prepaid registered or certified United States Mail, (iii) the date delivered after being sent by overnight delivery, or (iv) on the date delivered by hand delivery to the other Party at the following address:

If to Licensee:

Harvey Hughett
Executive Director/CIO
University of Idaho
Information Technology Services
Admin 140

Moscow, ID 83844-3155
Telephone: 208-885-7880
Facsimile: 208-885-7539

with a copy (which shall not constitute notice) to:

David Anderson
Instructional Support
University of Idaho at Idaho Falls
1776 Science Center Drive
Suite 306
Idaho Falls, ID 83402
Telephone: 208-885-7880
Facsimile: 208-282-7950

and a copy (which shall not constitute notice) to:

Todd D. Gray
Dow Lohnes PLLC
1200 New Hampshire Avenue, N.W.
Suite 800
Washington, D.C. 20036
Telephone: 202-776-2571
Facsimile: 202-776-4571

If to DBC:
DigitalBridge Spectrum Corp.
44675 Cape Court
Suite 130
Ashburn, VA 20147
Attention: William Wallace
Telephone: 703-723-6272
Facsimile: 703-858-1083

with a copy (which shall not constitute notice) to:

Jennifer L. Richter, Esq.
Patton Boggs, LLP
2550 M Street, NW
Washington, DC 20037
Telephone: 202-457-5666
Facsimile Number: 202-457-6315

13.10 Headings. The headings of each Article and Section of this Agreement and the arrangement of the provisions herein are for convenience only and shall not affect the

interpretation of any provision of this Agreement herein. Unless otherwise stated, references in this Agreement to Sections refer to the Sections of this Agreement.

13.11 Construction. The Parties intend that the Leased Transmission Capacity will be used by DBC to provide an array of services selected by DBC in accordance with its business plan, as such business plan may evolve from time to time, and the Parties anticipate that the architecture of the wireless system and its Services will evolve in accordance with technological developments and DBC's plans to employ technological developments in its business. Accordingly, it is the intention and the agreement of the Parties that this Agreement shall be understood and interpreted in an expansive fashion to adapt to and permit the utilization of such changes in technology, consistent with applicable legal requirements and the Parties' rights hereunder. Each Party acknowledges and represents that, in executing this Agreement, it has had the opportunity to seek advice as to its legal rights from legal counsel. DBC and Licensee have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by DBC and Licensee and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of the authorship of any of the provisions of this Agreement. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the context may require.

13.12 Counterparts. This Agreement and any amendments, waivers, consents or supplements thereto may be executed in two or more counterparts, each of which when executed shall be deemed to be an original and all of such counterparts shall be deemed to be one and the same instrument.

13.13 Waiver. The waiver by either Party of a breach of any provision of this Agreement shall not operate as a waiver of any subsequent breach thereof. To be effective, any such waiver must be in writing and signed by an authorized official of Licensee or DBC, as the case may be. No investigation by a Party, whether before or after the date first stated above, shall be deemed to limit the rights or responsibilities of that Party under this Agreement.

13.14 Survival. All obligations of DBC or Licensee which by their nature involve performance after the end of the Term, or which cannot be ascertained to have been fully performed until after the end of the Term, will survive the expiration or termination of the Term.

13.15 Force Majeure. Notwithstanding anything contained in this Agreement to the contrary, neither Party shall be liable to the other for failure to comply with any obligation under this Agreement (nor shall any charges or payments be made in respect thereof) if prevented from doing so by reason of the elements, fires, strikes, labor unrest, embargoes, acts of war, terrorism, civil commotion, government allocation of materials, rationing or other orders or requirements, acts of civil or military authorities, acts of God, acts or omissions or failures of carriers or utilities, or other contingencies beyond the reasonable control of the Parties; and all requirements as to notice and other performance required hereunder within a specified period shall be automatically extended to accommodate the period of pendency of any such contingency which shall interfere with such performance.

13.16 Non-Use of Names and Trademarks. No party to this Agreement shall, without express written consent in each case, use any name, trade name, trademark, or other designation of any other party hereto (including contraction, abbreviation or simulation) in advertising, publicity, promotional, or any other activities or context.

13.17 No Joint Venture. Nothing contained in this Agreement shall be construed as creating a joint venture, partnership, or agency relationship between the parties.

13.18 Equal Opportunity. DBC agrees not to discriminate against any employee or applicant for employment in the performance of this Agreement, with respect to tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, sex, color, religion, national origin, disability, ancestry or status as a Vietnam veteran. Breach of this covenant may be regarded as a material breach of this Agreement.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed by its duly authorized officer as of the date first written above.

DIGITALBRIDGE SPECTRUM CORP.	REGENTS OF THE UNIVERSITY OF IDAHO
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Execution Version

EXHIBIT A

COPY OF LICENSE

REFERENCE COPY

This is not an official FCC license. It is a record of public information contained in the FCC's licensing database on the date that this reference copy was generated. In cases where FCC rules require the presentation, posting, or display of an FCC license, this document may not be used in place of an official FCC license.

Reference Copy

Federal Communications Commission

Wireless Telecommunications Bureau

RADIO STATION AUTHORIZATION

LICENSEE: REGENTS UNIV. OF IDAHO

ATTN: HARVEY HUGHETT
REGENTS UNIV. OF IDAHO
415 WEST 6TH ST., ADMIN. BLDG., RM. 140, MAILSTOP 3155
MOSCOW, ID 83844-3155

Call Sign	File Number
WND470	0003493069
Radio Service	
ED - Educational Broadband Service	
Regulatory Status	
Non Common Carrier	

FCC Registration Number (FRN): 0007246812

Grant Date	Effective Date	Expiration Date	Print Date
08-22-2008	08-22-2008	08-14-2018	08-23-2008

Geographic Service Area: P35 43-21-05.7 N 112-00-24.9 W

Channel Plan:	Channel Number:	Frequency:
Old	A1	002500.00000000 - 002506.00000000 MHz
Old	A2	002512.00000000 - 002518.00000000 MHz
Old	A3	002524.00000000 - 002530.00000000 MHz
Old	A4	002536.00000000 - 002542.00000000 MHz

Waivers/Conditions:

NONE

Conditions:
Pursuant to §309(h) of the Communications Act of 1934, as amended, 47 U.S.C. §309(h), this license is subject to the following conditions: This license shall not vest in the licensee any right to operate the station nor any right in the use of the frequencies designated in the license beyond the term thereof nor in any other manner than authorized herein. Neither the license nor the right granted thereunder shall be assigned or otherwise transferred in violation of the Communications Act of 1934, as amended. See 47 U.S.C. § 310(d). This license is subject in terms to the right of use or control conferred by §706 of the Communications Act of 1934, as amended. See 47 U.S.C. §606.

FCC 601-ED/BR
August 2007

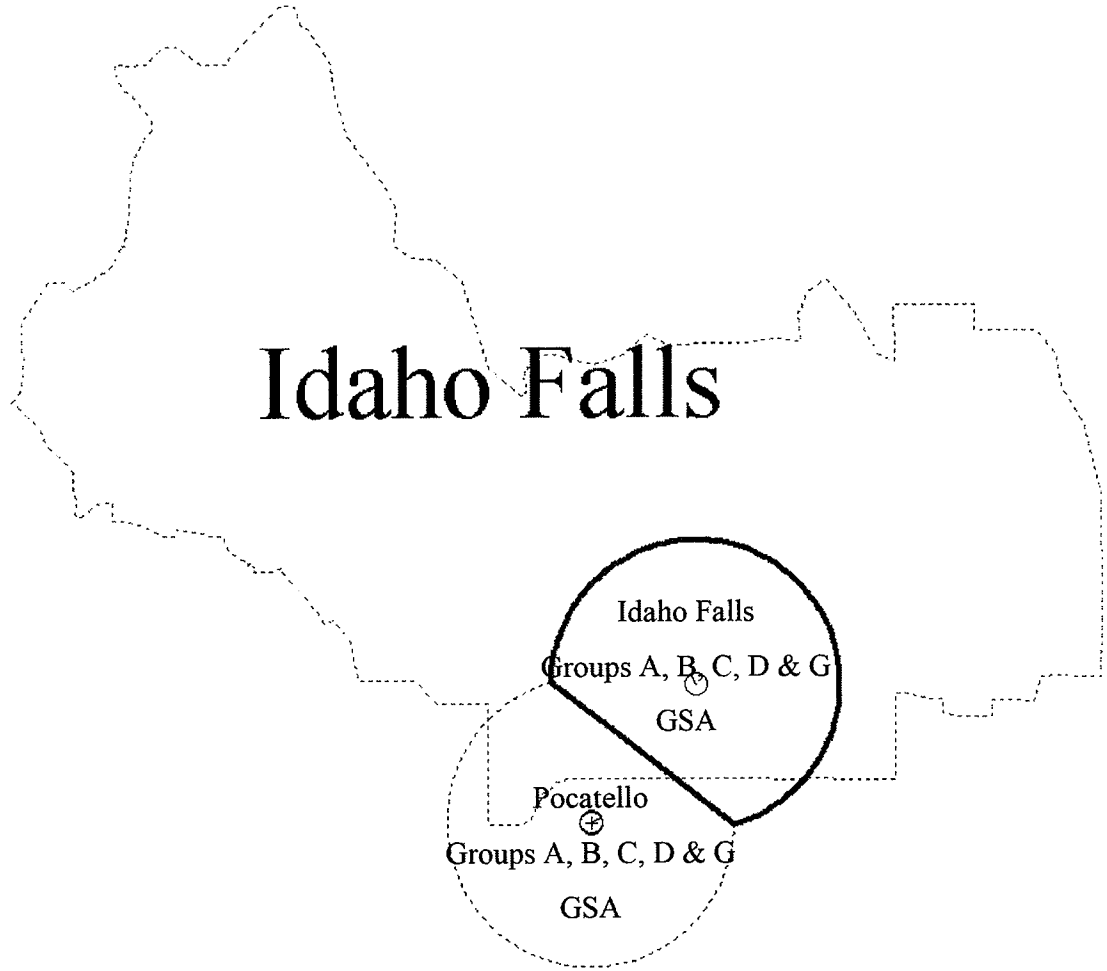
Execution Version

EXHIBIT B

MAP OF GEOGRAPIC SERVICE AREA

Idaho Falls EBS

Channel Groups A, B, C, D & G



UNIVERSITY OF IDAHO

SUBJECT

Progress Report on Idaho Center for Livestock and Environmental Studies (ICLES) – Information Item.

REFERENCE

October 2006	Regents approval of an additional Line Item for the Agricultural Research and Extension Service for FY 2008 in the amount of $10 million General Funds, for a Research Dairy Facility.
January 2007	Regents approval of the request by the University of Idaho to seek a one-time appropriation of general funds for Agriculture Extension Service for FY 2008 in the amount of $10 million from the Idaho Legislature, and to seek modification of the federal Morrill Act for the purpose of allowing the State of Idaho to apply real estate assets in the Agriculture College Endowment for acquisition real estate, buildings and fixtures for experimental farms and provide these assets to the University of Idaho for use as the endowment beneficiary.
April, 2007	Legislature appropriates $10 million for ICLES and joint ISDA/IDFG facilities – contingent upon revisions to Morrill Act to allow use of Ag Endowment assets, and requiring final recommendation from the Governor and approval from the Regents prior to release of funds.
July, 2007	Congress passes revision to Idaho Admissions Act to allow use of Ag Endowment assets.
January, 2008	Regents approval for planning expenditure and instruction to report on project progress at future meetings.
April 1, 2008	Senate Bill 1498 passed by legislature and signed into law releasing the $10 million appropriation to the Board for application to the ICLES.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.K. Construction Projects.

BACKGROUND/DISCUSSION

As part of the Regents' approval for expenditure of planning funds, the University was instructed to report on the progress of the ICLES project at future meetings of the Regents. The University will update the Regents on the progress of the ICLES project to date.

IMPACT

This will be an informational item only. There will be no fiscal impact.

BOARD ACTION

This item is for informational purposes only. Any action will be at the Board's discretion.

LEWIS-CLARK STATE COLLEGE

SUBJECT

LCSC is negotiating to purchase a privately-owned residence facility

REFERENCE

October 2004	LCSC informed Board of shortage of residence hall space for Lewiston campus.
December 2004	Board asked for needs analysis and competitive RFP.
January 2005	Board asked LCSC to explore possibility of private enterprise building new residence halls, and/or advantages of self-financing without a lease.
March 2005	Board approved sale of tax-exempt bonds to fund the construction of a residence hall; however, at Board request, LCSC postponed action until private firms had time to develop proposals.
October 2005	After LCSC was contacted by two firms (each proposing to fund and build a residence hall), the Board approved the sale of lots to provide land for private development of (College Place) residence hall.
June 2006	Board approved management agreement for the first of two privately-developed residence halls (College Place) located adjacent to Campus on 4th St.
November 2006	Board approved management agreement for the second of two-privately developed residence halls (Clearwater Hall) located in downtown Lewiston.
April 2008	Board authorized LCSC to make offer to purchase the residential portion of Clearwater Hall for the lower of $3.8M or appraised value.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Sections V.I.1. through V.I.2. ("Acquisition of Real Property")

BACKGROUND/DISCUSSION

The builders and current owners [College Town Development Idaho (CTDI)] of Clearwater Hall (the new residence facility which opened for operations in August 2006) on Main Street in downtown Lewiston, have asked LCSC to purchase the residential portion of the property. The investors in this private development project incurred operating losses as a result of not having been able to lease the commercial space on the street level of the facility and lower-than-expected revenues for the residential portion of the facility.

CTDI's investors assumed that commercial space on the ground floor of the building would be fully leased almost continuously, generating revenues of over

$120,000 per year, and that the 117 bed spaces in the residence hall portion of the building would be full 12 months each year. In the two years since the building opened, no tenants have been placed in the commercial space, and occupancy rate in the upstairs residential units averaged less than 80% over the Fall and Spring semesters. These lower-than-expected occupancy rates were due to a combination of factors including:

1) Problems with missing or non-functioning equipment/services when the facility opened for its first year of operation, and;
2) The simultaneous addition of two new residence halls (College Place and Clearwater Hall) which created temporary overcapacity (an instantaneous increase of approximately 200 beds). [This temporary housing glut was unanticipated—the College had experienced significant housing shortages in the 3-year period prior to the opening of the two new privately-developed halls—a period in which dozens of spillover students were housed each year under contract at the local Red Lion hotel.]

LCSC's current management agreement with the owners has limited the College's exposure to financial risk for facility operations. LCSC foregoes a small management incentive fee when occupancy rates drop below 85%, while the owners bear the financial risk in the event commercial space and residential space revenues are lower than anticipated. Because of near-term cash flow problems and difficulties securing long-term financing, the investors wish to sell the property.

In January 2008, after the owners urged LCSC to purchase the facility, the College analyzed the potential costs and benefits of assuming direct ownership of the residential space. LCSC suggested that, based on an analysis of the value of the property based on revenues/costs that the College would incur, a ballpark figure of $3.8M to $3.9M would likely be the maximum amount the College and its Board of Trustees could offer (significantly less than the $5.2M the owners' believed the College could/should pay for the facility). After additional discussion/analysis, the owners agreed to consider LCSC taking a $3.8M to $3.9M proposal to the State Board for the residential portion (top three floors) only.

On April 17, 2008, the Board authorized LCSC to make an offer of $3.8M—or the appraised value of the property—whichever was lower [LCSC's appraisal was still underway at the time of the April Board meeting.]

LCSC's appraisal for the property, received in mid-July 2008, estimated that the "as is" commercial value of the property to another potential investor was $2.8M (a weighted average of a $2.48M "income approach" value, a $2.925M "sales comparison approach" value, and a $3.745M "cost approach" replacement value).

In accordance with the Board's guidance in its April 2008 decision, LCSC subsequently offered (Atch 2) CTDI $2.8M for the residential portion of the facility. CTDI rejected LCSC's offer, pointing out that the College's appraisal of the property reflected only the value another outside business would be willing to pay for the facility to take CTDI's place and work with LCSC under the current arrangements and past demand rates—rather than the expected value to LCSC if it were to become the owner/operator. The owners maintained that a $3.8M price would be a bargain in light of the costs the State would incur to obtain a new facility. CTDI stressed that it had invested over $6.2M in the property. The Nez-Perce County Assessor (in April 2008) placed a $3.8M value on the residential portion of the property. In conjunction with its rejection (Atch 3) of LCSC's offer, the owners provided a copy of their investment bank's independent appraisal of the property (Key Bank appraisal excerpts at Atch 4)—which they maintained supported a value to LCSC of over $3.5M, plus $300K value added in light of LCSC's future occupancy growth, for a total counter offer of $3.8M. The owners contend that the value of the residential portion of the building, if LCSC were to assume direct ownership (rather than manage on behalf of some other investor group assuming CTDI's limitations under the current management agreement), is $5.3M.

Structural Assessment: LCSC hired a structural engineer to examine the condition of the premises. Two significant areas requiring attention were noted: installation of missing grout in bearing plates supporting some of the steel columns for the structure to increase seismic resistance, and repairing ("tuckpointing") the mortar on the bricks for some of the original masonry on the older section of the building. LCSC's portion of the associated repair costs are estimated to be less than $100K (and the more serious of the structural concerns, the repair of the bearing plates, has already been completed).

Financing: The College has been working closely with financial advisors to analyze possible financing options for the purchase. The College's offer of $4.5M for the entire facility assumes an amortization period of 27 years, based on financing via a 4.9% secured note, with a balloon payment after 15 years. Potential revenues for the residential portion of the facility are projected at an 80% average annual occupancy rate during the regular academic year over the life of the investment, with only token revenue projected for summer months. LCSC's offer price includes purchase of all furniture (new condition) already in place in the facility.

IMPACT

During the period of the owners' financial difficulties, and despite high turnover of personnel at CTDI, the College has been able to sustain normal operations at Clearwater Hall. As of the time of writing, Clearwater Hall is full (over 90% occupancy), and there is a waiting list of students temporarily housed in make-shift dorm quarters ready to move into the facility at the beginning of the Spring semester. Occupancy rates have increased over 19% compared to Fall 2007. If

a suitable purchase arrangement cannot be worked out, LCSC students now living in (or programmed to backfill future openings in) Clearwater Hall may have to be relocated. A timely purchase would minimize disruptions to LCSC students and recruiting efforts and would channel revenue streams immediately to LCSC.

The Board strongly encouraged the private-public partnership approach as a method of quickly and inexpensively expanding residence space at LCSC. A good faith effort to sustain this existing residence hall would help support LCSC's students and the College's relations with other partners and the local community. Acquisition of the downstairs space would eliminate potential coordination problems with future commercial tenants, and would provide LCSC with additional space to support expanding programs.

If the Board approves LCSC's request to offer $4.5M for the facility, and if the offer is accepted by the owners, the College will proceed immediately to secure financing to lock in favorable interest rates, under the approach outlined above. The College assesses that the purchase of the entire facility lies within the financial means of the institution and, under conservative assumptions, the business model would result in positive net cash flows to the College within approximately 10 years for the residential portion of the facility, and that acquisition of the 14,000 square foot first-floor space is a sound investment for approximately $800,000. Ownership of the facility would enable LCSC to improve services for its growing population of student residents, decommission decrepit residence facilities, and improve utilization rates and quality factors for the College's residential program as a whole.

ATTACHMENTS

Attachment 1 – AGNW ("Sprute") Appraisal (excerpt) Page 7
Attachment 2 – LCSC letter proposing $2.8M purchase price Page 47
Attachment 3 – CTDI rejection and $3.8M or $5.1M counter offers Page 49
Attachment 4 – Key Bank ("Lembeck") Appraisal (excerpt) Page 55
Attachment 5 – 10 year Financial Pro Forma Page 135

STAFF COMMENTS AND RECOMMENDATIONS

The facility has over 90% occupancy, there is a waiting list of students, and occupancy rates have increased over 19% compared to Fall 2007. It appears that the college needs this or a similar facility to meet student housing needs. If this facility were lost to another buyer, it could cost LCSC between $5.25m and $6.9m to build a similar student housing facility. It appears the purchase price of $4.5 million for the entire facility is favorable to building a new facility.

Attachment 5 shows the 10-year financial pro forma for the residential portion of the facility. This shows the revenues and full costing of the facility based on 80% occupancy. Purchasing the commercial space would add an estimated $54k payment per year under a similar loan, but the purchase price of approximately $61 per square foot would be a benefit to the College.

Purchasing the residence and commercial space would give the College ownership of the land for unencumbered use by students, maintenance and utility needs.

Staff recommends approval.

BOARD ACTION

A motion to approve the request by Lewis-Clark State College to offer $4.5M to College Town Development Idaho, for the purchase of Clearwater Hall; and, if accepted, to seek financing for the purchase through a secured note, subject to future Board approval of finance terms.

Motion by _____ Seconded by _____ Carried Yes ___No___

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Appraisal Group NorthWest

Real Estate Appraisers & Consultants

COMPLETE APPRAISAL-SUMMARY REPORT

CLEARWATER APARTMENTS
402-418 Main Street
Lewiston, Idaho
As of April 8, 2008

Prepared For

LEWIS-CLARK STATE COLLEGE

Prepared By

MICHAEL J. SPRUTE, MAI

Appraisal Group NorthWest
Real Estate Appraisers & Consultants

June 6, 2008

Kent Kinyon
Controller
Lewis-Clark State College
500 8th Avenue, Controller's Office
Lewiston, ID 83501

RE: ***Complete Appraisal-Summary Report***
Clearwater Apartments
402-418 Main Street
Lewiston, Idaho

Dear Mr. Kinyon:

At your request, I have analyzed the real property referenced above to estimate the market value of the Fee Simple Interest as it appeared on April 15, 2008, the date of inspection. This appraisal is described in detail in the attached Complete Summary report that consists of 44 pages and Addenda.

This appraisal report has been prepared in accordance with the Standards of Professional Practice and Code of Ethics of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and my interpretation of the current reporting requirements of federally regulated lending institutions. No required approach was omitted and the analysis developed for each is adequate.

On April 8, 2008, and at other times since, I personally inspected the subject property and investigated the market for this type of property and other pertinent facts affecting value. The subject property is a two and three story, ±34,314sf, 32-suite student housing facility with 117 bedrooms above a main floor of commercial space on a ±19,500sf useable site in downtown Lewiston. I have also talked with well-informed brokers, other appraisers, assessors and other property owners in the community for the purpose of forming an opinion of value.

I have prepared an opinion of the market value as of the date of inspection. Based on my examination and study of the property and the market, and subject to the assumptions and limiting conditions contained in this report, the estimated market value of the Fee Simple Interest in the subject property is ***$2,800,000****,* ***"AS IS"*** *with* ***$2,600,000*** *attributed to the real property and $200,000 for the furniture, fixtures and equipment.*

Respectfully,

Michael J. Sprute, MAI
Idaho State Certified General Appraiser
Cert. No. CGA-163

1225 N. Argonne Rd., Suite B· Spokane Valley, WA 99212
(509) 324-3555 • FAX: (509) 534-2021

CLEARWATER APARTMENTS

COMPLETE APPRAISAL-SUMMARY REPORT As of April 8, 2008

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ADDENDA
- EXCERPTS FROM MANAGEMENT AGREEMENT
- QUALIFICATIONS

SUBJECT PHOTOS

View Southeast of the older west half from Main Street

View southeast of new 4-Story building from Main Street

SUBJECT PHOTOS

View southwest from 5th Street and Main Street

View westerly from across 5th Street

SUBJECT PHOTOS

View northerly from the 5th Street hill.

View north of the new building from the top of the steep hill to the south.

SUBJECT PHOTOS

View northerly of the older building from the steep hill to the south.

View west along Main Street from east of 5th.

SUBJECT PHOTOS

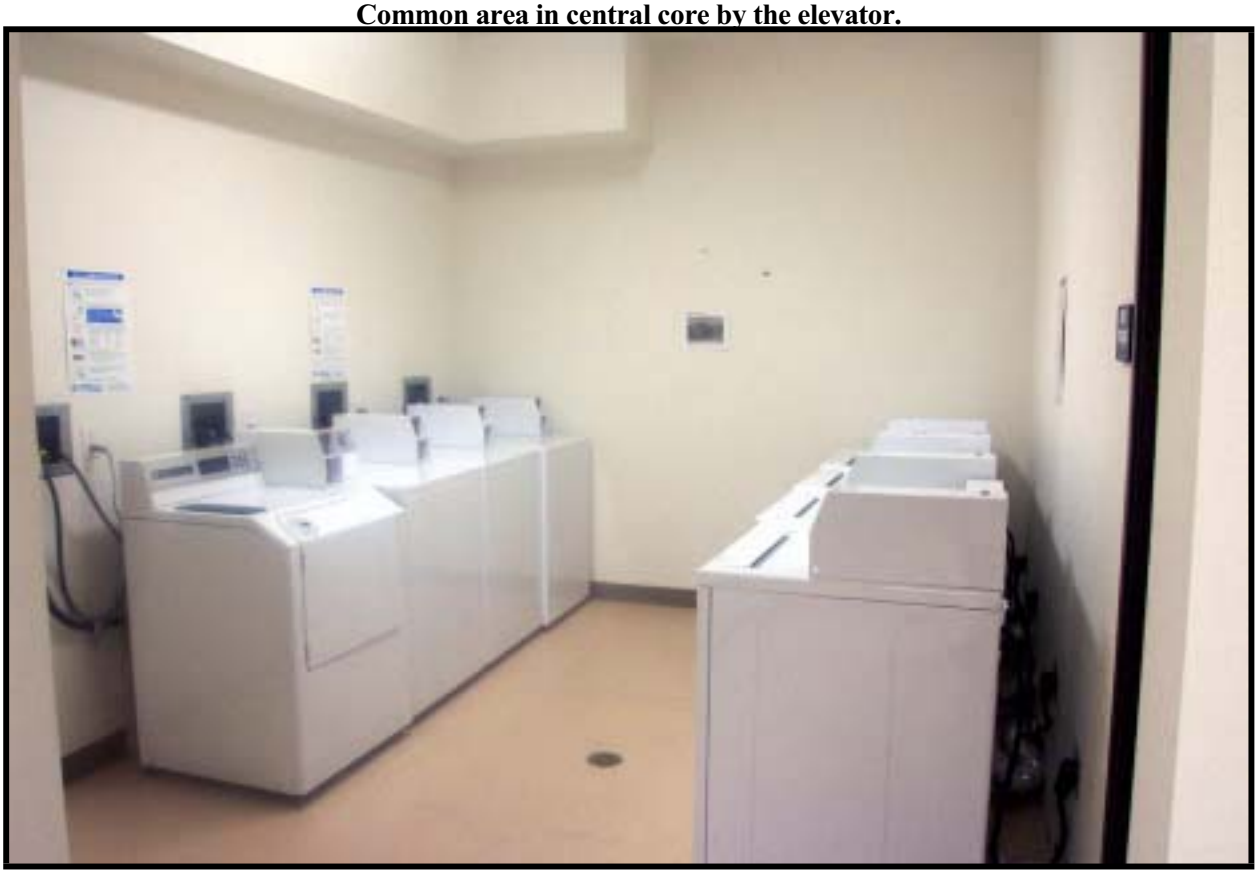
Typical bathroom

Shower/toilet area

Typical shower

SUBJECT PHOTOS

Common area in central core by the elevator.



Laundry room.

SUBJECTPHOTOS

Study Room

Maintenance Room

The following Complete Appraisal, Summary Report is intended to comply with the reporting requirements as set forth under standards rule 2-2(b) of the Uniform Standards for Professional Appraisal Practice (USPAP). It contains an adequate discussion of the data, reasoning, and analyses that were used to develop the opinion of value. It also includes an adequate description of the subject property, the property's locale, the market for the property type, and the appraiser's opinion of highest and best use. All data, reasoning, and analyses used to arrive at an opinion of value are contained in this report. The depth of discussion is sufficient for the need of the client, and for the intended use as stated herein.

This report is prepared for the sole use and benefit of the client and is based, in part, upon documents, writing, and information owned and possessed by the client. Neither this report, nor any of the information contained herein shall be used or relied upon for any purpose by any person or entity other than the client. The appraiser is not responsible for the unauthorized use of this report.

CLIENT:	Lewis-Clark State College Kent Kinyon, Controller
PROPERTY APPRAISED:	Clearwater Apartments, 117 cluster style bedrooms in 32 suites above a main floor retail space not included.
PROPERTY LOCATION:	402 & 410 Main Street, Lewiston, Idaho
PURPOSE OF THE APPRAISAL:	Estimate Market Value AS IS.
INTENDED USE OF THE APPRAISAL:	Purchase & Mortgage Loan Considerations.
PROPERTY RIGHTS APPRAISED:	Fee Simple Interest
IMPORTANT DATES:	
Date of Inspection:	April 8, 2008
Date of Report:	June 24, 2008
SITE DESCRIPTION:	
Size:	±39,100sf gross with ±19,500sf useable.
Access:	Good frontage on Main Street and 5th Street.
Topography:	Nearly level for the building site to a very steep hillside.
Zoning:	Commercial in Lewiston.
IMPROVEMENT DESCRIPTION:	
Type & Construction:	Average to good quality, wood and steel frame with concrete, brick and dryvit exterior.
Size:	34,314sf gross on two and three floors. 117 bedrooms, 32 suites.
Year Built:	West half built in 1910 and remodeled in 2006. East half is new in 2006.
Quality & Condition:	Average to good quality and condition.
HIGHEST and BEST USE:	College apartments as developed.

SUMMARY OF CONCLUSIONS

LAND VALUE:	
Size	32 UNITS
Rate/Unit	$10,000
Indicated Value, Rounded	$320,000
COST APPROACH	
Total Cost New ±34,314sf @ $143.20	$4,913,940
Depreciation from all Causes	1,474,180
Depreciated Cost	$3,439,760
Land Value	$320,000
Total Indicated Value, Rounded	**$3,745,000**
INCOME APPROACH:	
Total Effective Gross Income	$402,358
Expenses	$201,001
Net Operating Income	$413,712
Overall Capitalization Rate	7.50
Indicated Value	$2,551,513
Less Adjustments	$70,000
Income Approach Conclusion, Rounded	***$2,480,000***
SALES COMPARISON APPROACH:	
Price/Unit: $85,000 x 32	$2,720,000
Price/sf: $80.00 x 34,314	$2,745,000
Price/Bedroom: $25,000 x 117	$2,925,000
Effective Gross Income Multiplier: 8.25 x $402,358	$3,320,000
Sales Comparison Approach Conclusion, Rounded	***$2,925,000***
"AS IS" VALUE CONCLUSION	**$2,800,000**
EXPOSURE PERIOD ESTIMATE:	
MARKETING PERIOD ESTIMATE:	

Critical Issues & Important Considerations

The subject property is the second through fourth floors of a three and four story facility built in 2006 with about 13,350sf of lobby and retail on the main floor. There has not been a condominium declaration or documents prepared for transferring the ownership of these upper floors. This appraisal assumes that the final condo documents will include the basic areas outlined in this report with common area access to the main floor lobby/elevator/stairwell area. There are no atypical appraisal problems, except that this type of facility rarely sells. This appraisal assumes that there is no significant hazardous contamination and the opinions of value are predicated on a "clean" site.

Delineation of Title

In 2004-05, Clearwater Historic Development, LLC acquired 402 Main, a three-story brick building know as the Adams Building and 410 Main, a vacant parcel that had been developed with a three story

building that was destroyed by fire. Clearwater designed, remodeled and built the existing buildings in 2006. On April 26, 2006, the subject parcels were transferred to College Town Development Idaho, LLC by Quit Claim Deed.

Purpose and Intended Use

The purpose of this appraisal is to estimate the market value of the fee simple interest in the subject property "As Is" on April 8, 2008. The function and intended use of this appraisal is to provide the client with value estimates as a basis for purchase and collateral loan purposes.

Real property includes the interest, benefits and rights inherent in the ownership of physical real estate, subject to the four powers of government; that is, taxation, eminent domain, police power and escheat. A fee simple estate is an estate without limitations or restrictions. A leased fee estate is a property held in fee with the right of use and occupancy conveyed by lease to others.

Scope of the Analysis

To estimate the market value of the fee simple interest in the subject parcels, I have investigated the market in which the subject is situated and attempted to identify and analyze all relevant data that may affect or indicate property value. These data include economic and demographic trends, comparable sales data, absorption rates, rental information including vacancy and expenses, and significant rates and ratios relating to value. In my research, I interviewed sellers, purchasers, brokers and other individuals familiar with value, sales and trends in the market.

In developing this appraisal, I have attempted to be aware of, understand, and correctly employ the recognized methods and techniques necessary to produce a credible appraisal. Each appraisal generally includes the Cost Approach, Sales Comparison Approach and Income Approach to Value. This is a complete summary appraisal that includes a sufficient analysis of the Cost, Sales and Income approaches.

I performed a physical inspection of the subject property, including the site and exterior and interior of the improvements. The local and regional market was surveyed and researched for data and factors that relate to and impact the value of the subject property. The local and regional market was investigated and researched for similar comparable sales and rental data so that an estimate of value by the Sales Comparison and Income Approaches could be made. When possible, sales data were verified by the buyer, seller, or broker. A rental survey was also made to identify both market rent levels and vacancies for the Income Approach. In my opinion, the complete appraisal process per USPAP requirements was performed.

For the purpose of this assignment, I have considered the Cost, Income and Sales Comparison Approaches to Value. I have gathered data from the Cities of Lewiston and Clarkston, Nez Perce County, State of Idaho, various brokers and sales people, as well as buyers and sellers in the county in order to compile sufficient information from which to form an opinion of value on the subject property.

Definition of Value

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

buyer under conditions whereby:

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

Conformity with the USPAP and Competency Provision

This appraisal has been developed to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation, and with the Standards of Professional Practice and Code of Ethics of the Appraisal Institute. I have not departed from the USPAP. The appraisal is reported in a summary format. In my opinion, all significant information necessary to reach a reasonable value conclusion has been disclosed in the report.

I am familiar with the appraisal of this type of property and with the locale in which the subject is located. I believe I have sufficient education and experience to appraise the subject property. I have not appraised any similar apartment style cluster housing, however, I have appraised college apartments over the last eight to ten years. I have researched the market for sales and consulted other knowledgeable appraisers regarding the appraisal of similar facilities. Consequently, I found no need to take special measures to conform to the competency provision of the USPAP.

No information that was required or considered necessary for the completion of the appraisal is unavailable. Adequate information was gathered from which to form an opinion of value. However, if in the future additional pertinent information becomes available, I reserve the right to consider the information and its impact on the value estimated herein. Such review and consideration may be at an additional fee.

Reasonable Exposure/Marketing Period

The exposure period is the length of time the subject property would have been offered for sale prior to the date of the appraisal at a price that would have resulted in a sale at the estimated value on the date of the appraisal. The marketing period is the time required for the sale of the subject property as of the date of value, recognizing its characteristics and the market conditions. The subject property is of a size and quality that would be attractive to many investors. It is located in an attractive downtown area with good exposure and access. Most of the sales used in the Sales Comparison Approach were of comparable properties with an exposure /marketing time of generally less than one year.

[1] Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42, Definitions (f).

The subject parcels are located in the central downtown area of the city of Lewiston in the Lewis-Clark Valley, which is bisected by the Washington and Idaho borders formed by the Snake River. The "sister-cities" of Lewiston and Clarkston are located on opposite sides of the Snake River, at its confluence with the Clearwater River in a deep valley formed by these two rivers. Lewiston and Clarkston are located approximately 335 miles southeast of Seattle, 350 miles east of Portland, 211 miles southwest of Missoula, 271 miles northwest of Boise, and 114 miles south of Spokane. Lewiston is the county seat of Nez Perce County. Clarkston is located in Asotin County, and the city of Asotin is the county seat.

The Lewis Clark valley, including Nez Perce County, ID and Asotin County, WA, has a combined population of near 60,000 people. Nearly 90% of the area's population lives within the city limits of the two primary urban areas. The valley population has grown only about 1.5% over the last five years while the State of Idaho has grown 10.5%. There has been little in-migration and expansion of the employment base. However, unemployment remains fairly low with an average unemployment of less than 4%.

Lewiston and the Moscow/Pullman area, located about 30 miles to the north, are rivals for regional shopping in North Central Idaho, Southeastern Washington, and the Northeastern Oregon area. Lewiston has long been the dominant supply and financial center of the region, however, in recent years, Moscow/Pullman has proven serious competition with two shopping malls. A new shopping center, including a Payless Drug Store and a Safeway grocery store, was completed a few years ago in Pullman. Both communities have added Wal-Marts with the Lewiston-Clarkston Valley now having the only Costco. Moscow and Pullman are the locations of the University of Idaho and Washington State University, respectively.

The most important economic base to the Lewiston-Clarkston area in addition to the Potlatch Corporation is the most easterly extension of the Columbia-Snake Inland Waterway. With the completion of the Lower Granite Dam in 1975, slack water navigation reached the area continuing to expand the economy and creating several ports. The main products being shipped downstream are logs and grain from the Ports of Clarkston, Wilma and Lewiston. Chips are being shipped to U.S. Ports of the West Coast, while logs are being shipped as far as the Orient. Finished paper products from the Potlatch Corporation are also being shipped from Lewiston to ports all over the world.

The major employer in the area is Potlatch Corporation with ±2,100 employees and a pulp and paper mill located east of the Lewiston city limits. Potlatch continues to operate two plywood mills at two other North Idaho locations. It has shut down several sawmills in other communities in recent years; however, their pulp and paper mill remains profitable and is the dominant industry in the area. Regence-Blue Shield of Idaho employs ±1,000 in the region and ATK (formerly Blount/Omark), employs ±680 and constructed a new plant in the Lewiston Orchards providing 40 new jobs. Bennett Lumber Products (sawmill) is the largest employer in Clarkston. St. Joseph Medical Center with ±808 employees, Lewiston School District with ±710, Lewis-Clark State College with 720 and Clarkston School District with 350 employees are other large employers in the area.

Recent additions to the retail market include Wal-Mart and Costco who each developed 155,000 square foot outlets respectively in Lewiston and Clarkston. Other relatively recent projects have included a Big 5 Sporting Goods, Home Depot, Staples, and Petco. Several banks, small retail centers and restaurants as well as a new Safeway have opened in recent years. Though the new stores have created hundreds of jobs, many of them were simply transfers from the smaller retail outlets no longer able to

compete with these giants. The demand for older/smaller commercial properties is less than the current supply, and a high vacancy rate, particularly among older buildings in secondary locations is occurring.

The local economy is expected to be stable, with a slow growth pattern fueled by normal population increases. The outlook for most secondary and older real estate is for limited demand in the short term and a stable pattern over the long term. Until the demand for goods and services increases to a level that will support the occupancy of the available space, the vacancy rates will remain relatively high and real estate sales and leases will continue at a sluggish pace.

NEIGHBORHOOD DESCRIPTION

Neighborhood Map

MSN Aerial looking South.

The subject properties are located at the southwesterly corner of Main Street and 5th Street near the core of the downtown area. The "central business district" is that area south of the Clearwater River from roughly a few blocks west of the Highway 12 bridge on the east to the Snake River on the west. This is a ±three to five block wide area running along the north side of a steep bluff upon which the remainder of Lewiston is constructed.

The neighborhood is generally one to three story commercial facilities including general office, banks, general retail and some entertainment businesses such as lounges and restaurants. The original commercial improvements were built in the early 1900's with some construction in the 1970's and 1980's. There has been little new construction over the past ±20 years, although there has been some major remodeling projects.

Main Street is a one-way, two lane arterial through the westerly ±10 blocks of the downtown area, coupled with D Street, one block north. Across 5th Street to the east of the subject is a two-story, multi-tenant, mixed use retail and office complex with street level entries on both levels from Main and F Streets. In the block to the east is mostly two story buildings with mostly retail uses on the main floor and office uses above. Across Main Street from the subject property is an older, two-story brick building housing some Lewis-Clark State College outreach facilities. Further west are one and two story retail and office buildings including some lounges and restaurants.

Because of the steep bluff south of the downtown area, north/south access to and through the area is limited to just a few streets including 5th Street, 8th and 14th. The downtown streets are mostly two lane, with traffic lights at major intersections. East/west access is via D and Main Streets and a

Dyke Bypass route along the Clearwater River. The majority of the rest of the streets in the neighborhood are paved, two lane city streets with curbs and sidewalks. All utilities are available throughout the neighborhood. Electricity, natural gas and telephone service are provided by private companies. Municipal water and sewer is available from the City of Lewiston.

The subject remodel and new construction is one of a very few new projects in the downtown area over the past ten years. The downtown area is mostly older buildings with generally smaller retail users and office tenants. Most new retail and restaurant construction has been along 21st Street and Thain Road in southeast Lewiston. Recent construction has included a large Wal-Mart, Home Depot and similar facilities.

The downtown area remains a stable identifiable commercial district with a good mix of commercial, retail, office and service businesses. It is the location of the County Courthouse complex, City offices and police department. The general outlook is continued stability, but with slow to moderate growth. There is a substantial amount of vacant storefronts in the downtown area, some of which have been vacant for a few years. There has been little demand for space by new retail tenants because the new growth and development has been along 21st, Thain Road and other suburban arterials. The downtown has been is a slow decline for decades with some changes to a lower intensity use for many buildings. The population growth is projected at less than 1% per year, and it could be a few years before the present supply of commercial buildings in the downtown Lewiston area is absorbed.

PROPERTY DESCRIPTION

Weisgerber Building; thence Southerly along the East line of said Lot 1 in said Block 29 to the PLACE OF BEGINNING, said strip of land begin formerly a part of 5th Street in said City of Lewiston.

AND

A part of Lot 2, Block 29, according to the official survey and plat of the CITY OF LEWISTON, in said County and State and more particularly described and bounded as follows, to-wit:

Commencing at the Northeast corner of Lot 3 of said Block 29; running thence Easterly along the South line of E Street a distance of 68 feet; thence Southerly at right angles to said E Street to the South line of said Lot 2; thence Westerly along the South line of Lot 2 to the Southeast corner of Lot 3; thence Northerly along the East line of said Lot 3 to the POINT OF BEGINNING.

AND ALSO:

A part of Lot 3 of said Block 29, according to the official survey and plat of the CITY OF LEWISTON, in said County and State and more particularly described and bounded as follows, to-wit:

Commencing at the Northwest corner of Lot 2 in said Block 29; running thence Westerly along the South line of E Street a distance of 22 feet; thence Southerly at right angles to E Street a distance of 165 feet to the South line of said Lot 3; thence Easterly along the South line of said Lot 3 to the Southwest corner of said Lot 2; thence Northerly along the West line of said Lot 2 to the POINT OF BEGINNING.

Size and Topography: The subject site is an irregular parcel with ±198ft on Main Street and a maximum depth of ±260ft on 5th Street with a minimum width of ±155.02ft on the west. The total site area is **±39,100sf**, according to my measurements of the above plat map. The useable area is ±**19,500sf** because of the steep hillside in the south half of the site. No soil survey was taken, but the site appears to be of a sandy clay loam with some rock outcroppings typical of the Lewiston area with no major construction problems evident in the surrounding, older buildings. The property does not appear to be within a Federally Identified Flood Hazard Area and is in Zone C on FIRM CP1601040001B, effective 1/20/1982.

Access: Almost all of the entire useable area of the site is developed with the building improvements with vehicle access off 5th Street at the southeast corner of the useable portion of the site. If vacant, the parcel could presumably be developed with some vehicle access from Main Street. Both Main and 5th are arterials providing the site with good access to most areas of Lewiston and Clarkston.

Services: The City of Lewiston provides water and sewer service. Refuse service; electricity, natural gas, and cable television services are available from private purveyors. Police and fire protection are good with no public bus service currently available.

Hazardous Materials: No Phase 1 Environmental Site Assessment was provided for this appraisal. I am not qualified to detect or evaluate the inappropriate storage or disposal of hazardous material or products, although no suspicious containers or leaks were observed. The client should seek a Level 1 site assessment from a qualified provider if they so desire. The appraiser's conclusions of values assume that the property is free of any significant contamination. I reserve the right to re-analyze the value conclusions if significant contamination is found. Presumably any site remediation was done before the new building was constructed in 2006.

Zoning: The subject parcels are zoned C-4, General Commercial in the City of Lewiston. This zone allows a wide variety of commercial uses including retail sales and services, service stations, eating and drinking establishments, offices, banks and personal service uses. The existing use is allowed under this zone. Parking standards vary depending upon the use. The subject property is within the boundaries of the Central Business District where parking requirements do not apply. If not within the CBD, the subject facility would need 95 parking spaces.

Easements and Encroachments: A preliminary title report was not provided for this appraisal. Only the typical utility easements are assumed to encumber the subject parcels. Based on a visual inspection of the subject parcels, there does not appear to be any easements or encroachments that adversely affect the subject's use and utility. According to the plans furnished for this assignment, some of the brick facing on the existing west building may be in the right of way for Main Street. This is not uncommon for old buildings in the downtown area.

Assessed Valuation and Taxes: The subject parcels are assessed under Nez Perce County Assessor's Parcel No.'s RPL0360029002AA, RPL 03600290010A and RPL0360029002BA. The total current assessed value is $100,650 for the land and $4,153,921 for the improvements for a total of $4,254,571. 2007 taxes were $78,971.26.

Improvement Description

The westerly ±90ft of the subject property is improved with a three-story building constructed in 1910 and formerly known as the "Adams Building". It has a concrete foundation and is of concrete, steel and brick construction with brick exterior walls. It was remodeled in 2006 in conjunction with the construction of the new four-story building attached to the east. Exterior windows were replaced with fixed, vinyl, double and single hung, thermo-pane with low e glass. The interior second and third floors have mostly wood frame partitions with painted drywall walls and ceilings. Interior finish is the same as the new building and described below.

The new structure has a reinforced concrete foundation, a steel frame and has a combination of brick veneer and hardi-lap siding for the second through fourth floors above a first floor of reinforced concrete. It has vinyl windows, with steel and safety glass exterior doors. The roof is single ply membrane over tapered, rigid insulation up to R-38 on a steel deck. Exterior walls have R-21 batt insulation. The second floor is 6" composite concrete on a steel deck with steel floor joists. The third and fourth floors are 1.5" concrete on a plywood deck with wood TJI joists. Interior construction is 6" metal stud partition walls with painted drywall walls and ceilings. Floors are mostly commercial grade carpet with sheet vinyl in kitchenette and bathroom areas as well as the laundry area and some sealed concrete in storage and maintenance areas.

The interior of the old building is remodeled into two, four-bedroom suites and two, five-bedroom suites per floor with a laundry facility on the second floor and a study room on the third floor. Each suite has a small common room with limited kitchenette of ±4ft or 5ft counter space, small refrigerator and wall-mounted microwave. The five bedroom suites have two bathrooms each with a 4ft and 5ft vanity, 36" square, fiberglass shower stall and toilet area. Each bedroom has a lock-off door, and motel style, electric, through-the-wall or ceiling mounted HVAC system. Each floor has a handicap accessible restroom in the hallway next to the entry to the new building.

The interior of the new building contains six, 4-bedroom, one bath suites and one 2-bedroom, one bath suite on the second floor and five, 4-bedroom, one bath suites and two, 3-bedroom, one bath suites on the third and fourth floors. Each floor also has a one-bedroom, one bath suite for the resident assistant. All of the suites have a ±4ft vanity with single sink and about half of the suites have ±5ft feet of kitchenette counters and the others have ±4ft. All have a 36" square, fiberglass shower stall and toilet area. Each bedroom has a lock-off door, and motel style, electric, through-the-wall or ceiling mounted HVAC system.

The central common area between the two buildings has a lounge area, elevator access and stairwell. Each building has a second central stairwell providing access to Main Street for the old building and off the second level to the rear of the new building.

Site Improvements: The buildings occupy most of the useable portion of the subject parcels. There are retaining walls and chain link fencing along the south line of the useable portion. There are four ft, six ft and 8ft wide sidewalks leading from the rear of the second floor of the new building and used as primary pedestrian access to the complex. There is also a small amount of lawn, crushed rock landscaped area and a concrete maintenance vehicle parking pad in front of a fenced dumpster area.

Quality and Condition: The improvements are of average to good quality and appeal. The existing building was completely gutted and rebuilt with new windows, insulation, electric wiring, plumbing and roof cover as well as new partition walls and interior finish. The effective age of all of the improvements is about two years.

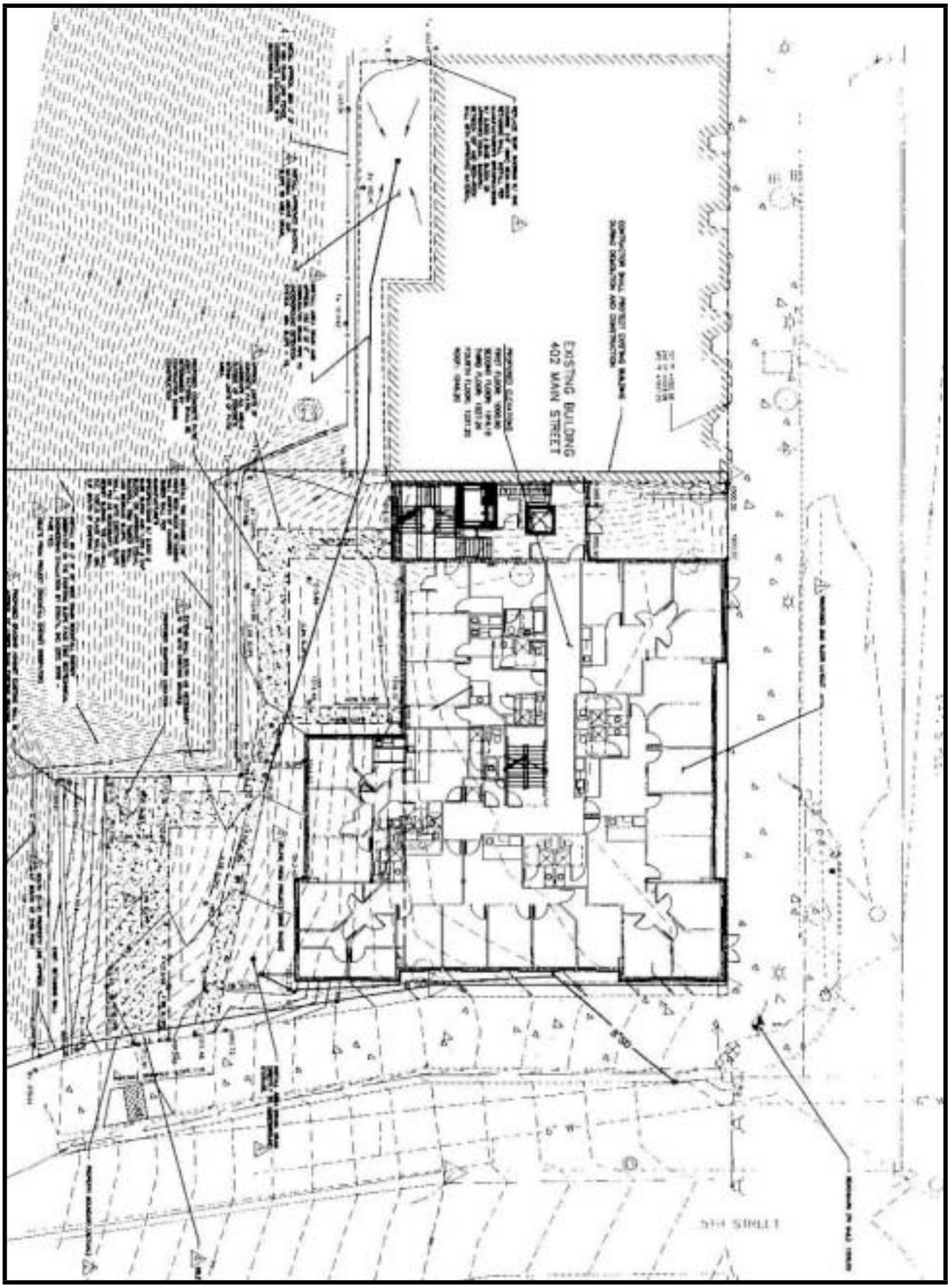
Functional Utility: The improvements have adequate functional utility for their intended use as student housing in conjunction with Lewis-Clark State College. The floor plans are functional, although common area kitchenette/living rooms and toilet/shower areas are small. Clearance is 3ft past the showers and 2.75ft in the toilet area.

Personal Property, Fixtures, and Equipment

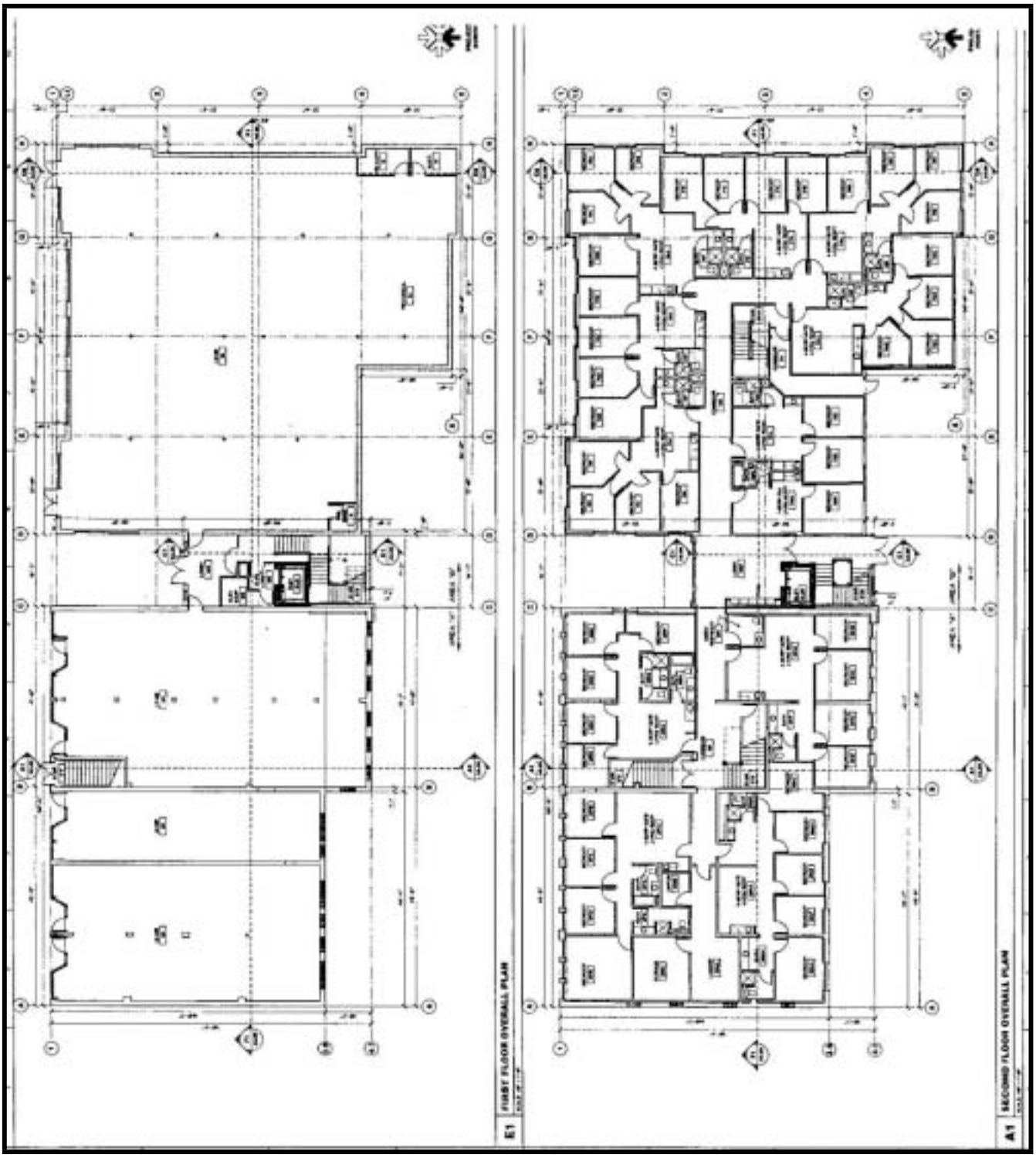
Each suite is equipped with a refrigerator, microwave, table and two chairs as well as single beds, small desks with chairs and wardrobe closets in each bedroom. There is also common area furniture, washers and dryers in the laundry room and study room tables and chairs. All of these items are needed for the facility to function as student housing and included in the valuation of the facility.

Occupancy and Use of Subject

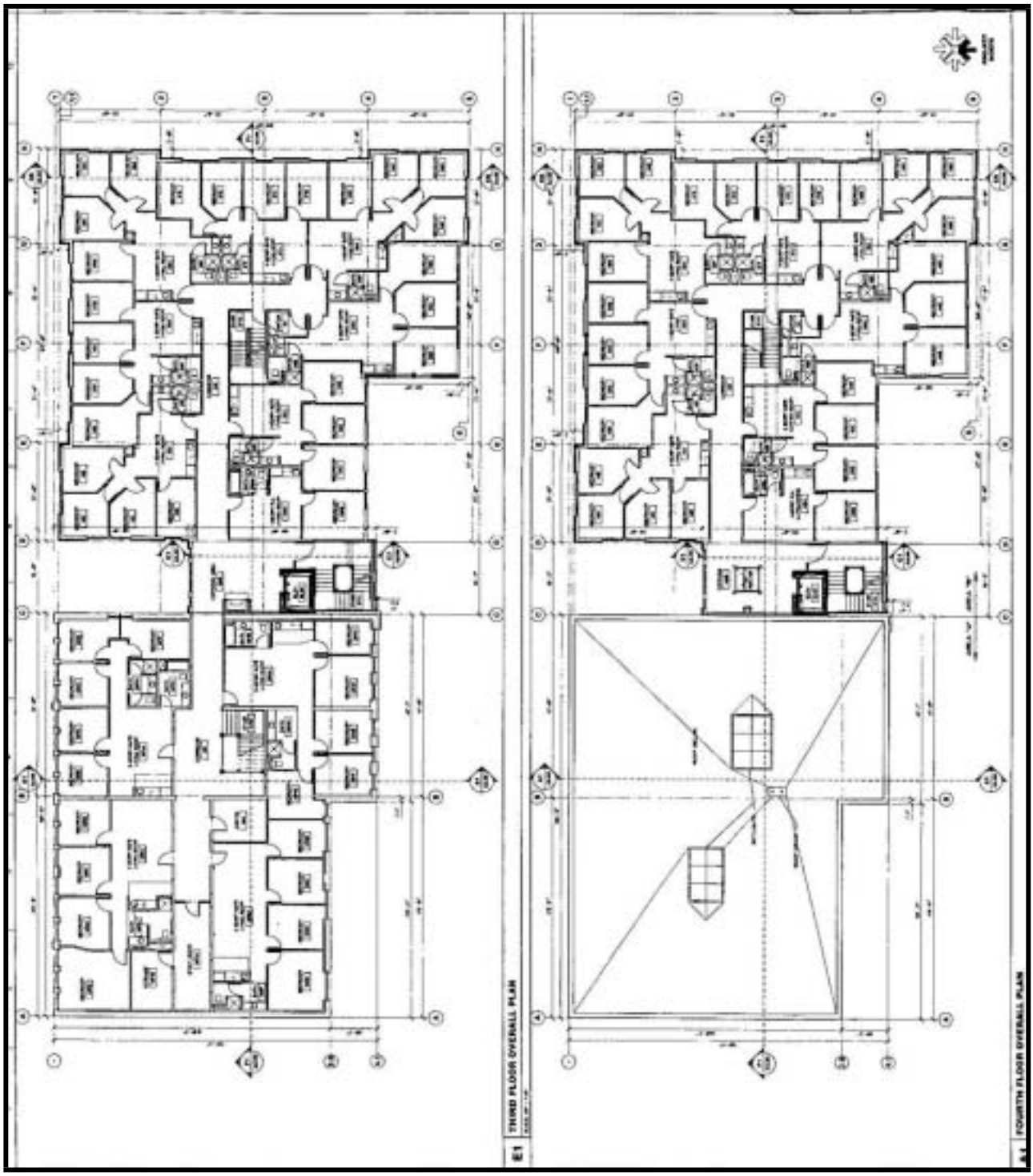
The subject facility is leased to Lewis-Clark State College for use as student housing. They lease only the second through fourth floors and access through the common lobby with elevator and stairwell on the main floor between the two buildings. The lease will be discussed in the Income Approach section of this report.



Site Topographic Plan



First and Second Floors (only lobby of first floor considered)



Third and Fourth Floor Plans

HIGHEST AND BEST USE

Definition

Highest and best use is defined as follows: "The most profitable and likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or likely to be in demand in the reasonably near future. However, elements affecting value that depend upon events or a combination of occurrences that, while within the realm of possibilities are not fairly shown to be reasonably probable should be excluded from consideration. Also, if the intended use is dependent upon an uncertain act of another person, the intention cannot be considered."

"That use of the land which may reasonably be expected to produce the greatest net return to land over a given period of time. That legal use which will yield to land the highest present value; sometimes called optimum use."[2]

The following tests must be passed in determining highest and best use. The use must be legal. The use must be probable, not speculative or conjectural. There must be a demand for such use. The use must be profitable. The use must be such as to return to land the highest net return. The use must be such as to deliver the return for the longest period of time.

The Subject Parcels As Vacant

Physical Uses: The useable area of the subject parcels is ±19,500sf with good frontage and visibility along Main Street at 5th Street in nearly the center of the downtown area. A variety of uses are physically possible including most commercial uses of the surrounding properties. Typical buildings in the general area are one to three stories with a scattering of older, taller buildings.

Legal Uses: The subject parcels are zoned C-4, General Commercial under the current Zoning Ordinance. This zone allows for a wide variety of commercial uses. Surrounding uses include boutique retail, offices, banks and general commercial uses.

Reasonable and Probable Uses: Because of their size, location and accessibility, the most reasonable and probable uses of the subject parcels, if vacant, would be for development with two-story, mixed-use, general commercial buildings with adequate access, landscaping and some parking. This location is near the center of the downtown area of Lewiston. There has been limited demand for new commercial and office uses in the general area with most new development outside of the downtown area partly due to a lack of onsite or adjacent parking in the downtown area. Many of the typical downtown tenants, including commercial banks have moved to the suburbs. The sites could accommodate a wide variety of mixed commercial uses. Single or multi-tenant buildings of up to ±55,000sf could be developed on four floors including parking. One possible scenario would be to develop the ground floor with retail with the next two levels for parking and two levels of office and/or apartments above.

Conclusion - Highest and Best Use as if Vacant: In my opinion, the highest and best use of the subject parcels as vacant would be for single or multi-tenant, mixed use commercial buildings of two to

[2] American Institute of Real Estate Appraisers - Appraisal Terminology and Handbook

three stories. Demand for new buildings has been slow with no new buildings in the last twenty or more years. Most new construction has been to the southeast of the subject parcels along 21st Street, Thain Road and in the Orchards area. It may be several years before a large mixed-use project would be feasible. Unless a buyer with a specific use was found, the likely purchaser if the parcels were vacant would be a speculative investor willing to hold the parcels for future development.

The Subject Site as Improved

The subject parcels are improved with a three and four story development with retail space on the Main Street level and two and three levels of resident suites above. This appraisal is only of the upper level resident suites. The total gross area is ±34,314sf above a ±13,392sf first floor that is unfinished retail. There are 32 suites with 117 bedrooms.

Before the subject facility was constructed in 2006, Lewis-Clark State College, LCSC was having to rent rooms in the Red Lion Motel on 21st Street about 1.5 miles from campus. Beginning in the fall of 2003, the College rented 23 rooms with steady increases each fall to 47 rooms for the fall of 2005. During 2005 and early 2006, the subject facility was constructed along with the 88 bedroom, College Place located across 4th St from the campus. This created an abundance of student housing. The College has tried to balance occupancy between the two new facilities, but the overall occupancy rate for all student housing has declined to 85% to 88% for the fall enrollment and 64% to 66% for the spring semester.

Because two projects were built when only one was needed, the supply far exceeds the demand at the present time. As a result, overall occupancy is less than desirable for both College Place and the subject Clearwater Hall. Although the College may eventually remove some older facilities from the housing pool, overall occupancy will still remain below desirable levels for the next few years. The College closed Talkington, a 95 room facility for the fall of 2006 that substantially helped increase occupancy for the subject and College Place and may close the 29 room Parrish House next year. That would also boost occupancy for the subject by an average of 10 rooms per semester. However, overall occupancy will still be below 60% because of the slow summer months.

The rental market in Lewiston is not very strong and there has been no new construction of large apartment complexes greater than 10 units for several years. The College is unable to demand that students rent or reserve rooms during the summer months and is trying to increase occupancy by renting blocks of rooms for a variety of activities including sports camps, music camps and even family reunions. Occupancy during the summer months will be fairly slow for the next few years and may not approach 20% or 20 to 25 rooms per month for a couple of years.

In my opinion, the subject facility is a special use limited primarily to student housing because of its design and lack of additional onsite amenities such as parking. Parking appears to be a limiting factor for the retail space on the main level that is not a part of this appraisal. The retail space has been offered for lease for two years and is still vacant. It is competing with space along 21st and Thain Road that has adequate, drive-up parking for customers as well as employees. Other buildings in the downtown area also appear to suffer from the lack of parking with vacancy levels higher than in the outlying areas. Parking would also help if the subject student housing were to be converted to another use such as offices or senior housing.

In my opinion, it would not be cost effective to convert the subject facility from student housing to

senior housing. It is possible to convert the units, however, the bathroom areas are too narrow for access by walkers, people with canes or wheelchairs. The toilet areas are even narrower and would be tight for handicap rails or pull bars. It would be expensive to remodel the bathrooms to be acceptable for elderly housing. Most of the bedrooms are designed for a single bed and do not have built-in closets or room for additional furniture. The community facilities needed for a senior housing facility would have to be constructed on the main floor of the subject building that is not a part of this appraisal. Senior housing generally has large community rooms, game rooms, exercise rooms and community eating areas as well as a commercial kitchen. These would all have to be developed on the main floor.

It is beyond the scope of this appraisal to assess the demand for senior housing in downtown Lewiston. Lewiston is a retirement area for the surrounding farming communities in north central Idaho, but new facilities are mostly one-story and located in the suburban areas closer to new shopping areas and medical and dental offices. A 42 unit facility was built in 2007 on Bryden. The lack of convenient parking would again be a detriment for any senior facility that would be competing with new suburban facilities. The small rooms and shared bathrooms would also be less than desirable.

There does not appear to be a strong demand for new office space in the downtown area, again, due in part to a lack of convenient parking. It would be less expensive to convert the apartment suites into office suites. Most of the suites could be utilized as they are with the living/kitchenette areas used for reception and the bedrooms for private offices. The restrooms would also not need to be upgraded because each floor has a handicap accessible restroom in the hallway. The biggest drawback would be lack of demand for office space without convenient parking. Also, office suites would be limited to the size of the existing apartment suites without substantial remodeling. There would also be a lack of large executive offices without remodeling.

In my opinion, the subject is a special use facility limited to student housing in bedroom suites with the existing layout without substantial expense to convert to another use. There does not appear to be a strong demand that would absorb ±34,314sf of office space or other uses that would be feasible.

SUMMARY OF VALUATION ANALYSIS

The subject property is the second through fourth floors of a two building complex connected by a common lobby/elevator/stairwell area. No condominium declaration or other documents have been prepared, however, I assume that the necessary documents will be drawn to closely reflect the property as described. Because the subject improvements are a two-year, special purpose facility, the Cost Approach is considered as an indication of the value before any deductions for being an over improvement. Recent land sales have been analyzed to estimate the contributory value of the subject site for the subject 32 units. No sales of newer dormitories or apartment project similar to the subject were found in the Washington, Idaho or Oregon area. I have uses sales of improved apartment properties in Moscow and Pullman in order to derive some indications of value by the Sales Comparison Approach was concluded. A rental survey was conducted to identify market rent, vacancies, and expenses, and to provide the basis to estimate the net operating income for the subject. Capitalization rates were derived from the comparable investment properties, and a value estimate by the Income Approach was concluded.

COST APPROACH

The Cost Approach normally involves estimating the cost new of the improvements and depreciation from all sources. This is added to the estimated land value as if vacant and ready for development to its highest and best use. Because this is a special use facility, the Cost Approach will be a primary method in forming an opinion of value.

LAND VALUE

The market value of the subject site, as if vacant, is estimated by direct comparison with recent sales of land similar to the subject site in terms of physical and locational features, and Highest and Best Use. Since the subject property is valued as a condominium above retail space on Main Street, I have attempted to form an opinion of value of the contributory value of the land on a price per unit basis, based upon what a developer would pay to develop an apartment complex or senior housing center of similar size.

Only two sales of larger apartment complexes were found in the Lewiston area over the past two years. A 24, 920sf site at 5th & Linden was purchased for a 10 unit apartment in February 2007 for $85,000 or $8,500/unit. A 140,575sf parcel at 906 Bryden was purchased in January 2007 for $425,000 for a 42 unit senior housing center or $10,119/unit. A 10 unit apartment site of 48,730sf was purchased in May 2003 at 1st Street and 19th Avenue for $95,000 or $9,500/unit. A 66,952sf site at 230 Baker Street in Moscow, Idaho was purchased in March 2008 for $301,282 or $8,369/unit for a 36 unit apartment complex.

Land Value Conclusion

The subject parcels are in a good location but not as good as some of the comparables for apartment development. The sales summarized above show a range of ±$8,500 to $10,100/unit for typical apartment projects in the Lewiston area. In my opinion, a rate of $9,500/unit would be reasonable for the subject project. This rate applied to the 32 units results in a value indication of **$304,000**.

IMPROVEMENT VALUE

The subject project was reportedly constructed for a cost of ±$6,000,000 in 2005-06 including the ±13,392sf main floor. The total overall cost for the ±47,706sf was ±$125.77/sf including the land and site improvements.

The *Marshall Valuation Service* Cost Handbook indicates a current cost for an average quality, Class A, steel frame, dormitory facility similar to the subject with brick, steel or concrete panel exterior walls with some ornamentation, interior walls and ceilings of drywall and carpet floors, one bath per three students, and average electric service of $121.77 after allowances for local cost adjustments. This description best fits the subject improvements.

A ±44,000sf, three-story, brick and steel, 160 bed dormitory is under construction at Whitworth College in Spokane at a reported cost near $7,000,000 or $159.09/sf. This facility will include lounge areas and a large kitchen area as well as more bathrooms than the subject facility. The cost is approximate and included demolition of two small, older dorms. It is supportive of the cost indicated by the cost service.

For this analysis, I have used a building cost of $120.00/sf including plans, engineering, permits and sewer connection. This cost includes all soft costs except financing costs and developer's profit.

The site improvements of paving, landscaping, sidewalks, fencing, retaining walls and exterior lighting have been added in at $100,000, which is about $2.91/sf including a pro-rata share of soft costs. These costs are based on the Marshall Valuation Service and the known costs for local site improvements.

Entrepreneurial Profit & Financing Costs

Entrepreneurial profit is the measure of a fee that a developer will earn upon the sale of an investment property that compensates him for putting together the various elements required in a successful real estate investment project. These elements include the acquisition of the land, construction of the building and the leasing of the project to appropriate tenants at a market rental rate. In my opinion, entrepreneurial profit of 8% would be reasonable for the subject property. Financing costs include interest during construction and the financing fee. Based on a loan of $4,000,000 and a 6.25% interest rate, construction interest for one year is estimated at $250,000 and the financing fee at $60,000.

DEPRECIATION

Depreciation may occur in three basis forms; physical, functional, or from external forces. Physical depreciation includes such things as the age of the improvements, general wear and tear, and deferred maintenance. This depreciation may be curable or incurable. Functional obsolescence is present if the design and/or building characteristics are not well conceived or well utilized. External obsolescence is when forces outside the subject property cause an adverse influence. This could occur through depressed market conditions, certain legislative actions, neighborhood transitions, adverse adjacent property influences, or various other reasons.

The subject improvements are about two years old and have been reasonably maintained with no extra-ordinary wear or abuse noted on inspection. Based on a normal economic life of ±40 years, physical depreciation of 5% would be reasonable for general wear. The subject improvements are functional for their intended use as student housing with little wasted space and serviceable floor plans. The bedrooms are of adequate size, the bathrooms are utilitarian and the common areas are somewhat small but functional. There is no basis for any additional charge for functional obsolescence in my opinion.

The subject facility was built at the same time that a competing facility was built with 88 rooms across from the College. As a result, both facilities have suffered some economic loss due to an over supply of student housing for the next several years. In the Sales Comparison Approach analysis, I have estimated an adjustment of 25% for the economic loss. This is primarily due to the vacancy in the units during the summer months, although, occupancy during the school year is also lower than the typical ±95% occupancy expected for competing apartment units. Occupancy is expected to increase over the next few years and a long-term allowance for external obsolescence of 25% appears reasonable.

Cost Approach Summary

Cost New				
Building	±34,312sf @ $120/sf			$4,117,440
Exterior Site Improvements	Lump Sum			$100,000
Total Hard Costs				**$4,217,440**
Construction Interest and Financing			$310,000	
Developer's Profit		@8%	$386,500	
Total Cost New				**$4,913,940**
Depreciation from all Causes	@30%			$1,474,180
Depreciated Cost				**$3,439,760**
Land Value	**32 units @ $9,500/unit**			**$304,000**
Cost Approach Value Indication				**$3,743,760**
Rounded to		**$3,745,000**		

The indicated value by the Cost Approach is **$3,745,000**

SALES COMPARISON APPROACH

The Sales Comparison Approach to Value is based on the premise that a knowledgeable purchaser would pay no more for a property than the cost of obtaining another equally desirable property of similar functional utility. To employ the Sales Comparison Approach, the market is researched for recent sales of improved properties similar to the subject. These comparable sales are then compared to the subject for physical, functional, and economic differences.

IMPROVED SALES

To value the subject property via the Sales Comparison Approach, the general Inland Northwest area was researched for sales of similar, newer, student housing or dormitories. I have researched the Eastern Washington and North Idaho area for sales of similar facilities. My research included perusing national sales data basis including Costar and LoopNet, calling various other appraisers in North Idaho and Eastern Washington, as well as Assessor's offices in several counties. I was not able to find any comparable sales of similar dormitories or student housing.

In order to form some opinion of the value of the subject improvements, I analyzed eight sales of newer apartment complexes in the Moscow, Idaho and Pullman, Washington area. These are larger college towns, home to the University of Idaho and Washington State University, respectively. The apartment market in both cities is generally driven by the demand for student housing. As a result, I have analyzed the sales on a price per bedroom as well as the more traditional price per unit, price per square foot and gross rent multiplier.

SALES COMPARISON APPROACH SUMMARY

SALE	1	2	3	4	5	6	7	8
DATE	2/14/2008	1/1/2007	8/31/2006	8/10/2006	3/8/2006	1/15/2005	12/15/2004	4/29/2004
ADDRESS	1531&79 Lenter Moscow, Id	1137 &53 A Moscow, Id	1424-1536 Northwood Moscow, Id	621-703 Taylor Moscow, Id	1435-43 Northwood Moscow, ID	100 NW Terre View Pullman, WA	215-235 NW Terre View Pullman, WA	705 N. Jefferson Moscow, Id
SALE PRICE	$1,350,000	$2,152,500	$1,726,700	$2,095,000	$1,300,000	$3,860,000	$1,105,000	$2,985,000
YEAR BLT	1995	2001	92-94	1997	1994	1992	1996	2003
# UNITS	24	24	36	23	24	60	14	40
# BEDROOMS	48	84	72	77	48	158	40	88
SIZE	20,640sf	27,360	32,400	23,416	24,000	61,570	14,948	39,509
P/UNIT	$56,250	$89,688	$47,964	$91,087	$54,167	$64,333	$78,929	$74,625
P/BEDROOM	$28,125	$25,625	$23,982	$27,208	$27,083	$24,430	$27,625	$33,920
P/SF	$65.41	$78.67	$53.29	$89.47	$54.17	$62.69	$73.92	$75.55
EGRM	7.71	8.8	7.53	9.05	7.56	7.92	8.84	9.46
ADJUSTMENTS								
MKT CNDTNS	1%	6%	8%	8%	11%	17%	18%	21%
AGE/COND	16.50%	6.00%	16.50%	12.00%	15.00%	16.50%	9.00%	0.00%
LOCATION	-25%	-25%	-25%	-25%	-25%	-25%	-25%	-25%
VALUE INDICATIONS								
P/BEDROOM	$26,181	$22,826	$23,871	$26,004	$27,329	$26,344	$28,101	$32,835
P/SF	$60.89	$70.08	$53.04	$85.51	$54.66	$67.60	$75.19	$73.13
P/UNIT	$52,362	$79,890	$47,743	$87,057	$54,659	$69,372	$80,290	$72,237
EGIM	7.71	8.8	7.53	9.05	7.56	7.92	8.84	9.46

SALES ANALYSIS

All sales were of the fee simple interest and do not require adjustments for property rights or financing terms. The sales are adjusted for seller contracts, below market financing, cash equivalency and conditions of sale. The resulting analysis price is the basis for additional adjustments for differences in physical features. Each sale has differing building sizes, number of units, bedrooms and bathrooms. The sales span a time period of about four years. During this time, the market for residential income properties has been relatively strong in Nez Perce County, North Idaho and Eastern Washington. A market conditions adjustment of 5% per year was made for the sales.

The most significant adjustment is for the location of the subject facility in Lewiston where the occupancy rate is reduced because of the oversupply of student housing caused by the construction of two competing projects at the same time with nearly twice as many units as were needed, although the College did close a 95 room older dormitory to offset some of the oversupply. During the first full year of occupancy, the subject facility averaged 45.7% for the 12 months to the end of August 2007. Average occupancy for the nine-month school year was 61%. For the next nine months, the average occupancy was 61.7% through May 2008. Occupancy during the school year should gradually increase over the next couple of years to ±75%. The College has always had a problem with spring quarter enrollment and occupancy with a differential of ±20% to 25% between the fall semester and the spring semester for most years from 2001 through 2008. (See chart and graph on Page 46) The differential has been narrowing over the last two years, declining from 38% to 48% in 2003 and 2004.

In my opinion, occupancy levels should stabilize at 85% average for the nine month school year within a few years and 25% during the summer months. This would result in an average annual occupancy rate of 70% compared to a ±95% average occupancy rate for the comparable sales. I have used an adjustment of 25% for location, which is the difference in the average occupancy rate.

SALES COMPARISON APPROACH CONCLUSION

The sales produced adjusted rates of $53.04/sf to $85.51/sf. The subject has more bedrooms per unit and is larger than most of the comparables. In my opinion, a value rate toward the high end of the range would be appropriate. At $80/sf the 34,314sf of gross area has an indicated value of $2,745,120. The sales produced a range of $47,743/unit to $87,057/unit. At $85,000/unit, the 32 units have an indicated value of $2,720,000. The indicated range per bedroom was $22,826 to $32,835, with six sales indicating a narrower range of $23,871 to $28,101. The subject has fewer bathrooms and less kitchen amenities than the comparables and a rate towards the middle of the range would be reasonable. At $25,000/bedroom, the indicated value for the 117 bedrooms is $2,925,000. At an effective gross rent multiplier of 8.25, the stabilized effective gross income of $402,358 has an indicated value of $3,319,454.

In my opinion, the indicated value of the subject complex is **$2,925,000** by the Sales Comparison Approach.

INCOME APPROACH

The Income Approach to Value is based on the premise that a knowledgeable purchaser would pay no more for the property than the cost of obtaining an equally desirable, similar property as an investment, providing similar risk and opportunities for return on and return of the investment.

This approach analyzes the value of the property through the eyes of a typical investor. The gross income the property can generate is estimated by comparison with competitive properties. Deductions are made for expenses paid by the owner, resulting in an indication of net income. Net income is then capitalized into a value estimate at a rate that is commensurate with the risks inherent with the ownership of the property. This approach is most appropriate where there is an active rental and investor-driven market for the type of property being appraised.

Lewis-Clark State College (LCSC) has a management agreement with College Town Development Idaho, LLC through the State of Idaho, acting by and through the State of Idaho Board of Education as Board Trustees for LCSC. The initial term is 120 months (10 years) beginning August 23, 2006. The agreement contains a voluntary termination clause by providing the other party with written notice on or before March 1st of any year with termination on August 14th of the then applicable calendar year.

LCSC will manage the day-to-day operation of Clearwater Hall including collecting all rents, paying all bills and maintaining all areas except the first floor retail spaces. The owner will pay real property and personal property taxes, real estate and liability insurance, and all utilities and will reimburse LCSC for all maintenance costs, except lawn mowing, trimming of shrubbery and other routine lawn maintenance. LCSC uses their general facilities maintenance crew to maintain the subject property.

The initial minimum monthly rent for the first lease year was $390/residence unit (bedroom), inclusive of the cost of local telephone and basic cable TV in the common room of each pod and broadband internet service in each residence unit. The rent has been renegotiated for 2007-08 to $365/residence unit except for $335 for two small bedrooms and $395 for four large bedrooms. LCSC owes rent on a unit if occupied on the first day of the month, regardless of whether a student is

leaving. The agreement provides for annual escalations of the minimum rent of not less than 3% per year, however, because of the vacancy rate in the project, this provision has not been utilized.

LCSC is to receive a management fee of 2% of rent installments paid if the amount is between 85% and 90% of potential gross rent, 3% if between 90% and 95% and 4% if 95% or higher. At the current occupancy levels, no management fee is due.

There have been few management agreements similar to the subject. College Place has an agreement modeled after the subject agreement, according to LCSC staff. There rental payment was $375/unit for fiscal 2008. The units are slightly larger and located across from the college with some on-site parking.

Brewster Hall at Eastern Washington University in Cheney, Washington was constructed in 2002 and master leased to the University. It is 4-stories with a main floor of retail and located on a secondary street in downtown Cheney, at 410 2nd Street, one block north of the main street. It has 135 rooms of similar construction to the subject. Eastern is a much larger campus with enrollment over 7,500. The 2009 school year rate for Brewster Hall is $527.89/month.

Vacancy

For the first nine months of occupancy, the average occupancy was 61.0% with no summer occupancy leaving a 12 month occupancy rate of 45.7% with the fall semester at 78.0% and the spring at 47.4%. For the past nine month school year, the occupancy level increased slightly to 61.7% with overall 12 month occupancy at 46.3% if no activity during the summer months. If summer occupancy averages 15 rooms per night, overall occupancy will increase to 49.5%. Occupancy during the school year should gradually increase over the next couple of years to ±75%. Fall semester occupancy was 73.3% and the spring 2008 semester was 52.5%, after allocating 60 rooms for May.

Number of Suites: 32

Number of Beds: 117

Occupancy:

Sept 2006 - 95
Oct 2006 - 92
Nov 2006 - 91
Dec 2006 - 87

Jan 2007 - 58
Feb 2007 - 55
Mar 2007 - 54
Apr 2007 - 53
May 2007 - 57
Sept 2007 - 78
Oct 2007 - 90
Nov 2007 - 88
Dec 2007 - 87

Jan 2008 - 63
Feb 2008 - 63
Mar 2008 - 61
Apr 2008 - 60

Room Occupancy per LCSC

	2001fa	2002sp	2002fa	2003sp	2003fa	2004sp	2004fa	2005sp	2005fa	2006sp	2006fa	2007sp	2007fa	2008sp
Clark	71	25	76	79	80	54	75	40	74	48	75	61	71	55
CAMP					9	7	6	5	5	4				
Parrish	26	7	27	10	28	17	27	15	28	24	18	16	19	21
Red Lion					23	19	32	29	47	39				
Talkington	87	22	90	34	91	53	95	48	88	62			17	
College Place											76	59	67	60
Clearwater											90	60	95	64
Totals	184	54	193	123	231	150	235	137	240	177	259	196	269	200
Percentage	94%	28%	98%	60%	113%	73%	115%	67%	117%	86%	85%	64%	88%	66%

2001fa	2002sp	2002fa	2003sp	2003fa	2004sp	2004fa	2005sp	2005fa	2006sp	2006fa	2007sp	2007fa	2008sp
185	54	194	124	232	151	236	138	241	178	260	197	270	201

Lewis-Clark Residence Halls with average semester occupancy.

LCSC Fall Semester Enrollment History on Census Day

	2000	2001	2002	2003	2004	2005	2006	2007
Total Fall 10th Day Headcount	2702	2953	3108	3471	3325	3451	3394	3612

LCSC Fall Semester FTE* History on Census Day

	2000	2001	2002	2003	2004	2005	2006	2007
Total Fall 10th Day FTE	2143	2275	2385	2576	2635	2614	2597	2650

*FTE = Full-Time Equivalent (total number of credit hours divided by 15)

Fall Semester Enrollment

The residence halls have had fluctuating occupancy over the past six years with gradually increasing levels peaking when the College had to lease rooms from the Red Lion until the subject property and College Place were built in 2006. In 2006, the College closed the ±95 room Talkington Hall and is considering closing or selling Parrish Hall eliminating another 29 rooms. This would increase occupancy in College Place and Clearwater Halls.

Enrollment has gradually been increasing over the past six years. The total enrollment includes the Coeur d'Alene, Idaho center with 367 in 2005, 358 in 2006 and 341 in 2007. Lewiston enrollment was 3,084 in 2005, 3,036 in 2006 and 3,271 in 2007. Overall FTE enrollment has increased ±1% annually over the last four years.

In my opinion, a long-term vacancy and collection loss allowance of 30.0% would be reasonable for the subject property. This is equivalent to an occupancy rate of 95% for the fall semester, 75% for the spring semester and 25% for the summer months. Occupancy for the spring semester has always been a problem with a differential of up to 38% to 40% in 2002 and 2003 declining to 21% and 22% in 2006 and 2007. It is possible that spring enrollment will continue to increase, however, I have already projected a healthy increase in summer usage that will be hard to achieve in the next few years. In the following summary, I have projected stabilized occupancy of 70% in about two years.

Expenses/NOI

I have been furnished with the income and expenses for the subject property for the last 2-plus years and have included them in the Addenda. I have included professional management expenses at 5.0%, which is not currently being charged. Professional management fees for apartment projects are generally from 5% to 7%. A more competitive rate may be around 6%, however, with the changes taking place and the higher than normal vacancy rate, a rate of 5.0% appears reasonable.

Current real estate taxes are $78,972 based on a total assessed value of $4,254,571 including the main floor retail space. In my opinion, the assessed value for the subject portion of the project could be reduced because of the decreased occupancy projections. I have estimated real estate taxes at $54,000 based on an assessed value of $2,900,000. Personal property taxes are currently $5,262 based on a value of $283,434 and have been included at $5,300. Property and liability insurance has been estimated at 15¢/sf or $5,150.

Water/sewer/garbage and electricity was ±$30,500 for the past twelve months and have been increased in the second and third years to account for the increased occupancy. Elevator maintenance was estimated at $1,900, telephone and internet service at $29,0000 and cable TV at $11,170 but have only been increased at 2.5% because they are more fixed and do not fluctuate with occupancy.

Repairs and maintenance were less than ±$3,000 for the past twelve months because the project is nearly new. I have used an allowance of 12¢/sf or $4,120 for normal repairs and maintenance. Although there will be periodic replacement of some shorter life building components such as carpet and HVAC units, a replacement allowance has not been included. Buyers of residential rental property know that these costs will occur and the allowance is reflected in the overall capitalization rate used, since the comparable sales do not include any allowance.

Typical salaries and wages would be for an on-site manager during half of the working day and a half-time maintenance/repair employee. I have allocated an expense of $24,000 for two part-time employees including some benefits allowance. I have included miscellaneous expenses of $2,400/year for audits, professional fees, etc.

Direct Capitalization

Direct capitalization converts the estimate of net annual income into an indication of value. Capitalization rates are derived from comparable sales of similar grade investment properties that appeal to the same level of investor as the subject property. The eight sales included had overall capitalization rates of 8.0%, 7.5%, 7.6%, 7.1%, 7.8%, 7.7%, 7.3%, and 7.3%, respectively. The most recent sale indicated the highest rate. Overall rates had been declining for the past few years but have begun to increase due to the changing economy and shortage of available money. The recent national housing crisis has caused many traditional lenders to reconsider the types of properties they are willing to lend on. Also, investors have turned to investments other than real estate, causing a further erosion of available money. In my opinion, these sales support an overall rate of 7% to 8% as reasonable in the Lewiston area. Rates for residential income property in the Kootenai County and Spokane County area have been closer to 7% with some below. For this analysis, I have used an overall capitalization rate of 7.50%.

Below is a summary of the Income Approach.

CLEARWATER HALL
INCOME APPROACH SUMMARY

		FIRST YEAR/MO	ANNUAL	SECOND YEAR/MO	ANNUAL	THIRD YEAR/MO	ANNUAL
GROSS INCOME							
STANDARD ROOMS	110	$375	$495,000	$385	$508,200	$400	$528,000
SMALL ROOMS	5	$345	$20,700	$355	$21,300	$370	$22,200
LARGE CORNER	2	$405	$9,720	$415	$9,960	$430	$10,320
TOTAL GROSS INCOME-UNITS	117		$525,420		$539,460		$560,520
VACANCY & COLLECTION LOSSES		38.0%	$199,660	33.33%	$179,802	30.0%	$ 168,156
EFFECTIVE GROSS INCOME-UNITS			$325,760		$359,658		$ 392,364
MISCELLANEOUS INCOME							
DEPOSITS RETAINED		$5,000		$5,750		$6,325	
LAUNDRY		$2,250		$2,588		$2,846	
VENDING COMMISSI0NS		$650		$748		$822	
SUBTOTAL			$7,900		$9,085		$9,994
TOTAL GROSS INCOME			**$333,660**		**$368,743**		**$402,358**
EXPENSES							
MANAGEMENT	5%	$ 16,683		5% $ 18,437		5% $ 20,118	
REAL ESTATE TAXES		$ 54,000		$ 55,350		$ 56,734	
PERSONAL PROPERTY TAXES		$ 5,300		$ 5,433		$ 5,568	
PROPERTY & LIABILITY INSURANCE		$ 5,150		$ 5,279		$ 5,411	
SALARIES & WAGES		$ 24,000		$ 24,600		$ 25,215	
REPAIRS & MAINTENANCE		$ 4,120		$ 4,223		$ 4,329	
ELECTRICITY & GAS		$ 21,000		$ 23,100		$ 25,410	
WATER & SEWER		$ 9,500		$ 10,450		$ 11,495	
CABLE TV		$ 11,170		$ 11,449		$ 11,735	
TELEPHONE & INTERNET		$ 29,000		$ 29,725		$ 30,468	
ELEVATOR MAINTENANCE		$ 1,900		$ 1,948		$ 1,996	
MISCELLANEOUS		$ 2,400		$ 2,460		$ 2,522	
TOTAL EXPENSES			**$184,223**		**$192,453**		**$201,001**
NET OPERATING INCOME			**$141,537**		**$167,205**		**$191,363**
OVERALL CAPITALIZATION RATE			**7.50%**		**7.50%**		**7.50%**
INDICATED VALUE			**$ 1,887,165**		**$ 2,229,398**		**$2,551,513**

The indicated value at stabilized occupancy in the third year is $2,551,513, rounded to $2,550,000. From this value, I have deducted the lost income less the 5% management of $47,335 for the first year and $22,950 for the second year or a total of $70,000, rounded to arrive at a current value of $2,480,000.

RECONCILIATION & VALUE CONCLUSION

Method	Value Indication
Cost Approach	$3,745,000
Sales Comparison Approach	$2,925,000
Income Approach	$2,480,000

In the process of analyzing income-producing properties, the Income Approach to Value is normally given more weight than when analyzing owner-occupied properties. Consideration should be given to this approach because this is a special purpose, student housing facility that does not have any good comparable sales from which to derive a value indication. The sales used in the Sales Comparison Approach were all of apartments in the university cities of Moscow, Idaho and Pullman, Washington. The Effective Gross Profit Multiplier indication of $3,320,000 is higher than the Sales Comparison Approach but lower than the Cost Approach. The income and expenses derived were based on current expenses for the most part and appear to be reasonable. The overall capitalization rate of 7.5% was bracketed by the sales used. In my opinion, this approach should be given equal weight with the other two approaches.

The Sales Comparison Approach indication of $2,925,000 was derived by comparing recent sales of apartment complexes in the Moscow, Idaho and Pullman, Washington area. This approach should be given supporting consideration in the final value estimate because the sales were not of college housing similar to the subject, although the analysis on a per bedroom basis was reasonably reflective of the subject facility. The price per unit indication of $85,000/unit or $2,720,000 and per square foot indication of $80/sf or $2,745,000 were on the high side of the adjusted range of the comparables but reasonably well supported.

The Cost Approach indication of $3,745,000 is an estimate of the cost new including soft costs and developer's profit with an estimate of overall depreciation due primarily to the lower than typical occupancy levels compared to apartments. This approach should set the lower limit of value if the project is successful. The undepreciated cost should set the upper limit of value.

In final analysis, I believe that all three approaches have some validity, however, the most weight should be given to the Income Approach indication. Therefore, it is my opinion that the estimated market value of the fee simple interest in the subject resident student housing facility "As Is" is:

TWO MILLION EIGHT HUNDRED THOUSAND DOLLARS $2,800,000
Including Fixtures and Equipment

FIXTURES AND EQUIPMENT ALLOCATION

The value is allocated between real estate, furniture, fixtures, and equipment to comply with USPAP requirements. The real estate is identified as the building improvements, asphalt paving, concrete, landscaping, land, etc. The furniture, fixtures and equipment (F,F&E) are the common area furniture, beds, desks, wardrobe closets, refrigerators, microwaves, tables, chairs, etc. to furnish the complex for student housing. The total new value of the FF&E is ±$285,000. I have allocated the same depreciation of 30% to arrive at a current value of $200,000. The allocation between real estate and fixtures is shown below.

	"As Is"
Land, Building & Site Improvements	$2,600,000
Furniture, Fixtures and Equipment	$200,000
Total Indicated Value	**$2,800,000**

Lewis-Clark STATE COLLEGE

ATTACHMENT 2

July 23, 2008

Fred M. DiCosola
College Town Development Idaho, LLC
2222 Harvard Avenue East
Seattle WA 98102

Re: Offer for Clearwater Hall Residential Space

Dear Fred:

Following up on our recent discussions, this letter confirms that we are prepared to offer you $2.8M for the residential space in Clearwater Hall. This offer complies with the guidance we received from our board of trustees (State Board of Education), stipulating that we could make an offer equal to the lower of $3.8M or the appraised value of the facility. The $2.8M figure corresponds to the "as is" value conclusion in the recently-completed appraisal by Michael Sprute (Appraisal Group Northwest).

We continue to be very interested in acquiring the residential space in the building as expeditiously as possible, and I look forward to your response.

Please call if I can assist with additional information.

Sincerely,

Chet Herbst
Vice President for Finance and Administration

Cc: Dene K. Thomas (President)

500 8th Avenue
Lewiston, ID 83501-2698
www.lcsc.edu

PH: (208) 792-2240
FAX: (208) 792-2077

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July 29, 2008 **Via U.S. Mail & E-Mail with Attachment**

Chet Herbst
Vice-President for Finance and Administration
Lewis-Clark State College
500 8th Ave
Lewiston, ID 83501

Re: Offer for Clearwater Hall Residential Space

Dear Chet:

Thank you for your offer of July 23, 2008. Based upon the reasons outlined in our letter of July 16, 2008, as well as additional information provided herein, we cannot accept your offer price if $2.8 million.

As a counter proposal, we offer the following three alternatives. These alternatives are significant compromises on our part; and accordingly, they are offered in good faith, as a potential solution to the issues we have expressed to you in all of our meetings and correspondences to date.

Purchase of Clearwater Hall Residential Space

We will accept an "as is" purchase price of not less than $3.8 million for the residential space only; or

Purchase of Entire Facility Including First Floor Commercial Space

We will accept an "as is" purchase price of $5.1 million for the entire facility including the first floor commercial space; or

Master Lease of Residential Space

We will accept a master lease for the residential space as follows. The lease rate shall be $28,000 paid monthly each and every calendar month. The lease rate shall be triple net, and all taxes, utilities, insurance, telephone, cable and other related expenses specific to the residential space, shall be paid by the LCSC. The term of the lease shall be five years, with three successive five year options to renew at the then-fair market lease rate.

Justification for Counter Offer Purchase Price

Low student occupancy rates comprise the sole reason for the discounted valuation of the Sprute appraisal. The appraisal acknowledges that the current Management Agreement actually diminishes the value of the property; and the appraisal gives inadequate consideration to the fact that LCSC is capable of fully utilizing this space.

The Sprute appraisal assumes that LCSC will experience little to no future growth. Accordingly, 64 rooms are attributed value, while the remaining 53 rooms are rendered worthless due to low occupancy rates.

LCSC has consistently stated that this property must be valued at its actual value to the college, as if the college were the owner. The Sprute appraisal does not reflect such a situation. In fact, if LCSC were to own the property, its pro rata share of property taxes should be deducted from expenses; and accordingly, $55,360 annually at a capitalization rate of 7.5%, or $738,133, must be added back to Income Approach valuation.

Via e-mail, we have sent to you the December 17, 2007 Appraisal of Clearwater Hall, as performed by Lembeck Appraisal & Consulting, Inc. of Spokane, WA for KeyBank National Association. Typical of appraisals performed for

banks, the bank instructed the appraiser to view the property from a conservative perspective. You will find this document to be considerably more thorough than the appraisal performed by Sprute.

The following is our comparison of the two appraisals. Please note that both appraisers included the property taxes as expenses negatively affecting income. We have re-adjusted the value as a separate line item notation, using each appraiser's respective capitalization rate.

Source	Facility	Residences	Commercial
Lembeck Appraisal Income Approach:			
Current Occupancy Rates:			
Value w/o Management Agreement	$4,910,000	$2,986,124	$1,923,876
Value with Management Agreement	$4,510,000	$2,586,124	$1,923,876
Stabilized Occupancy Rates October 2009:			
Value w/o Management Agreement	$5,200,000	$3,276,124	$1,923,876
Value with Management Agreement	$4,800,000	$2,876,124	$1,923,876
Lembeck Appraisal Income Approach Taxes Adjusted*:			
Current Occupancy Rates:			
Value w/o Management Agreement	$5,701,432	$3,777,556	$1,923,876
Value with Management Agreement	$5,301,432	$3,377,556	$1,923,876
Stabilized Occupancy Rates October 2009:			
Value w/o Management Agreement	$5,991,432	$4,067,556	$1,923,876
Value with Management Agreement	$5,591,432	$3,667,556	$1,923,876
** $61,000 property taxes added to income at 7.75% capitalization rate*			
Lembeck Appraisal Cost Approach:			
Cost to Replace	$5,250,000	$3,999,697	$1,250,303
Lembeck Appraisal Sales Comparison Approach:			
Sales Comparison Valuation	$5,480,000	$3,500,000	$1,980,000
CTDI Actual Cost of Construction:			
2006 Actual Construction Cost Including Fixtures	$5,770,000	$4,551,953	$1,218,047
Sprute Appraisall Income Approach:			
Total Value "as is" under all current conditions including taxes		$2,480,000	
Sprute Appraisal Income Approach Adjusted for Taxes:			
Total Value "as is" with current conditions adjusting for taxes**		$3,218,133	
***$55,360 property taxes added to income at 7.5% capitalization rate*			
Sprute Appraisal Cost Approach			
Cost to Replace		$3,745,000	
Sprute Appraisal Sales Comparison Approach			
Sales Comparison Valuation		$2,925,000	

Various perspectives can be used to arrive at one single valuation number. The two appraisals, collectively, provide more than enough data to arrive at a fair price. Both appraisals utilize the same basic three approaches to value. And both appraisers admit that you cannot base value on any one particular number.

Our counter-offer of $3.8 million is equally supported by both of these appraisals. First we arrive at a base value of $3.5 million, by applying the following two formulas:

Valuation Formula One:

The Lembeck appraisal values the residential portion at $3,777,556 using their "Income Approach Without Management Contract" value, adjusted for property taxes. We feel that it is appropriate to use the "Without Management Contract" value because this best reflects an LCSC ownership situation. The same is true with regard to deducting pro rata property taxes from the expenses. The Sprute appraisal, adjusted for property taxes, indicates an Income Approach value of $3,218,133. If you simply average these two appraisals, you arrive at a value of $3,497,845. This supports the base value of our counter offer, and it utilizes only the conservative income approaches.

Lembeck Income Approach w/o Management Agreement Adj. Taxes	*$3,777,556*
Sprute Income Approach Adj. Taxes	*$3,218,133*
Average of Two Approaches	*$3,497,845*

Valuation Formula Two:

The Sprute appraisal arrives at one blended appraisal value, using a combination of Income Approach, Sales Approach and Cost Approach. If we accept the ratios used by Sprute, of 38.8%, 30.6% and 30.6% respectively, and apply these ratio's to each approach, equally averaging both appraisals, we arrive at a value of $3,500,000, once again, supporting the base value of our counter offer.

Income Approach Valuation from Valuation Formula One	*$3,479,845*
Avg. of Lembeck Cost Value & Sprute Cost Value	*$3,872,348*
Avg. of Lembeck Sales Value & Sprute Sales Value	*$3,212,500*
Value Weighted 38.8% / 30.6% / 30.6% as used by Sprute	*$3,500,000*

Finally, to this base value of $3.5 million, we must add back additional value to reflect the fact that this property provides LCSC with excellent growth potential. This growth has already been projected by the college; however, neither appraisal gave consideration to this fact. Clearwater Hall is not a 64 room facility. It has 117 rooms, which LCSC expects to fill in the near future.

Using the Sprute appraisal (page 50) value analysis based solely on income, the following chart accepts all expense assumptions, and calculates values under reasonable short term growth scenarios.

	Current Occupancy	75% Sem 1&2 10% Summer	85% Sem 1&2 10% Summer	100% Sem 1&2 10% Summer
Gross Income	$525,420	$539,460	$539,460	$539,460
Vacancy	$199,660	$134,865	$80,919	$0
Effective Gross Income	$325,760	$404,595	$458,541	$539,460
Miscellaneous Income	$7,900	$9,085	$9,085	$9,085
Total Gross Income	$333,660	$413,680	$467,626	$548,545
Expenses				
Management	$16,683	$20,230	$22,927	$26,973
Real Estate Taxes	$54,000	$55,350	$55,350	$55,350
Personal Property Taxes	$5,300	$5,433	$5,433	$5,433
Property & Liability Insurance	$5,150	$5,279	$5,279	$5,279
Salaries & Wages	$24,000	$24,600	$24,600	$24,600
Repairs & Maintenance	$4,120	$4,223	$4,223	$4,223
Electricity & Gas	$21,000	$23,100	$23,100	$23,100
Water & Sewer	$9,500	$10,450	$10,450	$10,450
Cable TV	$11,170	$11,449	$11,449	$11,449
Telephone & Internet	$29,000	$29,725	$29,725	$29,725
Elevator Maintenance	$1,900	$1,948	$1,948	$1,948
Miscellaneous	$2,400	$2,460	$2,460	$2,460
Total Expenses	$184,223	$194,247	$196,944	$200,990
Net Operating Income	$149,437	$219,433	$270,682	$347,555
Overall Cap Rate	7.50%	7.50%	7.50%	7.50%
Value With Property Taxes	$1,992,493	$2,925,777	$3,609,093	$4,634,067
Value Without Property Taxes	$2,712,493	$3,663,777	$4,347,093	$5,372,067

The Sprute appraisal's Income Approach value of $2,480,000 assumes that Clearwater Hall will never surpass 70% occupancy. This assumption is unreasonable and absurd. As you can see, The Sprute Model returns a value $2 million higher at 100% occupancy during the non-summer academic year, and nearly $3 million higher when property taxes are no longer paid.

Based upon this information, we feel that we can reasonably and logically provide an argument which supports a total purchase price well over $4 million for the residential portion of this property. In the interest of quickly resolving our differences with the college, and ending the continuing and mounting losses generated by this project, we are willing to value the property's ability to meet the college's future space requirements at only $300,000.

Base Value Derived From Appraisals: Valuation Formulas 1 & 2 Noted Above	$3,500,000
Value Added for Consideration of Property's Ability to Meet Future Growth	$ 300,000
TOTAL COUNTER OFFER TO PURCHASE RESIDENCES	$3,800,000

I hope we can both agree that it would be grossly unfair to set the college's purchase price at a deeply discounted value, solely because the college itself has failed to maintain occupancy rates, and further failed to honor its own representations. Had LCSC been capable of simply producing 53 additional students as renters, these residences would now be worth $4.6 million on the open market, and $5.3 million to the college.

Please give careful consideration to our second alternative noted above, as this price for purchasing the entire facility is very well supported by the appraisals.

We have provided the Master Lease alternative as a viable option, in the event that we cannot consummate a sale. This would be our "last resort" means of solving our current issues with LCSC, prior to initiating litigation and beginning the process of converting the building into a new use.

Once again, we ask you to consider that our company has, as of today, invested $6,323,170 in this project. And we did so, based upon the projections, promises and representations of Lewis-Clark State College. This counter proposal to your offer constitutes a significant compromise on our part, and it offers you an opportunity to secure this property at an outstanding value, especially given its ability to generate profitability for the college.

As time is critical, both in terms of your August board meeting, and in terms of the approaching Fall semester, we would appreciate your prompt reply.

Respectfully,

Fred M. DiCosola
Managing Member
College Town Development Idaho, LLC

cc: Casey C. Colley; College Town Development Idaho, LLC

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SELF-CONTAINED APPRAISAL OF:

Clearwater Hall

402 - 418 Main Street
Lewiston, Idaho

DATE OF VALUATION

December 6, 2007

DATE OF REPORT

December 17, 2007

BY

Justin L. Stout

and

Jeffrey D. Lembeck, MAI

LEMBECK APPRAISAL & CONSULTING, INC.
111 W North River Drive, Ste. 204
Spokane, Washington 99201
(509) 326-4130

REPORT NO. 07.197

December 17, 2007

Mr. Timothy Rietveld, MAI & VP
KeyBank National Association
601 108th Ave NE 5th Floor
Bellevue, WA 98004

RE: Clearwater Hall
402 - 418 Main Street
Lewiston, Idaho
KRETS No. KEYW-071015-7469-1

Dear Mr. Rietveld:

At your request, we have prepared an appraisal and formed an opinion of the market value of the leased fee interest in the property located at 402 - 418 Main Street in Lewiston, Idaho. The subject property is Clearwater Hall, a four-story, mixed-use facility, which comprises retail space on the main floor and student-oriented housing in the upper levels. The student housing portion contains 117 bedrooms in 32 units.

Based on our investigation and analysis, and subject to the assumptions and limiting conditions contained within this report, we are of the opinion that the market value of the leased fee interest in the subject property is as follows:

VALUE SCENARIO	EFFECTIVE DATE	VALUE CONCLUSION
Hypothetical Leased Fee Value Without Management Agreement		
As Is:	December 6, 2007	$4,910,000
Upon Stabilization:	October 6, 2009	$5,200,000
Leased Fee Value With Management Agreement		
As Is:	December 6, 2007	$4,510,000
Upon Stabilization:	October 6, 2009	$4,800,000

As will be discussed later in the report, the stabilized value of the subject is less than the value concluded in the previous appraisal of the subject that was completed for its construction loan. Please see the Property History on page 16 of this report for a discussion of the influences that led to this reduction in value.

The data and analysis leading to the conclusion are summarized in the attached self-contained appraisal report. This report was prepared in conformance with the requirements of the Uniform Standards of Professional Appraisal Practice, in addition to those of KeyBank National Association.

Sincerely,

Justin L. Stout

Jeffrey D. Lembeck, MAI

111 W. North River Drive • Suite 204 • Spokane, Washington 99201 • 509.326.4130 • fax 509.326.4148

CERTIFICATION

We certify that, to the best of our knowledge and belief,...

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- The use of the report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- We have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- As of the date of this report, I, Jeffrey D. Lembeck, have completed the requirements of the continuing education program of the Appraisal Institute.

Justin L. Stout

Jeffrey D. Lembeck, MAI
Idaho State Certified General Real Estate Appraiser
No. 332

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SUMMARY OF FACTS

PROPERTY NAME:	Clearwater Hall
PROPERTY ADDRESS:	402 - 418 Main Street Lewiston, Idaho
CLIENT/INTENDED USER(S):	KeyBank National Association
DATE OF INSPECTION:	December 6, 2007
DATES OF VALUATION:	
As Is:	December 6, 2007
Upon Stabilization:	October 6, 2009
DATE OF REPORT:	December 17, 2007
VALUE ESTIMATED:	Leased fee
CURRENT USE:	Mixed-use building comprising retail on the main level and student-oriented housing in the upper levels.
HIGHEST AND BEST USE:	The subject's current use is representative of a highest and best use.
SITE DESCRIPTION	
Land Area:	36,984 SF, or 0.85 Acres
Usable Land Area:	14,130 SF, or 0.32 Acres
Zoning:	General Commercial Zone (C-4), City of Lewiston
Lot Orientation:	Corner
Topography:	The north portion of the site is level, while the southern portion of the site is severely sloped upward from north to south.
IMPROVEMENT DESCRIPTION	
Improvement Type:	Completely gutted and remodeled three-story, brick building that was built in 1910 and a four-story addition of wood-frame construction with a brick veneer exterior that was built in 2006.
Retail SF (GLA):	12,787 SF
Student Housing SF (NRA):	26,805 SF (117 Bedrooms)

ESTIMATES OF VALUE

HYPOTHETICAL STABILIZED LEASED FEE VALUE WITHOUT MANAGEMENT AGREEMENT

COST APPROACH

Replacement Cost New		$4,481,070
Add: Developer's O.H. & Profit @ 15%	+	$672,161
Total Development Cost New		$4,153,231
Less: Accrued Depreciation	-	$0
Depreciated Replacement Cost		$4,153,231
Add: Land Value (14,130 usable SF @ $6.50/SF)	+	$92,000
Indicated Value Via the Cost Approach:		**$5,250,000**

SALES COMPARISON APPROACH

Living Units		
Price Per Unit ($85,000/Unit x 32 Units)		$2,720,000
Price Per BR ($38,000/BR x 117 Bedrooms)	(Rd)	$4,450,000
Effective Gross Income Multiplier (7.0 EGIM x $463,613)	(Rd)	$3,250,000
Correlated Value of Living Units		$32,500,000
Retail Space		
Price Per SF ($155.00/SF x 12,787 SF)	(Rd)	$1,980,000
Total Value		
Value of Living Units		$3,500,000
Add Value of Retail Space	+	$1,980,000
Indicated Value Via the Sales Comparison Approach:		**$5,480,000**

INCOME APPROACH

Direct Capitalization

Living Units

Potential Gross Income		$545,427
Vacancy and Credit Loss @ 15%	-	$81,814
Effective Gross Income		$463,613
Operating Expenses	-	$220,426
Net Operating Income		$243,187
Direct Capitalization Rate	÷	7.75%
Indicated Value		$3,137,897

Retail Space

Potential Gross Income		$153,444
Vacancy and Credit Loss @ 5%	-	$7,672
Effective Gross Income		$145,772
Operating Expenses	-	$6,291
Net Operating Income		$139,481
Direct Capitalization Rate	÷	7.25%
Indicated Value		$1,923,876

Total Value

Value of Living Units		$3,137,897
Add Value of Retail Space	+	$1,923,876

Indicated Value Via the Income Approach: (Rd) **$5,060,000**

MARKET VALUE CONCLUSIONS WITHOUT MARKET AGREEMENT

Upon Stabilization (October 20, 2009)	**$5,200,000**
As Is (December 6, 2007)	**$4,910,000**

STABILIZED LEASED FEE VALUE WITH MANAGEMENT AGREEMENT

INCOME APPROACH

Direct Capitalization

Living Units

Potential Gross Income		$530,966
Vacancy and Credit Loss @ 25%	-	$132,742
Effective Gross Income		$398,224
Operating Expenses	-	$171,471
Net Operating Income		$226,753
Direct Capitalization Rate	÷	7.75%
Indicated Value		$2,925,845

Retail Space $1,923,876

Total Value

Value of Living Units		$2,925,845
Add Value of Retail Space	+	$1,923,876

Indicated Value Via the Income Approach: (Rd) **$4,850,000**

MARKET VALUE CONCLUSIONS WITH MARKET AGREEMENT

Upon Stabilization (October 20, 2009)	**$4,800,000**
As Is (December 6, 2007)	**$4,510,000**

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

1. The client has asked for an "as is" market value of the subject, assuming operation without the current management agreement between the subject owners and Lewis-Clark State College. Therefore, for the purposes of this value, it is a hypothetical condition of this report that the subject is operating without the aforementioned management agreement. The client has also requested the "as is" value of the subject with the existing management agreement. Therefore, after the reconciliation, the "as is" value of the subject will be analyzed under the existing management agreement. Thus the preceding hypothetical condition will not be in effect during the later analysis.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description or matters involving legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances, unless otherwise stated.

3. Responsible ownership and competent management are assumed, unless otherwise stated.

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

5. The appraiser has made no engineering survey of the property and assumes no responsibility for such matters. Any maps, plans and photographs included in this report are for illustrative purposes only.

6. It is assumed 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 obtaining the engineering studies that may be required to discover them. Subsurface rights, e.g. mineral or oil rights, were not considered in this report.

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

8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or

private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the subject property boundaries and there is no encroachment or trespass unless otherwise stated.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the 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, and 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 adversely affect its use or value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

12. Any allocation of total value estimated in this report between land, improvements, or any other fractional part or interest applies only under the stated program of utilization, and is invalidated if used separately or in conjunction with any other appraisal.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication.

14. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

15. 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 the prior written consent and approval of the appraiser.

16. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.

17. Any proposed improvements are assumed to have been completed unless otherwise stipulated; any construction is assumed to conform with the building plans referenced in the report.

18. Any construction, alterations or repairs upon which the appraised value is contingent are assumed to be completed in a workmanlike manner.

19. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

20. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute.

21. The Americans with Disabilities Act became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of the subject property to determine whether it is conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the subject property and a detailed analysis of the requirements of the ADA may reveal that the subject property is not in compliance with one or more of the requirements of the act.

22. This appraisal report is prepared for the sole and exclusive use of the appraiser's client, **KeyBank National Association.** No third parties are authorized to rely upon this report without the express written consent of the appraiser.

23. Provision of an Insurable Value by the appraiser does not change the intended user or the intended purpose of the appraisal. The appraiser assumes no liability for the Insurable Value estimate provided and does not guarantee that any estimate or opinion will result in the subject property being fully insured for any possible loss that may be sustained. The appraiser recommends that an insurance professional be consulted. The Insurable Value estimate may not be a reliable indication of replacement or reproduction cost for any date other than the effective date of this appraisal due to changing costs of labor and materials and due to changing building codes and governmental regulations and requirements.

THE APPRAISAL ASSIGNMENT

IDENTIFICATION OF THE PROPERTY

The property to be appraised is the Clearwater Hall located at 402 - 418 Main Street in the city of Lewiston, Idaho.

LEGAL DESCRIPTION

A lengthy metes and bounds legal description of the subject property is included in the addenda of this report.

DATE OF INSPECTION

Jeffrey D. Lembeck and Justin L. Stout inspected the subject property on various dates in December 2007. The formal inspection of the subject property was conducted on December 6, 2007.

DATE OF VALUATION

The property is valued as of December 6, 2007.

DATE OF REPORT

The date of the report is December 17, 2007.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value of the leased fee interest in the subject property with its existing management agreement in place and assuming operation without the management agreement.

INTENDED USE OF THE APPRAISAL

The intended use of the appraisal is to provide the client, KeyBank National Association, with an updated value of the subject property for monitoring purposes.

PROPERTY RIGHTS APPRAISED

This analysis will lead to an opinion of the market value of the leased feeinterest in the subject property.

Leased Fee Interest - *An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.*[1]

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[1] Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 4th ed. 2002, pg. 161.

Fee Simple Estate - *Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police powers, and escheat.*[2]

The right of use and occupancy for the subject property is conveyed by lease to the tenants; as such, the report will conclude to a leased fee value. The client has asked for the "as is" market value of the leased fee interest in the subject property. However, the subject is not yet stabilized, and therefore a stabilized value will be concluded first, followed by the "as is" value.

DEFINITION OF MARKET VALUE

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

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

SCOPE OF THE APPRAISAL

The scope of the appraisal included:

- Inspection of the subject property, subject neighborhood and all comparable properties used in the report;
- review and analysis of all subject information included in the report and addenda;
- research, confirmation and analysis of sale comparables with the aid of County records, TRW Real Estate Information Services, and other sources;
- use of the Cost, Sales Comparison, and Income Approaches in valuing the property, and;
- preparing this written appraisal report in a self-contained report format.

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2 Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 4th ed. 2002, pg. 113.

3 Board of Governors of the Federal Reserve System (FRS), 12 CFR Part 225; Federal Deposit Insurance Corporation (FDIC), 12 CFR Part 323; National Credit Union Administration (NCUA), 12 CFR Part 722; Office of the Comptroller of the Currency (OCC), 12 CFR 34.42(f); Office of Thrift Supervision (OTS), 12 CFR 564.2(f); and the Resolution Trust Corporation (RTC), 12 CFR Part 1608. Washington, D.C.: Federal Register, Vol 55, No. 251, pages 53610-53618; Monday, December 31, 1990.

APPRAISER COMPETENCY

No actions were necessary to comply with the competency provision of USPAP.

THREE-YEAR OWNERSHIP AND SALES HISTORY OF THE SUBJECT

The subject property is currently owned by Clearwater Historic Development, LLC, which purchased the property in February 2005 for $250,000 from S. Griffin Construction, Inc. The land component of this sale will be analyzed in the land valuation section of this report. The property was reportedly not being marketed at the time of sale. At the time of this sale, the facility comprised only a three-story brick building that was originally constructed in 1910, which was in "shell" condition, prior to being completely gutted, remodeled, and expanded to the east with a four-story building, all of which was completed after the sale.

We are aware of no other sales, listings, or offers involving the subject over the past three years. It should be noted that a representative for Lewis-Clark State College reported that the college was assessing the possibility of purchasing the subject. However, they would need the approval of the State Board of Education.

SUBJECT HISTORY

As stated earlier, we previously appraised the subject property for the purposes of its construction loan, which resulted in a higher stabilized value than is concluded in this report. The prior appraisal was predicated on assumptions put forth by Lewis-Clark State College that did not come to fruition after the completion of the subject property. In order to provide a better understanding of the progression of the subject property to its current state, it is helpful to consider the following history of the subject.

- Project Development History - When the subject project was initially conceived, there was reportedly a large supply of pent-up demand for student housing. At the time of development, Dr. Ron Smith, the former Vice President for Administrative Services at Lewis-Clark State College (LCSC), stated the college had a contract with the nearby Red Lion hotel to house 59 of the overflow of students that could not be accommodated in residence halls on campus, which were fully occupied. This contract would be terminated at the end of May 2006. The three residence halls on campus were reportedly fully occupied with approximately 205 students. Dr. Smith reported that there was typically a waiting list for these lodgings in the summer and when the contract with the Red Lion terminates, the college anticipated there would be over 160 students on the waiting list for on-campus housing. Additionally, Karen Morscheck, Director of Residence Life at LCSC stated that lots of groups apply to LCSC for summer stays, but given the limited on-campus housing, these groups couldn't be facilitated.

  As an inducement to build the subject project, Dr. Smith drafted a letter of intent between the subject's developer and LCSC to enter into a management agreement, in which LCSC agreed to fill the subject's residence units and College Place (an 88-bedroom, student-oriented facility that was to be constructed and completed at the same time as the subject) prior to allowing students to reside in any other LCSC owned or managed residence facility. **Thus LCSC agreed to fill the subject's 117 bedrooms and the 88 bedrooms at College Place before filling its own residence halls on campus. However, this commitment never materialized, as it is not included in the current management agreement.**

Dr. Smith further stated that peer institutions that are similar to LCSC typically use 12% of their total enrollment as a benchmark for programming the number of beds needed for on-campus housing. Therefore Dr. Smith surmised that 12% of LCSC's reported 3,500 students would equate to a need of 420 beds. According to Dr. Smith, LCSC had about 205 beds on campus, thus falling well short of the 12% benchmark and indicating a need for over 200 additional beds. Since the subject and College Place would accommodate a combined total of 205 beds, both projects were undertaken and completed in August 2006.

- Present Project Status – The subject project is currently approximately 75% occupied. According to the subject history, this occupancy rate is typical for the nine-month school year. During the summer term, however, the occupancy rate drops to about 8%. The experience of College Place, which is also at a present occupancy rate of 75%, has reportedly been the same. We spoke with one of the owners of College Place, Bill Lawson, who stated they were having serious vacancy and absorption problems that they have yet to work out. Mr. Lawson said the project is basically dead in the summer, and they have to "make it up" during the nine-month school year. They start the school year at 85% to 90% occupancy, but by the first semester they are down to only 60% occupancy.

    - We spoke with Kent Kinyon (208-792-2202), Controller for Lewis-Clark State College, who said that during the 2005/2006 school year, there was excessive demand for student housing, as students were relegated to the Red Lion hotel for overflow housing. Since that time, enrollment has increased at LSCS, however there has been a change in the demographics related to the student body. While typical colleges mainly have traditional four-year students between the ages of 18 and 22, LCSC has experienced a combination of a net increase in older, non-traditional students and a slight decrease in enrollment for traditional four-year students. This has a magnified effect upon residence halls, since they historically comprise younger students that are either freshmen or sophomores.

      Additionally, LCSC has experienced a lower retention rate for students living in residence halls, compared to the general student population. A possible reason for this is the younger students are increasingly seeking out traditional apartment housing, as opposed to residence halls. Another possible explanation is that, due to a favorable economy in the Lewiston area, these younger student's are opting to quit or put on hold their pursuit of a college degree and enter the workforce. As a result, there are fewer students attending LCSC, which leads to a decreasing number of students seeking student housing.

    - We spoke with Karan Morscheck (208-792-2259), Director of Student Life at LCSC, who related they have closed Talkington Hall, a residence hall on campus. Ms. Morscheck said Clark Hall had 69 beds occupied out of 78, which are used for athletes only, and Parrish Hall has 19 beds occupied out of 29, which is occupied by upper-classman on the honor roll. As such, housing on campus is very limited, and the majority of the students requiring housing are accommodated at the subject, Clearwater Hall, and College Place. Ms. Morscheck related that while enrollment at the subject is at around 90 beds during the nine-month school year, it drops to about 9 or 10 during the summer term, even though LCSC marketed the space through several different outlets.

- **Project's Future Outlook** – Mr. Kinyon stated it is LSCS's goal to increase enrollment of traditional four-year students and he believes the trend line for the traditional student will increase in the future. As part of LCSC's commitment to increasing enrollment of this demographic, they will be constructing a $15 Million addition for their prestigious nursing program, which is reportedly highly regarded. This expansion, which is expected to be completed by Fall 2009, will enable the college to admit more students to its nursing program. Their nursing program is a baccalaureate program, from which they anticipate an increase of traditional four-year students. As a result, this will be a source of additional student demand for both residence halls (Clearwater Hall and College Place).

    - Additionally, we spoke with Howard Erdman (208-792-2456), Director of Institutional Planning, Research and Assessment at LCSC. The following information was relayed during our conversation. Enrollment of full-time students at LCSC has been steady over the past seven years, while total student enrollment has been trending upward, as shown in the following table.

LCSC Fall Semester Total Enrollment							
Year:	2001	2002	2003	2004	2005	2006	2007
Students:	*2,953*	*3,108*	*3,471*	*3,325*	*3,451*	*3,394*	*3,612*
% Change:	-	5.0%	10.5%	-4.4%	3.7%	-1.7%	6.0%

Most students in residence housing are freshmen and sophomores, and therefore, the college is targeting these younger, traditional students. As shown in the above chart, total enrollment in 2007 increased by 6%. This increase was partly due to an increase in freshmen. The following table displays the freshman enrollment over the past seven years.

LCSC Freshman Enrollment History							
Year:	2001	2002	2003	2004	2005	2006	2007
Freshman:	*1,141*	*1,212*	*1,440*	*1,213*	*1,231*	*1,214*	*1,428*
% Change:	-	5.9%	15.8%	-18.7%	1.5%	-1.4%	15.0%

As shown, a 15% increase in freshman was experienced in 2007. This is reportedly a direct result of the college targeting smaller school districts in the region that have small graduating classes. The college plans to continue their efforts to target these smaller school districts that are purportedly not courted by other colleges and universities. It should be noted that the increase in 2003 (as shown in both tables above) was due to an atypically large high school graduating class. In addition, virtually all of the college's international students are accommodated in residence halls. The following table reflects past international enrollment for LCSC.

LCSC International Enrollment History							
Year:	2001	2002	2003	2004	2005	2006	2007
Int'l Students:	*78*	*79*	*94*	*98*	*115*	*132*	*143*
% Change:	-	1.3%	16.0%	4.1%	14.8%	12.9%	7.7%

As shown, the enrollment of international students has been rising steadily. However, the 2001 enrollment, as well as a few years that follow, is reportedly atypically low due to the terrorist attack in September 2001. Also, 100 students from Nepal will be enrolling at LCSC in Fall 2008, as LCSC has a strong enrollment of Nepalese. Therefore, these additional 100 students would be expected to be housed in the residence halls, and in turn, increasing occupancy rates.

- Conclusion – It is evident that the demand for student housing that was anticipated prior to construction of the subject did not materialize. A possible reason for the lower demand is a change in the demographics at LCSC and a reduction in retention rates for students housed in residence halls. Also, there are approximately 88 students still being lodged in on-campus housing, further impacting the occupancy rate for the off-campus residence halls (the subject and College Place). If these 88 students were to be housed in off-campus residence halls, there would still not be enough student demand to maintain an appropriate occupancy rate during the summer term.

  The college does appear to be increasing its efforts to increase traditional student enrollment that would typically require student housing. These efforts include focusing on smaller school districts in the region that have smaller high school graduating classes. The college will also be completing a $15 Million expansion to accommodate more students in its nursing program in Fall 2009, which mainly comprises traditional four-year students. Additionally, they are projecting an increase of at least 100 international students in Fall 2009, which will all likely require student housing. Thus, the aforementioned plans should positively impact the future enrollment of LCSC, and in turn, the subject's occupancy; however it will not be occurring in the near term and it is unknown when the full impact of their efforts will be received.

MARKETING/EXPOSURE PERIOD

Marketing Time – *an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions.*[4]

Exposure Time – *the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal.*[5]

In this instance, marketing time and exposure time are judged to be equivalent. According to the Korpacz Real Estate Investor Survey, the average marketing time for the "National Strip Shopping Center Market" is 6.25 months. Additionally, the average marketing time for the "National Apartment Market" is 5.65 months. Among the improved apartment sales, Clarke Terrace was listed for 2 months prior to selling. Considering the subject's

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[4] The Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 4th ed., 2002.
[5] Ibid.

characteristics, a marketing/exposure period of 12 months is estimated for the subject, if appropriately priced and actively marketed. Based on the subject's proposed characteristics and its relationship with Lewis-Clark State College (LCSC), the facility would be most attractive to LCSC.

PERSONAL PROPERTY, FIXTURES, AND INTANGIBLES

- **Fixtures** - Included in the valuation of the real estate were the items summarized in the following table.

Item	Units		Rate	Total Cost New	Depreciated Cost @ 8%
Bedrooms					
Loftable Bed	117	BRs @	$ 124	$ 14,508	$ 13,347
Mattress	117	BRs @	$ 83	$ 9,711	$ 8,934
Armoire	117	BRs @	$ 403	$ 47,151	$ 43,379
Desk	117	BRs @	$ 243	$ 28,431	$ 26,157
Chiar	117	BRs @	$ 64	$ 7,488	$ 6,889
Units					
Refrigerators	32	Units @	$ 300	$ 9,600	$ 8,832
Sofa	32	Units @	$ 1,131	$ 36,192	$ 33,297
Living Rm Chair	32	Units @	$ 612	$ 19,584	$ 18,017
Coffee Table	32	Units @	$ 157	$ 5,024	$ 4,622
Dining Table	32	Units @	$ 224	$ 7,168	$ 6,595
Dining Chairs	117	Units @	$ 24	$ 2,808	$ 2,583
					$ 172,652

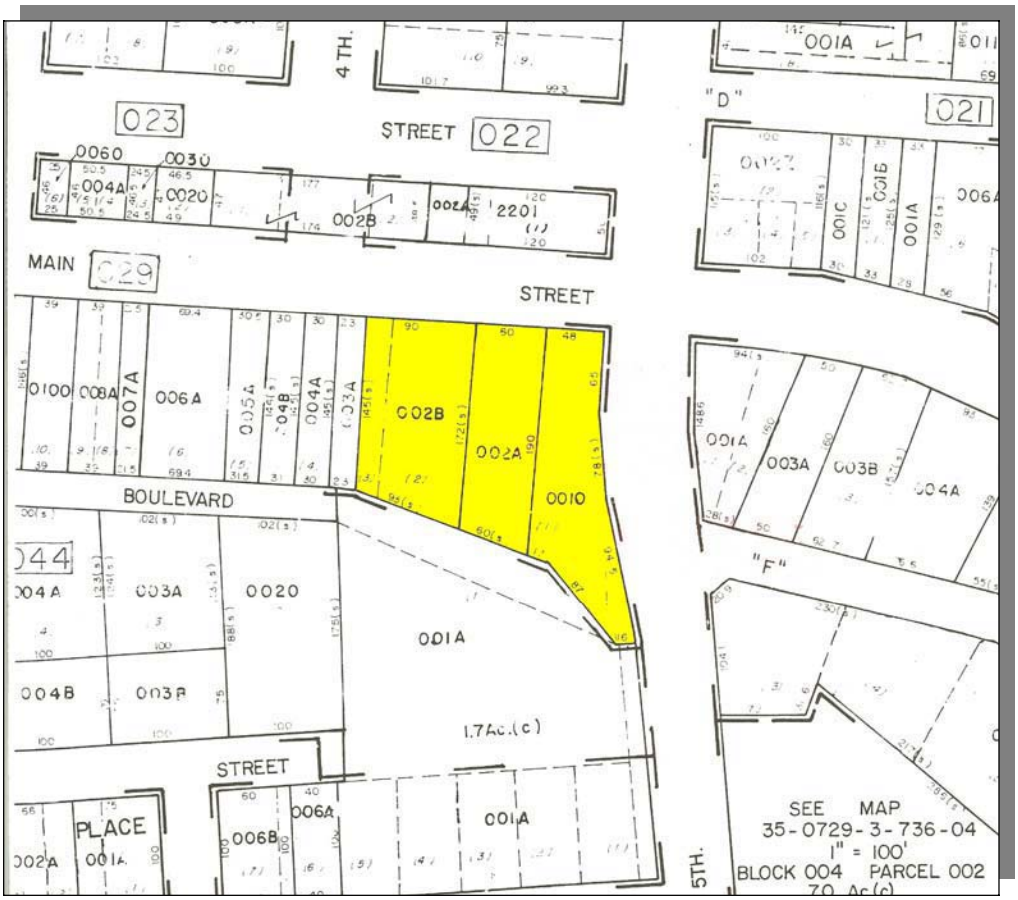
The subject's furnishings are estimated to have an average economic life of 10 years. Since the subject was completed approximately 15 months, this would indicate a depreciation rate of 12.5% for the subject's fixtures. However, considering the subject's historical occupancy rate, the fixtures have been depreciated by 8%, as shown in the table above. As a result, the value allocated to the subject's fixtures is $172,652.

UNAVAILABILITY OF INFORMATION

Sufficient information necessary to form a reliable opinion of market value was believed to be available. However, if additional information becomes available after the date of this appraisal, the right is reserved to re-analyze the property, and to potentially revise the value conclusions stated herein. Such analysis may be at an additional fee.

SUBJECT INFORMATION

SITE DESCRIPTION



PLAT MAP

LOCATION

The subject site is located at 402 – 418 Main Street in the historic district of the city of Lewiston, in the "Downtown" area, which is in the northwest quadrant of the city of Lewiston, Idaho.

SIZE AND SHAPE

The subject is an irregular site that comprises three contiguous parcels, as shown in the plat map above (the subject site is highlighted in yellow). The entire site is approximately 0.85 acres, or 36,984 SF. However, due to the severe slope on the southern border of the subject site, only the northern section of the parcels is usable. This usable portion is approximately 0.32 acres, or 14,130 SF.

FRONTAGE/EXPOSURE

The subject is a corner site with frontage along Main Street and 5th Street. Main Street is a one-way road that is the eastbound portion of Lewiston's downtown couplet. The westbound portion of this couplet is "D" Street, which is located one block north of Main Street. The subject site has approximately 198' of frontage along the south side of Main Street and about 237' of frontage along the west side of 5th Street. The subject has ground-floor retail space and student-oriented housing in the upper levels, therefore, its exposure is considered good since it is located along Main Street, a major arterial in the historic district of Lewiston's central business district, and along 5th Street, which provides access to Lewis-Clark State College, one-half mile to the south. Additionally, the subject site is located at a signalized intersection.

ACCESS

Regional and local access to the site is good. The subject can be accessed via Main Street, which is also known as Highway 12, but is Main Street while in the city limits of Lewiston. Main Street accesses the city of Clarkston to the west and intersects with Twenty-first Street to the east, which provides access to US Routes 12, 95, and 195. These routes serve as the major north/south and east/west highways in southern Washington and south-central Idaho. The subject is easily accessed both regionally and locally.

INGRESS/EGRESS

The subject site has frontage on Main Street, a paved one-way road with two eastbound lanes, and 5th Street, a paved two-way road. The only area of vehicular ingress/egress to the subject property is the southeast corner of the site along the west side of 5th Street, which is used to access the subject's trash receptacle.

EASEMENTS/ENCROACHMENTS

The title report by Land Title of Nez Perce County, dated January 6, 2006, did not indicate any adverse easements, or restrictions. No obvious easements or encroachments were observed during the inspection of the site. Typical utility easements are presumed to exist.

ADJACENT USES

North: An older two-story brick building in average condition at the northwest corner of Main Street and 5th Street. This building is occupied by the Lewis-Clark State College Center for Arts and History. This building shares a common wall with the four-story building to the west, across the street to the north of the subject's existing building. This is the Butler Building, which was recently renovated and comprises Moxie, a full service salon, on the main level and private residences on the upper levels.

South: The Garden City Apartments; an older multi-family apartment complex that comprises three buildings in average condition. This apartment complex is situated atop the hillside directly behind the subject.

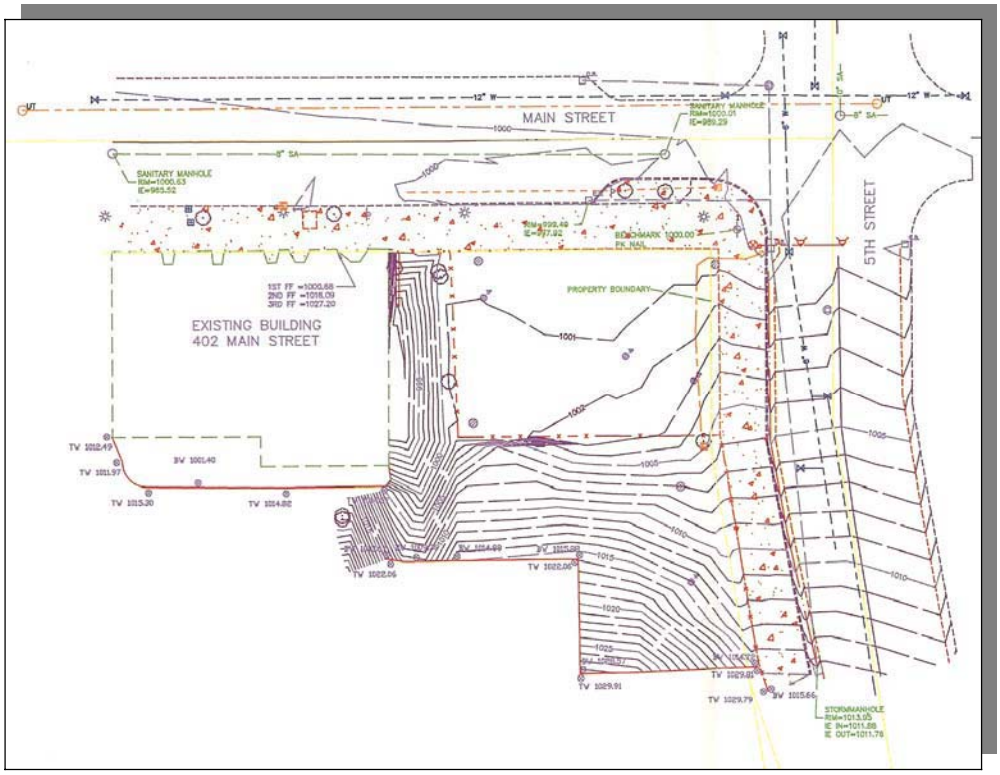
East: Across 5th Street is the Town Square Mall; a combination of two buildings that comprise four levels of retail and office use. The mall

was constructed in 1892 and was remodeled in the early 1980's. The 45,735 SF facility is in average condition.

West: A block of buildings in fair to average condition that share common walls.

TOPOGRAPHY/DRAINAGE

As mentioned, there is a severe upward slope from north to south along the southern border of the subject site. Thus only the northern section of the site is considered usable. The severity of this slope is illustrated in the topographic survey below. The northern section of the site is generally level and at street grade. There were no areas of standing water at the time of the inspection, and the subject property appears to have adequate drainage.



UTILITIES

Utilities available to the subject property include:

Utility	Purveyor	Contact
Water:	City of Lewiston	208-746-1355
Sanitary Sewer:	City of Lewiston	208-746-1355
Electricity:	Avista Utilities	800-227-9187
Telephone:	Qwest Communications	800-603-6000
Natural Gas:	Avista Utilities	800-227-9187

All typical utilities are available in the subject's neighborhood with City supplied water, sewer, and garbage. Avista Corporation provides gas and electric service.

LINKAGES

Medical: Saint Joseph Regional Medical Center is a 145-bed facility situated in the subject neighborhood, approximately four blocks south of the subject site. Saint Joseph is the largest hospital in the region, serving nine counties in Idaho, Washington, and Oregon. Additionally, Tri-State Hospital, a 62-bed facility, is located in nearby Clarkston, Washington.

Shopping: Most of the major shopping and retail service are located in eastern Lewiston, approximately two miles east of the subject. Lewiston Center Mall, with over 250,000 SF of shopping is located just outside the southeast corner of the subject's neighborhood. Additional shopping and retail services are located along Main Street, near the subject, and along Thain Grade.

Schools: There are adequate schools (Webster Elementary, Jenifer Junior High School, and Lewiston High School) in the city of Lewiston, including Lewis-Clark State College, one-half mile south of the subject.

FEMA FLOOD ZONE INFORMATION

Community Panel No.: 1601040001B
Dated: January 20, 1982
Zone Classification: "C" (areas outside the 500-year floodplain)

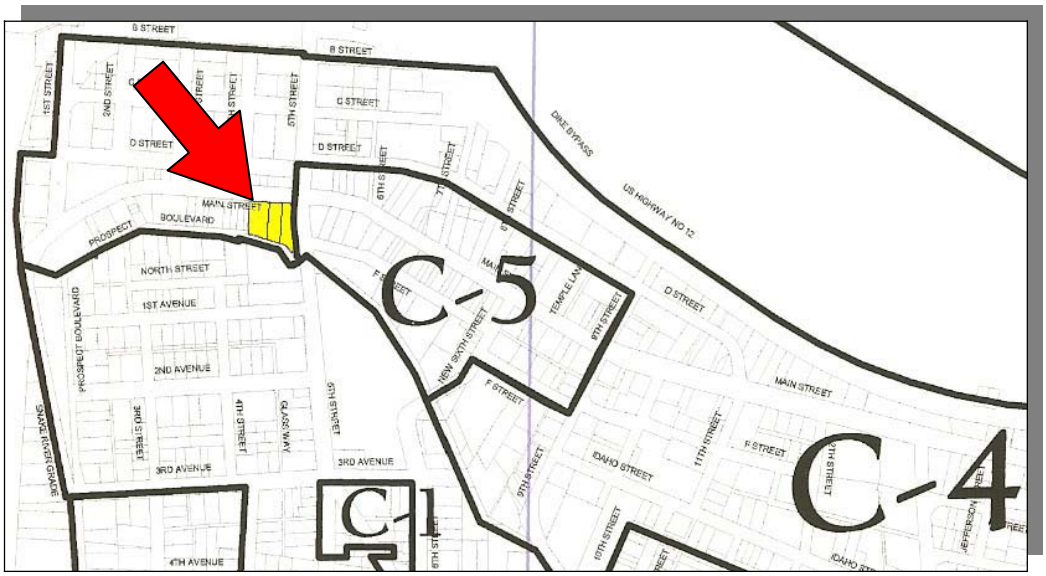
FLOOD MAP

ZONING

The subject site is zoned C-4, General Commercial, by the City of Lewiston. The purpose of the C-4 zone is "[t]o provide areas to serve the city and regional needs for commercial goods and services. Such areas shall be compatible with adjacent residential development." Uses permitted in the C-4 zone include, but are not limited to, business or professional offices, eating or drinking establishments, multi-family residential uses not on the ground floor of a building, personal services, retail sales and service, and financial institutions. The subject's improvements appear to comply with all requirements of the zone. The specific requirements for this zoning designation are outlined in the following table:

C-4 ZONING REQUIREMENTS

Regulation	Zoning Requirement	Subject Property
Permitted uses:	Retail sales & service, multi-family (not on ground floor), professional/business office, eating establishments, etc.	Retail on main floor and student- oriented housing in upper levels.
Front yard setback:	None.	N/Ap
Side yard setback:	None, except 15' when a property abuts a residential zone.	N/Ap
Rear yard setback:	None, except 15' when a property abuts a residential zone.	>15'
Min. Lot Size:	None.	36,984 SF
Max. Building Coverage:	None.	37% of the total site
Max. Building Height:	60'	Approx. 53'
Minimum parking:	None in CBD	None



ZONING MAP

SITE CONCLUSION

The subject is located in a historic district within the city of Lewiston's central business district at the southwest corner of Main Street and 5th Street. This is a signalized intersection that is one-half mile north of the campus of Lewis-Clark State College. The southern border of the site slopes upward steeply from north to south. However, the north portion of the site, which encompasses the improvements is generally level, at street grade, is equipped with all typical utilities, and has adequate local and regional access. The site is zoned general commercial and is well suited to its current use with retail on the main level and student-oriented housing in the upper levels.

DESCRIPTION OF IMPROVEMENTS

The subject is the Clearwater Hall facility, which comprises 12,787 SF of storefront retail space on the main level and student-oriented housing units on the upper levels. The facility comprises a three-story brick building that was originally constructed in 1910 and was completely gutted and remodeled in 2006, in addition to an expansion to the east with a four-story building. The four-story expansion is of concrete construction on the main level and wood-frame on the upper levels, with a brick veneer exterior. The retail space is divided into four bays with bay depths of 60′ to 70′. However, it would be possible to divide this space into more, or fewer bays, depending upon tenant demand. The subject's student-oriented housing portion has 32 units that comprise 117 bedrooms, each furnished with a loft-able bed, an armoire, and a desk and chair. The upper levels is accessed via an elevator, in addition to an interior stairwell. Each unit has a living room/kitchen area equipped with a refrigerator, kitchen sink, dining table with chairs, sofa, coffee table, and chair. The majority of the units have one bathroom with a shower and toilet, and a sink located just outside the bathroom. All the units are accessed via interior corridors. Additionally, the facility has common laundry, a study room, and storage rooms.

AREA BREAKDOWN		
Area		SF
Common Area		
Lobby/Stairs/Elev Shaft/Corridors		7,695
Laundry Room		263
Janitorial		303
Storage		315
Study Room		206
Restroom		70
Subtotal:		*8,852*
Retail Space		
Main Floor		*12,787*
Living Units		
No. Units	Br/Ba Per Unit	Subt. SF
3	1/1	1,269
1	2/1	555
4	3/1	3,026
19	4/1	16,273
1	4/2	1,129
4	5/2	4,553
Subtotal:		*26,805*
Gross Building Area:		48,444

PROPERTY DETAILS

Gross Building Area:	48,444 SF
Number of Floors:	Four
Year Built:	2006 (east phase); 1910 (west phase)

Improvement Age:

Actual Age	1	Years
Effective Age	0	Years
Total Economic Life	45	Years
Remaining Economic Life	45	Years

CONSTRUCTION FEATURES

Foundation:	Poured concrete.
Basic Structural System:	The west phase is of brick construction; the east phase is of concrete construction on the main floor and wood-frame construction on the upper three levels.
Basement:	No.
Exterior Walls:	Brick veneer, with the exception of the south exposure of the east building, which has hardi lap siding.
Roof:	Metal roof panels on east phase and flat, built-up roof on west building.
Insulation:	Batt insulation in walls and ceilings.

Interior Finish

Floor Covering:	Carpeting in the living rooms and bedrooms; sheet vinyl flooring in the bathrooms and kitchens; carpeting in the retail space.
Interior Walls:	Painted gypsum wallboard.
Ceiling Finish:	Painted gypsum wallboard in living units and suspended acoustical tile ceiling in retail space.
Lighting:	Mixture of incandescent and fluorescent.
Windows:	Single and double-hung vinyl windows.

Mechanical and Equipment

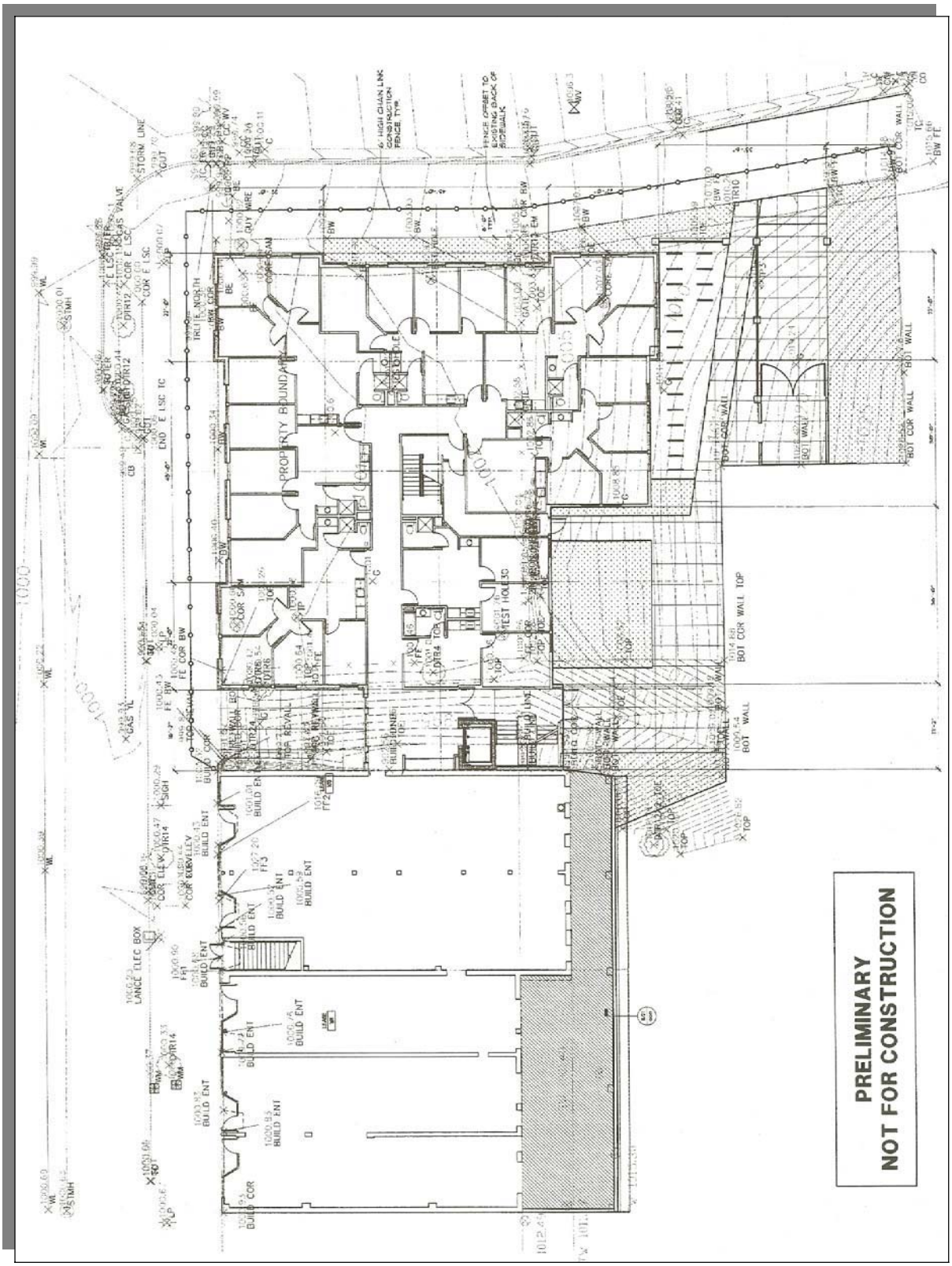
Heating, Ventilation, and Air Conditioning:	The living units have a rooftop mounted gas forced air system with air conditioning. The retail bays will each have an individual gas forced air package system.
Water Heaters:	The residential portion of the facility has a central gas water heater, while the retail bays will each have individual water heaters.
Plumbing:	Kitchens are equipped with a refrigerator and basin sink. The majority of the living units have one bathroom with a shower and toilet that has a sink located just outside the bathroom. A laundry room equipped with washers and dryers is located on the second level, in addition to a common area unisex restroom with one toilet and sink. Janitorial rooms are located on all the upper levels.
Electrical:	Adequate outlets and lighting. The retail bays are individually metered.
Elevator:	One, with four stops.
Fire Protection:	Wet sprinkler system.

Other

Parking:	The subject facility does not include on-site parking, however, this does not appear to be a negative influence upon the property, given that its tenants are students. With the subject's proximity to the campus of LCSC and its location in Lewiston's central business district, parking does not appear to be a significant need, and is therefore not considered a negative pressure upon the subject facility. Also, student tenants are reportedly allowed to use the city parking lots in the immediate vicinity of the subject, free of charge. Additionally, the city of Lewiston has a transit system that runs along 5th Street, in front of the subject and up to LCSC, on the hour. Thus, parking does not appear to be a problem for the subject's student tenants.
Special Features:	There is a bicycle stall and a courtyard on the south side of the new building.

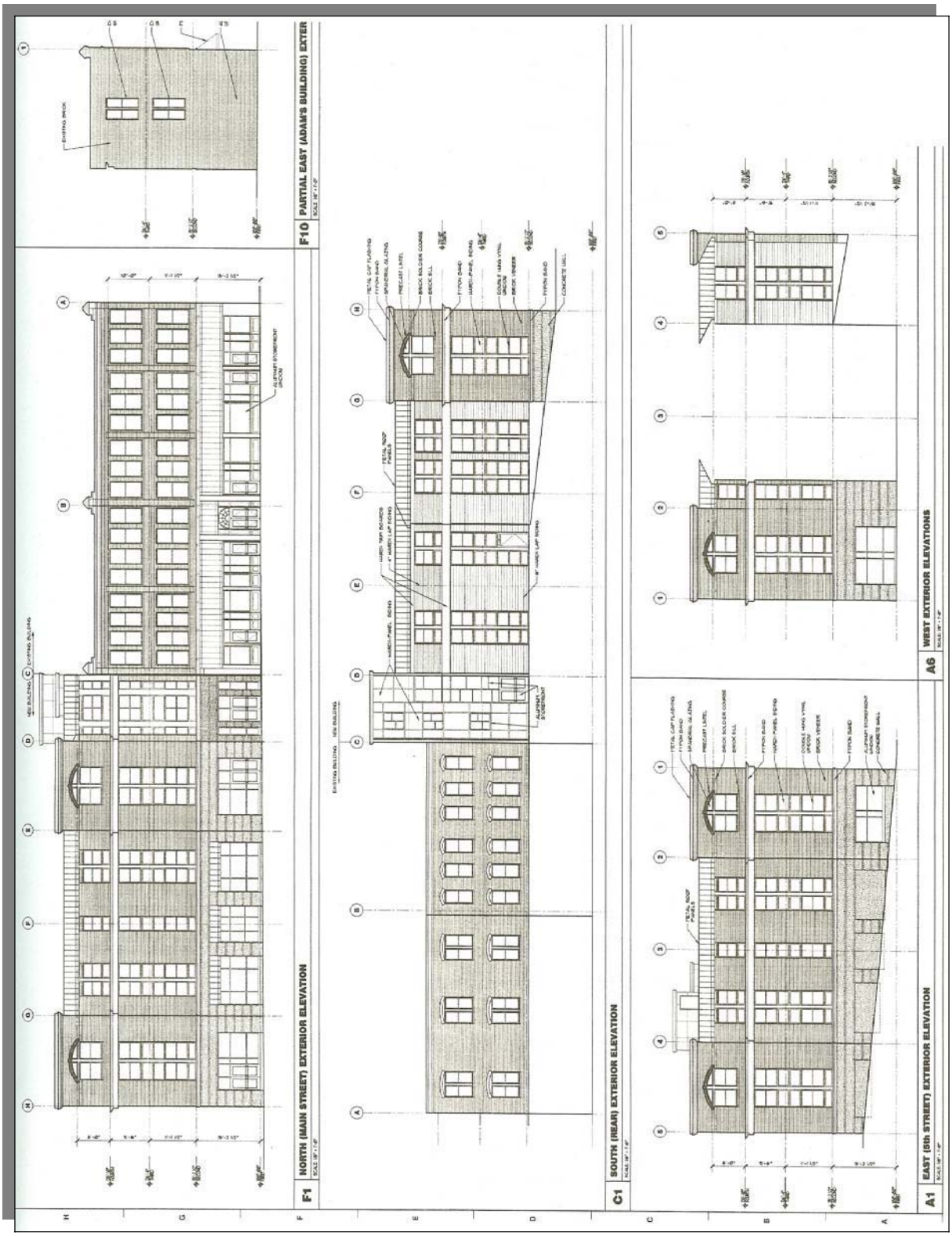
IMPROVEMENTS CONCLUSION

The subject facility is in excellent condition, as the western building was completely gutted and rebuilt and the new addition, contiguous to the east, is newly built. As such, the improvements have no items of deferred maintenance. Additionally, the improvements seem to be well designed for their intended use and no functional obsolescence appears to exist. Overall, the subject is an attractive mixed-use facility in Lewiston's "downtown," with mostly older buildings in the subject's immediate vicinity.



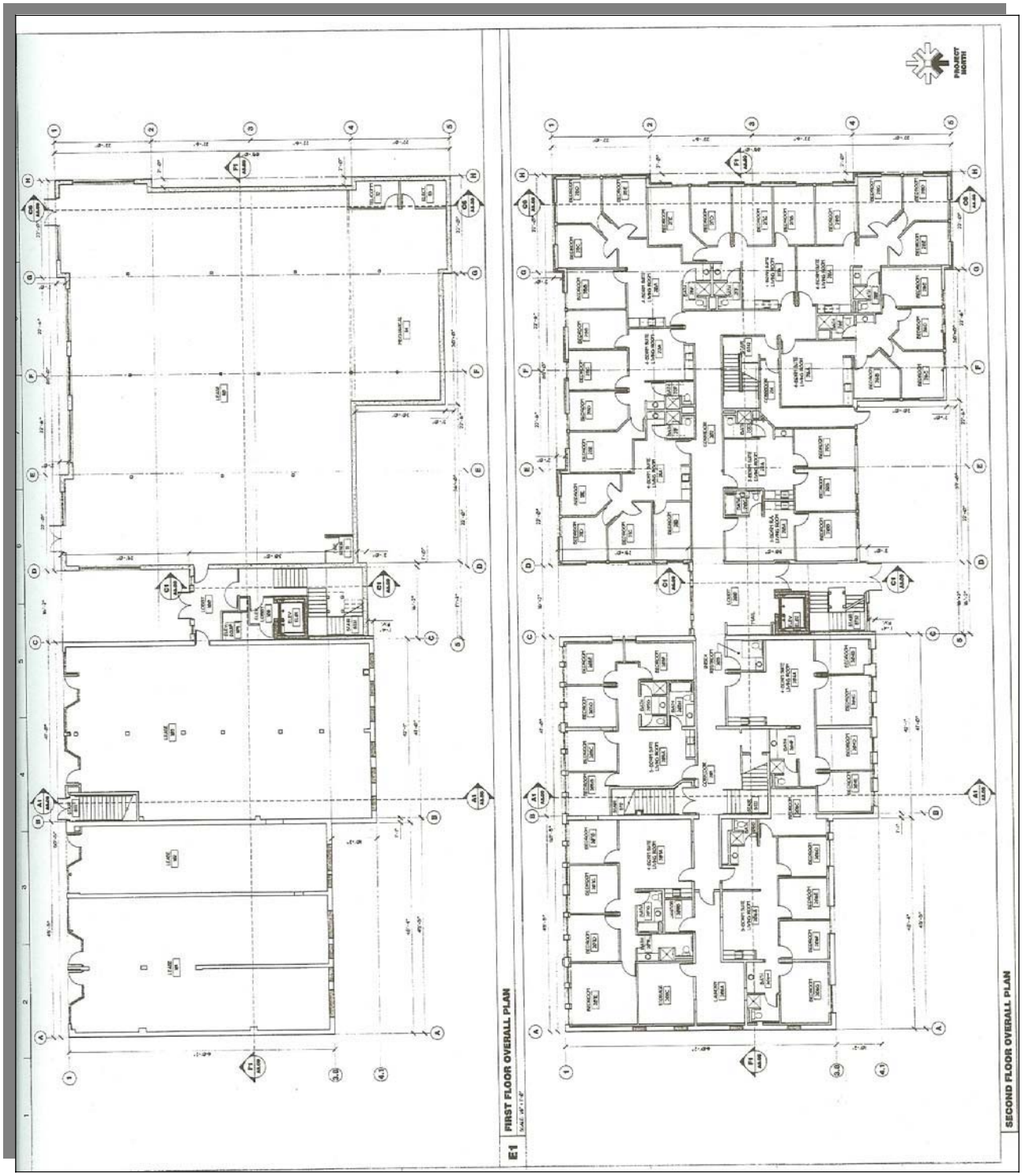
SITE PLAN

Clearwater Hall
As of December 6, 2007
#07.197



BUILDING PLANS

Clearwater Hall
As of December 6, 2007
#07.197



Clearwater Hall
As of December 6, 2007
#07.197

Clearwater Hall
As of December 6, 2007
#07.197

PROPERTY TAXES AND ASSESSMENTS

In Idaho, counties are the centralized assessment and tax collection authority. Revenue is disbursed to other municipal authorities from the county. By statute, real property is assessed at 100% of market value (although in practice, assessments are generally conservative), and re-valuation occurs at least once, by physical inspection, every five years. Values can also be changed annually, between inspections, by a trending process. Assessment notices are mailed in May, and annual tax bills are mailed on the fourth Monday in November. The first half is due in December, and the second half is due the following June.

The real estate taxes for the subject are summarized below:

Tax Account No.: RP L	03600290010	0360029002A	0360029002B	Total
Land Assessment:	$32,725	$31,790	$35,063	$99,578
Improvement Assessment:	$0	$2,646,929	$1,506,992	$4,153,921
Total Assessment – 2007:	$32,725	$2,678,719	$1,542,055	$4,253,499
2007 Property Tax Rate:	0.0185662	0.0185662	0.0185662	0.0185662
Total Property Taxes:	$607.54	$49,733.64	$28,630.08	$78,971.26

According to representatives of Nez Perce County Treasurer's Office, delinquent taxes are currently owing for the subject, which total $887.26, plus interest and penalties. Additionally, a one-time occupancy tax of $18,241.66, plus interest and penalties, is also owing. As shown in the table below, the 2007 tax rates are the lowest in the past five years, as tax rates have been trending downward.

PROPERTY TAX RATE TRENDS
(Tax Code Area: 152)

Year	Total ($/1000)
2007	0.018566
2006	0.019499
2005	0.022044
2004	0.023176
2003	0.023380
Average	0.021333

Source: Nez Perce County Treasurer's Office, 208-799-3030

LOCAL IMPROVEMENT DISTRICTS/OTHER ASSESSMENTS

The Nez Perce County Treasurer's Office was aware of no assessments, LID's or other bonded indebtedness.

HIGHEST AND BEST USE

DEFINITION

Highest and Best Use is defined as *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."*[6]

AS IF VACANT

Legally Permissible - The primary legal restriction affecting the use of the subject site is its zoning designation. The subject parcel is zoned C-4, General Commercial, by the City of Lewiston. Uses permitted in the C-4 zone include, but are not limited to, business or professional offices, eating or drinking establishments, multi-family residential uses not on the ground floor of a building, personal services, retail sales and service, and financial institutions. This zone is in accordance with surrounding zones and uses and appears to be commensurate to the subject's current improvements.

Physically Possible - The subject site comprises three contiguous parcels, which total 0.85 acres, or 36,984 SF. However, due to the severely sloping hillside that takes up the southern border of the subject site, only the northern section of the parcels is usable. This usable portion is approximately 0.32 acres, or 14,130 SF. All city utilities are available to the site. Soils are of a consistency that should support substantial development, as evidenced by the current improvements in the subject's immediate area. These factors are conducive to the construction of a multi-story building on the site, which would be a likely use.

Financially Feasible - Despite the low vacancy rates, new apartment construction is only marginally feasible in the Lewiston-Clarkston area. Most types of new apartment construction in this area are currently possible at approximately $60.00 to $65.00 per square foot. Assuming an average unit size of 900 square foot, the total construction costs are ranging from roughly $55,000 to $60,000/unit. Adding land acquisition costs in the $5,000 to $10,000 per unit range, total development costs are near $60,000 to $70,000 per unit. The bulk of newly constructed apartment complexes in Eastern Washington/Northern Idaho are selling for prices in the range of $65,000 to $70,000 per unit. Assuming some relationship between cost and value, the potential profit is about $11,000 per unit, at best. This implies a potential profit in the range of -5% to 17%, with no guarantee of achieving a rate toward the upper end of the range. This return is sufficient to warrant new development, although, new market rate apartment development has been extremely minimal in the Lewiston-Clarkston area. However, the current improvement is a mixed-use facility and the subject site is not a typical apartment site. Additionally, the zoning does not require the off-street parking required by typical apartment sites. Also, the tenants that occupy the subject's living units do not have the same parking requirements of typical apartment dwellers. Therefore, cost savings can be realized via the lower price of the subject's land in a central business district, compared to typical apartment land. Overall, apartment development does not appear to be feasible at this time. Additionally, there is no new development occurring in the subject's immediate area.

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[6] Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 4th ed. 2002.

Maximally Productive – Developers have continued to build new apartments in Eastern Washington/Western Idaho despite current economic conditions, with the belief that market conditions will eventually improve to the point of providing a sufficient future return on investment to justify construction today. In addition, a number of multi-family developers have continued to build "niche" properties, such as retirement apartments, high-end complexes, and affordable housing projects. The developers of these projects have continued to acquire and develop multi-family land, despite the current state of the market. The subject facility, as a student-oriented complex, could be considered a "niche" property. Also, developers have built speculative retail properties in Lewiston, albeit along its main retail corridor in the eastern section of the city. However, Lewiston's central business district is reportedly experiencing some rejuvenation. At least four properties in the CBD have been purchased and renovated over the past few years, indicating the possible viability of new development. The subject's retail space is superior to the typical retail space in downtown Lewiston. However, new development in Lewiston is occurring in the southeast section of the city, along 21St Street/Thain St.

The subject site has many positive locational characteristics, due to its proximity to Lewiston's CBD and the campus of Lewis-Clark State College, in addition to medical and other services. However, development does not appear to be feasible at this time. Considering the preceding discussion, the highest and best use of the subject site as if vacant would be to develop a retail/office facility, with possible multi-family living units in the upper levels, in accordance with zoning standards, when the market permits.

AS IMPROVED

There are essentially three possible options with regard to the Highest and Best Use of a property as improved: 1) improve or expand the existing use, 2) demolish the existing improvements in favor of a more profitable use, or 3) continue the existing use.

Option #1: Expansion of the subject's improvements is not a viable option, as the current structure covers the majority of the usable site area. Additionally, further additions in the form of increased stories, does not appear viable at this time.

Option #2: As will be shown later, the market value of the subject is near five million dollars. Considering the subject's estimated land value is $92,000, the existing improvements add significantly to the value of the subject, eliminating the viability of demolition.

Option #3: The continuation of the current improvements appears to be the most productive use of the property, based on the obvious contributory value of the improvements. Therefore, the current improvements are representative of the highest and best use of the site, as improved. It should be noted that if the subject continues to suffer from high vacancy rates, an alternative use of the upper levels of the subject property could be as an elderly care facility. This type of facility would not likely require extensive parking and the existing design would potentially be a practical layout for such a use. We are not familiar with specific code regulations regarding a use of this type, therefore further research would be required if such a use is being considered. Such an analysis is beyond the scope of this assignment.

VALUATION

In the valuation analysis that follows, the subject will be valued using the three traditional approaches to value. Each of these approaches is further described below.

COST APPROACH

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. [7]

SALES COMPARISON APPROACH

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.[8]

INCOME CAPITALIZATION APPROACH

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.[9]

The following analysis begins with the Cost Approach, and is followed by the Sales Comparison and Income Approaches to value. The three approaches are seldom completely independent, and the quality and quantity of the data used within each approach will be considered in reconciling to a final value at the end of the analysis. These approaches will be used to arrive at a stabilized value for the subject as though it were being operated without its current management agreement. Following the reconciliation, the "as is" value will be addressed, followed by an analysis of the subject's value under its existing management agreement.

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[7]The Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th Edition, 2002.
[8]ibid.
[9]ibid.

LAND SALE SUMMARY

Clearwater Hall
Dec-07

IDENTIFICATION	1 - Subject	2	3	4	5	6
Property	Clearwater Hall Site 402 - 418 Main St Lewiston, ID	Syringa Bank Site NEC 10th St & Bryden Ave Lewiston, ID	Sullivan Site 55 Southway Lewiston, ID	"D" Street Land 1000 Blk, "D" St Lewiston, ID	"C" Street Land NWC "C" St & 5th St Lewiston, ID	Town Square Land NEC Main & 5th St Lewiston, ID
Proximity to Subject	N/Ap	5 Miles Southeast	1.5 Miles South	0.42 Miles East	2 Blocks North	Across Street
Buyer	College Town Development	Syringa Bank	Sullivan Family Investments	Thad R & Dyana G Blood	Richard A & Debra R Masters	Rodney Haynes
Seller	S. Griffin Construction, Inc.	Village Centre Cinemas	Buzz Nanninga	William B & Judy G McLennan	Bill R Miller	Lewis Clark State College
Appraisal/Sale Date Dec-07	Feb-05	Jun-07	Mar-04	Nov-03	Jun-00	Jul-97
Analysis Price	$84,780	$508,563	$125,000	$45,000	$40,000	$60,000
Tax ID	RP L355W-005-6032	RP L0005-005-0120	RP L1345-001-004C	RP L0780-000-001D	RP L0360-011-005A	RP L0360-021-002Z
SITE CHARACTERISTICS						
Acres	0.85	1.87	0.54	0.29	0.17	0.27
SF	36,984	81,370	23,595	12,470	7,375	11,666
Usable Acres	0.32	1.87	0.54	0.29	0.17	0.27
Usable SF	14,130	81,370	23,595	12,470	7,375	11,666
Zoning	C-4	C-5	C-2	C-4	C-4	C-5
Current/Planned Use	Retail & Student Housing	Bank Branch	Office Building	Parking Lot	Parking Lot	Parking Lot
Primary Arterial Exposure (VPD)	Main St 7,276	Bryden Ave 12,341	Snake River Ave N/Av	"D" St 5,082	"C" St N/Av	Main St & "D" St 19,312
Additional Arterial Exposure (VPD)	5th St 3,462	10th St 6,021	Southway N/Av		5th St 1,407	5th St 4,958
Other	Land at southwest corner of Main Street & 5th Street with vacant three-story brick building. Usable portion of land, separate from improvement, valued at $6/SF at the time of sale by the listing/selling agent.	Corner site in front of supermarket, purchased for development of bank branch.	Corner site that was purchased for the development of an office building.	Land at east end of Main St/"D" St couplet. Land has secondary exposure to Main Street.	Land at the northwest corner of "C" Street and 5th Street, two blocks north of the subject site.	This site has frontage along the Streets of Main, "D", and 5th. Was purchased for Town Square Mall parking lot.
TERMS OF SALE ADJUSTMENTS (SEQUENTIAL)						
Face Price	$84,780	$508,563	$125,000	$45,000	$40,000	$60,000
Property Rights Conveyed	Fee Simple $0	Fee Simple $0	Fee Simple $0	Fee Simple $0	Fee Simple $0	Fee Simple $0
	$84,780	$508,563	$125,000	$45,000	$40,000	$60,000
Financing	Assumed Cash $0	Cash to Seller $0	Cash to Seller $0	Cash to Seller $0	Cash to Seller $0	Cash to Seller $0
	$84,780	$508,563	$125,000	$45,000	$40,000	$60,000
Conditions of Sale	Arm's Length $0	Arm's Length $0	Arm's Length $0	Arm's Length $0	Arm's Length $0	Arm's Length $0
	$84,780	$508,563	$125,000	$45,000	$40,000	$60,000
Atypical On-/Off-Site Expenses	None $0	None $0	None $0	None $0	None $0	None $0
	$84,780	$508,563	$125,000	$45,000	$40,000	$60,000
Other	None $0	None $0	None $0	None $0	None $0	None $0
Analysis Price	$84,780	$508,563	$125,000	$45,000	$40,000	$60,000
Analysis Price/SF Usable	$6.00	$6.25	$5.30	$3.61	$5.42	$5.14
Market Conditions/Yr @ 3%	8.3%	1.5%	11.2%	12.1%	22.4%	31.3%
Adjusted Price	$91,841	$516,291	$138,973	$50,444	$48,979	$78,776
Adjusted Price/SF	$6.50	$6.34	$5.89	$4.05	$6.64	$6.75
QUALITATIVE ADJUSTMENTS FOR PHYSICAL DIFFERENCES						
Neighborhood Location	CBD	Lew. Orchards Similar	Soutwest Lew. Similar	CBD Similar	CBD Similar	CBD Similar
Size	0.32 AC	1.87 AC Inferior	0.54 AC Similar	0.29 AC Similar	0.17 AC Superior	0.27 AC Similar
Lot Orientation	Corner	Corner Similar	Corner Similar	Interior Inferior	Corner Similar	Corner Similar
Primary Arterial Exposure (VPD)	10,738	18,362 Superior	N/Av Inferior	5,082 Inferior	1,407 Inferior	27,270 Superior
Zoning	C-4	C-5 Similar	C-2 Sim/Sup	C-4 Similar	C-4 Similar	C-5 Similar
Other				Circuitous Acces: Inferior		
Overall Comparison	Similar	Similar	Inferior	Inferior	Similar	Superior
Final Adjusted Price/SF	**$6.50**	**$6.34**	**$5.89**	**$4.05**	**$6.64**	**$6.75**

ADJUSTMENTS

In addition to adjustments made for cash equivalency and other terms of the transaction, qualitative adjustments have been applied, as necessary, for differences in physical characteristics, such as size, location, exposure, lot orientation, and zoning.

In this case, none of the sales required adjustments for terms of sale. The next adjustment is for market conditions at time of sale. The best evidence for an appropriate adjustment for market conditions (time) is by an analysis of the sale/resale of the same property. None of the land sales used in this analysis was useful for extracting such an adjustment. Considering the lack of market data, in addition to the subject's location, we have applied a moderate annual appreciation rate of 3%/yr to the land sale comparables used in this analysis.

DISCUSSION OF LAND SALES

The comparable sales analyzed reflect value rates ranging from $4.05/SF to $6.75/SF, with an average of $6.03/SF after adjusting for market conditions. Sale 4 ($4.05/SF) marks the lower end of the range for the comparables. The site was purchased for use as a storage lot for inventory of a nearby auto sales company. This site is located in downtown Lewiston and has inferior exposure and access compared to the subject. This sale is a low indicator for the subject. Sale 5 ($6.64/SF) was the acquisition of a parking lot for a nearby business. This sale is situated a few blocks north of the subject and has inferior exposure, but is superior in size to the subject. This sale is a good indicator of value for the subject. Sale 2 ($6.34/SF) is the sale of a site at a signalized intersection in southeast Lewiston. This sale is superior in exposure and access, but this is offset by its substantial size inferiority. Thus, a similar value would be expected for the subject.

Sale 6 ($6.75/SF) is included only as supplemental information, because of its age. This sale is situated at 5th Street, between "D" Street and Main Street, kitty-corner from the subject site. After adjusting for market conditions, this sale is at the upper end of the range of comparables. This sale has frontage along three roadways and thus has superior exposure. Therefore, a lower rate is anticipated for the subject. Sale 3 ($5.89/SF) is a site located in the southwestern Lewiston, which was subsequently developed with an office building. This is a low indicator of value for the subject site. Sale 1 ($6.50/SF) is the sale of the subject site. The value of the site is predicated upon the value allocated to the usable land by the listing/selling agent that facilitated the sale of the subject in February 2005. Given the rates indicated by the sale comparables, the rate allocated to the subject's usable land from its recent sale, after adjusting for market conditions, is a good indicator for the subject. The following table summarizes the comparability of each site relative to the subject.

SALE COMPARABLE RANKING ANALYSIS

No.	Property	$/SF	Comparison to Subject
6	Town Square Land	$6.75	Superior
5	"C" Street Land	$6.64	Similar
1-Subj.	*Clearwater Hall Site*	*$6.50*	-
2	Syringa Bank Site	$6.34	Similar
3	Sullivan Site	$5.89	Inferior
4	"D" Street Land	$4.05	Inferior

LAND VALUE CONCLUSION

Based on the preceding analysis, a value of $6.50/SF is concluded, giving primary emphasis to the rate allocated to the subject's usable land from its most recent sale. Applied to the subject's 14,130 SF of usable land, the indicated value is as follows:

Land Value/SF	$6.50	/SF
Times Site Area	x 14,130	SF
Indicated Value	$91,845	
Rounded To	**$92,000**	

VALUATION OF THE IMPROVEMENTS

The next step in the Cost Approach is to estimate the depreciated value of the improvements. To do so, the appraiser first estimates the replacement cost new of the building and land improvements as of the date of the appraisal. Three sources have been relied upon for cost estimates: 1) the developer's cost budget, 2) the Marshall Valuation Service, a nationally recognized cost reporting authority, and 3) actual construction costs as available from other similar facilities recently developed in the market.

COST OF IMPROVEMENTS NEW

Developer's Cost Budget – The following table is a summary of the developer's cost budget. Since the costs were not current, it was necessary to make an upward adjustment to account for inflation. Therefore, cost multipliers from the Marshall Valuation Service were applied to the original costs. This resulted in a total cost of $4,524,507, or $93.40/SF, which is exclusive of land acquisition costs.

DEVELOPER'S CONSTRUCTION COST

Property/Location	SF	Built	Building Cost	MVS Cost Multiplier	Current Cost (MVS Time Adj)	Cost/SF
Clearwater Hall 402-418 Main Street Lewiston, Idaho	48,444	2006	$4,207,223	1.075	$4,524,507	$93.40

Marshall Valuation Service – The Marshall Valuation Service Cost Estimate is summarized in the following table. As shown, the subject building was analyzed as a mixture of average quality Class "C" Mixed Retail Center with Residential Units described on page 33 of Section 13 in the cost manual and average/good quality Class "C/D" Dormitory as described on page 14 of Section 11 in the cost manual. The cost calculation is further refined using multipliers for current and local costs. The base construction cost per square foot of the building area was estimated at $86.23. Additionally, lump-sum additions are necessary to account for site work/landscaping, appliances, and loan fees related to permanent financing. After these adjustments, the total hard and soft costs are estimated at $4,291,982, or $88.60/SF overall.

MARSHALL VALUATION SERVICE COST ESTIMATE
Clearwater Hall
Dec-07

Building Type:				*Retail Space*	*Living Units*			
MVS Section				13	11			
Page				33	14			
Quality				Average	Avg/Good			
Construction Class				C	C/D			
Base SF Cost				$67.95	$103.58			
Sprinkler Refinement:			+	$2.00	$2.00			
Refined Square Foot Cost:				$69.95	$105.58			
Multipliers								
Floor Area/Perim.:				0.937	0.877			
Story Height:				1.064	1.000			
Current:				1.060	1.043			
Local:			x	0.960	0.950			
Cum. Multiplier				1.015	0.869			
Adjusted SF Cost:				$70.97	$91.70			
Times Bldg. SF:			x	12,787	35,657			
Base Cost New:				$907,433	$3,269,834			
Total Base Cost New								$ 4,177,267
Lump Sum Additions:								
Site Work/Asphalt:	14,130	SF @	$	2.50	/SF	=	$ 35,325	
Refrigerators:	32	Units @	$	470	/SF	=	$ 15,040	
Permanent Financing:	2%	of		75%	LTV	=	$ 64,350	
Total Lump Sum Additions:								$ 114,715
Total Hard & Soft Costs Before Profit:						$ 88.60	/SF or	$ 4,291,982

Cost Comparable - As shown in the following table, there is only one recently built facility that is similar to the subject. This cost comparable is Brewster Residence Hall, built in 2002 in Cheney, Washington, for students of Eastern Washington University. This property was built by the same developer as the subject, and is very similar is design. Brewster Residence Hall was built of wood-frame construction with a brick veneer. The four-story building has retail on the main level, in addition to administrative offices, a bike storage room, and a laundry facility. The building includes 2, 3, and 4 bedroom student-housing units in the upper levels. There is a common area kitchen on the 1st and 3rd floors. There are community lounges located on the 2nd and 3rd floors. The 4th floor has a skylight and a balcony, which overlooks the 3rd floor. Since the comparable was not current, it was necessary to make an upward adjustment to account for inflation. Therefore, cost multipliers from the Marshall Valuation Service were applied to the original costs.

CONSTRUCTION COST COMPARABLE

Property/Location	SF	Built	Building Cost	MVS Cost Multiplier	Current Cost (MVS Time Adj)	Cost/SF	Construction	Comments
Brewster Residence Hall 410 Second Avenue Cheney, WA	47,548	2002	$3,274,822	1.314	$4,301,593	$90.47	Wd-Frame/ Brick Veneer	4-Story student-oriented housing development with retail on the main floor.

CONSTRUCTION COST CORRELATION

The developer's costs reflected a rate of $93.40/SF, or a total cost of $4,524,507. The Marshall Valuation Service shows a rate of $4,291,982, or $88.60/SF, which is lower than the developer's costs, but only slightly lower than the cost comparable at a rate of $4,301,593, or $90.47/SF. For newer construction like the subject, the developer's cost is commonly given greater emphasis. Also, the developer's costs are considered more reliable, as they are based on the specific construction characteristics of the subject. Therefore, replacement cost new has been estimated at a total of $4,481,070, or $92.50 per square foot.

ENTREPRENEURIAL INCENTIVE

Entrepreneurial profit is defined as "*A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development.*"[1]

The Cost Approach is based on the principle of substitution, and assumes that no prudent buyer would pay more for a property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility without any undue delay. As such, for a developer to choose construction as an equivalent option in comparison to acquisition of an existing property, it is necessary to add a figure for entrepreneurial profit. Although a particular development may or may not ultimately be profitable, it is still necessary to include this margin to reflect the anticipation of profit that a developer would require to undertake new construction, and to expend the time and effort to undertake the development.

Sales of newly constructed properties had indicated entrepreneurial profit rates 8% to 18% of the properties construction cost new. The most recent comparable indicates a rate near the low side of the range, at 8%. This also coincides with recent interviews with local contractors and developers in their willingness to accept a lower profit margin in order to

[1] The Appraisal Institute, *The Dictionary of Real Estate Appraisal, 4th ed.*

continue developing in a market with rising costs and stable rents. Considering the characteristics of the subject development, a profit margin of 15%, or $672,161 is considered an appropriate expected margin.

DEPRECIATION

Depreciation is the difference between the market value of an improvement and its replacement cost new. Depreciation in an improvement can result from three major causes operating individually or in combination. These causes are physical deterioration, functional obsolescence, and external obsolescence.

Physical deterioration includes such factors as the age of the improvements, general wear and tear, and deferred maintenance. This depreciation may be curable or incurable. As the subject was completed just over one year ago, the facility would not be expected to have any physical depreciation.

Curable physical deterioration, or deferred maintenance, is a curable defect caused by deferred maintenance. As stated, the subject's newer condition would preclude it from any physical deterioration.

Functional obsolescence is a reduction in value due to inadequacies or superadequacy in the subject's construction and includes such factors as the design and/or building characteristics not being well conceived or well utilized. Functional obsolescence can be curable or incurable. It is curable only when it is economically plausible to correct. The subject improvements appear to be adequately functional for their use as a mixed-use facility.

External obsolescence is a loss in value due to influences outside the property that caused an adverse influence. This could occur through depressed market conditions, certain legislative actions, neighborhood transition, adverse adjacent property influences, and various other reasons. No adjustment is applied for external obsolescence.

No forms of depreciation are deducted, thus the total depreciation deduction is $0, leading to an estimate for the depreciated value of the improvements totaling $5,153,231.

COST APPROACH CONCLUSION

This leads to a hypothetical stabilized value via the Cost Approach as follows:

Construction Cost New (48,444 SF x $92.50/SF)		$4,481,070
Entrepreneurial Profit @ 15%	+	$672,161
Total Development Cost New		$5,153,231
Less Depreciation	-	$0
Depreciated Value of the Improvements		$5,153,231
Plus Land Value	+	$92,000
Estimated Value		$5,245,231
Rounded To:		**$5,250,000**

SALES COMPARISON APPROACH

OVERVIEW

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject that have recently been sold, are listed for sale, or are under contract. A major premise of this approach is that the market value of a property is directly related to the prices of comparable, competitive properties. It is also based on the principle of substitution, which holds that the value of the property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time.

The subject comprises two uses in the same facility, with 12,787 SF of retail space on the main floor and 26,805 SF of rentable area for student-oriented housing on the upper levels. The focus of our research was on sales, listings, and offers of other student-oriented/multi-family apartment complexes and retail centers in the Lewiston area. Notably, relatively few properties with these uses have sold in recent years, and it was necessary to consider other sales outside of the immediate area. The subject's living units will be analyzed first, followed by the retail space.

Regarding the subject's living units, the primary physical units of comparison are the price per unit and the price per square foot. The living units have a larger than typical amount of space that is not included in the net rentable area due to the student-oriented design, which includes over 8,500 SF of space for interior corridors and stairs, study room, lobbies, storage rooms, and janitorial rooms. Therefore, the price per square foot comparison is not considered an appropriate technique for the subject, and as such, is not used. However, we did include a price per bedroom comparison. Additionally, a measure of comparison based on income, the Effective Gross Income Multiplier (EGIM), is used in this approach. The EGIM technique is appropriate within the Sales Comparison Approach because it is recognized that purchasers are most often concerned with the income-producing ability of the property.

The effective gross income multiplier is derived by dividing the comparable's sales price by its effective gross income. The EGIM has the advantage of simplicity and ease of calculation. It is based on the premise that rents and sale prices move in the same direction, and essentially, in the same proportion as net incomes and sale prices.

As mentioned, relatively few apartment sales have occurred in the Lewiston/Clarkston market, and of those sales that were found, none were considered appropriate for comparison to the subject. Therefore, it was necessary to broaden our search to include Eastern Washington and Western Idaho. However, among those sales that have occurred, few are similar in terms of quality, location, and investment size. We have adjusted for these differences in construction type/quality and age to provide a more reliable measure of comparison for the value of the subject.

On the subsequent pages are details of the sale comparables, followed by an adjustment grid that summarizes the sales and shows the adjustments made for the superior and inferior characteristics of each property in comparison to the subject.

IMPROVED APARTMENT SALES SUMMARY

Clearwater Hall

Dec-07

IDENTIFICATION	Subject	1	2	3	4	5
Property	Clearwater Hall 402-418 Main Street Lewiston, Idaho	Conrad Smith Apartments 1424-1536 Northwood St Moscow, ID	Levick Apartments 1565-1575 Levick St Moscow, ID	Taylor Apartments 621-703 Taylor Ave Moscow, ID	Russet Square Apartments 231 Lauder St Moscow, ID	Clarke Terrace 100-150 NW Terre View Dr Pullman, WA
Location	Lewiston, ID	Moscow, ID	Moscow, ID	Moscow, ID	Moscow, ID	Pullman, WA
Buyer		Douglas M Grant	Marietta Davis Trust	Marietta Davis Trust	Matthew Philbrook	Jasper LP, Chipman-Roberts LLC
Seller		Smith Family Revocable Living Trust	Joseph Juseen & Pamela Persoon	Southridge Properties	Russet Square Asociates	Pullman Progress Two, LLC
Appraisal/Sale Date Dec-07		Aug-06	Aug-06	Aug-06	Mar-06	Mar-05
Analysis Price		$1,770,382	$1,057,241	$1,893,796	$1,603,979	$4,067,135
Verification		Matt Becker 303-579-3342	Bridget Becker 208-835-8792	Bridget Becker 208-835-8792	Dan (Palouse Properties) 208-882-6280	Kevin Kirkman 509-334-7444
PROPERTY CHARACTERISTICS						
Year Built	2006	1992	1992	1997/1998	1978	1990/1992
No. of Units	32	36	24	21	40	60
No. of Bedrooms	117	72	47	60	68	158
Rentable SF	26,805	32,400	17,180	20,382	26,760	61,570
Avg SF/Unit	838	900	716	971	669	1,026
Land Size (Acres)	0.32	1.25	0.72	0.87	1.79	1.76
INCOME INFORMATION						
EGI	As estimated in $345,128	$223,668	$135,441	$234,000	$232,128	$515,278
EGIM	Income Approach	**7.72**	**7.60**	**7.88**	**6.68**	**7.49**
Avg. EGI/Unit/Yr	$10,785	$6,213	$5,643	$11,143	$5,803	$8,588
Avg. EGI/SF/Yr	$12.88	$6.90	$7.88	$11.48	$8.67	$8.37
NOI	$131,011	$122,868	$81,383	$155,500	$120,128	$294,245
OAR w/Res.		**7.12%**	**7.90%**	**8.43%**	**7.75%**	**7.62%**
Expense/Unit	$6,691	$2,800	$2,252	$3,738	$2,800	$3,684
Expense/SF	$7.99	$3.11	$3.15	$3.85	$4.19	$3.59
Expense Ratio	62.0%	45.1%	39.9%	33.5%	48.2%	42.9%
TERMS OF SALE ADJUSTMENTS (SEQUENTIAL)						
Face Price		$1,726,700	$1,030,000	$2,095,000	$1,550,000	$4,000,000
Property Rights Conveyed	Fee Simple	Fee Simple $0	Fee Simple $0	Fee Simple $0	Fee Simple $0	Fee Simple $0
		$1,726,700	$1,030,000	$2,095,000	$1,550,000	$4,000,000
Financing	Assumed Cash to Seller	Cash to Seller $0	Cash to Seller $0	Cash to Seller $0	Cash to Seller $0	Cash to Seller $0
		$1,726,700	$1,030,000	$2,095,000	$1,550,000	$4,000,000
Conditions of Sale	Arm's Length	Arm's Length $0	Arm's Length $0	Arm's Length $0	Arm's Length $0	Arm's Length $0
		$1,726,700	$1,030,000	$2,095,000	$1,550,000	$4,000,000
Immediate Expenditures	None	None $0	None $0	None $0	None $0	None $0
		$1,726,700	$1,030,000	$2,095,000	$1,550,000	$4,000,000
Other	None	None $0	None $0	House ($250,000)	None $0	Excess Land ($140,000)
Analysis Price		$1,726,700	$1,030,000	$1,845,000	$1,550,000	$3,860,000
Analysis Price/Unit		$47,964	$42,917	$87,857	$38,750	$64,333
Analysis Price/BR		$23,982	$21,915	$30,750	$22,794	$24,430
Market Conditions/Yr @ 2.0%		3%	3%	3%	3%	5%
Total Market Adjusted Price		$1,770,382	$1,057,241	$1,893,796	$1,603,979	$4,067,135
Total Mkt Adjusted Price/Unit		$49,177	$44,052	$90,181	$40,099	$67,786
Total Mkt Adjusted Price/BR		$24,589	$22,494	$31,563	$23,588	$25,741
ADJUSTMENTS FOR PHYSICAL DIFFERENCES (CUMULATIVE)						
Price Per Unit Adjustment						
Effective Age ATOS/Yr @ 1.5%	0 Yrs	10 Yrs 15.0%	14 Yrs 21.0%	5 Yrs 7.5%	25 Yrs 37.5%	10 Yrs 15.0%
Construction Type/Quality	Wood-Brick-Masonry/Average	Wood/Average 35.6%	Wood/Fair-Avg 45.4%	Wood/Average 35.6%	Wood/Average 35.6%	Wood/Average 35.6%
Size Adjustment 25.0%	838	900 -1.7%	716 4.3%	971 -3.4%	669 6.3%	1,026 -4.6%
Location Adjustment	Lewiston, ID	Moscow, ID 0.0%	Moscow, ID 0.0%	Next to Campus -20.0%	Moscow, ID 0.0%	Pullman, WA 0.0%
Parking Adjustment	None/Street	Open -3.8%	Open -4.2%	Open -2.0%	Open -4.6%	Carports -4.7%
Other						
Net Adjustment		45.1%	66.5%	17.6%	74.7%	41.3%
Final Adjusted Price/Unit		**$71,348**	**$73,330**	**$106,048**	**$70,064**	**$95,789**
Price Per Bedroom Adjustment						
Effective Age ATOS/Yr @ 1.5%	0 Yrs	10 Yrs 15.0%	14 Yrs 21.0%	5 Yrs 7.5%	25 Yrs 37.5%	10 Yrs 15.0%
Construction Type/Quality	Wood-Brick-Masonry/Average	Wood/Average 35.6%	Wood/Fair-Avg 45.4%	Wood/Average 35.6%	Wood/Average 35.6%	Wood/Average 35.6%
Location Adjustment	Lewiston, ID	Moscow, ID 0.0%	Moscow, ID 0.0%	Next to Campus -20.0%	Moscow, ID 0.0%	Pullman, WA 0.0%
Parking Adjustment	None/Street	Open -3.8%	Open -4.2%	Open -2.0%	Open -4.6%	Carports -4.7%
Other						
Net Adjustment		46.8%	62.2%	21.0%	68.4%	45.9%
Final Adjusted Price/SF		**$36,100**	**$36,488**	**$38,197**	**$39,727**	**$37,558**

EFFECTIVE GROSS INCOME MULTIPLIER

The sales exhibit effective gross income multipliers (EGIMs) ranging from 6.68 to 7.88, with an average of 7.48. EGIMs tend to have an inverse relationship in comparison to expense ratios. The expense ratios for the comparables ranged from 33.5% to 48.2. The relationship between EGIM and expense ratio is arrayed in the following chart.

Sale #	Property	EGIM	Expense %
4	Russet Square Apartments	6.68	48.2%
Subj.	*Clearwater Hall*	-	*47.5%*
1	Conrad Smith Apartments	7.72	45.1%
5	Clarke Terrace	7.49	42.9%
2	Levick Apartments	7.60	39.9%
3	Taylor Apartments	7.88	33.5%

Some basic consistency is found among the comparables, with the properties generally showing lower EGIMs for those with higher expense ratios. The subject's expense ratio, as estimated, is 47.5%, which is at the upper end of the range of comparables. Considering the characteristics of the subject, an EGIM toward the lower end of the range is appropriate. An EGIM of 7.00 is concluded.

The concluded EGIM is applied as follows:

Concluded EGIM	7.00
Times Effective Gross Income	x $463,613
Indicated Value	$3,245,291
Rounded To	**$3,250,000**

SALES COMPARISON APPROACH CONCLUSION – APARTMENT SALES

The following summarizes the market value conclusions via each of the two techniques use:

Technique	Total
Price Per Unit	$2,720,000
Price Per Bedroom	$4,450,000
Effective Gross Income Multiplier	$3,250,000

As shown above, the three techniques used yielded a very dissimilar indication of values, ranging from $2,450,000 to $4,450,000. The price/unit and price/BR comparisons are hindered by the large amount of adjustment needed for comparison to the subject. For this reason, the EGIM technique is considered the most reliable in this instance.

Giving primary emphasis to the EGIM technique, the estimated value via the Sales Comparison Approach is **$3,500,000**.

The next step is to analyze the subject's retail space. On the subsequent pages are details of the sale comparables, followed by an adjustment grid that summarizes the sales and shows the adjustments made for the superior and inferior characteristics of each property in comparison to the subject.

IMPROVED RETAIL SALES SUMMARY

Clearwater Hall
Dec-07

IDENTIFICATION	Subject	1	2	3	4	5
Property	Clearwater Hall 402-418 Main Street Lewiston, Idaho	University Pointe 317 W 6th St Moscow, ID	Stadium Way Retail 400 Blk, Stadium Way Pullman, WA	21st Street Retail Ctr 1325 21 St Lewiston, ID	Deranleau Building 730 21st St Lewiston, ID	Thain Retail Center 102 Thain Rd Lewiston, ID
Buyer		Cobb Irrevocable Trust	WFT Pullman	319 Trenton LLC	726 21st Street LLC	N/Ap
Seller		University Pointe, LLC	Eastern OR Land Development	Dave Black	Deranleau Trust	Chrislinc Properties, LLC
Appraisal/Sale Date Dec-07		May-06	Sep-04	Jul-04	Mar-04	Listing
Analysis Price		$3,650,000	$3,835,304	$1,910,000	$990,095	$1,448,700
Verification		Jim Boudreau 509-334-4700	Tony Viera 253-395-2595	George Green 208-799-3010	George Green 208-799-3010	Marshall Clark 509-325-3333
PROPERTY CHARACTERISTICS						
Year Built/Renovated	2006	2003	Rem-2004	2004	1961/2004	2005
Construction Type	Brick-Concrete	Masonry/Brick-Glass Ext	Wood Frame	Steel/Glass	Block	Wood Frame/Brk Accts
Construction Quality	Average	Average/Good	Average	Good	Average	Good
Effective Age	0 Yrs	3 Yrs	10 Yrs	0 Yrs	10 Yrs	1 Yrs
GBA (SF)	12,787	25,000	20,000	9,750	7,169	13,178
No. of Stories	1	2	1	1	1	1
Land Size (AC)	0.32	1.28	1.15	0.69	0.92	
Land Size (SF)	14,130	55,757	50,000	30,246	40,030	0
Land to Building Ratio	1.1:1	2.2:1	2.5:1	3.1:1	5.6:1	0.0:1
Other	Storefront retail facility with frontage along two roadway's in Lewiston's "downtown" corridor.	Two-story building with office on the upper level and retail/storefront office on the main level. Newer building with lobby and elevator.	Retail bldg rem'd in 2004 w/several high-end tenants, incl. Barnes & Noble and Starbucks. Price includes freestanding Burger King, deduction based on NOI.	Newer strip center along main commercial corridor in Lewiston.	Retail building along main retail corridor that was completely gutted after sale at a cost of $375,000 and subsequently used as blood center.	Newer retail strip building that is fully occupied and located along main commercial corridor in Lewiston.
TERMS OF SALE ADJUSTMENTS (SEQUENTIAL)						
Face Price		$3,650,000	$4,550,000	$1,910,000	$615,095	$2,787,678
Property Rights Conveyed	Leased Fee	Leased Fee $0	Leased Fee $0	Leased Fee $0	Leased Fee $0	Fee Simple $0
		$3,650,000	$4,550,000	$1,910,000	$615,095	$2,787,678
Financing	Cash to Seller	Cash to Seller $0	Cash to Seller $0	Cash to Seller $0	Cash to Seller $0	Cash to Seller $0
		$3,650,000	$4,550,000	$1,910,000	$615,095	$2,787,678
Conditions of Sale	Arm's Length	Arm's Length $0	Arm's Length $0	Arm's Length $0	Arm's Length $0	Arm's Length $0
		$3,650,000	$4,550,000	$1,910,000	$615,095	$2,787,678
Immediate Expenditures	None	None $0	None $0	None $0	Remodel $375,000	None $0
		$3,650,000	$4,550,000	$1,910,000	$990,095	$2,787,678
Other	None	None $0	Burger King ($714,696)	None $0	None $0	None $0
VALUE INDICATORS						
Analysis Price		$3,650,000	$3,835,304	$1,910,000	$990,095	$2,787,678
Analysis Price/SF		$146.00	$191.77	$195.90	$138.11	$211.54
Net Operating Income	As estimated in $132,039	$244,864	$295,000	$149,411	N/Av	$191,138
NOI/SF	Income Approach $10.33	$9.79	$14.75	$15.32	N/Av	$14.50
Overall Rate		6.71%	7.69%	7.82%	N/Av	7.00%
Market Conditions/Yr 2.0%		3.0%	6.5%	6.8%	7.4%	0.0%
Total Market Adjusted Price		$3,760,724	$4,083,536	$2,039,164	$1,063,285	$2,787,678
Total Mkt Adjusted Price/SF		$150.43	$204.18	$209.14	$148.32	$211.54
ADJUSTMENTS FOR PHYSICAL DIFFERENCES (CUMULATIVE)						
Effective Age ATOS/Yr @ 1.5%	0 Yrs	3 Yrs 4.5%	10 Yrs 15.0%	0 Yrs 0.0%	10 Yrs 15.0%	1 Yrs 1.5%
Construction Type/Quality	Brk-Conc/Avg	Wd-Frm/Avg-Gd -11.9%	Wd Frm/Avg 11.5%	Steel-Glass/Gd -13.7%	Block/Average 0.0%	Wd Frm/Good -15.7%
Location	Downtown Lewiston	Moscow, ID 0.0%	Pullman, WA -10.0%	SE Lewiston -10.0%	SE Lewiston -10.0%	SE Lewiston -10.0%
Other	None	None 0.0%	None 0.0%	None 0.0%	None 0.0%	None 0.0%
Net Adjustment		-7.4%	16.5%	-23.7%	5.0%	-24.2%
Final Adjusted Price/SF		**$139.33**	**$237.95**	**$159.64**	**$155.73**	**$160.42**

ADJUSTMENTS

TERMS OF TRANSACTION ADJUSTMENTS

Financing – Each of the sales reflects a cash or cash equivalent transaction, and no adjustments for financing are necessary.

Conditions of Sale – An adjustment for conditions of sale compensates for unusual buyer or seller motivations that influence sale price. For instance, when a seller gives the buyer an atypical rebate, discount, credit, or something of value to induce a conveyance, it is logical to deduct the worth of the giveback from the sale price. Residual sums represent the net or effective sale price. All of the comparable sales are arm's length transactions, and no adjustments are necessary.

Immediate Expenditures – This adjustment is often applied to account for costs that were necessary to cure deferred maintenance or to make the facility usable as intended. Sale 4 was remodeled subsequent to its sale at a cost of $375,000. Therefore, this sale was adjusted upward by this amount. None of the other sales required an adjustment for immediate expenditures.

Market Conditions - The best method of deriving a market conditions (time) adjustment comes from the sale/resale of the same property. It is noteworthy that over the past several years, overall capitalization rates have continued to fall as rental rates have continued to rise for newer properties, resulting in some appreciation in the retail market. Since typical lease escalations for retail space range from 2-3%/yr, we have applied a 2%/yr upward adjustment for changes in market conditions since the time of the sale.

ADJUSTMENTS FOR PHYSICAL DIFFERENCES

The preceding adjustments led to a figure that reflects the price that would be paid for each sale if it were a fee simple, arm's length, cash transaction occurring on the date of the appraisal. These prices will then be further adjusted for physical differences in comparison to the subject. In this case, the primary physical components of comparison are effective age, construction type/quality, and location. Other physical differences may also be applied as needed for specific issues.

Effective Age – Although a total economic life of 45 years would imply a depreciation rate of 2.2%/yr, it must be recognized that properties tend to show less depreciation in the early part of their useful lives. For this reason, effective age adjustments are applied at a lower rate of 1.5%/yr.

Other – An adjustment is applied for differences in construction type/quality, although an adjustment for this factor is based only on true differences in quality or finish because much of the physical differences between properties are already reflected in the effective age adjustment. Location is also adjusted for, while others items, as necessary, are simply considered in reconciling to a final value rate from within the range.

DISCUSSION OF SALE COMPARABLES

Sale 1 is the sale of University Pointe in May 2006 for $3,650,000. This two-story, 25,000 SF facility was built in 2003 and comprises retail on the ground floor and office space in the upper level. The building is of above-average quality, is elevatored, and is located on the periphery of the U of I Campus in Moscow, Idaho. After adjustments, this sale reflects

a rate of $139.33/SF. This building is superior in size and is considered a low indicator for the subject.

Sale 2 is the sale of the Stadium Way Retail Center in September 2004 for $4,550,000. This facility was completely renovated prior to the sale and included a freestanding Burger King on a pad site. Tenants include Starbucks, Little Caesar's, Sprint, Blockbuster, Supercuts and Barnes & Noble. After adjustments for market conditions, effective age, construction type, location and the included Burger King, this sale indicates a rate of $237.95/SF. This sale required the greatest amount of gross adjustments and is considered an outlier, relative to the other sale comparables. This is a high indicator of value for the subject.

Sale 3 is the sale of the 21st Street Retail Center for $1,910,000 in July 2004. At the time of sale this 9,750 SF retail facility was newly built of good-quality steel-frame construction with four retail bays. Tenants included Starbucks, a Sprint Store, Check into Cash, and a Rent-A-Center. After adjustments, this sale reflects a value rate of $159.64/SF. This sale is slightly superior in size compared to the subject. Additionally, this building is occupied by national tenants. This sale is an indicator of the upper bracket of value for the subject.

Sale 4 is the sale of the Deranleau Building in March 2004 for $825,000. The property comprised a retail building and warehouse. The warehouse and underlying land was allocated at $209,905, leaving $615,095 for the retail building and accompanying land. The retail building was completely gutted and remodeled after the sale at a cost of $375,000. This equates to a total adjusted price of $990,095 for the retail building. The 7,169 SF retail building was originally built in 1961, prior to its renovation in 2004, of masonry block construction. The building is currently leased to Diversified Specialty Institutes, which uses the building for blood transfusions. After adjustments, this sale indicates a rate of $155.73/SF. This building is superior in size, but this is offset by its inferior overall appeal, compared to the subject. A similar rate would be expected for the subject.

Sale 5 is the listing of a newer retail center across from a Wal-Mart store in south Lewiston. The 12,178 SF retail facility is currently listed at $2,787,678 and comprises four retail bays that are fully occupied by Anytime Fitness, Unicel, Cash Advance, and Mattress Outlet. After adjustments, this listing indicates a rate of $160.42/SF. This is considered a slightly high indicator of value for the subject.

PRICE PER SQUARE FOOT

After adjustments for the differences described previously, the comparable sales reflected a range from $139.33/SF to $237.95/SF, with an average of $170.61/SF. When Sale 2 ($237.95/SF) is excluded, the range narrows to between $139.33/SF and $160.42/SF, with an average of $153.78/SF.

Sale 1 ($139.33/SF) was the most recent, but due to its inferior size, is a low indicator for the subject. Sale 2 ($237.95/SF) is at the upper end of the range and is an outlier among the comparables. This is a high indicator for the subject. Sale 3 ($159.64/SF) is superior in size and is considered an indicator of the upper bracket of value for the subject. Sale 4 ($155.73/SF) is inferior in overall appeal compared to the subject, but is superior in size. A similar rate is expected for the subject. Sale 5 ($160.42/SF) is the listing of a newer retail facility at a major signalized intersection in south Lewiston. Due to the listing status of this comparable, a lower rate would be expected for the subject.

SALES COMPARISON APPROACH CONCLUSION – RETAIL SPACE

Based on the preceding analysis, the data best supports a market value of $155/SF for the subject improvement. This is applied as follows:

Indicated Value/SF		$155.00
Times Building Area (SF)	x	12,787
Indicated Value		$1,981,985
Rounded To:		**$1,980,000**

SALES COMPARISON APPROACH CONCLUSION

The previously concluded values of the subject living units and retail space must be combined to arrive at a total value via the Sales Comparison Approach. This leads to a hypothetical stabilized value via the Sales Comparison Approach as follows:

Indicated Value of Living Space		$3,500,000
Plus Value of the Retail Space	+	$1,980,000
Total Indicated Value		**$5,480,000**

INCOME APPROACH

INCOME APPROACH OVERVIEW

In the Income Approach, the expected rental income for a proposed property is estimated based on a comparison to rents achieved for similar properties in the market area. Deductions are made for vacancy and collection loss and expenses. The prospective net operating income is then estimated. For an existing property, the subject's operating history is analyzed and compared to other properties in the market. After estimating the stabilized NOI, an applicable capitalization method, and appropriate capitalization rates are developed and used in computations that lead to an indication of value.

There are two methods of income capitalization: direct capitalization and yield capitalization, or discounted cash flow analysis. Both methods convert the future benefits property ownership into a present value. These methods convert income streams and resale value upon reversion into a capitalized, lump-sum value. In direct capitalization, the overall rate reflects a market-derived rate that includes both a *return on* and *return of* the investment in one blended rate, as applied to the stabilized income estimate for one year of operation. In yield capitalization, the cash flows over a typical investment holding period are discounted to their present value, including both cash flows from operation and the future resale of the property upon reversion. In this analysis, only the direct capitalization technique is employed.

SUBJECT OPERATING INFORMATION

INCOME/EXPENSE HISTORY

We were provided with income/expense pro forma data and have included in the following table a reconstructed version for September 2007 to August 2008. While the income used in the pro forma is based on student housing, it should be noted that some of the expenses (real estate taxes and insurance) are likely inclusive of the subject's retail space.

INCOME/EXPENSES PRO FORMA - Reconstructed *Clearwater Hall*				
Units:	**32**			
Bedrooms:	**117**			
SF NRA:	**26,805**			
Year:	**2007/2008**			
Item:	**% of EGI**	**$/Unit**	**$/BR**	**Total**
Gross Housing Income:	100.00%	$10,176	$2,783	$325,617
Expenses				
Real Estate Taxes	18.84%	$1,917	$524	$61,336
Personal Property Taxes	1.38%	$141	$38	$4,500
Insurance	5.23%	$532	$145	$17,020
Repair & Maintenance	0.42%	$43	$12	$1,380
Elevator	1.06%	$108	$29	$3,450
Utilities (Water & Sewer)	4.24%	$431	$118	$13,800
Energy (Gas & Elec)	8.48%	$863	$236	$27,600
Telephone/Internet	3.25%	$331	$90	$10,580
Miscellaneous	0.00%	$0	$0	$0
Total Expenses	42.89%	$4,365	$1,194	$139,666
NOI	57.11%	$5,811	$1,589	$185,951

As stated previously, the subject currently operates under a management agreement with Lewis-Clark State College (LCSC). A copy of this agreement is included in the addenda of this report. For the purposes of this analysis, the subject will be analyzed as though the

management contract were not in effect. In the expense analysis portion of the Income Approach, the subject's operating income will be projected based upon an analysis of available operating data for other apartment buildings of similar use.

SUBJECT LEASING ACTIVITY

The subject's student housing has had an average occupancy rate of about 74% since it was completed in August 2006, with the exception of the summer term. The housing is reportedly mostly vacant during the summer months. The student housing is currently 74% occupied. The rental rates for the student housing are summarized in the following table.

STUDENT HOUSING RENTAL RATES
Clearwater Hall
Dec-07

Living Units No.	Type (BR/BA)	Bdrms	Avg SF/Unit	Rents/BR	Subtotal Rent/Mo.	Annual Rent
3	1/1	3	423	$365	$1,095	$13,140
1	2/1	2	555	$365	$730	$8,760
4	3/1	12	757	$365	$4,380	$52,560
19	4/1	76*	856	$365	$27,740	$332,880
1	4/2	4	1,129	$365	$1,460	$17,520
4	5/2	20	1,138	$365	$7,300	$87,600
32	Average:	117	838	$365	$42,705	$512,460

*Includes 3 smaller bdrms at $335/mo and 2 larger bdrms at $395/mo.

It should be noted that the $365/mo rental rate, shown in the above table, that LSCS remits to the developer is not the rate that LCSC collects from the student tenant. Lewis-Clark State College collects approximately $538/mo from the student tenant. The lower remittance rate reflects the unreimbursed costs that LCSC incurs for trash removal, cable, repair and maintenance, supplies, janitorial, and personnel.

The subject's retail space is vacant. However, a lease agreement has been drawn up on about 7,047 SF of the subject's retail space that is located at the northeast corner of the building. The terms of this agreement are displayed in the table below.

Tenant:	Club Rain		
Landlord:	College Town Development Idaho		
Suite Size (SF):	7,047 SF		
Initial Term (Yrs):	5 Yrs		
Rent:	Years	Rent/Yr	Rent/SF
	1	$60,000	$8.51
	2	$61,800	$8.77
	3	$63,654	$9.03
	4	$65,564	$9.30
	5	$67,531	$9.58
Expense Term:	Triple-Net		

The owner reported that this lease will not be signed, as the rental rate is considered too low. The Town Square, across the street to the east of the subject, is a much older retail/office building that purportedly recently leased its 3,685 SF corner retail space for $12.00/SF/Yr. This building was built in 1892 and is inferior in condition, compared to the subject. Attempts to contact the owner of the Town Square to confirm the aforementioned lease were met with negative results.

Therefore, the entire 12,787 SF of the subject's ground-floor retail space is available for lease, and is currently being marketed at a rate of $12.00/SF/Yr, based on triple-net expense terms. The lease rates for the subject's retail space is summarized in the following table.

RETAIL RENTAL RATES *Clearwater Hall* Dec-07				
Bay	Area (SF)	Proposed Rent/SF	Subtotal Rent/Mo	Developer's Proposed Annual
1	1,948	$12.00	$1,948	$23,376
2	993	$12.00	$993	$11,916
3	2,799	$12.00	$2,799	$33,588
4	7,047	$12.00	$7,047	$84,564
	12,787	$12.00	$12,787	$153,444

It should be noted that while the retail space is divided into four bays, it would be possible to divide this space into more, or fewer bays, depending upon tenant demand. Additionally, the retail space is at a "base shell" state, as not all the space has been improved to a "vanilla shell" with walls ready to be painted, a concrete floor, a drop ceiling with lights, electrical outlets, HVAC, and restrooms. This will be taken into account when arriving at an "as is" value after the reconciliation.

MARKET DATA

The next step in the analysis is to determine the market rent levels for the subject via a comparison to comparable rental properties in the market. Additionally, due to the student-oriented design of the subject, other student-oriented housing developments were also considered. The subject's student housing will be analyzed first, followed by the subject's retail space. Those properties that were considered the most useful for estimating the subject's market rent are summarized in a grid, after the rent comparable details that follow.

RENT COMPARABLE SUMMARY – STUDENT HOUSING

Clearwater Hall
Dec-07

No.	Property/Location	Built	Units	Bdrms	BR / BA	Avg Unit SF	Rent/BR	No. Vac	Vac. %	Air Conditioning	Dishwasher	Disposal	Microwave	Private Deck/Patio	Exercise Room	Open Parking	Common Laundry	Furnished Bedrooms	Storage
Subj.	Clearwater Hall	2006	3	3	1 / 1	423	$538	28	24.3%	X							X	X	X
	402-418 Main Street		1	2	2 / 1	555													
	Lewiston, ID		4	12	3 / 1	757													
			19	76	4 / 1	856													
			1	4	4 / 2	1,129													
			4	20	5 / 2	1,138													
1	College Place	2006	22	80	4 / 1	1,210	$566	21	23.9%	X		X	X			X	X	X	X
	500 8th Avenue			5	5 / 1	1,344				X		X	X			X	X	X	X
	Lewiston, ID			3	3 / 1	1,265				X		X	X			X	X	X	X
2	Brewster Residence Hall	2002	40	14	2 / 1	N/Av	$612	13.3	10.0%	X						X	X	X	X
	410 2nd Avenue			39	3 / 1	N/Av	$612			X						X	X	X	X
	Cheney, WA			80	4 / 1														
3	College Crest	1974	54	162	3 / 1.5	1,000	$395	9	5.6%		X	X				X	X		
	1555 NE Merman Drive																		
	Pullman, WA																		
4	Cougar Crest Apartments	1997/98	63	39	3 / 2	1,260	$350	0	0.0%	X	X	X		X	X	X	X		X
	2055 Skyview Drive NE			200	4 / 2	1,260	$310			X	X	X		X	X	X	X		X
	Pullman, WA																		
5	Breier Building Apartments	1925	40	28	1 / 1	570	$390	0	0.0%	X		X				X			X
	633 Main Street			24	2 / 1	770	$244			X		X				X			X
	Lewiston, ID																		
	TOTAL		219	674	Low:		$244	43.3	6.4%										
					Avg:		$435												
					High:		$612												

DISCUSSION OF RENT COMPARABLES – STUDENT HOUSING

Rental 1 is College Place, located directly across the street from the LCSC campus. This project was built at the same time as the subject and comprises 88 bedrooms in 22 units in one, three-story building. Like the subject, this facility includes furnished bedrooms, common laundry, storage, and air conditioning. However, the common area of each pod, or living unit, is not furnished. Twenty of the units comprise four-bedrooms and one bathroom, while the other two units include a three-bedroom unit and a five-bedroom unit. Additional amenities include disposals and open parking.

Rental 2 is the Brewster Residence Hall, located in Cheney Washington. The complex was built in 2002 on the edge of the campus of Eastern Washington University. The four-story facility is privately owned, but is managed by Eastern Washington University. The building has a bookstore, coffee house, laundry facility, bike storage room, and administrative offices on the main level. The complex comprises 140 bedrooms that include two-, three-, and four-bedroom units. Each unit has a kitchen area with a refrigerator and sink, and a bathroom with a toilet and bathtub. There is an additional sink located just outside the bathroom. There are also two common area kitchens with a stove/oven, microwave, and sink. Each bedroom is furnished with a loft-able bed, chest of drawers, an armoire, and a desk and chair. Complex amenities include two lounge areas, an elevator, common laundry, and open parking.

Rental 3 is the College Crest Apartments, located in Pullman, Washington. The complex comprises 54 three-bedroom units that can be leased on an individual bedroom basis. Each of the units has a separate outside entrance, in addition to a sink and a chest of drawers and a built-in desk. All these units are equipped with a sofa, chair, end tables, lamp, and a dining room table with four chairs. Additionally, the units include a living room, dishwasher, garbage disposer, and electric baseboard heat. Complex amenities include common laundry and open parking.

Rental 4 is the Cougar Crest Apartments, located in Pullman, Washington. The complex comprises three- and four-bedroom units that groups of individuals typically get together and rent on an individual bedroom basis. The three-bedroom units have a den, which is utilized as a fourth bedroom in the four-bedroom units. Each bedroom has a sink and vanity, in addition to a phone jack and cable TV outlet. The units are equipped with dishwasher, garbage disposer, wall-mounted air conditioning, private deck/patio with storage closet, electric baseboard heat, and 2 baths. Complex amenities include common laundry, open parking, and a small exercise room.

Rental 5 is the Breier Building Apartments, located in downtown Lewiston, two blocks east of the subject. This five-story building was constructed in 1925 with office space on the main level and 40 apartment units on the upper levels. The facility comprises one- and two-bedroom units, each equipped with garbage disposer and storage. Complex amenities include laundry and open parking.

MARKET RENT CONCLUSIONS – STUDENT HOUSING

The subject has 32 units that comprise 117 bedrooms, each furnished with a loft-able bed, an armoire, and a desk and chair. Each unit has a living room/kitchen area equipped with a refrigerator, kitchen sink, dining table with chairs, sofa, coffee table, and chair. The majority of the units have one bathroom with a shower and toilet that will have a sink located just outside the bathroom. Additionally, the facility has common laundry, a study room, and storage rooms. The subject is located in downtown Lewiston, with the Lewis-Clark State College campus located approximately seven blocks to the south.

The comparables reflect a range of $244/mo to $612/mo per bedroom, with an average of $435/mo. Comparables 1, 2, 3 and 4 lease on an individual bedroom basis and reflect an average of $474/BR/mo.

Comparable 1 ($566/BR/mo) is College Place, which is located southwest of the subject, across the street from the LCSC campus. This 88-bedroom, student-oriented facility was recently completed at the same time as the subject, is managed by LCSC, and like the subject, is restricted to student tenants. This building is similar to the subject, but is closer to the college. However, the common area of each unit is not furnished. Considering the proximity of this comparable to the LCSC campus, this rate is a high indicator for the subject.

Comparable 2 ($612/BR/mo) is located in Cheney, Washington, and is the very similar to the subject, since it is a student-oriented residence hall that's occupancy is restricted to Eastern Washington University (EWU) students. Like the subject, this facility has furnished bedrooms, common laundry, and storage area. However, the complex does have a lounge area, open parking, and two common area kitchens with a stove/oven, microwave, and sink. The building was constructed in 2002 on the edge of EWU's campus. Due to this comparables additional amenities, the rate indicated is high for the subject.

Comparable 3 ($395/BR/mo) is located in Pullman, Washington, near the campus of Washington State University (WSU). This project was built in 1974 and is inferior to the subject in terms of age and quality. The bedrooms are equipped with a chest of drawers and a built-in desk. Additionally, all these units are equipped with a sofa, chair, end tables, lamp, and a dining room table with four chairs, much like the subject. However, this comparable also has dishwashers, garbage disposers, sinks in each bedroom, separate outside entrances to each of the units, and open parking. Considering this facility's age, quality, and amenities, this is an indicator of the upper lease rate that the subject could potentially achieve.

Comparable 4 ($310/BR/mo to $350/BR/mo) is also located in Pullman, Washington, near the WSU campus. Groups of individuals typically get together and rent the units on an individual bedroom basis. This facility was built in the late 1990s and has an exercise room, private decks/patios, and a sink and vanity in each bedroom, unlike the subject. However, this is somewhat offset by its inferior age and lack of furnished bedrooms. This complex is an indicator of the lower bracket of lease rates that the subject could expect to achieve. Comparable 5 ($244/BR/mo to ($390/BR/mo) is an old building that is located about two blocks east of the subject. This comparable includes disposals and open parking, and is inferior in age and doesn't include furnished bedrooms. However, the one-bedroom units ($390/BR/mo) are not shared, and therefore are superior in this respect. Thus, the subject would be expected to fall within the upper range of rates reflected by this comparable. Considering the preceding discussion, a rate of **$375/BR/mo** is concluded for the subject's bedrooms.

As additional supplemental market information, we have also included the rental rates of a few multi-family apartment complexes in the subject's market area as an added check on the subject's concluded lease rate. These comparables are summarized in the following table.

RENT COMPARABLE SUMMARY Clearwater Hall									
No.	Property/Location	Built	Units	Bdrms	BR / BA	Avg Unit SF	Rent/BR	No. Vac	Vac. %
1	Westridge Apts	1996	108	36	1 / 1	690	$555	0	0.0%
	950 Vineland Drive			96	2 / 1	867	$325		
	Clarkston, WA			36	2 / 2	921	$355		
				18	3 / 2	1,190	$285		
2	Eightplex	2003	8	16	2 / 1	900	$313	0	0.0%
	706 17th Ave								
	Lewiston, ID								
3	Four Horses Apts	1977	30	10	1 / 1	700	$450	0	0.0%
	1712 5th Street			16	2 / 1.5	850	$288		
	Lewiston, ID			16	2 / 2	900	$313		
	TOTAL		146	244		Low:	$285	0	0.0%
						Avg:	$361		
						High:	$555		

As shown above, these comparables range from $285/BR/mo to $555/BR/mo, with an average of $361/BR/mo. The subject's concluded rate of $375/BR/mo falls within this range and is very near the average rate. Comparable No. 2 is the newest of the comparables and reflects a rate that is less than the subject's rate. Considering the supplemental comparables, the subject's concluded rate of $375/BR/mo appears to be appropriate.

As previously discussed, the subject's retail space will now be analyzed. It should be noted that the subject's retail space is not typical in comparison to its immediate area. The subject is located in Lewiston's central business district, which is mainly composed of older buildings that were built around 1900. Therefore, the majority of the buildings have dated storefront retail space that does not match the quality of the subject's retail space. The majority of the newer retail facilities in Lewiston are located along Thain Road in the southeast section of the city. Thus, the subject's lease rate would likely be at the upper end of the range of rates received for the dated retail space that is located in the subject's immediate area and below the newer retail space that is located in Lewiston's new retail corridor along Thain Road, which is continuing to develop.

A grid summarizing the rental rates for properties that were considered most useful for comparison to the subject's retail space is displayed after the rent comparable details that follow.

RENT COMPARABLE SUMMARY - RETAIL

Clearwater Hall

Dec-07

No.	Property	Built	SF GLA	Tenant/Type	Tenant Size (SF)	Rental Rate ($/SF/Yr)	Expenses	Lease Term	In-Line Bay Depth	Vacant SF	Overall Vacancy	Contact	Comments
1	H&R Block Bldg 1446 Main St Lewiston, ID	1996	2,784	H&R Block	2,784	$5.96	NNN (adjusted from modified gross)	3 Yrs	N/Av	0	0%	Confidential	Average-quality building of wood-frame construction that was built in 1996 as an optical shop. Leased by H&R Block in 2006.
2	Strip Center 1702-1716 'G' St Lewiston, ID	1978-88 (Rem'd 2004)	11,058	Storefront Ofc/Retail	2,762	$8.83	NNN (adjusted from modified gross)	Various	N/Av	0	0%	Confidential	Average-quality storefront strip center that includes off-street parking.
3	SL Start 207 3rd St Lewiston, ID	1897 (Rem'd 2004)	7,500	SL Start	2,762	$11.67	NNN (adjusted from modified gross)	4 Yrs	86'	0	0%	Heather Okeefe 509-328-2740	Storefront retail/office space in older building that was extensively renovated in 2004.
4	Strip Retail Center 102 Thain Rd Lewiston, ID	2005	13,178	Mattress Outlet Cash Advance Unicel Anytime Fitness	5,650 1,300 1,316 4,912	$13.63-$22.00 ($16.94/SF - Avg)	NNN	Various	50' - 60'	0	0%	Marshall Clark 509-325-3333	Retail strip center completed in July 2005 at busy signalized intersection across street from Wal-Mart Store.
Subj.	Clearwater Hall 402-418 Main St Lewiston, ID	2006	12,787	Retail	993 - 5,787	$12.00	NNN		60' - 70'	12,787	100%		Storefront retail in four-story building in Lewiston's central business district, with student-oriented housing units in upper levels.

DISCUSSION OF RENT COMPARABLES – RETAIL

Rental 1 is a building occupied by H&R Block, about 0.75-miles east of the subject along Main Street. The 2,784 SF building was originally constructed as an optical store in 1996. The building is currently being leased at a rate of $5.50/SF/Yr (adjusted from modified gross to triple-net). The building has superior parking, but is inferior in age and condition compared to the subject. As a result, this is a low indicator for the subject's retail space.

Rental 2 is a strip center with various storefront office/retail tenants. The 8,000 SF building is located one mile to the east of the subject. Most of the newer tenants in this building are leasing at a rate of about $8.83/SF/Yr (adjusted from modified gross to triple-net). This comparable has superior parking compared to the subject, but it is inferior in age, condition, exposure and overall appeal. Consequently, this is a low indicator for the subject.

Rental 3 is the SL Start Building, located approximately two blocks northwest of the subject. This 11,058 SF building was originally constructed in 1897, but was extensively remodeled in 2004. SL Start occupies 3,453 SF of the two-story building, but reportedly only approximately 80%, or 2,762 SF is usable due to the ill-conceived design of the renovated space. This equates to an adjusted lease rate of $11.67/SF/Yr (adjusted for usable space and from modified gross expense terms to triple-net). This comparable has superior parking compared to the subject, since its lease includes about 10 off-street parking stalls. The condition is somewhat similar to the subject, however the design, exposure, and age are inferior. The rate indicated by this rental is an indicator of the lower rental bracket for the subject.

Rental 4 is a newer strip retail building at the southwest corner of Thain Road and Stewart Avenue, a signalized intersection across the street from a Wal-Mart Store. This 13,178 SF retail center has four retail bays and is fully occupied. The bays range is size from 1,300 SF to 5,650 SF, with rental rates ranging from $13.63/SF/Yr to $22.00/SF/Yr, with an average of $16.94/SF/Yr. This facility is similar in age and condition to the subject, but has superior exposure. A lower rate would be expected for the subject than those indicated by this comparable.

MARKET RENT CONCLUSIONS – RETAIL

To better illustrate the comparison of the subject to each of the comparables, we have utilized a ranking analysis, displayed in the following chart. As shown, the subject lies between Rental 3 ($11.67/SF/Yr) and Rental 4 ($13.63/SF/Yr).

No.	Comparable Rental	Typical Rent/SF/Yr	Overall Comparison
4	Strip Retail Center	$13.63 - $22.00	Superior
-	*Subject*	*$12.00*	-
3	SL Start	$11.67	Inferior
2	Strip Center	$8.83	Inferior
1	H&R Block Building	$5.96	Inferior

This subject's current asking rate of $12.00/SF/Yr is well supported by the market comparables. Therefore, a lease rate of $12.00/SF/Yr is concluded for the subject's retail space.

Conclusion of Gross Rental Income – As shown at the end of this section, the projected gross rental income for the subject, including student housing and retail income, is $679,944.

Laundry Income – The subject facility has a common laundry room on site with leased laundry machines from Hainsworth Company, a major leasing company for coin-operated laundry machines. We spoke with a representative from Hainsworth Company, who reported that student housing such as the subject typically generate 1.5 loads of laundry per student per week. Based on the subject's average occupancy rates and the laundry rates, this equates to an annual income of $6,264. Hainsworth's typical lease arrangement is for the property owner to retain ½ of the revenue earned by the machines. This would lead to a yearly income for laundry of $3,132. Therefore, the laundry income retained by the subject owners is estimated at $3,132/Yr, or $26.77/BR/Yr.

Miscellaneous/Other Income: This category includes income retained from deposits, late fees, and other revenue. This item is projected at 3% of the living units rental revenue per year, or $15,795.

All the discussed sources of income result in a Projected Gross Income of $698,871.

VACANCY

The rent comparables reflect an average vacancy of 6.4% for the student-oriented living units. There are no formal vacancy surveys that we are aware of for the Lewiston-Clarkston area. The subject is a newer facility that is well located in Lewiston's central business district about seven blocks north of the LCSC campus, comprises functional units, and has commensurate amenities with its targeted tenant pool. The subject's student housing has experienced an average occupancy rate of about 75% during the academic year, and approximately 8% during the summer term. This equates to a yearly vacancy rate of about 40%. As previously discussed, College Place, an 88-bedroom student-oriented facility located across the street from the LCSC campus that was completed at the same time as the subject, has also remained at about 75% occupied.

However, as mentioned earlier, LCSC charges students approximately $538/Mo. Thus subject's vacancy rate would likely decline if its lease rates decreased to the concluded market rate of $375/Mo. Additionally, the summer vacancy rate would be expected to decrease substantially, since the subject's lease terms would allow 12-month leases that could be paid on a monthly basis. Currently, under the management agreement, the subject allows 12-month leases; however, the rent for the entire lease term must be paid up front, which severely discourages students from entering into a 12-month lease contract.

Additionally, we have considered future demand for student housing at LCSC, which is summarized in the following table.

Student Housing Demand Projections										
Implied Annual Growth Rate:	4.37%									
Year:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Enrollment (Fall Count)	2,953	3,108	3,471	3,325	3,451	3,394	3,612	3,770	3,934	4,106
Enrollment Increase	251	155	363	-146	126	-57	218	158	165	172
Percentage Enrollment Increase	9.29%	5.25%	11.68%	-4.21%	3.79%	-1.65%	6.42%	4.37%	4.37%	4.37%
Total Student Housing (Number of Beds)					246	312	312	312	312	312
*Clark Hall**					*78*	*78*	*78*	*78*	*78*	*78*
*Parrish House***					*29*	*29*	*29*	*29*	*29*	*29*
*Talkington Hall****					*92*	-	-	-	-	-
*Red Lion*****					*47*	-	-	-	-	-
College Place					-	*88*	*88*	*88*	*88*	*88*
Clearwater Hall					-	*117*	*117*	*117*	*117*	*117*
Occupied Student Housing as Percentage of Enrollment					6.8%	7.6%	7.3%	7.2%	7.2%	7.2%
Occupied Student Housing (Number of Beds)					234	257	262	272	283	296
Total Student Housing Occupancy Rate					95%	82%	84%	87%	91%	95%

*Clark Hall mainly houses athletes, which are required to reside on campus; **Parrish Hall mainly houses upperclassman, with a GPA of 3.0 or greater; ***Talkington Hall was closed down in 2006.
****Some students were temporarily housed at the Red Lion hotel, until additional housing could be constructed.

As shown in the previous table, total occupancy rate for student housing at LCSC is currently 84%. However, this is projected to increase to 95% by 2010, based on enrollment projections that were predicated on the enrollment history under the current LCSC administration (a common practice used in enrollment forecasting).

Considering the lower market rates, improved contract terms, and increased occupancy projections, a stabilized vacancy rate of 15% is concluded for the subject student-oriented living units. This rate takes into account an increase in vacancy during the summer term.

The subject's retail space currently has an unsigned lease for 7,047 SF. However, the subject owner reported that this lease will not be signed, as the rental rate is considered too low. Of the retail lease comparables surveyed, all were found to be fully occupied. However, due to the limited number of comparables, we have also consulted the *Korpacz Real Estate Investor Survey*, which showed that most institutional investors used a vacancy and credit loss assumption for the "National Strip Shopping Center Market" of between 1% and 10%.[11] Considering the preceding discussion, a stabilized vacancy rate of 5% is concluded for the subject retail space.

This results in a reduction of $89,486 annually, and leads to a total effective gross income estimate of $609,385/yr.

OPERATING EXPENSES

The operating expenses for the student-oriented living units will be analyzed first, followed by an analysis of the retail space expenses.

Operating expenses for garden apartment complexes typically range from about $2.50/SF to $3.75/SF of leasable area in properties with full amenities, before an allowance for replacement reserves. Rents vary widely from property to property; therefore, analyzing expenses as a percentage of effective gross income does not provide a reliable indication. Reserves for the replacement of short-lived items are rarely allocated and less often funded by apartment owners, but must be considered in an appraisal analysis to reflect the periodic replacement of these items on a stabilized basis.

The only expense information provided for the subject facility was a pro forma, which was displayed near the beginning of the Income Approach. Therefore, we have considered the experience of two comparable apartment properties and the developer's expense pro

[11] PricewaterhouseCoopers, *Korpacz Real Estate Investor Survey,* 3rd Qtr. 2007, p. 45.

forma. After analyzing this data, operating expenses payable by the owner were estimated for a stabilized year by category. This information is summarized on the following pages.

EXPENSE COMPARABLE SUMMARY												
Location	Moscow				Pullman				Lewiston - Subject's Exp Pro Forma			
Year Built	1992-97				1992-95				2007/2008			
No. Units	84				55				32			
No. Bdrms	144				143				117			
SF NRA	71,520				51,046				26,805			
Avg. SF/Unit	851				928				838			
Description	Electric FA heat, washer/dryer hook-ups, and open parking.				Electric bb heat, washer/dryer in unit, and open parking (some covered).				Gas forced air heat, common laundry, study room, storage space, and no parking.			
	$/SF	$/BR	% of EGI	Total	$/SF	$/BR	% of EGI	Total	$/SF	$/BR	% of EGI	Total
Income												
Rental Income	$5.87	$2,915	98.4%	$419,830	$8.36	$2,984	98.5%	$426,721	$12.15	$2,783	100.0%	$325,617
Parking Revenue				N/Ap	$0.00	$0	0.0%	$0				N/Ap
Laundry Revenue	$0.10	$48	1.6%	$6,883	$0.00	$0	0.0%	$0	$0.00	$0	0.0%	$0
Other Income	$0.00	$0	0.0%	$0	$0.00	$0	0.0%	$0	$0.00	$0	0.0%	$0
Misc./Ret. Deposits	$0.00	$0	0.0%	$0	$0.13	$46	1.5%	$6,600	$0.00	$0	0.0%	$0
Effective Gross Income	$5.97	$2,963	100.0%	$426,713	$8.49	$3,030	100.0%	$433,321	$12.15	$2,783	100.0%	$325,617
Expenses												
Real Estate Taxes	$0.80	$398	13.4%	$57,315	$0.75	$268	8.8%	$38,320	$2.29	$524	18.8%	$61,336
Insurance	$0.19	$94	3.2%	$13,580	$0.18	$66	2.2%	$9,407	$0.63	$145	5.2%	$17,020
Energy (Gas & Electricity)	$0.11	$54	1.8%	$7,824	$0.07	$26	0.9%	$3,781	$1.03	$236	8.5%	$27,600
Utilities (Water & Sewer)	$0.25	$126	4.2%	$18,078	$0.30	$107	3.5%	$15,234	$0.51	$118	4.2%	$13,800
Trash Removal				Included above	$0.24	$87	2.9%	$12,396				Not Included
Maintenance & Repairs	$0.26	$128	4.3%	$18,480	$0.54	$192	6.3%	$27,446	$0.05	$12	0.4%	$1,380
Redecorating/Cleaning				Incl. Above	$0.09	$34	1.1%	$4,794				Not Included
Landscaping	$0.02	$10	0.4%	$1,500	$0.31	$109	3.6%	$15,624				Not Included
Parking Maint. & Snow Removal				Incl. Above	$0.00	$0	0.0%	$0				Not Included
Professional Management	$0.51	$252	8.5%	$36,288	$0.57	$203	6.7%	$29,075				Not Included
Marketing	$0.00	$0	0.0%	$0	$0.01	$3	0.1%	$495				Not Included
Office/Administrative	$0.00	$0	0.0%	$0	$0.00	$0	0.0%	$0				Not Included
Legal/Audit/Professional	$0.00	$0	0.0%	$0	$0.00	$0	0.0%	$50				Not Included
Miscellaneous	$0.05	$23	0.8%	$3,348	$0.02	$5	0.2%	$778				Not Included
Total Expenses W/O Reserves	**$2.19**	**$1,086**	**36.7%**	**$156,413**	**$3.08**	**$1,101**	**36.3%**	**$157,400**	**$4.52**	**$1,035**	**37.2%**	**$121,136**
Net Operating Income	**$3.78**	**$1,877**	**63.3%**	**$270,300**	**$5.41**	**$1,930**	**63.7%**	**$275,921**	**$7.63**	**$1,748**	**62.8%**	**$204,481**

Real Estate Taxes - The subject is currently assessed at $4,253,499, which results in a total tax bill of $78,971. However, as the retail tenants will be responsible for their pro rate share of the real estate taxes, their share must be deducted from the total taxes in order to arrive at the subject's student housing share of the taxes. Since the student housing accounts for 74% of the total property, their share of the real estate tax is calculated at $58,439, or $0.11/SF. Based on this information the subject's taxes are applied at a tax amount of $58,400/yr, or $2.18/SF.

Personal Property Taxes – Since the subject's units are furnished, a cost for personal property tax is incurred. The subject's pro forma indicates a personal property tax of $4,500/yr. As such, this amount has been applied to the subject.

Insurance rates vary widely from property to property, depending on quality, amenities, existence of sprinklers, and other market factors. The expense comparables reflect insurance rates ranging from $0.18/SF to $0.19/SF. The developer's pro forma reflects an expense rate of $0.63/SF for this item, which is much higher than the comparables. However, additional insurance coverage, due to the characteristics of the subject's tenants, is likely. Therefore, a rate of $0.63/SF, or $17,020/yr has been projected for the subject.

Energy (Gas & Electricity) - The two expense comparables indicated an expense of $0.07/SF and $0.11/SF for this item. However, these expenses reflect costs incurred for their common area only. The subject provides gas and electricity for the tenants, and therefore a higher rate is anticipated. The subject's pro forma shows a rate of $1.03/SF for this expense. A representative for the owner stated that gas and electricity generally average between $2,000 and $2,200 per month. This equates to a range of $24,000 to $26,400 per year, or $0.90/SF to $0.98/SF. Considering this information, a rate of $1.00/SF is estimated for the subject.

Utilities (Water & Sewer) - The comparables displayed a total expense for these items at $0.25/SF and $0.30/SF. The owner's pro forma reflected a rate of $0.51/SF for this item. Considering the characteristics of the subject and its tenants, a combined rate of $0.50/SF is projected.

Trash Removal - Only one of the comparables reported this expense as a separate line item, which was $0.24/SF. The developer's pro forma did not show a separate line item for this expense. According to Lewis-Clark State College, which currently pays for this expense item, incur a monthly cost of $600 for trash removal. This equates to a rate of $7,200/yr, or $0.27/SF. A rate of $0.27/SF/yr is estimated for the subject.

Maintenance and Repairs can vary widely from year to year. The comparables reported expenses ranging from $0.26/SF to $0.54/SF. The subject's pro forma shows a rate of $0.05/SF. However, this is under the current management contract, in which Lewis-Clark State College pays for routine maintenance. As this analysis will arrive at a value as though this contract were not in place, a rate will need to be estimated for this expense item. The subject has furnished units, and thus a rate at the upper end of the comparables is indicated. Therefore, this expense item is projected at $0.55/SF.

Elevator - None of the comparables were helpful in estimating this expense, as they are not elevatored complexes. A representative for the owner reported they have a maintenance contract for the elevator at a cost of approximately $1,900/yr. Based on this information, a rate of $1,900/yr, or $0.07/SF is applied to the subject.

Redecorating and Cleaning Expenses typically range from a combined total of $0.08/SF to $0.18/SF. Only one of the comparables reported this expense as a separate line item, which was $0.09/SF. Considering the tenant makeup, a rate of $0.15/SF is estimated for the subject.

Landscaping and Grounds Expenses can vary according to the size and extent of on-site landscaping. Among the comparables, these combined charges ranged from $0.02/SF to $0.31/SF. The developer's pro forma did not show a separate line item for this expense. Considering the subject's small site size and very minimal landscaping needs, $0.05/SF is concluded for the subject.

Professional Management Expenses typically range from 5.0% to 12.0% of effective gross income, depending on the number of units, the income level generated by the complex, and the difficulty of management. Larger, easily managed properties are obtaining management fees of 4.0% to 5.0% for professional management only. The expense comparables indicated rates ranging from 4.0% to 6.7% of EGI, while a survey from the Urban Land Institute on multifamily housing indicates a rate of 5.0% for elevatored apartment complexes in the Northwest. Given the size of the subject and the characteristics of the potential tenants, a professional management expense of 6.0% of Effective Gross Income is applied to the subject.

Marketing Expenses vary widely with occupancy levels and overall market conditions. Only one of the comparables reported this expense as a separate line item, which was $0.01/SF. The pool of potential tenants for the subject is limited, due to the specific tenant base that it accommodates. Considering the subject's location, its special purpose design for student housing and the involvement of LCSC, a minimal rate of $0.02/SF is applied to the subject.

Office and Administrative Expenses can vary widely, depending on what items are included in this category. None of the comparables reported an expense for this item. The owner's expense pro forma did not show a separate line item for this expense. Given the characteristics of the subject, a minimal charge of $0.05/SF annually is estimated the subject.

Legal, Audit, and Professional Service Expenses can also vary widely, and are often sporadic. Legal fees tend to be higher during times of high vacancy and the resulting credit loss. Assuming careful screening and operation of the subject, a charge of $0.05/SF is applied to the subject.

Telephone/Internet Expenses – As these expense items are included in the student leases, it is necessary to account for their costs. The owner's pro forma indicates a charge of $10,580/yr, or $0.39/SF for this item. As such, this expense is projected at $10,580/yr.

Miscellaneous Expenses often vary, depending on what items are included in this category. Other complexes typically indicate a range of $0.03/SF to $0.08/SF, though property managers are inconsistent in what charges are recorded under this "catch all" category. A rate of $0.03/SF is applied to the subject.

Reserves are not often allocated by apartment owners, but must be included to reflect an annualized estimate of the ongoing cost for the replacement of short-lived items. In this analysis, we have estimated the current replacement cost and life of the short-lived components listed below. Because the sinking fund factor is calculated at an estimated "real" rate of return (taking inflation into account), it is not necessary to trend this cost upward. The following grid summarizes the reserves that are projected for the subject facility.

REPLACEMENT RESERVE SEGREGATION
Clearwater Hall

Short-Lived Item	Life (Years)	Units		Rate	Total Cost	SFF @ Real Rate of 2%	Annual Reserve	$/SF
Bedrooms								
Loftable Bed	7	117	BRs @	$ 124	$ 14,508	0.1345120	$ 1,951	$ 0.07
Mattress	7	117	BRs @	$ 83	$ 9,711	0.1345120	$ 1,306	$ 0.05
Armoire	7	117	BRs @	$ 403	$ 47,151	0.1345120	$ 6,342	$ 0.24
Desk	7	117	BRs @	$ 243	$ 28,431	0.1345120	$ 3,824	$ 0.14
Chiar	7	117	BRs @	$ 64	$ 7,488	0.1345120	$ 1,007	$ 0.04
Units								
Refrigerators	15	32	Units @	$ 300	$ 9,600	0.0578255	$ 555	$ 0.02
Sofa	7	32	Units @	$ 1,131	$ 36,192	0.1345120	$ 4,868	$ 0.18
Coffee Table	7	32	Units @	$ 157	$ 5,024	0.1345120	$ 676	$ 0.03
Dining Table	7	32	Units @	$ 224	$ 7,168	0.1345120	$ 964	$ 0.04
Dining Chairs	7	117	Units @	$ 24	$ 2,808	0.1345120	$ 378	$ 0.01
Lobby Areas								
Sofa	7	2	Units @	$ 1,131	$ 2,262	0.1345120	$ 304	$ 0.01
Sette	7	1	Units @	$ 888	$ 888	0.1345120	$ 119	$ 0.00
Chair	7	6	Units @	$ 612	$ 3,672	0.1345120	$ 494	$ 0.02
Coffee Table	7	2	Units @	$ 157	$ 314	0.1345120	$ 42	$ 0.00
End Table	7	2	Units @	$ 122	$ 244	0.1345120	$ 33	$ 0.00
Carrel	7	5	Units @	$ 358	$ 1,790	0.1345120	$ 241	$ 0.01
Chair (for carrel)	7	5	Units @	$ 24	$ 120	0.1345120	$ 16	$ 0.00
Facilty								
Roof Cover	20	13,578	SF @	$ 1.20	$ 16,294	0.0411567	$ 671	$ 0.03
Floor Cover	10	35,657	SF @	$ 1.50	$ 53,486	0.0913265	$ 4,885	$ 0.18
Totals					$ 247,150		$ 28,678	$ 1.07

Adding the reserves estimate summarized above, the subject's expenses for the student-oriented living units total $220,426, or $8.22/SF. This rate is higher than the typical apartment complex operating expenses. However, given that the subject rents will include all utilities, and that the subject will furnish the bedrooms, units, and lobby areas, this rate is appropriate. This leads to a net operating income estimate of $243,187/yr for the subject's living units. The next step is to analyze the subject's retail space expenses.

The subject's retail space will be leased on a triple-net expense basis, meaning that tenants are responsible for the payment of all operating expenses either directly, or in the form of a reimbursement to the owners. Despite this expense situation, most investors will still anticipate some costs associated with ownership/asset management, and the likelihood of some capital improvement costs, particularly upon turnover ore renewal.

Asset Management Fee: This is a "catch all" category that accounts for those items that cannot realistically be charged back to the tenants as a reimbursement. It includes most in-house costs associated with the operation of the project. According to the Korpacz Real Estate Investor Survey, most investors include an asset management fee ranging from 2.5% to 5.0% for shopping centers as an "above the line" charge.[12] This expense is estimated at 3% of EGI, or $4,373.

Replacement Reserves: This category is used to account for the replacement of short-lived items and capital improvements for which tenants are not likely to be charged. This can include structural damage, roof replacement, HVAC repairs/replacement, etc. The Korpacz survey referenced above also shows that investors will typically apply a deduction for replacement reserves ranging from $0.10/SF to $0.30/SF. Considering the condition of the subject, a rate of $0.15/SF is applied. This equates to $1,918/yr.

This leads to a net operating income estimate of $139,481/yr for the subject's retail space.

DIRECT CAPITALIZATION RATE

The subject's capitalization rate for its student-oriented living units will be analyzed first, followed by an analysis of the subject's retail space capitalization rate.

The best source for deriving direct capitalization rates is typically by comparison to market sales, with consideration given to such factors as tenant quality, date of transaction, quality, and location. Overall rates can be extracted from the five apartment sales used in the Sales Comparison Approach. As shown on the following chart, the overall rates reflect a range from 7.12% to 8.43%, with an average of 7.76%.

OVERALL RATE SUMMARY - COMPARABLE SALES
Clearwater Hall

No.	Property	Yr Built	Units	Sale Date	Analysis Price	Overall Rate
1	Conrad Smith Apts	1992	36	Aug-06	$1,770,382	7.12%
2	Levick Apartments	1992	24	Aug-06	$1,057,241	7.90%
3	Taylor Apaprtments	1997/1998	21	Aug-06	$1,893,796	8.43%
4	Russet Square Apts	1978	40	Mar-06	$1,603,979	7.75%
5	Clarke Terrace	1990/1992	60	Mar-05	$4,067,135	7.62%

The comparables reflect a fairly narrow range of rates, from 7.12% to 8.43%, with an average of 7.76%. However, it should be noted that due to the subject's student-oriented

[12] PricewaterhouseCoopers, *Korpacz Real Estate Investor Survey,* 1st Qtr. 2007, p. 5.

design, that it may be attractive to a more limited pool of investors. According to the *Korpacz Real Estate Investor Survey*, the "National Apartment Market" experienced an average overall rate of 5.76%, with a range of 3.50% to 8.00%, for the third quarter of 2007.[13] This was a reduction from the previous quarter and a year ago, which were 6.28% and 7.01%, respectively. Overall rates in Lewiston generally tend to lie above the rates indicated for larger metropolitan markets, which constitute the bulk of the survey.

Given the preceding information and the subject's newer construction, investment size, amenity level, and design, a rate of 7.75% is concluded for the subject's living units.

The overall rates for the subject's retail space can be extracted from four of the five retail sales used in the Sales Comparison Approach. As shown on the following chart, the overall rates reflect a range from 6.71% to 7.82%, with an average of 7.31%.

OVERALL RATE SUMMARY - COMPARABLE SALES
Clearwater Hall

No.	Property	Yr Built	SF	Sale Date	Analysis Price	Overall Rate
1	University Pointe	2003	25,000	May-06	$3,835,304	6.71%
2	Stadium Way Retail	Rem-04	20,000	Sep-04	$3,835,304	7.69%
3	21st Street Retail Center	2004	9,750	Jul-04	$1,910,000	7.82%
4	Thain Retail Center	2005	13,178	Listing	$2,787,678	7.00%

Sale 4 (7.00%) is located in Lewiston and is the most similar to the subject in terms of age and investment size. However, this is a listing, and therefore is considered slightly low for the subject. Sale 1 (6.71%) is the most recent sale among the comparables, and is located on the fringe of the U of I campus in Moscow. This is an indicator of the lower range that the subject could be expected to achieve. Sale 3 (7.82%) is located in Lewiston, but is somewhat dated, and thus doesn't reflect the general downward trend in capitalization rates over the past few years. As a result, a lower rate would be expected for the subject.

According to the *Korpacz Real Estate Investor Survey*, the "National Strip Shopping Center Market" experienced an average overall rate of 7.20%, with a range of 5.70% to 9.00%, for the fourth quarter of 2007.[14] As previously mentioned, overall rates in Lewiston generally tend to lie above the rates indicated for larger metropolitan markets, which constitute the bulk of the survey.

Given the preceding information and the subject's newer construction and investment size, a rate of 7.25% is concluded for the subject's retail space.

INCOME APPROACH CONCLUSION

Applying the concluded overall rate of 7.75% for the subject's living units to its corresponding projected net operating income of $243,187/yr, results in an indicated value of $3,137,897. Additionally, applying the concluded overall rate of 7.25% for the subject's retail space to its corresponding projected net operating income of $139,481/yr, leads to an indicated value of $1,923,876. These values combine for a total indicated hypothetical stabilized value via the Income Approach of **$5,060,000** (rd). This analysis is summarized on the following page.

[13] PricewaterhouseCoopers, *Korpacz Real Estate Investor Survey*, 3rd Qtr. 2007, p. 34.
[14] PricewaterhouseCoopers, *Korpacz Real Estate Investor Survey*, 3rd Qtr. 2007, p. 12.

INCOME APPROACH SUMMARY
Clearwater Hall
Dec-07

Rental Income											
Living Units							Retail Space				TOTAL
No.	Type (BR/BA)	Bdrms	Rent/BR/Mo	Subt/Rent/Mo	Annual		SF GLA	Rent/SF/Yr	Annual		Annual
3	1/1	3	$375	$ 1,125	$ 13,500		12,787	$12.00	$ 153,444		
1	2/1	2	$375	$ 750	$ 9,000						
4	3/1	12	$375	$ 4,500	$ 54,000						
19	4/1	76	$375	$ 28,500	$ 342,000						
1	4/2	4	$375	$ 1,500	$ 18,000						
4	5/2	20	$375	$ 7,500	$ 90,000						
32		117		$43,875							
Potential Rental Income					$ 526,500				$ 153,444		$ 679,944
Miscellaneous Income											
Laundry Income:					$ 3,132						
Misc./Ret. Deposits:		3.0%	of Rental Revenue		$ 15,795						
Potential Gross Income					$ 545,427				$ 153,444		$ 698,871
Less Vacancy & Credit Loss @				15.0%	$ (81,814)			5.0%	$ (7,672)		$ (89,486)
Effective Gross Income					$ 463,613				$ 145,772		$ 609,385

Less Expenses	$/SF	$/BR	% of EGI	Total		Less Expenses	$/SF	% of EGI	Total
Real Estate Taxes	$ 2.18	$ 499	12.6%	$ 58,400		Asset Mgmt Fee	$0.34	3.0%	$4,373
Personal Property Taxes	$ 0.17	$ 38	1.0%	$ 4,500		Structural/Reserves	$0.15	1.3%	$1,918
Insurance	$ 0.63	$ 145	3.7%	$ 17,020			$0.49	4.3%	$6,291
Energy (Gas & Elec)	$ 1.00	$ 229	5.8%	$ 26,805					
Utilities (Water/Sewer)	$ 0.50	$ 115	2.9%	$ 13,403					
Trash Removal	$ 0.27	$ 62	1.6%	$ 7,200					
Maintenance & Repairs	$ 0.55	$ 126	3.2%	$ 14,743					
Elevator	$ 0.07	$ 16	0.4%	$ 1,900					
Redecorating/Cleaning	$ 0.15	$ 34	0.9%	$ 4,021					
Landscaping/Grounds	$ 0.05	$ 11	0.3%	$ 1,340					
Professional Management	$ 1.04	$ 238	6.0%	$ 27,817					
Marketing	$ 0.02	$ 5	0.1%	$ 536					
Office/Administrative	$ 0.05	$ 11	0.3%	$ 1,340					
Legal/Audit/Professional	$ 0.05	$ 11	0.3%	$ 1,340					
Telephone/Internet	$ 0.39	$ 90	2.3%	$ 10,580					
Miscellaneous	$ 0.03	$ 7	0.2%	$ 804					
Replacement Reserves	$ 1.07	$ 245	6.2%	$ 28,678					
	$ 8.22	$ 1,884	47.5%	$ 220,426					
Total Operating Expenses					$ (220,426)				$ (6,291)	$ (226,717)
Net Operating Income					$ 243,187				$ 139,481	$ 382,668
Capitalized @					7.75%	Capitalized @			7.25%	7.56%
Indicated Stabilized Value					$ 3,137,897	Indicated Stabilized Value			$ 1,923,876	$ 5,061,773
Total Value Via The Income Approach (Rd)										$ 5,060,000

RECONCILIATION

HYPOTHETICAL LEASED FEE INTEREST WITHOUT MANAGEMENT AGREEMENT

Reconciliation involves analyzing the various methods of estimating value and arriving at a final conclusion of market value. Factors considered in the analysis include the type of property being appraised, the appropriateness and reliability of each approach, and the quality, quantity and appropriateness of the available data. The results of the three approaches are as follows:

Cost Approach	$5,250,000
Sales Comparison Approach	$5,480,000
Income Approach	$5,060,000

The Cost Approach is most often used to test the feasibility of a proposed project, rather than to estimate market value. It is also less useful for evaluating leased fee, versus fee simple, interest in a property. The reliability of this approach is also largely dependent upon the ability to accurately estimate depreciation. For new or proposed properties with no depreciation, this is not a problem. For older properties, however, depreciation can be a major percentage of value and is difficult to estimate reliably.

In the subject's case, it represents newer construction, and costs were consistent among the cost comparables. However, as previously stated, the Cost Approach is more useful as a check on the feasibility of a project, as opposed to an estimate of market value. Therefore, the Cost Approach is given little weight in this final analysis.

The Sales Comparison Approach is most valuable for homogeneous properties that sell frequently. Although the market for retail and apartment facilities is fairly active, and a number of sales were analyzed, there is very little homogeneity with respect to investment size, quality, tenant profile, or location among the sales. As a result, it was necessary to apply substantial subjective adjustments to account for these differences, which led to a fairly broad range of value/SF indications. Given the quality and quantity of the data available for analysis, in addition to the substantial adjustments, this approach is given only secondary emphasis in the final analysis.

The Income Approach is given significant consideration in the final value conclusion. Typical buyers of commercial real estate are primarily concerned with the income-generating potential of a property, and thus make purchase decisions based largely on the income a property is currently or will possibly produce. In this case, although minimal operating history was available for the subject, rents and expenses were generally well supported by other properties in the market area. Based on the good quality and quantity of the data, and the importance placed on this approach by investors, this approach is considered the most reliable, and is given primary emphasis.

Overall, most reliance has been placed on the results of the Income Approach, with secondary consideration to the Sales Comparison Approach.

Based on the preceding analysis and subject to the assumptions and limiting conditions contained within this report, we are of the opinion that the hypothetical stabilized market value of the leased fee interest in the subject property without the management agreement in effect, as of October 6, 2009, the date of stabilization, will be:

FIVE MILLION TWO HUNDRED THOUSAND DOLLARS
($5,200,000)

VALUE AS IS

Two discounts are necessary to arrive at a value upon completion but prior to stabilization: 1) Vanilla shell discount for retail space and 2) absorption discount for retail space.

BASE SHELL DISCOUNT

The preceding analysis led to a hypothetical valuation of the subject upon stabilization, as though the retail space were finished with a "Vanilla Shell" (finished walls, ceilings, and bathrooms). The subject's retail space is currently finished to a "Base Shell" state with bare studs, open ceiling, concrete/dirt floors, and no plumbing. Therefore, a discount is required in order to account for the difference in value between the "Base Shell" and the "Vanilla Shell." This is accomplished by applying a build-out cost to the retail portion of the subject.

The Marshall Valuation Service (MVS) indicates a cost of $35.05/SF to build-out shopping center interior retail space with drywall, tile ceilings, vinyl composition/carpet floor cover, adequate lighting and outlets, small restrooms, and package A/C. Whereas another source suggests a cost of $10/SF for walls ready to be painted, a concrete floor, a drop ceiling with lights, electrical outlets, HVAC, and restrooms. In addition, the subject owner suggested a cost of $15/SF. Considering the amount of build-out needed for the subject, a rate of $15/SF is applied to the retail space. This equates to a rounded discount of $190,000 ($10/SF X 12,787 SF = $191,805).

ABSORPTION DISCOUNT

The subject's retail space has been vacant since it was completed in August 2006. The owner sites two reasons for this lack of leasing activity. 1) The leasing agents that are currently marketing the subject property's retail space are based in Spokane, Washington, and therefore are not local. After discussions with other business owners in the immediate vicinity of the subject, the owner reported that local representation is important. 2) The owner also reported that representatives from Lewis-Clark State College had unknowingly misstated the lease rate when queried by purportedly potential tenants. The college had apparently indicated that the asking rate for the retail space was $12/SF/Mo, rather than $12/SF/Yr.

To measure the difference between the values "upon stabilization" and "as is," the rent loss and additional expenses can be estimated and discounted into a present value. This discount is then subtracted from the stabilized value to arrive at the as is value.

The first step in this analysis is to estimate the projected time it will take to bring the property to stabilization. The best measure of absorption is by a comparison to the absorption periods of other, similar projects in the market area. We are only aware of two recently developed retail projects in the Lewiston area that are similar in size to the subject.

1) A 13,178 SF strip retail center was completed in July 2005 at a major signalized intersection across the street from a Wal-Mart store in southeast Lewiston. This retail center was only recently fully absorbed in November 2007. Thus the strip center took approximately 28 months to absorb, which equates to an absorption rate of approximately 470 SF/Mo. The developer of this project, Marshall Clark stated that retail takes longer to absorb in Lewiston, compared to other market areas, and suggested that other developments in Lewiston have also taken longer than normal to absorb.

2) The 21st Street Retail Center, a 9,750 SF strip retail facility located along 21st Street in southeast Lewiston was completed in 2004. This retail center reportedly took two years to absorb, which equates to an absorption rate of 406 SF/Mo.

Assuming a 95% stabilized occupancy, there will be approximately 12,148 SF of retail space that will need to be occupied before stabilization is reached. It is estimated that the subject will lease space at approximately 400 SF/Mo. Using this absorption rate, it will take approximately thirty-one months to absorb the subject's retail space. Given that the subject was completed in August 2006, theoretically, about fifteen months has already been accrued. However, due to the reportedly poor marketing of the facility, only nine months is considered to have accrued to the subject's absorption period. Therefore, it will take an additional twenty-two months to lease the subject's retail space. Additionally, some marketing and leasing commissions will be incurred prior to reaching stabilization.

ABSORPTION DISCOUNT (TO VALUE UPON COMPLETION)
Clearwater Hall

Retail Space to Lease to 95% Stabilized Occupancy:	12,148 SF	Discount Rate (Safe Rate)	3.0% /Yr
Absorption Rate:	400 /Mo	Commissions	6% x 3 yr lease term
Average Rent/SF/Mo:	$12.00		

End of Year:	0	1	2	3
SF to Lease to Stabilization:	12,148	12,148	7,348	2,548
Less SF Leased During Period:	0	4,800	4,800	2,548
Ending SF to Lease to Stabilization:	12,148	7,348	2,548	(0)
Total SF Vacant	12,148	7,348	2,548	0
Times Avg. Income/SF/Yr		$12.00	$ 12.00	$ 12.00
Total Rental Income Unearned/Yr		($88,172)	($30,572)	$0
Commissions on Leased Space @ 6%		($10,368)	($10,368)	($5,504)
Total Absorption Costs		($98,540)	($40,940)	($5,504)
Present Value of Absorption Costs & Rent Loss, Discounted @	0.25% /mo	=	($100,000)*	

*Calculation excludes discounted value for the first nine months of absorption costs.

As shown in the table above, after deducting leasing commissions (6% x lease rate x 3 years), and rent loss, the indicated absorption cost is $100,000 (Rd). Deducting the base shell discount of $190,000 and the absorption discount of $100,000 from the stabilized value conclusion of $5,200,000, the hypothetical "as is" market value of the leased fee interest in the subject property, as of December 6, 2007, is:

FOUR MILLION NINE HUNDRED TEN THOUSAND DOLLARS
($4,910,000)

ANALYSIS WITH MANAGEMENT AGREEMENT

The previous analysis led to a hypothetical market value of the leased fee interest in the subject as though the current management contract with Lewis-Clark State College (LCSC) were not in effect. Key excerpts of this management contract are included in the addenda of this report.

As the subject is a student-oriented housing facility, it would still rely on student demand from LCSC even if the management agreement were not in place. However, the management agreement does defray some of the operating expenses incurred by the subject. Therefore, the Income Approach will be readdressed to make the appropriate adjustments to the expenses that are affected by the management agreement. Since the Cost and Sales Comparison Approaches are not affected by the management agreement, these approaches have not been revisited.

INCOME APPROACH

Under the management agreement, the management is responsible for janitorial, trash removal, maintenance of landscaping. Therefore, the following expense items that were included in the previous analysis, will be excluded:

1) Trash Removal,
2) Redecorating/Cleaning, and
3) Landscaping/Grounds.

Additionally, under the management agreement, the owner is responsible for all structural and mechanical elements of the facility. Therefore, general maintenance costs will be absorbed by the management. In the prior analysis, this expense item was estimated at $0.55/SF. Since structural and mechanical costs are not separately broken out in the Urban Land Institute's survey of multifamily housing (a national survey commonly referenced as source material for operating costs of apartments), we have relied on BOMA International's Experience Exchange Report for income and expense data, a nationally recognized income and expense data source for commercial real estate. According to the BOMA report, HVAC, electrical, structural, plumbing, and general exterior maintenance are estimated at $0.23/SF. Therefore, the subject's maintenance and repairs is estimated at $0.23/SF.

Additionally, taking into account the subject's average occupancy rate near 60% (inclusive of the summer occupancy rate), while considering the increasing student housing occupancy rates projected in the Income Approach section of this report, a vacancy rate of 25% is used in this analysis. Since the management agreement doesn't allow for a management fee, unless occupancy rates equal or exceed 85%, it is unlikely that a management fee will be charged. As a result, an expense for management is excluded in this analysis.

After the preceding changes have been applied to the subject's expenses, the resulting net operating income (NOI) is $226,753/yr. Applying the previously concluded overall rate of 7.75% for the subject's living units to the net operating income of $226,753/yr, an indicated value of $2,925,845 results. When this value is added to the previously concluded value of $1,923,876 for the subject's retail space, as concluded in the prior

Income Approach, this leads to an indicated value of **$4,850,000** (rd). This analysis is summarized on the following table.

INCOME APPROACH SUMMARY - *WITH MANAGEMENT AGREEMENT*
Clearwater Hall
Dec-07

Rental Income											
Living Units						Retail Space					TOTAL
No.	Type (BR/BA)	Bdrms	Rent/BR/Mo	Subt/Rent/Mo	Annual	SF GLA	Rent/SF/Yr		Annual		Annual
3	1/1	3	$365	$ 1,095	$ 13,140	12,787	$12.00		$ 153,444		
1	2/1	2	$365	$ 730	$ 8,760						
4	3/1	12	$365	$ 4,380	$ 52,560						
19	4/1	76	$365	$ 27,740	$ 332,880						
1	4/2	4	$365	$ 1,460	$ 17,520						
4	5/2	20	$365	$ 7,300	$ 87,600						
32		117		$42,705							
Potential Rental Income					$ 512,460				$ 153,444		$ 665,904
Miscellaneous Income											
Laundry Income:					$ 3,132						
Misc./Ret. Deposits:		3.0%	of Rental Revenue		$ 15,374						
Potential Gross Income					$ 530,966				$ 153,444		$ 684,410
Less Vacancy & Credit Loss @				25.0%	$ (132,742)			5.0%	$ (7,672)		$ (140,414)
Effective Gross Income					$ 398,224				$ 145,772		$ 543,996

Less Expenses	$/SF	$/BR	% of EGI	Total	Less Expenses	$/SF	% of EGI	Total
Real Estate Taxes	$ 2.18	$ 499	14.7%	$ 58,400	Asset Mgmt Fee	$0.34	3.0%	$4,373
Personal Property Taxes	$ 0.17	$ 38	1.1%	$ 4,500	Structural/Reserves	$0.15	1.3%	$1,918
Insurance	$ 0.63	$ 145	4.3%	$ 17,020		$0.49	4.3%	$6,291
Energy (Gas & Elec)	$ 1.00	$ 229	6.7%	$ 26,805				
Utilities (Water/Sewer)	$ 0.50	$ 115	3.4%	$ 13,403				
Trash Removal	$ -	$ -	0.0%	$ -				
Maintenance & Repairs	$ 0.23	$ 53	1.5%	$ 6,165				
Elevator	$ 0.07	$ 16	0.5%	$ 1,900				
Redecorating/Cleaning	$ 0.15	$ -	0.0%	$ -				
Landscaping/Grounds	$ 0.05	$ -	0.0%	$ -				
Professional Management	$ -	$ -	6.0%	$ -				
Marketing	$ 0.02	$ 5	0.1%	$ 536				
Office/Administrative	$ 0.05	$ 11	0.3%	$ 1,340				
Legal/Audit/Professional	$ 0.05	$ 11	0.3%	$ 1,340				
Telephone/Internet	$ 0.39	$ 90	2.7%	$ 10,580				
Miscellaneous	$ 0.03	$ 7	0.2%	$ 804				
Replacement Reserves	$ 1.07	$ 245	7.2%	$ 28,678				
	$ 6.60	$ 1,466	49.1%	$ 171,471				

Total Operating Expenses				$ (171,471)			$ (6,291)	$ (177,762)
Net Operating Income				$ 226,753			$ 139,481	$ 366,234
Capitalized @				7.75%	Capitalized @		7.25%	7.55%
Indicated Stabilized Value				$ 2,925,845	Indicated Stabilized Value		$ 1,923,876	$ 4,849,721
Total Value Via The Income Approach (Rd)								$ 4,850,000

Overall, most reliance has been placed on the results of the Income Approach, with secondary consideration to the Sales Comparison Approach.

Based on the preceding analysis and subject to the assumptions and limiting conditions contained within this report, we are of the opinion that the stabilized market value of the leased fee interest in the subject property with the management agreement in effect, as of October 6, 2009, the date of stabilization, will be:

FOUR MILLION EIGHT HUNDRED THOUSAND DOLLARS
($4,800,000)

VALUE AS IS – WITH MANAGEMENT AGREEMENT

As with the prior analysis that valued the subject without the management agreement, to arrive at an "as is" value, the vanilla shell and absorption discounts must be deducted from the stabilized value. This is applied as follows:

Leased Fee Value W/Management Agreement	$4,800,000
Less Vanilla Shell Discount	$190,000
Less Absorption Discount	- $100,000
Indicated Value	**$4,510,000**

YEAR 2007

		SF	Rent Per Bed	Annual Rent Per SF	Annual	Monthly	September-07	October-07	November-07	December-07	January-08	February-08	March-08	April-08	May-08	June-08	July-08	August-08	Total '07-'08
Revenues:																			
INCOME			escalator	0%															
Retail Level		13,336			$ 66,680.00	$ 5,556.67	$ -	$ -	$ -	$ -	$ -	$ 5,000.00	$ 5,000.00	$ 11,336.00	$ 11,336.00	$ 11,336.00	$ 11,336.00	$ 11,336.00	$ 66,680.00
Student Housing	91	32,664	365	$ 12.20	$ 398,580.00	$ 33,215.00	32,425.00	33,149.00	33,149.00	33,149.00	33,149.00	33,149.00	33,149.00	33,149.00	33,149.00	8,000.00	8,000.00	12,000.00	$ 325,617.00
Total SF		46,000																	
	Gross Income				$ 465,260.00	$ 38,771.67	32,425.00	33,149.00	33,149.00	33,149.00	33,149.00	38,149.00	38,149.00	44,485.00	44,485.00	19,336.00	19,336.00	23,336.00	392,297.00
	Vacancy	0.0%					-	-	-	-	-	-	-	-	-	-	-	-	$ -
GROSS INCOME							$ 32,425.00	$ 33,149.00	$ 33,149.00	$ 33,149.00	$ 33,149.00	$ 38,149.00	$ 38,149.00	$ 44,485.00	$ 44,485.00	$ 19,336.00	$ 19,336.00	$ 23,336.00	$ 392,297.00
EXPENSE			escalator	0%															
	Real Estate Taxes			$ 0.0133	$ 61,336.00	$ 5,111.33	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 6,667.00	$ 6,667.00	$ 6,667.00	$ 6,667.00	$ 6,667.00	$ 6,667.00	$ 6,667.00	$ 6,667.00	$ 61,336.00
	Personal Property Taxes			$ 0.0010	$ 4,500.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 375.00	$ 4,500.00
	Insurance			$ 0.3700	17,020.00	1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 1,418.33	$ 17,020.00
	Repairs and Maintenance			$ 0.0300	1,380.00	115.00	$ 115.00	$ 115.00	$ 115.00	$ 115.00	$ 115.00	$ 115.00	$ 115.00	$ 115.00	$ 115.00	$ 115.00	$ 115.00	$ 115.00	$ 1,380.00
	Elevator (1)			$ 0.0750	3,450.00	287.50	$ 287.50	$ 287.50	$ 287.50	$ 287.50	$ 287.50	$ 287.50	$ 287.50	$ 287.50	$ 287.50	$ 287.50	$ 287.50	$ 287.50	$ 3,450.00
	Janitorial (Reimbursed by LCSC)			$ 1.0000	-	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Marketing			$ 0.0250	1,150.00	95.83	$ 95.83	$ 95.83	$ 95.83	$ 95.83	$ 95.83	$ 95.83	$ 95.83	$ 95.83	$ 95.83	$ 95.83	$ 95.83	$ 95.83	$ 1,150.00
	Energy			$ 0.6000	27,600.00	2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 2,300.00	$ 27,600.00
	Water, Sewer, Garbage			$ 0.3000	13,800.00	1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 1,150.00	$ 13,800.00
	Cable TV (Reimbursed by LCSC)			$ 0.0600	-	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Telephone/Internet			$ 0.2300	10,580.00	881.67	$ 881.67	$ 881.67	$ 881.67	$ 881.67	$ 881.67	$ 881.67	$ 881.67	$ 881.67	$ 881.67	$ 881.67	$ 881.67	$ 881.67	$ 10,580.00
Total Expenses				$ 3.06	$ 140,816.00	11,734.67	$ 8,623	$ 8,623	$ 8,623	$ 8,623	$ 13,290	$ 13,290	$ 13,290	$ 13,290	$ 13,290	$ 13,290	$ 13,290	$ 13,290	$ 140,816
Reimbursible Expenses				$ -	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Clearwater Hall Suites
Nov-07
88 Rooms Occupied

Suite#	B	C	D	E	F
204-4	$365	$335	$365	$365	N/A
205-5	$365	$365	$365	$365	$365
206-5	$365	$365	$365	$365	$365
207-4	$365	$365	$365	$395	N/A
210-RA	$365	N/A	N/A	N/A	N/A
211-4	N/A	N/A	N/A	N/A	N/A
212-RD	RD/DNC	N/A	N/A	N/A	N/A
213-4	$365	$365	$365	$365	N/A
215-4	$365	$365	$365	$335	N/A
216-4	$365	$365	$365	$365	N/A
217-4	$365	$365	$365	$365	N/A
218-4	$365	$365	$365	$365	N/A
303-5	$365	$365	$365	$365	$365
304-5	$365	$335	$365	$365	$365
305-4	$365	$365	$365	$395	N/A
306-4	$365	$365	$365	$365	N/A
310-RA	$365	N/A	N/A	N/A	N/A
311-4	$365	$365	$365	$365	N/A
312-3	$365	$365	$365	N/A	N/A
313-4	$365	$365	$365	$365	N/A
315-4	$365	$365	$365	$335	N/A
316-3	$365	$365	$365	N/A	N/A
317-4	$365	$365	$365	$365	N/A
318-4	$365	$365	$365	$365	N/A
410-RA	$365	N/A	N/A	N/A	N/A
411-4	$365	$365	$365	$365	N/A
412-3	$365	$365	$365	N/A	N/A
413-4	$365	$365	$365	$365	N/A
415-4	$365	$365	$365	$335	N/A
416-3	$365	$365	$365	N/A	N/A
417-4	$365	$365	$365	$365	N/A
418-4	$365	$365	$365	$365	N/A

FY08 payments to owners:
$335 = Small or Double
$365 = Standard room
$395 = Large single

GO BACK

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key: dc/default

KEY ORDER SUMMARY

Service Order For: *APPRAISAL*

General

Project Name: LEWIS CLARK STATE COLLEGE HOUSING
KRETS File #: KEYW-051223-4961-1

Due Date: **15-Feb-2006 00:00:00**
Fee Amt : **$6,500.00**

Client: **KeyBank National Association**
Intended User(s): **KeyBank National Association**
Intended Use(s):**Support for Financing Decisions**

Level of Market Analysis: **LEVEL B**
Interest Appraised: **FEE SIMPLE**
Appraisal Report Format: **SELF-CONTAINED**
Appraisal Process: **COMPLETE**

Number of Copies: **5**

You are bound by the KRETS Master Agreement for Appraisal and Consulting Services, the General Appraisal Requirements, and the following supplemental requirements:
No Supplemental Instructions

Service Comments: **Complete appraisal, self-contained report of the following valuation scenarios: **** 1. as is market value as of your inspection date. See "Property Comments" below for description of the "as is" condition of the subject. **** 2. Prospective VALUE IN USE at completion of construction and stabilization of occupancy of 117 bed (30 pods) student housing project with 13,336 SF of ground floor retail. **** 3. Prospective VALUE IN USE at completion noting deductions (if any) for stabilization of occupancy. **** The appraisal must be supported by a Level B+ market analysis addressing the existing and proposed supply and demand of competing student housing units and the likely absorption projection for the living units and retail space. **** Identify the likely buyer/user profile of the property and the depth of that market segment.**

Other Comments:

Values To Be Included In Appraisal Report

"As Is" Market Value
Prospective Market Value Upon Completion of Construction
Prospective Market Value Upon Stabilization of Occupancy

Property

- **LEWIS CLARK ST COLLEGE HOUSING**

500 8TH AVE, LEWISTON, NEZ PERCE County, ID 83501 USA

Property Type: **Multifamily-Student Oriented Housing**
Built In: **2006**
Number of Buildings: **2**
Building Size: **44,736SF**
Number of Stories: **4**
Number of Units: **117**
Number of Tenants: **0**
*Current Occupancy:***N/A %**
*Occupant Type:***Non Owner**
Construction Type: **N/A**
Site Size: **15,500** SF

Property Comments: **The subject is currently one existing 3-story historic building with 10 pods (40 beds) and 6,336 SF of ground level retail on 5,500 SF site on the Lewis and Clark State College campus. The other portion of the subject is currently a vacant 10,000 SF site. The subject at completion of construction will have a total of 117 beds in 30 pod units with 13,336 SF of ground floor retail on a total of 15,500 SF site. The rehab budget for the historic building is $1.7 million plus $3.2 million construction**

budget for the new building. The project is expected to have occupancy in September 2006 with proforma rents of $375/bed/month and retail rents of $1.17/SF/month.

Additional Information Available

- **Budget**
- **Management Contracts**
- **Plans, Specifications and Construction Cost**
- **Proforma Income and Expense Statements**

Documents Provided By: **Thuy Nguyen has the information noted in the order. Please request any other needed information from Thuy and/or the property contact noted in the order.**

Loan Information

- Purpose of Transaction: **Construction Loan**
- **No Syndication**

Comments: The purpose of the appraisal is to provide information to be used in underwriting a rehab loan on the historic building and a construction loan on the new building.

KeyBank Contact - Address Reports To:

CHRISTINE FISHER, MAI
VICE PRESIDENT
KEYBANK NATIONAL ASSOCIATION
1211 SW 5TH AVE #400 / OR-20-21-0481
PORTLAND, OR 97204-
Phone: 503-790-7689
Fax: 503-790-7688

E-Mail: CHRISTINE_A_FISHER@KEYBANK.COM

Contact Information

1. PROPERTY CONTACT:
   BREWSTER, ROBERT
   CONOVER BOND
   206-390-0105
   email: BREWSTER@CONOVERBOND.COM
2. BORROWING ENTITY:
   COLLEGE TOWN DEVELOPMENT IDAHO

3. BORROWER CONTACT:
   BREWSTER, ROBERT
   CONOVER BOND
   206-390-0105
   email: BREWSTER@CONOVERBOND.COM

Vendor

JEFFREY LEMBECK
111 W North River Drive, Ste. 203
Spokane, WA, 99201
Phone: 509-326-4130
Fax: 509-326-4148

E-Mail: jeff@lembeckappraisal.com

Ordered For

MARGUERITE MOYET
425-709-4215
MARGUERITE_J_MOYET@KEYBANK.COM
601 108TH AVE NE, 2ND FLOOR
WA-31-10-0283

Ordered By

THUY NGUYEN
425-709-4234
THUY_NGUYEN@KEYBANK.COM
601 108TH AVE NE
WA-31-18-0283

BELLEVUE, WA98004-	BELLEVUE, WA98004-

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Clearwater Hall-10year financial pro forma

27 year debt amortization-80% Occupancy Assumption

As of 3/28/08

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Revenue													
	Student Room Revenue	$ 394,050	$ 405,872	$ 418,048	$ 430,589	$ 443,507	$ 456,812	$ 470,516	$ 484,632	$ 499,171	$ 514,146	$ 529,570	$ 545,457
	Retail Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Deposits Retained	$ 5,000	$ 5,150	$ 5,305	$ 5,464	$ 5,628	$ 5,796	$ 5,970	$ 6,149	$ 6,334	$ 6,524	$ 6,720	$ 6,921
	Laundry	$ 2,250	$ 2,318	$ 2,387	$ 2,459	$ 2,532	$ 2,608	$ 2,687	$ 2,767	$ 2,850	$ 2,936	$ 3,024	$ 3,115
	Vending Commissions	$ 650	$ 670	$ 690	$ 710	$ 732	$ 754	$ 776	$ 799	$ 823	$ 848	$ 874	$ 900
	Total Revenue	$ 401,950	$ 414,009	$ 426,429	$ 439,222	$ 452,398	$ 465,970	$ 479,949	$ 494,348	$ 509,178	$ 524,454	$ 540,187	$ 556,393
Expenditures													
	Debt Service	$ 253,000	$ 253,000	$ 253,000	$ 253,000	$ 253,000	$ 253,000	$ 253,000	$ 253,000	$ 253,000	$ 253,000	$ 253,000	$ 253,000
	Salaries	$ 47,486	$ 48,911	$ 50,378	$ 51,889	$ 53,446	$ 55,049	$ 56,701	$ 58,402	$ 60,154	$ 61,958	$ 63,817	$ 65,732
	Irregular Help	$ 5,000	$ 5,150	$ 5,305	$ 5,464	$ 5,628	$ 5,796	$ 5,970	$ 6,149	$ 6,334	$ 6,524	$ 6,720	$ 6,921
0.19	Fringe Benefits	$ 25,229	$ 25,986	$ 26,765	$ 27,568	$ 28,395	$ 29,247	$ 30,125	$ 31,028	$ 31,959	$ 32,918	$ 33,906	$ 34,923
	Power & Gas	$ 21,000	$ 21,630	$ 22,279	$ 22,947	$ 23,636	$ 24,345	$ 25,075	$ 25,827	$ 26,602	$ 27,400	$ 28,222	$ 29,069
	Water & Sewer	$ 9,500	$ 9,785	$ 10,079	$ 10,381	$ 10,692	$ 11,013	$ 11,343	$ 11,684	$ 12,034	$ 12,395	$ 12,767	$ 13,150
	Cable TV	$ 11,162	$ 11,497	$ 11,842	$ 12,197	$ 12,563	$ 12,940	$ 13,328	$ 13,728	$ 14,140	$ 14,564	$ 15,001	$ 15,451
	Custodial Supplies	$ 5,000	$ 5,150	$ 5,305	$ 5,464	$ 5,628	$ 5,796	$ 5,970	$ 6,149	$ 6,334	$ 6,524	$ 6,720	$ 6,921
	Trash	$ 7,695	$ 7,926	$ 8,164	$ 8,409	$ 8,661	$ 8,921	$ 9,188	$ 9,464	$ 9,748	$ 10,040	$ 10,341	$ 10,652
	Telephone/internet	$ 29,000	$ 29,870	$ 30,766	$ 31,689	$ 32,640	$ 33,619	$ 34,628	$ 35,666	$ 36,736	$ 37,838	$ 38,974	$ 40,143
	Supplies	$ 4,000	$ 4,120	$ 4,244	$ 4,371	$ 4,502	$ 4,637	$ 4,776	$ 4,919	$ 5,067	$ 5,219	$ 5,376	$ 5,537
	Elevator	$ 1,900	$ 1,957	$ 2,016	$ 2,076	$ 2,138	$ 2,203	$ 2,269	$ 2,337	$ 2,407	$ 2,479	$ 2,553	$ 2,630
	R & M	$ 3,000	$ 3,090	$ 3,183	$ 3,278	$ 3,377	$ 3,478	$ 3,582	$ 3,690	$ 3,800	$ 3,914	$ 4,032	$ 4,153
	R & M - Contingency	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255	$ 11,593	$ 11,941	$ 12,299	$ 12,668	$ 13,048	$ 13,439	$ 13,842
	Security	$ 200	$ 206	$ 212	$ 219	$ 225	$ 232	$ 239	$ 246	$ 253	$ 261	$ 269	$ 277
	Miscellaneous	$ 1,000	$ 1,030	$ 1,061	$ 1,093	$ 1,126	$ 1,159	$ 1,194	$ 1,230	$ 1,267	$ 1,305	$ 1,344	$ 1,384
	Total Expenditures	$ 434,172	$ 439,607	$ 445,205	$ 450,972	$ 456,911	$ 463,028	$ 469,329	$ 475,819	$ 482,503	$ 489,388	$ 496,480	$ 503,784
	Projected Annual Cash Flow	$ (32,222)	$ (25,599)	$ (18,777)	$ (11,750)	$ (4,512)	$ 2,942	$ 10,620	$ 18,529	$ 26,675	$ 35,065	$ 43,707	$ 52,608
	Accum.Fund Bal. (deficit)	$ (32,222)	$ (57,821)	$ (76,597)	$ (88,347)	$ (92,860)	$ (89,917)	$ (79,297)	$ (60,768)	$ (34,093)	$ 972	$ 44,680	$ 97,288

Assumptions:

3% increase fees and expenses except debt service.

Purchase price-	**3,700,000**
Loan costs	**44,252**
Total Borrowing	**$ 3,744,252**

Interest Rate- Estimate	**4.90%**
Annual debt service	**253,000**
Amortization Period	**27 years with 15 year balloon**

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LEWIS-CLARK STATE COLLEGE

SUBJECT

Approval to purchase the last of three strategically-situated properties along the western edge of campus to increase parking

REFERENCE

June 2008	Board authorized LCSC to negotiate with owners to secure three properties on 4th Street, Lewiston ID, and to invoke eminent domain, if necessary to acquire one of the properties (that property subsequently was purchased without use of condemnation)
August 2008	Board approved LCSC's proposed offers to purchase the three properties. [Two of the three offers were accepted and LCSC has acquired both properties.]

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Sections V.I.1. through V.I.2. ("Acquisition of Real Property")

BACKGROUND/DISCUSSION

LCSC engaged in discussions with three property owners along the College's western border on 4th Street in Lewiston's Normal Hill area to acquire space for parking expansion. Acquisition of these three properties—the only remaining properties not owned by LCSC on 4th Street, between 11th Ave and 7th Ave—was needed in order to complete the second phase of LCSC's 4th Ave parking project to redress acute parking shortages. Two of the properties are homes; the third property (a parking lot) was being leased from the owners.

Attachment 1 provides an overhead view of the properties in question. The properties highlighted in red were already owned by the College and those shaded in blue (indicated by the three red arrows on the map) were privately owned at the time of LCSC's original request to the Board. The properties labeled #3 (1014 4th St) and #6 (1024 4th St) are single dwellings. The northernmost property labeled #38A was a privately-owned parking lot. LCSC closed on property #38A on August 29, 2008 and on #6 on September 30, 2008.

The owner of the third property (#3—1014 4th St) did not accept LCSC's first offer and countered with a request well above the Board-authorized offer. LCSC seeks the Board's approval of a final offer for the property of $141,000 and authorization to proceed with eminent domain, if deemed necessary by the President.

The area (already owned by the College) immediately north of the leased parking lot is now being used as a staging area during the construction of the new Nursing/Health Sciences building, and it will be paved as a permanent parking lot upon completion of the building, using existing funds within the overall Design-Build project. Phase I of the 4th Street parking project—encompassing the two central blocks along 4th Street (between 10th Ave and 8th Ave) is complete. Phase II of the 4th Street parking project (FY2009 Permanent Building Fund project) will add the two remaining blocks for expanded parking (between 11th Ave and 7th Ave). Construction for Phase II is currently planned for Spring 2009.

IMPACT

Current funds from DPW PBF Project #09-150, are sufficient to purchase this remaining property and move forward on construction for the 4th Street Phase II project. Acquisition of the private property at 1014 4th Street is necessary in order to complete this essential project for LCSC.

ATTACHMENTS

Attachment 1 – Overhead chart of properties Page 3
Attachment 2 – Appraisal for 1014 4th Street property Page 5
Attachment 3 – Draft Board resolution/order of condemnation Page 25

STAFF COMMENTS AND RECOMMENDATIONS

The $141,000 would include $137,500 (10% above the appraised value of the property) plus $3,500 for dislocation. However, this increased cost would be cost beneficial compared to the expenses associated with a property condemnation through eminent domain.

Staff recommends approval.

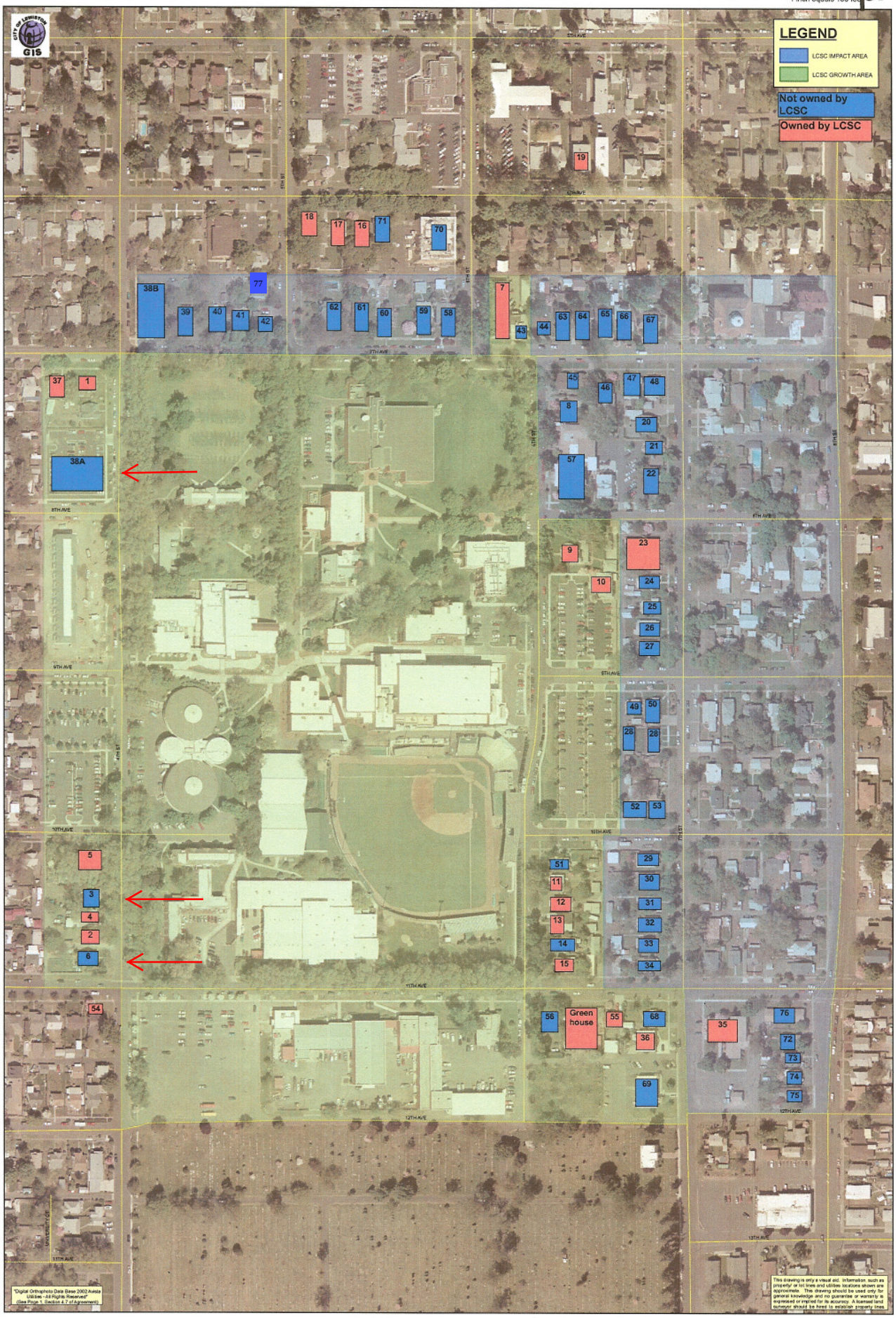
BOARD ACTION

A motion to approve the request by Lewis-Clark State College to purchase the property at 1014 4th St., Lewiston, Idaho, for $141,000; and to authorize LCSC to acquire fee title to the property by condemnation under the provisions of Idaho Code, should the President of LCSC determine that such action is necessary.

Moved by _____ Seconded by _____ Carried Yes ___ No___

CITY OF LEWISTON
PUBLIC WORKS DEPARTMENT

1 inch equals 100 feet



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INVOICE

FROM:
Wayne T. Agee
Western Appraisal
1014 Main St.
Lewiston, ID 83501

Telephone Number: (208) 746-9891 **Fax Number:** (208) 746-9895

INVOICE NUMBER
RL5588

DATE
Fielded 06/20/2008

TO:
Lewis-Clark State College
500 8th Ave.
Lewiston, ID 83501

Telephone Number: 792-2240 **Fax Number:**
Alternate Number: **E-Mail:** lkloewen@lcsc.edu

REFERENCE

Internal Order #: RL5588
Lender Case #:
Client File #:
Main File # on form: RL5588
Other File # on form: RL5588
Federal Tax ID:
Employer ID:

DESCRIPTION

Lender: Lewis-Clark State College **Client:** Lewis-Clark State College
Purchaser/Borrower: N/A
Property Address: 1014 4th St
City: Lewiston
County: Nez Perce **State:** ID **Zip:** 83501-2728
Legal Description: Lewiston: Rand Tract Subdivision, Lot 10, Block 11

FEES	AMOUNT
1004 URAR	400.00
SUBTOTAL	400.00

PAYMENTS			AMOUNT
Check #:	**Date:**	**Description:**	
Check #:	**Date:**	**Description:**	
Check #:	**Date:**	**Description:**	
		SUBTOTAL	
		TOTAL DUE	$ 400.00

Western Appraisal (208)746-9891

Uniform Residential Appraisal Report

RL5588
File # RL5588

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

SUBJECT

Property Address 1014 4th St | City Lewiston | State ID | Zip Code 83501-2728
Borrower N/A | Owner of Public Record Toby L. Martin | County Nez Perce
Legal Description Lewiston: Rand Tract Subdivision, Lot 10, Block 11
Assessor's Parcel # RPL12300110100A | Tax Year 2007 | R.E. Taxes $ 732.92
Neighborhood Name Lewiston | Map Reference 35-A | Census Tract 9904.00
Occupant ☒ Owner ☐ Tenant ☐ Vacant | Special Assessments $ N/A | ☐ PUD HOA $ N/A ☐ per year ☐ per month
Property Rights Appraised ☒ Fee Simple ☐ Leasehold ☐ Other (describe)
Assignment Type ☐ Purchase Transaction ☐ Refinance Transaction ☒ Other (describe) Estimate of Current Market Value for Possible Purchase
Lender/Client Lewis-Clark State College | Address 500 8th Ave., Lewiston, ID 83501
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? ☐ Yes ☒ No
Report data source(s) used, offering price(s), and date(s). MLS, Discussion with Owner

CONTRACT

I ☐ did ☐ did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed. N/A

Contract Price $ N/A | Date of Contract N/A | Is the property seller the owner of public record? ☐ Yes ☐ No Data Source(s)
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? ☐ Yes ☐ No
If Yes, report the total dollar amount and describe the items to be paid.

NEIGHBORHOOD

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics			One-Unit Housing Trends				One-Unit Housing			Present Land Use %	
Location	☒ Urban	☐ Suburban	☐ Rural	Property Values	☐ Increasing	☒ Stable	☐ Declining	PRICE	AGE	One-Unit	75 %
Built-Up	☒ Over 75%	☐ 25-75%	☐ Under 25%	Demand/Supply	☐ Shortage	☒ In Balance	☐ Over Supply	$ (000)	(yrs)	2-4 Unit	7 %
Growth	☐ Rapid	☒ Stable	☐ Slow	Marketing Time	☐ Under 3 mths	☒ 3-6 mths	☐ Over 6 mths	50 Low	0	Multi-Family	5 %
								650 High	120	Commercial	10 %
								135 Pred.	50	Other	3 %

Neighborhood Boundaries The subject neighborhood is bounded by the Clearwater River to the North, Snake River to the West, 17th St. to the East and 18th Ave. to the South.

Neighborhood Description The subject is located in a primarily single family residential neighborhood with commercial properties located on the arterial streets. Employment, schools and retail shopping are a short commute from the subject property. Single family residential properties in the neighborhood vary in size, style, age and value. Sites vary in size from 3,500 sq. ft. to 12,000 sq. ft.

Market Conditions (including support for the above conclusions) Sales have slowed over the past year after two years of appreciation in the market. Current market times average less than 111 days and sale prices are currently about 99% of list. Few concessions are necessary for sales, however, some sellers are offering to assist with closing costs. New construction continues at a decreased rate.

SITE

Dimensions 50' x 142' | Area 7,100 Sq.Ft. | Shape Rectangular | View Average
Specific Zoning Classification R3 | Zoning Description R3, Medium Density Residential (7,500 sq. ft. minimum)
Zoning Compliance ☐ Legal ☒ Legal Nonconforming (Grandfathered Use) ☐ No Zoning ☐ Illegal (describe)
Is the highest and best use of subject property as improved (or as proposed per plans and specifications) the present use? ☒ Yes ☐ No If No, describe

Utilities	Public	Other (describe)		Public	Other (describe)	Off-site Improvements - Type	Public	Private
Electricity	☒	☐	Water	☒	☐	Street Asphalt	☒	☐
Gas	☒	☐	Sanitary Sewer	☒	☐	Alley Asphalt	☒	☐

FEMA Special Flood Hazard Area ☐ Yes ☒ No | FEMA Flood Zone C | FEMA Map # 1601040003B | FEMA Map Date 1/20/1982
Are the utilities and off-site improvements typical for the market area? ☒ Yes ☐ No If No, describe
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? ☐ Yes ☒ No If Yes, describe

IMPROVEMENTS

General Description		Foundation		Exterior Description	materials/condition	Interior	materials/condition
Units ☒ One ☐ One with Accessory Unit		☐ Concrete Slab	☐ Crawl Space	Foundation Walls	Concrete/Av	Floors	Wd,Crp,Wdlm,V/A+
# of Stories	1 Story	☒ Full Basement	☐ Partial Basement	Exterior Walls	Hardboard/Av+	Walls	Drywall,Plaster/Av
Type ☒ Det. ☐ Att. ☐ S-Det./End Unit		Basement Area	672 sq.ft.	Roof Surface	Comp. Shingle/Av	Trim/Finish	Wood,Paint/G
☒ Existing ☐ Proposed ☐ Under Const.		Basement Finish	49 %	Gutters & Downspouts	Metal/G	Bath Floor	Vinyl/Av+
Design (Style)	1 Story/Bsmt	☒ Outside Entry/Exit	☐ Sump Pump	Window Type	Wood/Av	Bath Wainscot	Vinyl/Av
Year Built	1945	Evidence of ☐ Infestation		Storm Sash/Insulated	Wood/Insulated/Av+	Car Storage	☐ None
Effective Age (Yrs)	7-10	☐ Dampness	☐ Settlement	Screens	Partial/Av	☒ Driveway	# of Cars 2
Attic	☐ None	Heating ☒ FWA	☐ HWBB ☐ Radiant	Amenities	☐ Woodstove(s) #	Driveway Surface	Gravel
☐ Drop Stair	☐ Stairs	☐ Other	Fuel Gas	☐ Fireplace(s) #	☒ Fence	☐ Garage	# of Cars
☐ Floor	☒ Scuttle	Cooling ☐ Central Air Conditioning		☐ Patio/Deck	☒ Porch	☐ Carport	# of Cars
☐ Finished	☐ Heated	☒ Individual Wdw	☐ Other	☐ Pool	☐ Other	☐ Att.	☐ Det. ☐ Built-in

Appliances ☐ Refrigerator ☐ Range/Oven ☒ Dishwasher ☒ Disposal ☐ Microwave ☐ Washer/Dryer ☐ Other (describe)
Finished area **above** grade contains: 4 Rooms 2 Bedrooms 1 Bath(s) 704 Square Feet of Gross Living Area Above Grade
Additional features (special energy efficient items, etc.). Energy efficiency is typical of a residence of this style, quality and condition in the market area.

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). Upon observation the appraiser found the subject residence to be in above average overall condition for it's effective age. The subject residence has received several recent updates including new interior and exterior paint, metal gutters and downspouts, trim, electrical wiring, insulation, floor coverings and a newly finished basement area including a family room and den. No repairs, alterations or inspections are required as conditions to this appraisal report.

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? ☐ Yes ☒ No If Yes, describe

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? ☒ Yes ☐ No If No, describe

Form 1004 — "WinTOTAL" appraisal software by a la mode, inc. — 1-800-ALAMODE

Uniform Residential Appraisal Report

RL5588
File # RL5588

There are 12 comparable properties currently offered for sale in the subject neighborhood ranging in price from $ 115,000 to $ 150,000 .

There are 14 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ 115,000 to $ 150,000 .

SALES COMPARISON APPROACH

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address	1014 4th St Lewiston, ID 83501-2728	816 7th Ave. Lewiston, ID 83501		1210 10th St Lewiston, ID 83501-2918		1216 14th St. Lewiston, ID 83501	
Proximity to Subject		0.44 miles NE		0.46 miles E		0.78 miles E	
Sale Price	$ N/A		$ 149,000		$ 139,500		$ 119,000
Sale Price/Gross Liv. Area	$ sq.ft.	$ 172.85 sq.ft.		$ 120.99 sq.ft.		$ 158.67 sq.ft.	
Data Source(s)		County Records, MLS		County Records, MLS, Files		County Records, MLS	
Verification Source(s)		County Records, MLS		County Records, MLS, Files		County Records, MLS	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sales or Financing Concessions		FHA Seller Pd.Costs	-4,335	Conventional None		FHA No Concession	
Date of Sale/Time		04/15/08 - 63		04/30/08 - 43		01/10/08 - 65	
Location	Lewiston	Lewiston		Lewiston		Lewiston	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Site	7,100 Sq.Ft.	9,360 sq. ft.	-4,500	4,800 Sq.Ft.	+7,500	3,600 sq. ft.	+10,000
View	Average	Average		Average		Average	
Design (Style)	1 Story/Bsmt	1 Story/Bsmt		1 Story/Bsmt		1 Story/Bsmt	
Quality of Construction	Average	Average		Average		Average	
Actual Age	A 63, E 7-10	A 90, E 10-12		A 83, E 10-12		A 83, E 7-10	
Condition	Average+	Average+		Average+		Average+	
Above Grade Room Count (Total / Bdrms. / Baths)	4 / 2 / 1	4 / 2 / 1		5 / 2 / 1		4 / 2 / 1	
Gross Living Area	704 sq.ft.	862 sq.ft.	-3,950	1,153 sq.ft.	-11,250	750 sq.ft.	-1,150
Basement & Finished	672 Sq.Ft.	862 sq. ft.	-1,350	962 Sq.Ft.	-2,050	750 sq. ft.	-550
Rooms Below Grade	327 Finished	862 Finished	-6,400	962 Finished	-7,600	Unfinished	+3,900
Functional Utility	Average	Average		Average		Average	
Heating/Cooling	GFA/Wall	GFA/CAC	-1,000	GFA/CAC	-1,000	GFA/CAC	-1,000
Energy Efficient Items	Average	Average		Average		Average	
Garage/Carport	O.S.P.	O.S.P.		O.S.P.		1-G Att.	-3,500
Porch/Patio/Deck	Porches	Porch,Patio		Porch,Deck		Porch,Patio	
Aux Heat	None	Fireplace	-1,000	Fireplace	-1,000	None	
Other Amenities	Fence,Shed	Fence,Shed		Fence,Shed		Fence,Shed	
Net Adjustment (Total)		☐ + ☒ -	$ -22,535	☐ + ☒ -	$ -15,400	☒ + ☐ -	$ 7,700
Adjusted Sale Price of Comparables		Net Adj. 15.1 % Gross Adj. 15.1 %	$ 126,465	Net Adj. 11.0 % Gross Adj. 21.8 %	$ 124,100	Net Adj. 6.5 % Gross Adj. 16.9 %	$ 126,700

I ☒ did ☐ did not research the sale or transfer history of the subject property and comparable sales. If not, explain

My research ☐ did ☒ did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.

Data Source(s) County Records, Owner, MLS

My research ☐ did ☒ did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.

Data Source(s) County Records, MLS

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE #1	COMPARABLE SALE #2	COMPARABLE SALE #3
Date of Prior Sale/Transfer	None Found	None Found	None Found	None Found
Price of Prior Sale/Transfer	N/A	N/A	N/A	N/A
Data Source(s)	CountyRec,MLS,Owner	County Records, MLS	County Records, MLS	County Records, MLS
Effective Date of Data Source(s)	06/20/2008	06/23/2008	06/23/2008	06/23/2008

Analysis of prior sale or transfer history of the subject property and comparable sales The subject property has not transferred in the past 3 years. None of the comparable sales have transferred in 1 year prior to the sales dates given. Neither the subject property or any of the comparable sales are currently subject to a sale or listing agreement. Competing listing # 1 is currently subject to a listing agreement.

Summary of Sales Comparison Approach There have been several sales over the past year in the subject market area with some similarity to the subject property. The five comparable sales given are the most recent and similar to the subject in size, age, condition, utility and function. All of the comparable sales required fairly similar adjustment and were therefore given individual consideration in the indicated value by the Sales Comparison Approach. Competing listing # 1 was added in order to bolster the opinion of market value indicated by the comparable sales. Upon adjustment the competing listing indicates a stable market area. FOR FURTHER COMMENTS ON THE ADJUSTMENTS MADE IN THE SALES COMPARISON APPROACH SEE THE COMMENTS SECTION ON PAGE # 3.

Indicated Value by Sales Comparison Approach $ 125,000

RECONCILIATION

Indicated Value by: Sales Comparison Approach $ 125,000 **Cost Approach (if developed) $** 119,874 **Income Approach (if developed) $** N/A

The Sales Comparison Approach is generally the most accurate reflection of what buyers are currently paying in the market area. Therefore, the indicated value by the Sales Comparison Approach was given the most weighting in the in final opinion of value below. The Cost Approach was not given any consideration in the final opinion of value. There is insufficient market data to produce the Income Approach.

This appraisal is made ☒ "as is", ☐ subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, ☐ subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or ☐ subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair:

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is $ 125,000 **, as of** 06/20/2008 **, which is the date of inspection and the effective date of this appraisal.**

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ADDITIONAL COMMENTS

HIGHEST AND BEST USE: The current residential use of the subject property is legal, physically possible, financially feasible and appropriately supported. It is the appraiser's opinion that the "highest and best use" of the subject property is residential.

MARKET DATA: The comparable sales used in the Sales Comparison Approach for the subject property were the most recent in the subject market area with some similarity to the subject property. Following is a general discussion of the adjustments made in the Sales Comparison Approach. Adjustments are based on the appraiser's analysis of recent residential sales in the subject market area.

COMPARABLE 1: The Seller paid some of the Buyer's normal closing costs and prepaids on this transaction. Therefore, an adjustment for favorable financing was necessary. Upon analysis of recent residential site sales in the market area the appraiser determined that an adjustment was necessary for the comparable's larger site. The comparable residence is older, however, it has recently received several updates and shows similar signs of wear and tear associated with age and use as the subject property. Living area was adjusted at $25 per sq. ft. and rounded to the nearest $50. Unfinished basement area was adjusted at $7 per sq. ft. and rounded to the nearest $50. Finished basement area was adjusted at $12 per sq. ft. and rounded to the nearest $50. The comparable residence's cooling system is more functional for year round use. The comparable residence has a secondary heat source which is more functional for year round use.

COMPARABLE 2: All adjustments were made as before.

COMPARABLE 3: Site, living area, basement areas and cooling system were adjusted as before. The comparable property has a garage which provides additional enclosed storage and work space.

COMPARABLE 4: All adjustments were made as before. The comparable property does not have a storage shed, which provides additional enclosed storage and work space.

COMPARABLE 5: Site was adjusted as before. The comparable residence is older and shows more wear and tear associated with age and use. The comparable property has an under ground sprinkler system. All other adjustments were made as before.

COST APPROACH

COST APPROACH TO VALUE (not required by Fannie Mae)

Provide adequate information for the lender/client to replicate the below cost figures and calculations.

Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value) The most recent R3 site sales with similarity to the subject site in location, access, topography and utility for development would have a dollar per square foot range of $2.38 to $4.50. The subject site has and average location, level topography average access and utility as it is an interior lot with alley access. Therefore, the appraiser has determined that the subject site would have a dollar per square foot value of approximately $4.25 or $30,000

ESTIMATED ☐ REPRODUCTION OR ☒ REPLACEMENT COST NEW	OPINION OF SITE VALUE	=$	30,000
Source of cost data Marshall and Swift Cost Handbook	DWELLING 704 Sq.Ft. @ $ 89.11	=$	62,733
Quality rating from cost service Average Effective date of cost data 12/2006	Unfin. Bsmt. 672 Sq.Ft. @ $ 20.93	=$	14,065
Comments on Cost Approach (gross living area calculations, depreciation, etc.)	Finished Basement, Floor Cover	=$	14,082
Site value is based upon the analysis given above. Cost was developed	Garage/Carport Sq.Ft. @ $	=$	
from Marshall & Swift Cost Manual, adjusted by the appraiser's files and	Total Estimate of Cost-New	=$	90,880
with local cost data obtained through discussions with local contractors.	Less Physical / Functional / External		
Physical depreciation is based on the age/life method and adjusted for	Depreciation 10,606	=$(	10,606)
the local market. See attached building sketch for residence dimensions.	Depreciated Cost of Improvements	=$	80,274
	"As-is" Value of Site Improvements	=$	9,600
	Fence, Shed, Water, Sewer		
Estimated Remaining Economic Life (HUD and VA only) 53 Years	**INDICATED VALUE BY COST APPROACH**	**=$**	119,874

INCOME

INCOME APPROACH TO VALUE (not required by Fannie Mae)

Estimated Monthly Market Rent $ N/A X Gross Rent Multiplier N/A = $ N/A Indicated Value by Income Approach

Summary of Income Approach (including support for market rent and GRM)

PUD INFORMATION

PROJECT INFORMATION FOR PUDs (if applicable)

Is the developer/builder in control of the Homeowners' Association (HOA)? ☐ Yes ☐ No Unit type(s) ☐ Detached ☐ Attached

Provide the following information for PUDs ONLY if the developer/builder is in control of the HOA and the subject property is an attached dwelling unit.

Legal Name of Project

Total number of phases Total number of units Total number of units sold

Total number of units rented Total number of units for sale Data source(s)

Was the project created by the conversion of existing building(s) into a PUD? ☐ Yes ☐ No If Yes, date of conversion.

Does the project contain any multi-dwelling units? ☐ Yes ☐ No Data Source

Are the units, common elements, and recreation facilities complete? ☐ Yes ☐ No If No, describe the status of completion.

Are the common elements leased to or by the Homeowners' Association? ☐ Yes ☐ No If Yes, describe the rental terms and options.

Describe common elements and recreational facilities.

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This report form is designed to report an appraisal of a one-unit property or a one-unit property with an accessory unit; including a unit in a planned unit development (PUD). This report form is not designed to report an appraisal of a manufactured home or a unit in a condominium or cooperative project.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended use, intended user, definition of market value, or assumptions and limiting conditions are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Modifications or deletions to the certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

SCOPE OF WORK: The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

INTENDED USE: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

INTENDED USER: The intended user of this appraisal report is the lender/client.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.

2. The appraiser has provided a sketch in this appraisal report to show the approximate dimensions of the improvements. The sketch is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.

3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.

5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing the appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.

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APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.

2. I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.

5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.

6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.

7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.

8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.

9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.

10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.

11. I have knowledge and experience in appraising this type of property in this market area.

12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.

13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.

14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.

15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.

16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.

17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).

19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.

20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.

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21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an "electronic record" containing my ''electronic signature,'' as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.

4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

5. If this appraisal report was transmitted as an ''electronic record'' containing my ''electronic signature,'' as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

APPRAISER

Signature Wayne T. Agee
Name Wayne T. Agee
Company Name Western Appraisals
Company Address 1014 Main St., Lewiston, ID 83501

Telephone Number (208) 746-9891
Email Address wayne@westernapp.com
Date of Signature and Report 06/24/2008
Effective Date of Appraisal 06/20/2008
State Certification #
or State License # LRA-1868
or Other (describe) State #
State ID
Expiration Date of Certification or License 12/30/2008

ADDRESS OF PROPERTY APPRAISED
1014 4th St
Lewiston, ID 83501-2728
APPRAISED VALUE OF SUBJECT PROPERTY $ 125,000
LENDER/CLIENT
Name
Company Name Lewis-Clark State College
Company Address 500 8th Ave., Lewiston, ID 83501

Email Address lkloewen@lcsc.edu

SUPERVISORY APPRAISER (ONLY IF REQUIRED)

Signature
Name
Company Name
Company Address

Telephone Number
Email Address
Date of Signature
State Certification #
or State License #
State
Expiration Date of Certification or License

SUBJECT PROPERTY

☐ Did not inspect subject property
☐ Did inspect exterior of subject property from street
Date of Inspection
☐ Did inspect interior and exterior of subject property
Date of Inspection

COMPARABLE SALES

☐ Did not inspect exterior of comparable sales from street
☐ Did inspect exterior of comparable sales from street
Date of Inspection

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SALES COMPARISON APPROACH

FEATURE	SUBJECT	COMPARABLE SALE #4		COMPARABLE SALE #5		COMPARABLE SALE #6	
Address	1014 4th St Lewiston, ID 83501-2728	206 13th Ave. Lewiston, ID 83501		1008 N St. Lewiston, ID 83501			
Proximity to Subject		0.21 miles SW		0.56 miles SE			
Sale Price	$ N/A		$ 129,500		$ 120,000		$
Sale Price/Gross Liv. Area	$ sq.ft.	$ 166.03 sq.ft.		$ 133.33 sq.ft.		$ sq.ft.	
Data Source(s)		County Records, MLS		County Records, MLS			
Verification Source(s)		County Records, MLS		County Records, MLS			
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sales or Financing Concessions		FHA No Concession		FHA No Concession			
Date of Sale/Time		10/01/07 - 34		02/15/08 - 32			
Location	Lewiston	Lewiston		Lewiston			
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple			
Site	7,100 Sq.Ft.	6,400 sq. ft.	+1,500	3,550 sq. ft.	+10,000		
View	Average	Average		Average			
Design (Style)	1 Story/Bsmt	1 Story/Bsmt		1 Story/Bsmt			
Quality of Construction	Average	Average		Average			
Actual Age	A 63, E 7-10	A 70, E 7-10		A 88, E 15-20	+2,500		
Condition	Average+	Average+		Average	+5,000		
Above Grade Room Count (Total / Bdrms. / Baths)	4 / 2 / 1	4 / 2 / 1		4 / 2 / 1		/ /	
Gross Living Area	704 sq.ft.	780 sq.ft.	-1,900	900 sq.ft.	-5,100	sq.ft.	
Basement & Finished	672 Sq.Ft.	780 sq. ft.	-750	816 sq. ft.	-1,000		
Rooms Below Grade	327 Finished	507 Finished	-2,150	780 Finished	-5,450		
Functional Utility	Average	Average		Average			
Heating/Cooling	GFA/Wall	GFA/CAC	-1,000	GFA/Wall	+1,000		
Energy Efficient Items	Average	Average		Average			
Garage/Carport	O.S.P.	1-G Det.	-3,500	O.S.P.			
Porch/Patio/Deck	Porches	Porch,Patio		Porch,Patio			
Aux Heat	None	None		Fireplace	-1,000		
Other Amenities	Fence,Shed	Fence	+1,000	Fnc,UGSS,Shd	-1,000		
Net Adjustment (Total)		☐ + ☒ -	$ -6,800	☒ + ☐ -	$ 4,950	☐ + ☐ -	$
Adjusted Sale Price of Comparables		Net Adj. 5.3 % Gross Adj. 9.1 %	$ 122,700	Net Adj. 4.1 % Gross Adj. 26.7 %	$ 124,950	Net Adj. % Gross Adj. %	$

SALE HISTORY

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE #4	COMPARABLE SALE #5	COMPARABLE SALE #6
Date of Prior Sale/Transfer	None Found	None Found	None Found	
Price of Prior Sale/Transfer	N/A	N/A	N/A	
Data Source(s)	CountyRec,MLS,Owner	County Records, MLS	County Records, MLS	
Effective Date of Data Source(s)	06/20/2008	06/23/2008	06/23/2008	

Analysis of prior sale or transfer history of the subject property and comparable sales See comments on page # 2

ANALYSIS / COMMENTS

Analysis/Comments See comments section on page # 3 for further comments on the comparable sale.

Additional Listings

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FEATURE	SUBJECT	LISTING # 1		LISTING # 2		LISTING # 3	
Address 1014 4th St Lewiston, ID 83501-2728		821 3rd St. Lewiston, ID 83501					
Proximity to Subject		0.14 miles NW					
List Price	$ N/A		$ 120,000		$		$
List Price/Gross Liv. Area	$ sq.ft.	$ 153.85 sq.ft.		$ sq.ft.		$ sq.ft.	
Last Price Revision Date	N/A	05/12/2008					
Data Source(s)		County Records, MLS					
Verification Source(s)		County Records, MLS					
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjust.	DESCRIPTION	+(-) $ Adjust.	DESCRIPTION	+(-) $ Adjust.
Sales or Financing Concessions		Listing LP to SP Ratio	-1,200				
Days on Market		39					
Location	Lewiston	Lewiston					
Leasehold/Fee Simple	Fee Simple	Fee Simple					
Site	7,100 Sq.Ft.	4,750 sq. ft.	+7,500				
View	Average	Average					
Design (Style)	1 Story/Bsmt	1 Story/Bsmt					
Quality of Construction	Average	Average					
Actual Age	A 63, E 7-10	A 88, E 12-15	+2,500				
Condition	Average+	Average	+5,000				
Above Grade Room Count (Total / Bdrms. / Baths)	4 / 2 / 1	4 / 2 / 1					
Gross Living Area	704 sq.ft.	780 sq.ft.	-1,900	sq.ft.		sq.ft.	
Basement & Finished Rooms Below Grade	672 Sq.Ft. 327 Finished	780 sq. ft. 338 Finished	-750				
Functional Utility	Average	Average					
Heating/Cooling	GFA/Wall	GFA/CAC	-1,000				
Energy Efficient Items	Average	Average					
Garage/Carport	O.S.P.	1-G Det.	-3,500				
Porch/Patio/Deck	Porches	Porch,Patio					
Aux Heat	None	Fireplace	-1,000				
Other Amenities	Fence,Shed	Fence	+1,000				
Net Adjustment (Total)		☒ + ☐ -	$ 6,650	☐ + ☐ -	$	☐ + ☐ -	$
Adjusted List Price of Comparables		Net 5.5 % Gross 21.1 %	$ 126,650	Net % Gross %	$	Net % Gross %	$

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	LISTING # 1	LISTING # 2	LISTING # 3
Date of Prior Sale/Transfer	None Found	None Found		
Price of Prior Sale/Transfer	N/A	N/A		
Data Source(s)	CountyRec,MLS,Owner	County Records, MLS		
Effective Date of Data Source(s)	06/20/2008	06/23/2008		

Comments: This is a competing listing in the market area of the subject property. Based upon the appraiser's analysis of recent residential sales in the market area, an adjustment was made for the average list price to sales price ratio which is currently at 99% in the subject neighborhood. This means that a single family residences with similarity to the subject property are currently selling at 99% of their asking or list price. The competing residence is older and shows more wear and tear associated with age and use. Above grade living area was adjusted at $25 per square foot and rounded to the nearest $50. Unfinished basement area was adjusted at $7 per sq. ft. and rounded to the nearest $50. Finished basement area was adjusted at $12 per sq. ft. and rounded to the nearest $50. The comparable's cooling system is less functional than the subject's cooling system for year round use. The competing property has a garage which is more functional for enclosed storage and work space. The comparable residence has a secondary hear source which is more functional for year round use. The comparable property does not have any additional exterior storage and work space provided by a storage shed.

Subject Photo Page

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						

Subject Front

1014 4th St

Sales Price	N/A
Gross Living Area	704
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	7,100 Sq.Ft.
Quality	Average
Age	A 63, E 7-10

Subject Rear

Subject Street

Subject Interior Photo Page

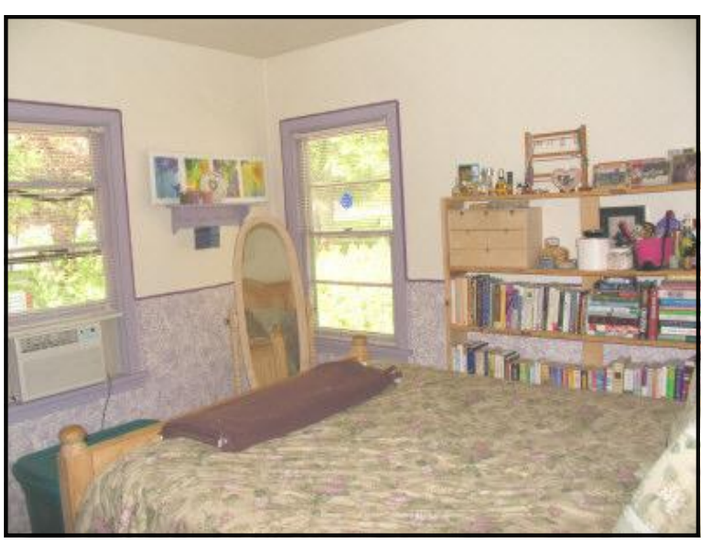
Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						

Living Room

1014 4th St

Sales Price	N/A
Gross Living Area	704
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	7,100 Sq.Ft.
Quality	Average
Age	A 63, E 7-10

Bedroom



Bedroom

Subject Interior Photo Page

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						

Kitchen

1014 4th St

Sales Price	N/A
Gross Living Area	704
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	7,100 Sq.Ft.
Quality	Average
Age	A 63, E 7-10

Bathroom

New Basement Den

Subject Interior Photo Page

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						

New Basement Family Room

1014 4th St

Sales Price	N/A
Gross Living Area	704
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	7,100 Sq.Ft.
Quality	Average
Age	A 63, E 7-10

Basement Storage

Basement Utility/Storage

Comparable Photo Page

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						

Comparable 1

816 7th Ave.

Prox. to Subject	0.44 miles NE
Sales Price	149,000
Gross Living Area	862
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	9,360 sq. ft.
Quality	Average
Age	A 90, E 10-12

Comparable 2

1210 10th St

Prox. to Subject	0.46 miles E
Sales Price	139,500
Gross Living Area	1,153
Total Rooms	5
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	4,800 Sq.Ft.
Quality	Average
Age	A 83, E 10-12

Comparable 3

1216 14th St.

Prox. to Subject	0.78 miles E
Sales Price	119,000
Gross Living Area	750
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	3,600 sq. ft.
Quality	Average
Age	A 83, E 7-10

Comparable Photo Page

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						

Comparable 4

206 13th Ave.

Prox. to Subject	0.21 miles SW
Sales Price	129,500
Gross Living Area	780
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	6,400 sq. ft.
Quality	Average
Age	A 70, E 7-10

Comparable 5

1008 N St.

Prox. to Subject	0.56 miles SE
Sales Price	120,000
Gross Living Area	900
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	3,550 sq. ft.
Quality	Average
Age	A 88, E 15-20

Comparable 6

Prox. to Subject	
Sales Price	
Gross Living Area	
Total Rooms	
Total Bedrooms	
Total Bathrooms	
Location	
View	
Site	
Quality	
Age	

Listing Photo Page

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						

Listing 1

821 3rd St.

Proximity to Subject	0.14 miles NW
List Price	120,000
Days on Market	39
Gross Living Area	780
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Age	A 88, E 12-15

Listing 2

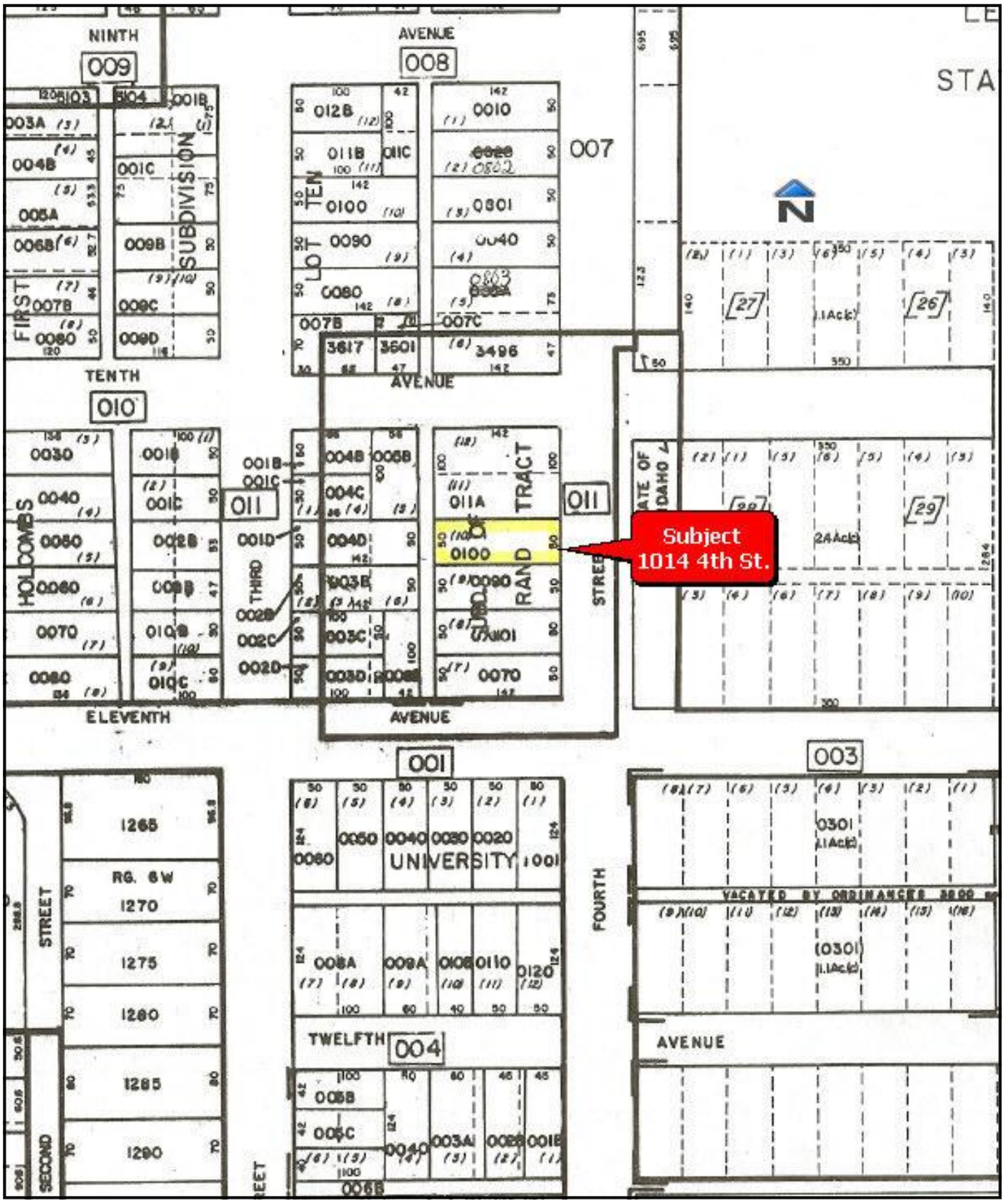
Proximity to Subject	
List Price	
Days on Market	
Gross Living Area	
Total Rooms	
Total Bedrooms	
Total Bathrooms	
Age	

Listing 3

Proximity to Subject	
List Price	
Days on Market	
Gross Living Area	
Total Rooms	
Total Bedrooms	
Total Bathrooms	
Age	

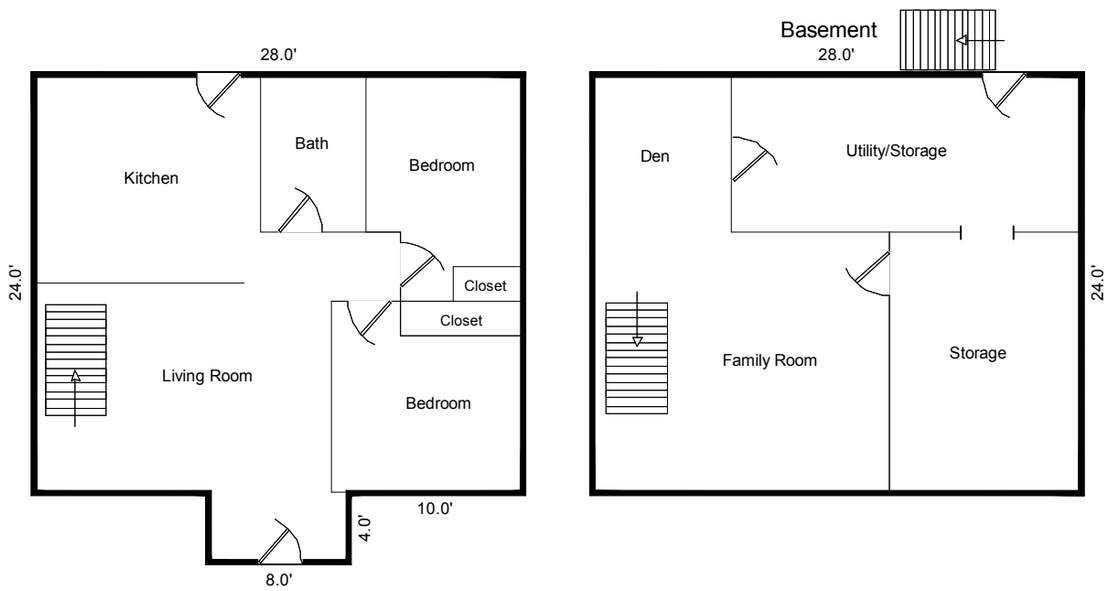
Site Plat

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						



Building Sketch

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						



Sketch by Apex IV™

Comments:

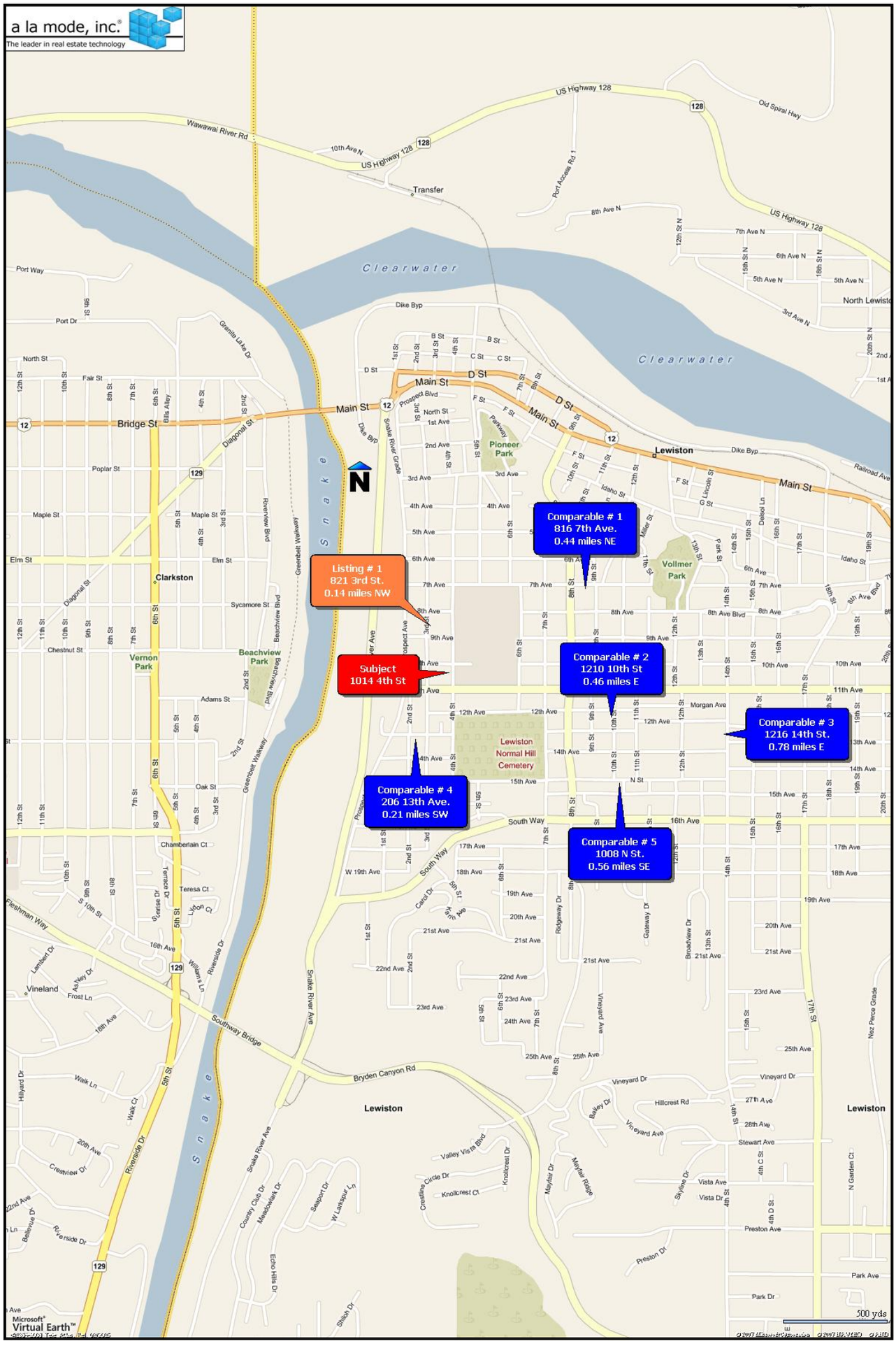
AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
GLA1	First Floor	704.00	704.00
BSMT	Basement	672.00	672.00
TOTAL LIVABLE	(rounded)		704

LIVING AREA BREAKDOWN		
Breakdown		Subtotals
First Floor		
4.0 x	8.0	32.00
24.0 x	28.0	672.00
2 Calculations Total (rounded)		704

Form SKT.BldSkl — "WinTOTAL" appraisal software by a la mode, inc. — 1-800-ALAMODE

Location Map

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						



Form MAP.LOC — "WinTOTAL" appraisal software by a la mode, inc. — 1-800-ALAMODE

License

Borrower/Client	N/A						
Property Address	1014 4th St						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501-2728
Lender	Lewis-Clark State College						

Bureau of Occupational Licenses
Department of Self Governing Agencies

The person named has met the requirements for licensure and is entitled under the laws and rules of the State of Idaho to operate as a(n)

LICENSED RESIDENTIAL APPRAISER

WAYNE T. AGEE
1014 MAIN ST
LEWISTON ID 83501

Tana Cory

Tana Cory	LRA-1868	12/30/2008
Chief, B.O.L.	Number	Expires

RESOLUTION AND ORDER OF CONDEMNATION

WHEREAS, Lewis-Clark State College ("LCSC") must develop additional off-street parking for use by its students, faculty, staff and visitors, and

WHEREAS, that certain property, situate in Lewiston, Nez Perce County, Idaho, more particularly described as follows:

> Lot 10, Block 11, Subdivision of Rand Tract, according to the recorded plat thereof, recorded in Book 1 of Plats, page 77, records of Nez Perce County, Idaho,

(hereinafter referred to as the "Subject Property"), must be acquired by LCSC for use in the development of such additional parking, and

WHEREAS, LCSC has thus far been unsuccessful in negotiating a purchase of the Subject Property at an acceptable price and LCSC may be required to condemn fee title to the Subject Property though eminent domain under Idaho Code § 7-701 et. seq.,

NOW, THEREFORE, BE IT RESOLVED that:

1. The acquisition of the Subject Property is necessary for the operation of LCSC.

2. LCSC is hereby authorized to acquire the whole of the Subject Property in fee simple absolute through an eminent domain proceeding, with title to the Subject Property to be taken in the name of the "State of Idaho, by and through the State Board of Education as Board of Trustees for Lewis-Clark State College"

3. LCSC is hereby authorized to file that eminent domain proceeding in its name and in the name of the "State of Idaho, by and through the State Board of Education as Board of Trustees for Lewis-Clark State College" for the condemnation of the Subject

Property when and if it is determined by the President of LCSC that the filing of such proceeding is appropriate.

LEWIS-CLARK STATE COLLEGE

SUBJECT

Approval to sell two properties—508 6th Ave and 512 6th—adjacent to the "York House" located at 504 6th Ave

REFERENCE

April 2005	Board approved LCSC request to purchase the York House and two adjacent properties at 504, 508, and 512 6th Ave in Lewiston, Idaho
April 2008	Board approved LCSC request to sell York House

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Sections V.I.1

BACKGROUND/DISCUSSION

These two properties, located one block north of LCSC's Lewiston campus, were purchased as part of a package of three properties which included the "York House," a former bed-and-breakfast operation used until the end of the Spring 2008 semester as a training laboratory for students in LCSC's Hospitality Management program. [In the overhead photo at Attachment 1, the two subject properties are the structures located immediately to the right (east side) of the block labeled "York House."]

The training use of the York House ceased in May 2008 after faculty changes and a subsequent realignment of the Hospitality Management program. The York House is currently being used as a rental unit until such time as a purchaser is found. The two adjacent properties (the subject of this request) have been used for student rentals since their acquisition by the College. Potential purchasers of the York House have advised the College of possible interest in buying one or both of these two adjacent properties in conjunction with purchase of the York House.

Approval by the Board of LCSC's request to sell the two adjacent properties would facilitate flexibility in offering the three properties singly or in various packages to prospective buyers. Appraisals for the two properties are contained in Attachments 2 and 3.

IMPACT

The two properties, currently utilized as student rentals, provide negligible revenue beyond recapture of debt, and are likely to require increased expenditures for upkeep and major repairs in the future. The lots occupied by both properties lie outside LCSC's projected development zone. Proceeds from

sale of the properties would be used to support the College's strategic needs and support core mission areas.

ATTACHMENTS

Attachment 1 – Overhead photo showing location of properties Page 3
Attachment 2 – Appraisal of 508 6th Ave Page 5
Attachment 3 – Appraisal of 512 6th Ave Page 21

STAFF COMMENTS AND RECOMMENDATIONS

A map of the surrounding area and subject property is found in the appraisal in Attachment 2, page 18.

Staff recommends approval.

BOARD ACTION

A motion to approve the request by Lewis-Clark State College to sell the properties located at 508 6th Avenue and 512 6th Avenue, Lewiston, Idaho. Sale closing would be subject to Board approval of purchase agreement upon receipt of offers for one or both of the properties.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

York House
© 2008 Tele Atlas
©2007 Google
Pointer 46°24'50.14" N 117°01'34.06" W elev 846 ft Streaming |||||||||| 100%
Eye alt 2134 ft

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INVOICE

FROM:
Wayne T. Agee
Western Appraisal
1014 Main St.
Lewiston, ID 83501

Telephone Number: (208) 746-9891 **Fax Number:** (208) 746-9895

INVOICE NUMBER
RL5591

DATE
Fielded 06/26/2008

TO:
Lewis Clark State College
500 8th Ave.
Lewiston, ID 83501

Telephone Number: 792-2240 **Fax Number:**
Alternate Number: **E-Mail:** lkloewen@lcsc.edu

REFERENCE

Internal Order #: RL5591
Lender Case #:
Client File #:
Main File # on form: RL5591
Other File # on form:
Federal Tax ID:
Employer ID:

DESCRIPTION

Lender: Lewis Clark State College **Client:** Lewis Clark State College
Purchaser/Borrower: N/A
Property Address: 508 6th Ave.
City: Lewiston
County: Nez Perce **State:** ID **Zip:** 83501
Legal Description: Lewiston: North Park Place, W5' of Lot 5, Block 2 and E40' of Lot 6, Block 2

FEES	AMOUNT
1004 URAR	300.00
SUBTOTAL	300.00

PAYMENTS			AMOUNT
Check #:	**Date:**	**Description:**	
Check #:	**Date:**	**Description:**	
Check #:	**Date:**	**Description:**	
		SUBTOTAL	
		TOTAL DUE	$ 300.00

Western Appraisal (208)746-9891

Uniform Residential Appraisal Report

File # RL5591

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

SUBJECT

Property Address 508 6th Ave. City Lewiston State ID Zip Code 83501
Borrower N/A Owner of Public Record Idaho State Board of Education County Nez Perce
Legal Description Lewiston: North Park Place, W5' of Lot 5, Block 2 and E40' of Lot 6, Block 2
Assessor's Parcel # RPL10600810206A Tax Year 2007 R.E. Taxes $ N/A
Neighborhood Name Lewiston Map Reference 4-A Census Tract 9903.00
Occupant ☐ Owner ☒ Tenant ☐ Vacant Special Assessments $ N/A ☐ PUD HOA $ N/A ☐ per year ☐ per month
Property Rights Appraised ☒ Fee Simple ☐ Leasehold ☐ Other (describe)
Assignment Type ☐ Purchase Transaction ☐ Refinance Transaction ☒ Other (describe) Estimate of Current Market Value for Possible Sale
Lender/Client Lewis Clark State College Address 500 8th Ave., Lewiston, ID 83501
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? ☐ Yes ☒ No
Report data source(s) used, offering price(s), and date(s). MLS, Discussion with Owner Representative

CONTRACT

I ☐ did ☐ did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed. N/A

Contract Price $ N/A Date of Contract N/A Is the property seller the owner of public record? ☐ Yes ☐ No Data Source(s)
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? ☐ Yes ☐ No
If Yes, report the total dollar amount and describe the items to be paid.

NEIGHBORHOOD

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics			One-Unit Housing Trends				One-Unit Housing			Present Land Use %	
Location	☒ Urban	☐ Suburban	☐ Rural	Property Values	☐ Increasing	☒ Stable	☐ Declining	PRICE	AGE	One-Unit	75 %
Built-Up	☒ Over 75%	☐ 25-75%	☐ Under 25%	Demand/Supply	☐ Shortage	☒ In Balance	☐ Over Supply	$ (000)	(yrs)	2-4 Unit	7 %
Growth	☐ Rapid	☒ Stable	☐ Slow	Marketing Time	☐ Under 3 mths	☒ 3-6 mths	☐ Over 6 mths	50 Low	0	Multi-Family	5 %
								650 High	120	Commercial	10 %
								135 Pred.	50	Other	3 %

Neighborhood Boundaries The subject neighborhood is bounded by Third Avenue to the North, Snake River to the West, 17th St. to the East and 18th Ave. to the South.

Neighborhood Description The subject is located in a primarily single family residential neighborhood with commercial properties located on the arterial streets. Employment, schools and retail shopping are a short commute from the subject property. Single family residential properties in the neighborhood vary in size, style, age and value. Sites vary in size from 3,500 sq. ft. to 12,000 sq. ft.

Market Conditions (including support for the above conclusions) Sales have slowed over the past year after two years of appreciation in the market. Current market times average less than 111 days and sale prices are currently about 99% of list. Few concessions are necessary for sales, however, some sellers are offering to assist with closing costs. New construction continues at a decreased rate.

SITE

Dimensions 45' x 142' Area 6,390 Sq.Ft. Shape Rectangular View Average
Specific Zoning Classification R4 Zoning Description Higher Density Residential (7,500 sq. ft. minimum)
Zoning Compliance ☐ Legal ☒ Legal Nonconforming (Grandfathered Use) ☐ No Zoning ☐ Illegal (describe)
Is the highest and best use of subject property as improved (or as proposed per plans and specifications) the present use? ☒ Yes ☐ No If No, describe

Utilities	Public	Other (describe)		Public	Other (describe)	Off-site Improvements - Type	Public	Private
Electricity	☒	☐	Water	☒	☐	Street Asphalt	☒	☐
Gas	☒	☐	Sanitary Sewer	☒	☐	Alley Asphalt	☒	☐

FEMA Special Flood Hazard Area ☐ Yes ☒ No FEMA Flood Zone C FEMA Map # 1601040001B FEMA Map Date 1/20/1982
Are the utilities and off-site improvements typical for the market area? ☒ Yes ☐ No If No, describe
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? ☐ Yes ☒ No If Yes, describe

IMPROVEMENTS

General Description		Foundation		Exterior Description	materials/condition	Interior	materials/condition
Units ☒ One	☐ One with Accessory Unit	☐ Concrete Slab	☐ Crawl Space	Foundation Walls	Cncrt&StnMsy/Av-	Floors	Hardwd,Vnyl/Av
# of Stories	1 Story	☒ Full Basement	☐ Partial Basement	Exterior Walls	Stucco/Av	Walls	Plaster/Av
Type ☒ Det.	☐ Att. ☐ S-Det./End Unit	Basement Area	884 sq.ft.	Roof Surface	Comp Shingle/Av-	Trim/Finish	Wd,Paint/Av
☒ Existing	☐ Proposed ☐ Under Const.	Basement Finish	0 %	Gutters & Downspouts	None	Bath Floor	Vinyl/Av
Design (Style)	1 Story/Bsmt	☒ Outside Entry/Exit	☐ Sump Pump	Window Type	Wood/Av	Bath Wainscot	None
Year Built	1910	Evidence of ☐ Infestation		Storm Sash/Insulated	Mix/Av	Car Storage	☒ None
Effective Age (Yrs)	15-20	☐ Dampness	☐ Settlement	Screens	Partial/Av	☐ Driveway	# of Cars
Attic	☐ None	Heating ☒ FWA	☐ HWBB ☐ Radiant	Amenities	☐ Woodstove(s) #	Driveway Surface	
☐ Drop Stair	☐ Stairs	☐ Other	Fuel Gas	☒ Fireplace(s) # 1	☒ Fence	☐ Garage	# of Cars
☐ Floor	☒ Scuttle	Cooling ☐ Central Air Conditioning		☐ Patio/Deck	☒ Porch	☐ Carport	# of Cars
☐ Finished	☐ Heated	☒ Individual Wdw	☐ Other	☐ Pool	☒ Other UGSS	☐ Att.	☐ Det. ☐ Built-in

Appliances ☐ Refrigerator ☐ Range/Oven ☐ Dishwasher ☐ Disposal ☐ Microwave ☐ Washer/Dryer ☐ Other (describe)
Finished area **above** grade contains: 6 Rooms 2 Bedrooms 1 Bath(s) 919 Square Feet of Gross Living Area Above Grade
Additional features (special energy efficient items, etc.). Energy efficiency is typical of a residence of this style, quality and condition in the market area.

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). Upon observation the appraiser found the subject residence to be in average overall condition for it's effective age. Upon observation the appraiser noted that the subject roof and foundation show some signs of wear and tear associated with age and use that would require a roof and foundation inspection. Therefore, this report is subject to the completion of a home inspection, in particular the foundation and the roof. No other repairs, alterations or inspections are required as conditions to this appraisal report.

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? ☒ Yes ☐ No If Yes, describe
As indicated above the appraiser noted that the subject foundation and roof are showing signs of deferred maintenance. These factors may not impose a serious threat to the current livability of the subject residence, however, a foundation and roof inspection would provide greater detail as to the remaining economic life of the foundation and roof, as well as, other possible needed repairs.

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? ☒ Yes ☐ No If No, describe

Form 1004 — "WinTOTAL" appraisal software by a la mode, inc. — 1-800-ALAMODE

Uniform Residential Appraisal Report

File # RL5591

There are 8 comparable properties currently offered for sale in the subject neighborhood ranging in price from $ 90,000 to $ 130,000 .

There are 13 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ 90,000 to $ 130,000 .

SALES COMPARISON APPROACH

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address	508 6th Ave. Lewiston, ID 83501	330 14th Ave. Lewiston, ID 83501		1008 N St. Lewiston, ID 83501		1216 14th St. Lewiston, ID 83501	
Proximity to Subject		0.56 miles S		0.71 miles SE		0.81 miles SE	
Sale Price	$ N/A		$ 106,000		$ 120,000		$ 119,000
Sale Price/Gross Liv. Area	$ sq.ft.	$ 120.18 sq.ft.		$ 133.33 sq.ft.		$ 158.67 sq.ft.	
Data Source(s)		County Records, MLS		County Records, MLS		County Records, MLS	
Verification Source(s)		County Records, MLS		County Records, MLS		County Records, MLS	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sales or Financing Concessions		FHA No Concession		FHA No Concession		FHA No Concession	
Date of Sale/Time		04/11/08 - 150		02/15/08 - 32		01/10/08 - 65	
Location	Lewiston	Lewiston		Lewiston		Lewiston	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Site	6,390 Sq.Ft.	6,400 sq. ft.		3,550 sq. ft.	+5,000	3,600 sq. ft.	+5,000
View	Average	Average		Average		Average	
Design (Style)	1 Story/Bsmt	1 Story/Bsmt		1 Story/Bsmt		1 Story/Bsmt	
Quality of Construction	Average	Average		Average		Average	
Actual Age	A 98, E 15-20	A 74, E 15-20		A 88, E 15-20		A 83, E 7-10	-2,500
Condition	Average	Average		Average		Average+	-10,000
Above Grade Room Count (Total / Bdrms. / Baths)	6 / 2 / 1	4 / 2 / 1		4 / 2 / 1		4 / 2 / 1	
Gross Living Area	919 sq.ft.	882 sq.ft.	+950	900 sq.ft.		750 sq.ft.	+4,250
Basement & Finished Rooms Below Grade	884 Sq.Ft. Unfinished	406 sq. ft. 203 Finished	+3,350 -2,450	816 sq. ft. 780 Finished	-9,350	750 sq. ft. Unfinished	+950
Functional Utility	Average	Average		Average		Average	
Heating/Cooling	GFA/Window	GFA/CAC		GFA/Wall		GFA/CAC	
Energy Efficient Items	Average	Average		Average		Average	
Garage/Carport	O.S.P.	1-G Att.	-3,500	O.S.P.		1-G Att.	-3,500
Porch/Patio/Deck	Porches	Porches		Porch,Patio		Porch,Patio	-1,000
Aux Heat	Fireplace	Fireplace		Fireplace		None	+1,000
Other Amenities	Fence	Fence		Fnc,UGSS,Shd	-3,500	Fence,Shed	-1,000
Net Adjustment (Total)		☐ + ☒ -	$ -1,650	☐ + ☒ -	$ -7,850	☐ + ☒ -	$ -6,800
Adjusted Sale Price of Comparables		Net Adj. 1.6 % Gross Adj. 9.7 %	$ 104,350	Net Adj. 6.5 % Gross Adj. 14.9 %	$ 112,150	Net Adj. 5.7 % Gross Adj. 24.5 %	$ 112,200

I ☒ did ☐ did not research the sale or transfer history of the subject property and comparable sales. If not, explain

My research ☒ did ☐ did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.

Data Source(s) County Records, MLS

My research ☐ did ☒ did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.

Data Source(s) County Records, MLS

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE #1	COMPARABLE SALE #2	COMPARABLE SALE #3
Date of Prior Sale/Transfer	05/2005	None Found	None Found	None Found
Price of Prior Sale/Transfer	$95,000	N/A	N/A	N/A
Data Source(s)	County Records, MLS	County Records, MLS	County Records, MLS	County Records, MLS
Effective Date of Data Source(s)	06/26/2008	06/26/2008	06/27/2008	06/27/2008

Analysis of prior sale or transfer history of the subject property and comparable sales According to the Nez Perce County Assessor's records and a discussion with Lewis Clark State College the subject property was purchased in May of 2005 for $95,000. The purchase price is an allocation of value from a larger sale which included 504, 508 and 512 6th Ave. The total purchase price for all three properties was $460,000. Therefore, the purchase price of $95,000 may not have accurately reflected the market value of the subject property at that time. None of the comparable sales have transferred in 1 year prior to the dates given. Neither the subject property or any of the comparable sales are currently subject to sale or listing agreements.

Summary of Sales Comparison Approach There have been several sales over the past year with some similarity to the subject property in size, age, condition, utility and function. Comparable sales # 1, 2 , 3 and 4 are the most recent and similar to the subject property. Comparable sale # 5 was added in order to bolster the opinion of value indicated by the first four comparable sales. Comparable sales # 1 and # 2 and # 4 are the most similar to the subject property and required the least amount of adjustment. Therefore, these three comparable sales were given the most consideration in the indicated value by the Sales Comparison Approach. FOR FURTHER COMMENTS ON THE SUBJECT PROPERTY, THE COMPARABLE SALES AND THE ADJUSTMENTS MADE IN THE SALES COMPARISON APPROACH SEE THE COMMENTS SECTION ON PAGE # 3.

Indicated Value by Sales Comparison Approach $ 108,000

RECONCILIATION

Indicated Value by: Sales Comparison Approach $ 108,000 **Cost Approach (if developed) $** 115,729 **Income Approach (if developed) $** 107,100

The Sales Comparison Approach is generally the most accurate reflection of what buyers are currently paying in the market area. The Cost and Income Approach support the indicated value by the Sales Comparison Approach. The Sales Comparison Approach was weighted in the final opinion of value.

This appraisal is made ☐ "as is", ☐ subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, ☐ subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or ☒ subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: Roof and Foundation inspection.

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is $ 108,000 **, as of** 06/26/2008 **, which is the date of inspection and the effective date of this appraisal.**

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ADDITIONAL COMMENTS

HIGHEST AND BEST USE: The current residential use of the subject property is legal, physically possible, financially feasible and appropriately supported. It is the appraiser's opinion that the "highest and best use" of the subject property is residential.

MARKET DATA: The comparable sales used in the Sales Comparison Approach for the subject property were the most recent in the subject market area with some similarity to the subject property. Following is a general discussion of the adjustments made in the Sales Comparison Approach. Adjustments are based on the appraiser's analysis of recent residential sales in the subject market area.

SUBJECT: The subject property consists of a 6,390 sq. ft. site with a 1 Story residence on a full unfinished basement area. Upon observation the appraiser noted that the subject foundation and the subject roof are showing some signs of wear and tear associated with age and use. The subject roof appears to have little remaining economic life and a roof inspection needs to be completed in order to determine if the subject roof has outlived it's useful life and should be replaced. While observing the basement area the appraiser noted evidence of possible flooding or other water intrusion in previous years. There were water stains on the floors as well as wood pallets, which would be used to raise personal items off of the level of the ground due to flooding. It was also evident that the original Stone Masonry foundation had been sealed at one point in time with a poured concrete facia and that the seal was now beginning to deteriorate which would allow for possible water intrusion. As well, the appraiser noted that the window wells on the exterior of the residence for the basement windows are not below the level of the base of the windows. This allows rain water to pool in the bottom of the window well and seep through the window sill into the basement. Therefore, this appraisal report is subject to a home inspection, in particular the roof and foundation.

COMPARABLE 1: The comparable residence is newer, however, it shows similar signs of wear and tear associated with age and use. Living area was adjusted at $25 per sq. ft. and rounded to the nearest $50. Unfinished basement area was adjusted at $7 per sq. ft. and rounded to the nearest $50. Finished basement area was adjusted at $12 per sq. ft. and rounded to the nearest $50. The comparable property has a garage which provides additional enclosed storage and work space.

COMPARABLE 2: Upon analysis of recent residential site sales in the market area the appraiser determined that an adjustment was necessary for the comparable's smaller site. No adjustment was necessary for above grade living area or unfinished basement area as they are similar in size, utility and function to the subject's living and unfinished basement areas. The comparable property has an under ground sprinkler system and storage shed.

COMPARABLE 3: Site was adjusted as before. The comparable residence has recently received several updates and shows less wear and tear associated with age and use. Living and unfinished basement areas were adjusted as before. The comparable's exterior improvements are larger and more functional. The comparable residence does not have a secondary heat source which is more functional for year round use. The comparable property has a storage shed.

COMPARABLE 4: All adjustments were made as described before.

COMPARABLE 5: All adjustments were made as described before.

COST APPROACH

COST APPROACH TO VALUE (not required by Fannie Mae)

Provide adequate information for the lender/client to replicate the below cost figures and calculations.

Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value) The most recent residential site sales with similarity to the subject site in location, access, topography and utility for development would have a dollar per square foot range of $2.38 to $4.50. The subject site has an average location, level topography average access and utility as it is an interior lot with alley access. Therefore, the appraiser has determined that the subject site would have a dollar per square foot value of approximately $4.25 or $27,150

ESTIMATED ☐ REPRODUCTION OR ☒ REPLACEMENT COST NEW	OPINION OF SITE VALUE			=$	27,150
Source of cost data Marshall and Swift Cost Handbook	DWELLING	919 Sq.Ft. @ $	82.13	=$	75,477
Quality rating from cost service Average Effective date of cost data 12/2006	Basement	884 Sq.Ft. @ $	22.75	=$	20,111
Comments on Cost Approach (gross living area calculations, depreciation, etc.)	Floor Cover, Fireplace			=$	9,717
Site value is based upon the analysis given above. Cost was developed	Garage/Carport	Sq.Ft. @ $		=$	
from Marshall & Swift Cost Manual, adjusted by the appraiser's files and	Total Estimate of Cost-New			=$	105,305
with local cost data obtained through discussions with local contractors.	Less Physical	Functional	External		
Physical depreciation is based on the age/life method and adjusted for	Depreciation 26,326			=$(	26,326)
the local market. See attached building sketch for residence dimensions.	Depreciated Cost of Improvements			=$	78,979
	"As-is" Value of Site Improvements			=$	9,600
	Fence, Water, Sewer, Porches				
Estimated Remaining Economic Life (HUD and VA only) 45 Years	**INDICATED VALUE BY COST APPROACH**			**=$**	115,729

INCOME

INCOME APPROACH TO VALUE (not required by Fannie Mae)

Estimated Monthly Market Rent $ 700 X Gross Rent Multiplier 153 = $ 107,100 Indicated Value by Income Approach

Summary of Income Approach (including support for market rent and GRM) The GRM was developed using the market data collected by the appraiser of similar single-family residences that were rented at the time of sale.

PUD INFORMATION

PROJECT INFORMATION FOR PUDs (if applicable)

Is the developer/builder in control of the Homeowners' Association (HOA)? ☐ Yes ☐ No Unit type(s) ☐ Detached ☐ Attached

Provide the following information for PUDs ONLY if the developer/builder is in control of the HOA and the subject property is an attached dwelling unit.

Legal Name of Project

Total number of phases | Total number of units | Total number of units sold

Total number of units rented | Total number of units for sale | Data source(s)

Was the project created by the conversion of existing building(s) into a PUD? ☐ Yes ☐ No If Yes, date of conversion.

Does the project contain any multi-dwelling units? ☐ Yes ☐ No Data Source

Are the units, common elements, and recreation facilities complete? ☐ Yes ☐ No If No, describe the status of completion.

Are the common elements leased to or by the Homeowners' Association? ☐ Yes ☐ No If Yes, describe the rental terms and options.

Describe common elements and recreational facilities.

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This report form is designed to report an appraisal of a one-unit property or a one-unit property with an accessory unit; including a unit in a planned unit development (PUD). This report form is not designed to report an appraisal of a manufactured home or a unit in a condominium or cooperative project.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended use, intended user, definition of market value, or assumptions and limiting conditions are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Modifications or deletions to the certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

SCOPE OF WORK: The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

INTENDED USE: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

INTENDED USER: The intended user of this appraisal report is the lender/client.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.

2. The appraiser has provided a sketch in this appraisal report to show the approximate dimensions of the improvements. The sketch is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.

3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.

5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing the appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.

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APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.

2. I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.

5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.

6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.

7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.

8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.

9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.

10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.

11. I have knowledge and experience in appraising this type of property in this market area.

12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.

13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.

14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.

15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.

16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.

17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).

19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.

20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.

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21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an "electronic record" containing my ''electronic signature,'' as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.

4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

5. If this appraisal report was transmitted as an ''electronic record'' containing my ''electronic signature,'' as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

APPRAISER

Signature Wayne T. Agee
Name Wayne T. Agee
Company Name Western Appraisals
Company Address 1014 Main St., Lewiston, ID 83501

Telephone Number (208) 746-9891
Email Address wayne@westernapp.com
Date of Signature and Report July 03, 2008
Effective Date of Appraisal 06/26/2008
State Certification #
or State License # LRA-1868
or Other (describe) State #
State ID
Expiration Date of Certification or License 12/30/2008

ADDRESS OF PROPERTY APPRAISED
508 6th Ave.
Lewiston, ID 83501
APPRAISED VALUE OF SUBJECT PROPERTY $ 108,000
LENDER/CLIENT
Name
Company Name Lewis Clark State College
Company Address 500 8th Ave., Lewiston, ID 83501

Email Address lkloewen@lcsc.edu

SUPERVISORY APPRAISER (ONLY IF REQUIRED)

Signature Don A. Kerby
Name Don Kerby
Company Name Western Appraisals
Company Address 1014 Main St., Lewiston, ID 83501

Telephone Number (208) 746-9891
Email Address western@westernapp.com
Date of Signature July 03, 2008
State Certification # CGA # 120
or State License #
State ID
Expiration Date of Certification or License 4/4/2009

SUBJECT PROPERTY

☐ Did not inspect subject property
☐ Did inspect exterior of subject property from street
Date of Inspection
☒ Did inspect interior and exterior of subject property
Date of Inspection 06/26/2008

COMPARABLE SALES

☒ Did not inspect exterior of comparable sales from street
☐ Did inspect exterior of comparable sales from street
Date of Inspection

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SALES COMPARISON APPROACH

FEATURE	SUBJECT	COMPARABLE SALE #4		COMPARABLE SALE #5		COMPARABLE SALE #6	
Address	508 6th Ave. Lewiston, ID 83501	1518 9th Ave. Lewiston, ID 83501		309 11th Ave. Lewiston, ID 83501			
Proximity to Subject		0.80 miles E		0.36 miles SW			
Sale Price	$ N/A		$ 126,000		$ 97,500		$
Sale Price/Gross Liv. Area	$ sq.ft.	$ 104.30 sq.ft.		$ 102.42 sq.ft.		$ sq.ft.	
Data Source(s)		County Records, MLS		County Records, MLS			
Verification Source(s)		County Records, MLS		County Records, MLS			
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sales or Financing Concessions		VA No Concession		Cash No Concession			
Date of Sale/Time		10/23/07 - 145		07/09/07 - 45			
Location	Lewiston	Lewiston		Lewiston			
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple			
Site	6,390 Sq.Ft.	8,520 sq. ft.	-3,500	4,200 sq. ft.	+4,500		
View	Average	Average		Average			
Design (Style)	1 Story/Bsmt	1 Story/Bsmt		1 Story/Bsmt			
Quality of Construction	Average	Average		Average			
Actual Age	A 98, E 15-20	A 86, E 15-20		A 82, E 15-20			
Condition	Average	Average		Average			
Above Grade Room Count (Total / Bdrms. / Baths)	6 / 2 / 1	5 / 2 / 1		4 / 1 / 1	+1,000	/ /	
Gross Living Area	919 sq.ft.	1,208 sq.ft.	-7,250	952 sq.ft.	-850	sq.ft.	
Basement & Finished Rooms Below Grade	884 Sq.Ft. Unfinished	897 sq. ft. Unfinished		672 sq. ft. Unfinished	+1,500		
Functional Utility	Average	Average		Average			
Heating/Cooling	GFA/Window	GFA/Wall		GFA/None			
Energy Efficient Items	Average	Average		Average			
Garage/Carport	O.S.P.	1-G Det.	-3,500	1-G Det.	-3,500		
Porch/Patio/Deck	Porches	Porch,Patio	-1,000	Porch,Patio	-1,000		
Aux Heat	Fireplace	Fireplace		Fireplace	-1,000		
Other Amenities	Fence	Fence		Fence			
Net Adjustment (Total)		☐ + ☒ -	$ -15,250	☒ + ☐ -	$ 650	☐ + ☐ -	$
Adjusted Sale Price of Comparables		Net Adj. 12.1 % Gross Adj. 12.1 %	$ 110,750	Net Adj. 0.7 % Gross Adj. 13.7 %	$ 98,150	Net Adj. % Gross Adj. %	$

SALE HISTORY

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE #4	COMPARABLE SALE #5	COMPARABLE SALE #6
Date of Prior Sale/Transfer	05/2005	None Found	None Found	
Price of Prior Sale/Transfer	$95,000	N/A	N/A	
Data Source(s)	County Records, MLS	County Records, MLS	County Records, MLS	
Effective Date of Data Source(s)	06/26/2008	06/26/2008	07/01/2008	

Analysis of prior sale or transfer history of the subject property and comparable sales See comments on page # 2

ANALYSIS / COMMENTS

Analysis/Comments See comments section on page # 3 for further comments on the comparable sale.

Subject Photo Page

Borrower/Client	N/A						
Property Address	508 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Subject Front

508 6th Ave.

Sales Price	N/A
Gross Living Area	919
Total Rooms	6
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	6,390 Sq.Ft.
Quality	Average
Age	A 98, E 15-20

Subject Rear

Subject Street

Comparable Photo Page

Borrower/Client	N/A						
Property Address	508 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Comparable 1

330 14th Ave.

Prox. to Subject	0.56 miles S
Sales Price	106,000
Gross Living Area	882
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	6,400 sq. ft.
Quality	Average
Age	A 74, E 15-20

Comparable 2

1008 N St.

Prox. to Subject	0.71 miles SE
Sales Price	120,000
Gross Living Area	900
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	3,550 sq. ft.
Quality	Average
Age	A 88, E 15-20

Comparable 3

1216 14th St.

Prox. to Subject	0.81 miles SE
Sales Price	119,000
Gross Living Area	750
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	3,600 sq. ft.
Quality	Average
Age	A 83, E 7-10

Comparable Photo Page

Borrower/Client	N/A						
Property Address	508 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Comparable 4

1518 9th Ave.

Prox. to Subject	0.80 miles E
Sales Price	126,000
Gross Living Area	1,208
Total Rooms	5
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	8,520 sq. ft.
Quality	Average
Age	A 86, E 15-20

Comparable 5

309 11th Ave.

Prox. to Subject	0.36 miles SW
Sales Price	97,500
Gross Living Area	952
Total Rooms	4
Total Bedrooms	1
Total Bathrooms	1
Location	Lewiston
View	Average
Site	4,200 sq. ft.
Quality	Average
Age	A 82, E 15-20

Comparable 6

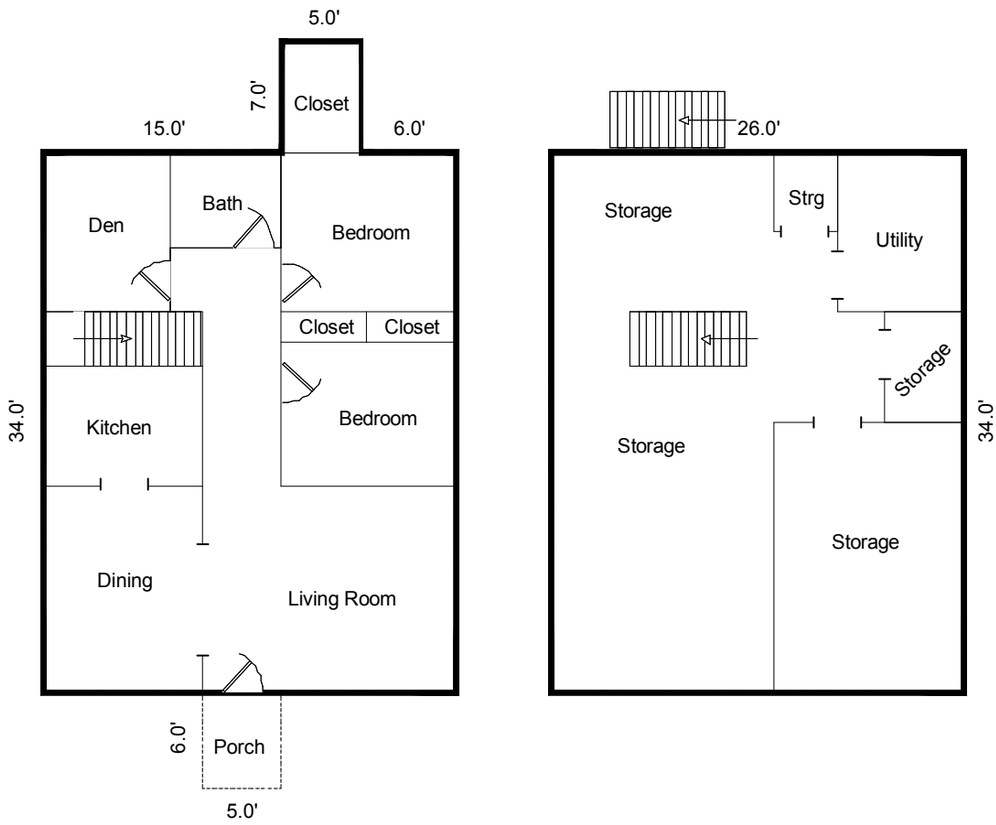
Prox. to Subject	
Sales Price	
Gross Living Area	
Total Rooms	
Total Bedrooms	
Total Bathrooms	
Location	
View	
Site	
Quality	
Age	

Site Plat

Borrower/Client	N/A						
Property Address	508 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Building Sketch

Borrower/Client	N/A						
Property Address	508 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						



Sketch by Apex IV™

Comments:

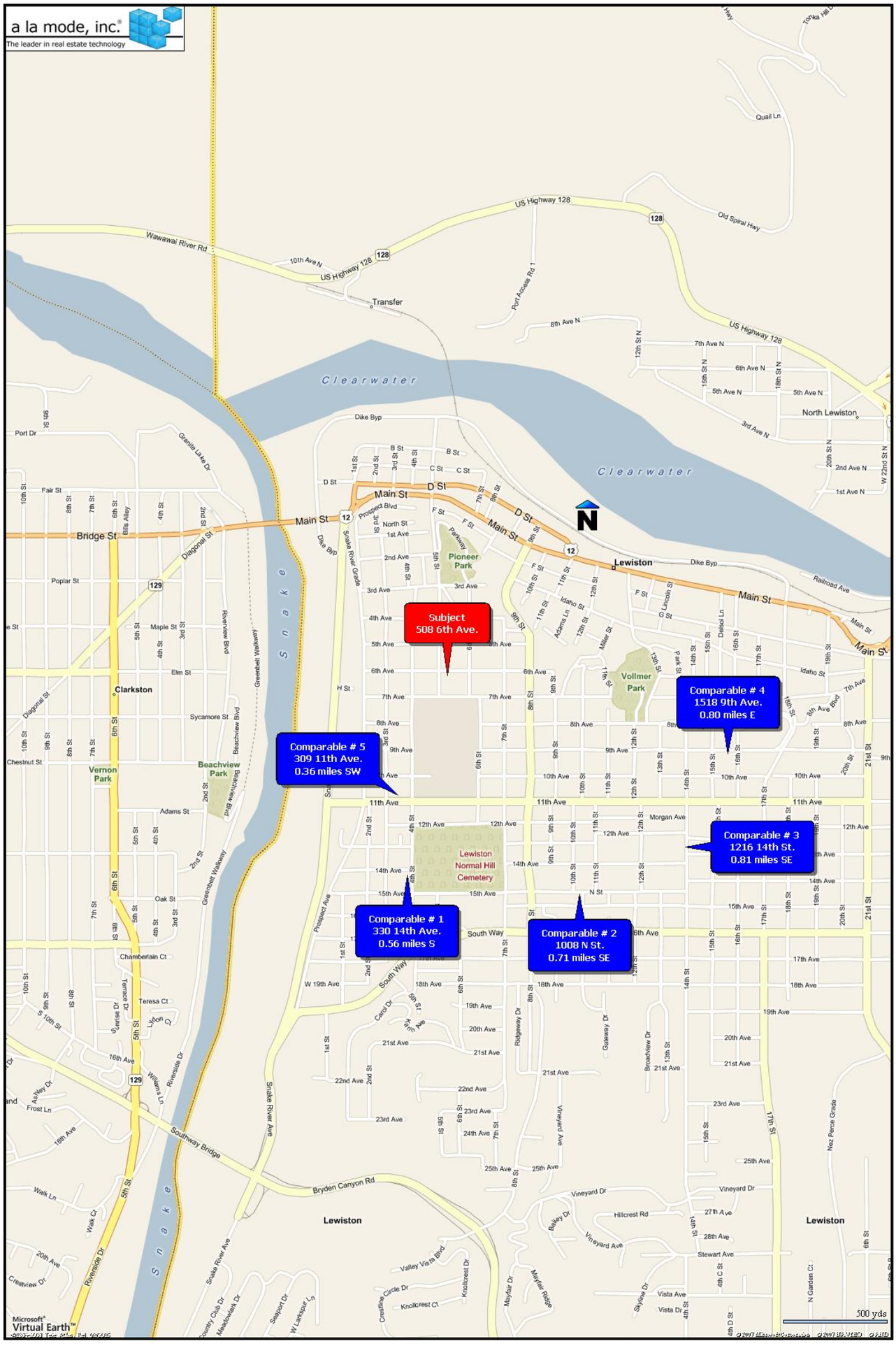
AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
GLA1	First Floor	919.00	919.00
BSMT	Basement	884.00	884.00
P/P	Porch	30.00	30.00
TOTAL LIVABLE	(rounded)		919

LIVING AREA BREAKDOWN		
Breakdown		Subtotals
First Floor		
5.0 x 7.0		35.00
26.0 x 34.0		884.00
2 Calculations Total (rounded)		919

Form SKT.BldSkl — "WinTOTAL" appraisal software by a la mode, inc. — 1-800-ALAMODE

Location Map

Borrower/Client	N/A						
Property Address	508 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						



Form MAP.LOC — "WinTOTAL" appraisal software by a la mode, inc. — 1-800-ALAMODE

License

Borrower/Client	N/A						
Property Address	508 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Bureau of Occupational Licenses
Department of Self Governing Agencies
The person named has met the requirements for licensure and is entitled under the laws and rules of the State of Idaho to operate as a(n)

LICENSED RESIDENTIAL APPRAISER

WAYNE T. AGEE
1014 MAIN ST
LEWISTON ID 83501

Tana Cory

Tana Cory	LRA-1868	12/30/2008
Chief, B.O.L.	Number	Expires

License

Borrower/Client	N/A						
Property Address	508 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Bureau of Occupational Licenses
Department of Self Governing Agencies
The person named has met the requirements for licensure and is entitled under the laws and rules of the State of Idaho to operate as a(n)

CERTIFIED GENERAL APPRAISER

DON KERBY
C/O WESTERN APPRAISALS
1014 MAIN STREET
LEWISTON ID 83501

Tana Cory

Tana Cory	CGA-120	04/04/2009
Chief, B.O.L.	Number	Expires

INVOICE

FROM:
Wayne T. Agee
Western Appraisal
1014 Main St.
Lewiston, ID 83501

Telephone Number: (208) 746-9891 **Fax Number:** (208) 746-9895

INVOICE NUMBER
RL5592

DATE
Fielded 06/26/2008

TO:
Lewis Clark State College
500 8th Ave.
Lewiston, ID 83501

Telephone Number: 792-2240 **Fax Number:**
Alternate Number: **E-Mail:** lkloewen@lcsc.edu

REFERENCE

Internal Order #: RL5592
Lender Case #:
Client File #:
Main File # on form: RL5592
Other File # on form:
Federal Tax ID:
Employer ID:

DESCRIPTION

Lender: Lewis Clark State College **Client:** Lewis Clark State College
Purchaser/Borrower: N/A
Property Address: 512 6th Ave.
City: Lewiston
County: Nez Perce **State:** ID **Zip:** 83501
Legal Description: Lewiston: North Park Place, E45' of Lot 5, Block 2

FEES	AMOUNT
1004 URAR	300.00
SUBTOTAL	300.00

PAYMENTS			AMOUNT
Check #:	**Date:**	**Description:**	
Check #:	**Date:**	**Description:**	
Check #:	**Date:**	**Description:**	
		SUBTOTAL	
		TOTAL DUE	$ 300.00

Western Appraisal (208)746-9891

Uniform Residential Appraisal Report

File # RL5592

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

SUBJECT

Property Address 512 6th Ave. City Lewiston State ID Zip Code 83501
Borrower N/A Owner of Public Record Idaho State Board of Education County Nez Perce
Legal Description Lewiston: North Park Place, E45' of Lot 5, Block 2
Assessor's Parcel # RPL10600810205A Tax Year 2007 R.E. Taxes $ N/A
Neighborhood Name Lewiston Map Reference 4-A Census Tract 9903.00
Occupant ☐ Owner ☒ Tenant ☐ Vacant Special Assessments $ N/A ☐ PUD HOA $ N/A ☐ per year ☐ per month
Property Rights Appraised ☒ Fee Simple ☐ Leasehold ☐ Other (describe)
Assignment Type ☐ Purchase Transaction ☐ Refinance Transaction ☒ Other (describe) Estimate of Current Market Value for Possible Sale
Lender/Client Lewis Clark State College Address 500 8th Ave., Lewiston, ID 83501
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? ☐ Yes ☒ No
Report data source(s) used, offering price(s), and date(s). MLS, Discussion with Owner Representative

CONTRACT

I ☐ did ☐ did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed. N/A

Contract Price $ N/A Date of Contract N/A Is the property seller the owner of public record? ☐ Yes ☐ No Data Source(s)
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? ☐ Yes ☐ No
If Yes, report the total dollar amount and describe the items to be paid.

NEIGHBORHOOD

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics			One-Unit Housing Trends				One-Unit Housing			Present Land Use %	
Location	☒ Urban	☐ Suburban	☐ Rural	Property Values	☐ Increasing	☒ Stable	☐ Declining	PRICE	AGE	One-Unit	75 %
Built-Up	☒ Over 75%	☐ 25-75%	☐ Under 25%	Demand/Supply	☐ Shortage	☒ In Balance	☐ Over Supply	$ (000)	(yrs)	2-4 Unit	7 %
Growth	☐ Rapid	☒ Stable	☐ Slow	Marketing Time	☐ Under 3 mths	☒ 3-6 mths	☐ Over 6 mths	50 Low	0	Multi-Family	5 %
								650 High	120	Commercial	10 %
								135 Pred.	50	Other	3 %

Neighborhood Boundaries The subject neighborhood is bounded by the Third Avenue to the North, Snake River to the West, 17th St. to the East and 18th Ave. to the South.

Neighborhood Description The subject is located in a primarily single family residential neighborhood with commercial properties located on the arterial streets. Employment, schools and retail shopping are a short commute from the subject property. Single family residential properties in the neighborhood vary in size, style, age and value. Sites vary in size from 3,500 sq. ft. to 12,000 sq. ft.

Market Conditions (including support for the above conclusions) Sales have slowed over the past year after two years of appreciation in the market. Current market times average less than 111 days and sale prices are currently about 99% of list. Few concessions are necessary for sales, however, some sellers are offering to assist with closing costs. New construction continues at a decreased rate.

SITE

Dimensions 45' x 142' Area 6,390 Sq.Ft. Shape Rectangular View Average
Specific Zoning Classification R4 Zoning Description Higher Density Residential (7,500 sq. ft. minimum)
Zoning Compliance ☐ Legal ☒ Legal Nonconforming (Grandfathered Use) ☐ No Zoning ☐ Illegal (describe)
Is the highest and best use of subject property as improved (or as proposed per plans and specifications) the present use? ☒ Yes ☐ No If No, describe

Utilities	Public	Other (describe)		Public	Other (describe)	Off-site Improvements - Type	Public	Private
Electricity	☒	☐	Water	☒	☐	Street Asphalt	☒	☐
Gas	☒	☐	Sanitary Sewer	☒	☐	Alley	☐	☐

FEMA Special Flood Hazard Area ☐ Yes ☒ No FEMA Flood Zone C FEMA Map # 1601040001B FEMA Map Date 1/20/1982
Are the utilities and off-site improvements typical for the market area? ☒ Yes ☐ No If No, describe
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? ☐ Yes ☒ No If Yes, describe

IMPROVEMENTS

General Description		Foundation		Exterior Description	materials/condition	Interior	materials/condition
Units ☒ One	☐ One with Accessory Unit	☐ Concrete Slab	☒ Crawl Space	Foundation Walls	Stone Masonry/Fair	Floors	Carpet,Tile/Av-
# of Stories	1 Story	☐ Full Basement	☒ Partial Basement	Exterior Walls	Asbestos Shngl/A-	Walls	Plstr,Dywl/Av-
Type ☒ Det.	☐ Att. ☐ S-Det./End Unit	Basement Area	240 sq.ft.	Roof Surface	Comp Shingle/Av-	Trim/Finish	Wood,Paint/Av-
☒ Existing	☐ Proposed ☐ Under Const.	Basement Finish	0 %	Gutters & Downspouts	None	Bath Floor	Tile/Av
Design (Style)	1 Story/Bsmt	☐ Outside Entry/Exit	☐ Sump Pump	Window Type	Wood,Metal/Av	Bath Wainscot	Vinyl/Av
Year Built	1930	Evidence of ☐ Infestation		Storm Sash/Insulated	Mix/Av	Car Storage	☒ None
Effective Age (Yrs)	30-35	☐ Dampness	☐ Settlement	Screens	Partial/Av	☐ Driveway	# of Cars
Attic	☐ None	Heating ☒ FWA	☐ HWBB ☐ Radiant	Amenities	☐ Woodstove(s) #	Driveway Surface	
☐ Drop Stair	☐ Stairs	☐ Other	Fuel Gas	☐ Fireplace(s) #	☒ Fence	☐ Garage	# of Cars
☐ Floor	☒ Scuttle	Cooling ☒ Central Air Conditioning		☐ Patio/Deck	☒ Porch	☐ Carport	# of Cars
☐ Finished	☐ Heated	☐ Individual	☐ Other	☐ Pool	☒ Other UGSS	☐ Att.	☐ Det. ☐ Built-in

Appliances ☐ Refrigerator ☐ Range/Oven ☐ Dishwasher ☐ Disposal ☐ Microwave ☐ Washer/Dryer ☐ Other (describe)
Finished area **above** grade contains: 7 Rooms 2 Bedrooms 1 Bath(s) 1,118 Square Feet of Gross Living Area Above Grade
Additional features (special energy efficient items, etc.). Energy efficiency is typical of a residence of this style, quality and condition in the market area.

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). Upon observation the appraiser found the subject residence to be in below average overall condition for it's effective age. Upon observation the appraiser noted that the subject roof and foundation are showing signs of deferred maintenance associated with age and use. The basement area had several indications of possible water intrusion and settlement of the stone masonry foundation which was visible from the exterior of the residence and interior of the residence. Therefore, this appraisal report is subject to a home inspection, of specifically the roof and foundation.

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? ☒ Yes ☐ No If Yes, describe
As indicated above the appraiser noted that the subject foundation and roof are showing numerous signs of deferred maintenance. These factors may or may not impose a serious threat to the current livability of the subject residence, however, a home inspection, by a licensed building inspector would provide greater detail as to the remaining economic life of the foundation and roof, as well as other possible needed repairs.

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? ☒ Yes ☐ No If No, describe

Uniform Residential Appraisal Report

File # RL5592

There are 7 comparable properties currently offered for sale in the subject neighborhood ranging in price from $ 50,000 to $ 110,000 .

There are 8 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ 50,000 to $ 110,000 .

SALES COMPARISON APPROACH

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address	512 6th Ave. Lewiston, ID 83501	502 Delsol Lane Lewiston, ID 83501		330 14th Ave. Lewiston, ID 83501		1828 7th Ave. Lewiston, ID 83501	
Proximity to Subject		0.74 miles E		0.56 miles S		0.99 miles E	
Sale Price	$ N/A		$ 66,000		$ 106,000		$ 85,000
Sale Price/Gross Liv. Area	$ sq.ft.	$ 60.44 sq.ft.		$ 120.18 sq.ft.		$ 86.21 sq.ft.	
Data Source(s)		County Records, MLS		County Records, MLS		County Records, MLS	
Verification Source(s)		County Records, MLS		County Records, MLS		County Records, MLS	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sales or Financing Concessions		Conventional No Concession		FHA No Concession		Conventional No Concession	
Date of Sale/Time		11/16/07 - 94		04/11/08 - 150		04/30/08 - 105	
Location	Lewiston	Dwntn Lewiston	+10,000	Lewiston		Lewiston	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Site	6,390 Sq.Ft.	4,250 sq. ft.	+4,500	6,400 sq. ft.		4,365 sq. ft.	+4,500
View	Average	Average		Average		Average	
Design (Style)	1 Story/Bsmt	1 Story/Bsmt		1 Story/Bsmt		1.5 Story/Bsmt	
Quality of Construction	Average	Average		Average		Average	
Actual Age	A 78, E 30-35	A 93, E 35-40	+2,500	A 74, E 20-25	-2,500	A 98, E 30-35	
Condition	Below Average	Fair	+5,000	Average	-7,500	Below Average	
Above Grade Room Count (Total / Bdrms. / Baths)	7 / 2 / 1	5 / 2 / 1		4 / 2 / 1	+1,000	6 / 3 / 1.75	-1,000
Gross Living Area	1,118 sq.ft.	1,092 sq.ft.		882 sq.ft.	+5,900	986 sq.ft.	+3,000
Basement & Finished Rooms Below Grade	240 Sq.Ft. Unfinished	491 sq. ft. Unfinished	-1,750	406 sq. ft. 203 Finished	-1,150 -2,450	150 sq. ft. Unfinished	+650 -1,000
Functional Utility	Average	Average		Average		Average	
Heating/Cooling	GFA/CAC	GFA/CAC		GFA/CAC		GFA/CAC	
Energy Efficient Items	Average	Average		Average		Average	
Garage/Carport	O.S.P.	O.S.P.		1-G Att.	-3,500	O.S.P.	
Porch/Patio/Deck	Porches	Porches		Porches		Porches	
Aux Heat	None	None		Fireplace	-1,000	None	
Other Amenities	Fence	Fence		Fence		Fence	
Net Adjustment (Total)		☒ + ☐ -	$ 20,250	☐ + ☒ -	$ -11,200	☒ + ☐ -	$ 6,150
Adjusted Sale Price of Comparables		Net Adj. 30.7 % Gross Adj. 36.0 %	$ 86,250	Net Adj. 10.6 % Gross Adj. 23.6 %	$ 94,800	Net Adj. 7.2 % Gross Adj. 11.9 %	$ 91,150

I ☒ did ☐ did not research the sale or transfer history of the subject property and comparable sales. If not, explain

My research ☒ did ☐ did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.

Data Source(s) County Records, MLS

My research ☐ did ☒ did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.

Data Source(s) County Records, MLS

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE #1	COMPARABLE SALE #2	COMPARABLE SALE #3
Date of Prior Sale/Transfer	05/2005	None Found	None Found	None Found
Price of Prior Sale/Transfer	$95,000	N/A	N/A	N/A
Data Source(s)	County Records, MLS	County Records, MLS	County Records, MLS	County Records, MLS
Effective Date of Data Source(s)	06/26/2008	06/27/2008	06/27/2008	07/01/2008

Analysis of prior sale or transfer history of the subject property and comparable sales According to the Nez Perce County Assessor's records and a discussion with Lewis Clark State College the subject property was purchased in May of 2005 for $95,000. The purchase price is an allocation of value from a larger sale which included 504, 508 and 512 6th Ave. The total purchase price for all three properties was $460,000. Therefore, the purchase price of $95,000 may not have accurately reflected the market value of the subject property at that time. Comparable sale # 4 is currently subject to a listing agreement with Coldwell Banker Tomlinson for $136,000 after having received several updates after the sale that occurred 07/09/2007. None of the comparable sales have transferred in 1 year prior to the dates given.

Summary of Sales Comparison Approach Due to the slow down in sales over the past 1 1/2 years and the below average condition of the subject residence there are currently very few sales with some similarity to the subject property. None of the comparable sales available are a perfect match to the subject property which has resulted in higher than typically desired adjustment to the comparable sales. Comparable sales # 1 and # 3 are the most similar to the subject residence in size and condition. Comparable sale # 1 and # 3 were therefore given the most consideration in the indicated value by the Sales Comparison Approach. Due to the lack of comparable sales two competing listings are attached to this appraisal report. Upon adjustment the competing listings indicate a stable market and bolster the opinion of value indicated by the comparable sales. FOR FURTHER COMMENTS ON THE SUBJECT PROPERTY, COMPARABLE SALES AND THE ADJUSTMENTS MADE IN THE SALES COMPARISON APPROACH SEE THE COMMENTS SECTION ON PAGE # 3.

Indicated Value by Sales Comparison Approach $ 88,000

RECONCILIATION

Indicated Value by: Sales Comparison Approach $ 88,000 **Cost Approach (if developed) $** 87,979 **Income Approach (if developed) $** 91,800

The Sales Comparison Approach is generally the most accurate reflection of what buyers are currently paying in the market area. The Cost and Income Approach support the indicated value by the Sales Comparison Approach. The Sales Comparison Approach was weighted in the final opinion of value.

This appraisal is made ☐ "as is", ☐ subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, ☐ subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or ☒ subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: Complete home inspection by a licensed home inspector.

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is $ 88,000 **, as of** 06/26/2008 **, which is the date of inspection and the effective date of this appraisal.**

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Uniform Residential Appraisal Report

File # RL5592

ADDITIONAL COMMENTS

HIGHEST AND BEST USE: The current residential use of the subject property is legal, physically possible, financially feasible and appropriately supported. It is the appraiser's opinion that the "highest and best use" of the subject property is residential.

MARKET DATA: The comparable sales used in the Sales Comparison Approach for the subject property were the most recent in the subject market area with some similarity to the subject property. Following is a general discussion of the adjustments made in the Sales Comparison Approach. Adjustments are based on the appraiser's analysis of recent residential sales in the subject market area.

SUBJECT: The subject property consists of a 6,390 sq. ft. site with a 1 Story residence over a partial unfinished basement area. Upon observation the appraisers noted that the subject residence is showing several signs of deferred maintenance. The subject roof and foundation are in poor overall condition with little remaining economic life. The Stone Masonry foundation on the west side of the residence appears to have settled causing the interior floors of the bathroom and kitchen area to slope. The foundation of the rear bedroom and utility room area is of treated wood construction and has also settled/deteriorated causing the floors to slope to the south or rear of the property. Due to the numerous signs of deferred maintenance associated with age and use, this appraisal report is subject to the completion of a home inspection, particularly focusing on the foundation and roof.

COMPARABLE 1: The comparable property is located in a less marketable neighborhood of Lewiston. Upon analysis of recent residential site sales in the market area the appraiser determined that an adjustment was necessary for the comparable's smaller site. The comparable residence is older and shows more wear and tear associated with age and use. No adjustment for above grade living area was necessary as the comparable's and subject's living areas are similar in size, utility and function. Unfinished basement area was adjusted at $7 per sq. ft. and rounded to the nearest $50.

COMPARABLE 2: The comparable residence is in superior overall condition showing fewer signs of wear and tear associated with age and use. Living area was adjusted at $25 per sq. ft. and rounded to the nearest $50. Unfinished basement area was adjusted at $7 per sq. ft. and rounded to the nearest $50. Finished basement area was adjusted at $12 per sq. ft. and rounded to the nearest $50. The comparable property has a garage which provides additional exterior storage and work space. The comparable residence has a secondary heat source which is more functional for year round use.

COMPARABLE 3: Site was adjusted as before. The comparable residence has a more marketable above grade bedroom and bathroom count. Living area and unfinished basemen area were adjusted as before.

COMPARABLE 4: Site, wear and tear associated with age and use, living area, unfinished basement area and garage were adjusted as before. The comparable's exterior improvements are larger and more functional. Secondary heat source was adjusted as before.

FOR FURTHER COMMENTS ON THE COMPETING LISTINGS, SEE THE COMMENTS SECTION BELOW THE ADDITIONAL LISTINGS GRID.

COST APPROACH

COST APPROACH TO VALUE (not required by Fannie Mae)

Provide adequate information for the lender/client to replicate the below cost figures and calculations.

Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value) The most recent residential site sales with similarity to the subject site in location, access, topography and utility for development would have a dollar per square foot range of $2.38 to $4.50. The subject site has an average location, level topography average access and utility as it is an interior lot with alley access. Therefore, the appraiser has determined that the subject site would have a dollar per square foot value of approximately $4.25 or $27,150

ESTIMATED ☐ REPRODUCTION OR ☒ REPLACEMENT COST NEW	OPINION OF SITE VALUE			=$	27,150
Source of cost data Marshall and Swift Cost Handbook	DWELLING	1,118 Sq.Ft. @ $	81.80	=$	91,452
Quality rating from cost service Average Effective date of cost data 12/2006	Basement	240 Sq.Ft. @ $	35.47	=$	8,513
Comments on Cost Approach (gross living area calculations, depreciation, etc.)	Floor Cover			=$	3,494
Site value is based upon the analysis given above. Cost was developed	Garage/Carport	Sq.Ft. @ $		=$	
from Marshall & Swift Cost Manual, adjusted by the appraiser's files and	Total Estimate of Cost-New			=$	103,459
with local cost data obtained through discussions with local contractors.	Less Physical	Functional	External		
Physical depreciation is based on the age/life method and adjusted for	Depreciation	51,730		=$(	51,730)
the local market. See attached building sketch for residence dimensions.	Depreciated Cost of Improvements			=$	51,729
	"As-is" Value of Site Improvements			=$	9,100
	Porches, Water, Sewer, Fence				
Estimated Remaining Economic Life (HUD and VA only) 30 Years	**INDICATED VALUE BY COST APPROACH**			**=$**	87,979

INCOME

INCOME APPROACH TO VALUE (not required by Fannie Mae)

Estimated Monthly Market Rent $ 600 X Gross Rent Multiplier 153 = $ 91,800 Indicated Value by Income Approach

Summary of Income Approach (including support for market rent and GRM) The GRM was developed using the market data collected by the appraiser of similar single-family residences that were rented at the time of sale.

PUD INFORMATION

PROJECT INFORMATION FOR PUDs (if applicable)

Is the developer/builder in control of the Homeowners' Association (HOA)? ☐ Yes ☐ No Unit type(s) ☐ Detached ☐ Attached

Provide the following information for PUDs ONLY if the developer/builder is in control of the HOA and the subject property is an attached dwelling unit.

Legal Name of Project

Total number of phases Total number of units Total number of units sold

Total number of units rented Total number of units for sale Data source(s)

Was the project created by the conversion of existing building(s) into a PUD? ☐ Yes ☐ No If Yes, date of conversion.

Does the project contain any multi-dwelling units? ☐ Yes ☐ No Data Source

Are the units, common elements, and recreation facilities complete? ☐ Yes ☐ No If No, describe the status of completion.

Are the common elements leased to or by the Homeowners' Association? ☐ Yes ☐ No If Yes, describe the rental terms and options.

Describe common elements and recreational facilities.

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Uniform Residential Appraisal Report

File # RL5592

This report form is designed to report an appraisal of a one-unit property or a one-unit property with an accessory unit; including a unit in a planned unit development (PUD). This report form is not designed to report an appraisal of a manufactured home or a unit in a condominium or cooperative project.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended use, intended user, definition of market value, or assumptions and limiting conditions are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Modifications or deletions to the certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

SCOPE OF WORK: The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

INTENDED USE: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

INTENDED USER: The intended user of this appraisal report is the lender/client.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.

2. The appraiser has provided a sketch in this appraisal report to show the approximate dimensions of the improvements. The sketch is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.

3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.

5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing the appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.

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Uniform Residential Appraisal Report

File # RL5592

APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.

2. I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.

5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.

6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.

7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.

8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.

9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.

10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.

11. I have knowledge and experience in appraising this type of property in this market area.

12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.

13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.

14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.

15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.

16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.

17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).

19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.

20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.

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Uniform Residential Appraisal Report

File # RL5592

21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an "electronic record" containing my ''electronic signature,'' as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.

4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

5. If this appraisal report was transmitted as an ''electronic record'' containing my ''electronic signature,'' as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

APPRAISER

Signature Wayne T. Agee
Name Wayne T. Agee
Company Name Western Appraisals
Company Address 1014 Main St., Lewiston, ID 83501

Telephone Number (208) 746-9891
Email Address wayne@westernapp.com
Date of Signature and Report July 03, 2008
Effective Date of Appraisal 06/26/2008
State Certification #
or State License # LRA-1868
or Other (describe) State #
State ID
Expiration Date of Certification or License 12/30/2008

ADDRESS OF PROPERTY APPRAISED
512 6th Ave.
Lewiston, ID 83501
APPRAISED VALUE OF SUBJECT PROPERTY $ 88,000
LENDER/CLIENT
Name
Company Name Lewis Clark State College
Company Address 500 8th Ave., Lewiston, ID 83501

Email Address lkloewen@lcsc.edu

SUPERVISORY APPRAISER (ONLY IF REQUIRED)

Signature Don A. Kerby
Name Don Kerby
Company Name Western Appraisals
Company Address 1014 Main St., Lewiston, ID 83501

Telephone Number (208) 746-9891
Email Address western@westernapp.com
Date of Signature July 03, 2008
State Certification # CGA # 120
or State License #
State ID
Expiration Date of Certification or License 4/4/2009

SUBJECT PROPERTY

☐ Did not inspect subject property
☐ Did inspect exterior of subject property from street
Date of Inspection
☒ Did inspect interior and exterior of subject property
Date of Inspection 06/26/2008

COMPARABLE SALES

☒ Did not inspect exterior of comparable sales from street
☐ Did inspect exterior of comparable sales from street
Date of Inspection

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Uniform Residential Appraisal Report

File # RL5592

SALES COMPARISON APPROACH

FEATURE	SUBJECT	COMPARABLE SALE #4		COMPARABLE SALE #5		COMPARABLE SALE #6	
Address	512 6th Ave. Lewiston, ID 83501	309 11th Ave. Lewiston, ID 83501					
Proximity to Subject		0.36 miles SW					
Sale Price	$ N/A		$ 97,500		$		$
Sale Price/Gross Liv. Area	$ sq.ft.	$ 102.42 sq.ft.		$ sq.ft.		$ sq.ft.	
Data Source(s)		County Records, MLS					
Verification Source(s)		County Records, MLS					
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sales or Financing Concessions		Cash No Concession					
Date of Sale/Time		07/09/07 - 45					
Location	Lewiston	Lewiston					
Leasehold/Fee Simple	Fee Simple	Fee Simple					
Site	6,390 Sq.Ft.	4,200 sq. ft.	+4,500				
View	Average	Average					
Design (Style)	1 Story/Bsmt	1 Story/Bsmt					
Quality of Construction	Average	Average					
Actual Age	A 78, E 30-35	A 82, E 15-20	-2,500				
Condition	Below Average	Average	-7,500				
Above Grade Room Count (Total / Bdrms. / Baths)	7 / 2 / 1	4 / 1 / 1					
Gross Living Area	1,118 sq.ft.	952 sq.ft.	+4,150	sq.ft.		sq.ft.	
Basement & Finished Rooms Below Grade	240 Sq.Ft. Unfinished	672 sq. ft. Unfinished	-3,000				
Functional Utility	Average	Average					
Heating/Cooling	GFA/CAC	GFA/None					
Energy Efficient Items	Average	Average					
Garage/Carport	O.S.P.	1-G Det.	-3,500				
Porch/Patio/Deck	Porches	Porch,Patio	-1,000				
Aux Heat	None	Fireplace	-1,000				
Other Amenities	Fence	Fence					
Net Adjustment (Total)		☐ + ☒ -	$ -9,850	☐ + ☐ -	$	☐ + ☐ -	$
Adjusted Sale Price of Comparables		Net Adj. 10.1 % Gross Adj. 27.8 %	$ 87,650	Net Adj. % Gross Adj. %	$	Net Adj. % Gross Adj. %	$

SALE HISTORY

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE #4	COMPARABLE SALE #5	COMPARABLE SALE #6
Date of Prior Sale/Transfer	05/2005	None Found		
Price of Prior Sale/Transfer	$95,000	N/A		
Data Source(s)	County Records, MLS	County Records, MLS		
Effective Date of Data Source(s)	06/26/2008	07/01/2008		

Analysis of prior sale or transfer history of the subject property and comparable sales See comments on page # 2

ANALYSIS / COMMENTS

Analysis/Comments See comments section on page # 3 for further comments on the comparable sale.

Additional Listings

File # RL5592

FEATURE	SUBJECT	LISTING # 1		LISTING # 2		LISTING # 3	
Address 512 6th Ave. Lewiston, ID 83501		1726 3rd St. Lewiston, ID 83501		925 7th Ave. Lewiston, ID 83501			
Proximity to Subject		0.80 miles S		0.33 miles E			
List Price	$ N/A		$ 95,000		$ 107,100		$
List Price/Gross Liv. Area	$ sq.ft.	$ 154.22 sq.ft.		$ 92.97 sq.ft.		$ sq.ft.	
Last Price Revision Date	N/A	06/03/2008		05/22/2008			
Data Source(s)		County Records, MLS, Files		County Records, MLS			
Verification Source(s)		County Records, MLS, Files		County Records, MLS			
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjust.	DESCRIPTION	+(-) $ Adjust.	DESCRIPTION	+(-) $ Adjust.
Sales or Financing Concessions		Listing LP to SP Ratio	-950	Listing LP to SP Ratio	-1,071		
Days on Market		28		39			
Location	Lewiston	Lewiston		Lewiston			
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple			
Site	6,390 Sq.Ft.	6,400 sq. ft.		5,000 sq. ft.	+3,500		
View	Average	Average		Average			
Design (Style)	1 Story/Bsmt	1 Story/Bsmt		1 Story/Bsmt			
Quality of Construction	Average	Average		Average			
Actual Age	A 78, E 30-35	A 70, E 15-20	-2,500	A 73, E 15-20	-2,500		
Condition	Below Average	Average	-7,500	Average	-7,500		
Above Grade Room Count (Total / Bdrms. / Baths)	7 / 2 / 1	4 / 2 / 1		5 / 2 / 1		/ /	
Gross Living Area	1,118 sq.ft.	616 sq.ft.	+12,550	1,152 sq.ft.		sq.ft.	
Basement & Finished	240 Sq.Ft.	616 sq. ft.	-2,650	960 sq. ft.	-5,050		
Rooms Below Grade	Unfinished	364 Finished	-4,350	450 Finished	-5,400		
Functional Utility	Average	Average		Average			
Heating/Cooling	GFA/CAC	GFA/CAC		OFA/None	+1,000		
Energy Efficient Items	Average	Average		Average			
Garage/Carport	O.S.P.	O.S.P.		O.S.P.			
Porch/Patio/Deck	Porches	Porch,Patio	-1,000	Porch,Deck	-1,000		
Aux Heat	None	None		Fireplace	-1,000		
Other Amenities	Fence	Shed		Fence			
Net Adjustment (Total)		☐ + ☒ -	$ -6,400	☐ + ☒ -	$ -19,021	☐ + ☐ -	$
Adjusted List Price of Comparables		Net 6.7 % Gross 33.2 %	$ 88,600	Net 17.8 % Gross 26.2 %	$ 88,079	Net % Gross %	$

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	LISTING # 1	LISTING # 2	LISTING # 3
Date of Prior Sale/Transfer	05/2005	None Found	05/13/2008	
Price of Prior Sale/Transfer	$95,000	N/A	N/A	
Data Source(s)	County Records, MLS	County Records, MLS	County Records, MLS	
Effective Date of Data Source(s)	06/26/2008	07/01/2008	07/01/2008	

Comments: COMPETING LISTING 1: The current average List Price to Sales Price ratio for the subject neighborhood is 99%. The List Price to Sales Price ratio is the difference between what the dollar amount a property is listed for (asking price) and what a property sells for. The competing residence has recently received several updates and shows less wear and tear associated with age and use. All other adjustments were completed as described for the comparable sales.

COMPETING LISTING # 2: Competing Listing # 2 is a foreclosure listing in the market area. The competing listing is currently owned by the Department of Housing and Urban Development and was foreclosed and transferred on 05/13/2008. As this was a foreclosure transfer, no purchase price was involved. All adjustments made to the competing listing were made as described before to the comparable sales.

March 2005

Supplemental Addendum

File No. RL5592

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Subject Photo Page

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Subject Front

512 6th Ave.

Sales Price	N/A
Gross Living Area	1,118
Total Rooms	7
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	6,390 Sq.Ft.
Quality	Average
Age	A 78, E 30-35

Subject Rear

Subject Street

Comparable Photo Page

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Comparable 1

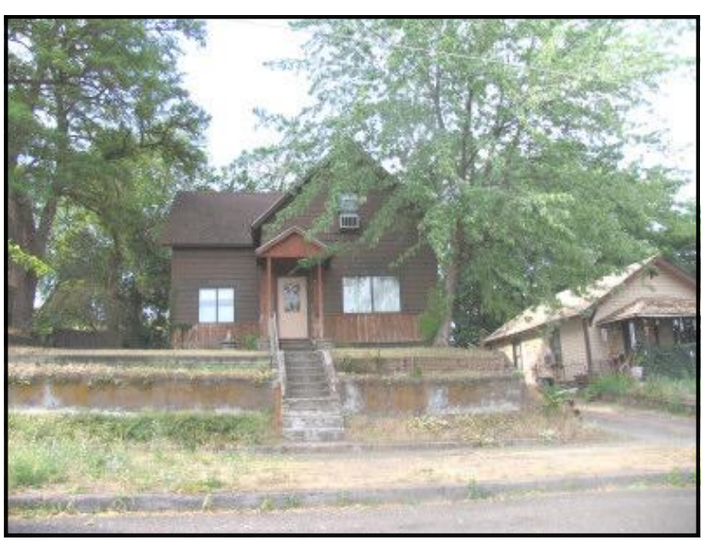
502 Delsol Lane

Prox. to Subject	0.74 miles E
Sales Price	66,000
Gross Living Area	1,092
Total Rooms	5
Total Bedrooms	2
Total Bathrooms	1
Location	Dwntn Lewiston
View	Average
Site	4,250 sq. ft.
Quality	Average
Age	A 93, E 35-40

Comparable 2

330 14th Ave.

Prox. to Subject	0.56 miles S
Sales Price	106,000
Gross Living Area	882
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Location	Lewiston
View	Average
Site	6,400 sq. ft.
Quality	Average
Age	A 74, E 20-25



Comparable 3

1828 7th Ave.

Prox. to Subject	0.99 miles E
Sales Price	85,000
Gross Living Area	986
Total Rooms	6
Total Bedrooms	3
Total Bathrooms	1.75
Location	Lewiston
View	Average
Site	4,365 sq. ft.
Quality	Average
Age	A 98, E 30-35

Comparable Photo Page

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Comparable 4

309 11th Ave.

Prox. to Subject	0.36 miles SW
Sales Price	97,500
Gross Living Area	952
Total Rooms	4
Total Bedrooms	1
Total Bathrooms	1
Location	Lewiston
View	Average
Site	4,200 sq. ft.
Quality	Average
Age	A 82, E 15-20

Comparable 5

Prox. to Subject	
Sales Price	
Gross Living Area	
Total Rooms	
Total Bedrooms	
Total Bathrooms	
Location	
View	
Site	
Quality	
Age	

Comparable 6

Prox. to Subject	
Sales Price	
Gross Living Area	
Total Rooms	
Total Bedrooms	
Total Bathrooms	
Location	
View	
Site	
Quality	
Age	

Listing Photo Page

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Listing 1

1726 3rd St.

Proximity to Subject	0.80 miles S
List Price	95,000
Days on Market	28
Gross Living Area	616
Total Rooms	4
Total Bedrooms	2
Total Bathrooms	1
Age	A 70, E 15-20

Listing 2

925 7th Ave.

Proximity to Subject	0.33 miles E
List Price	107,100
Days on Market	39
Gross Living Area	1,152
Total Rooms	5
Total Bedrooms	2
Total Bathrooms	1
Age	A 73, E 15-20

Listing 3

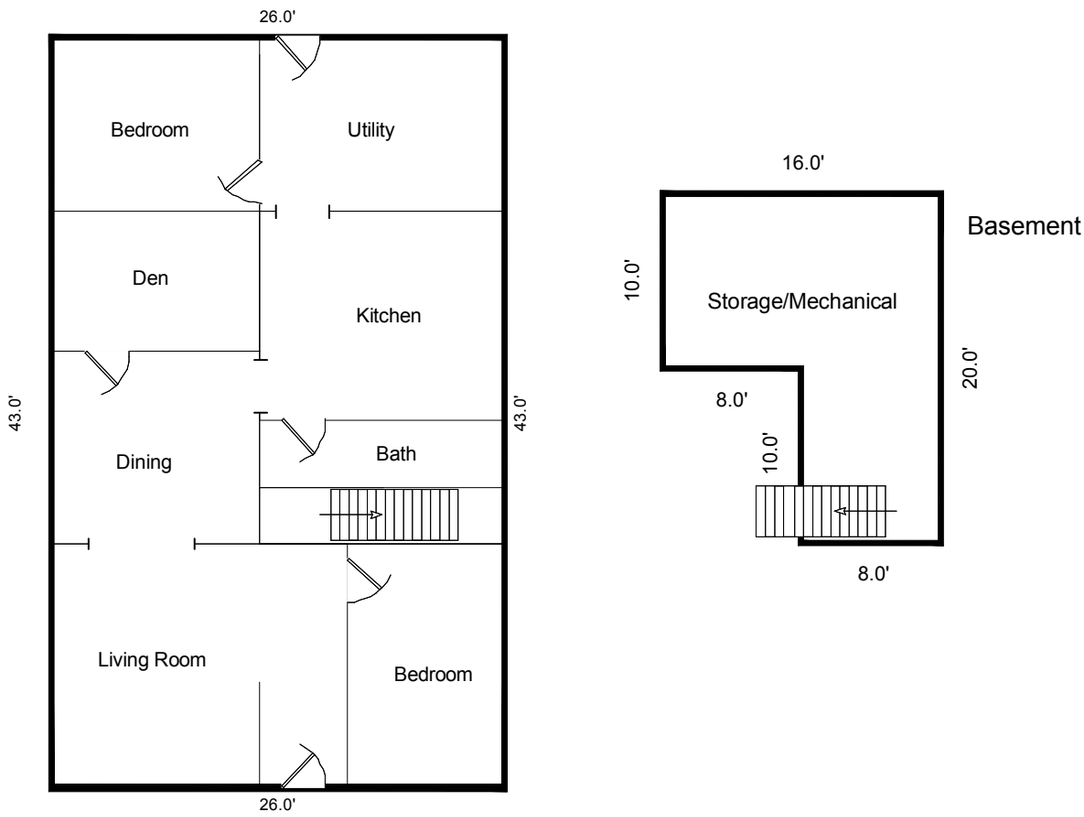
Proximity to Subject	
List Price	
Days on Market	
Gross Living Area	
Total Rooms	
Total Bedrooms	
Total Bathrooms	
Age	

Site Plat

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Building Sketch

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						



Sketch by Apex IV™

Comments:

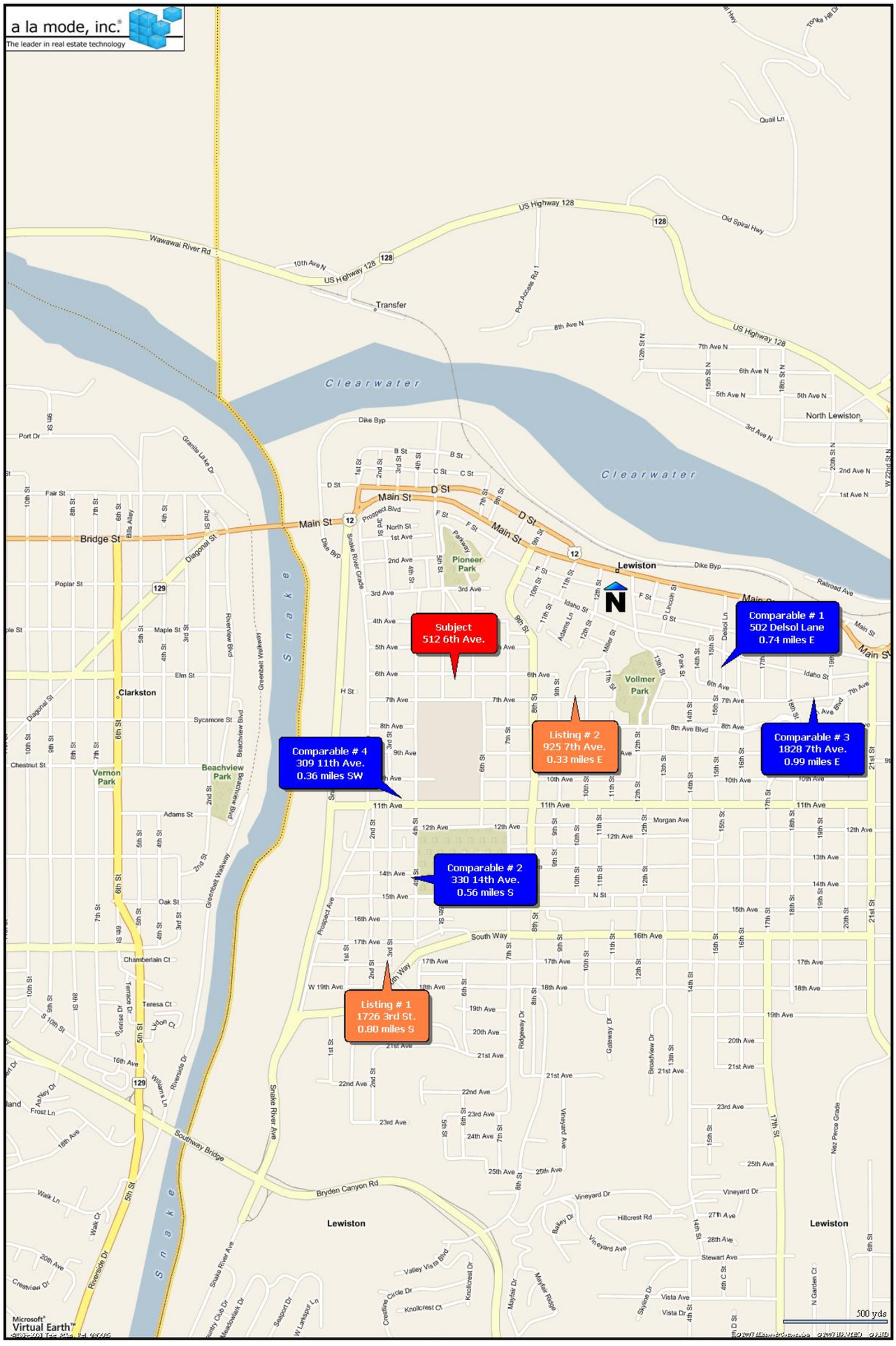
AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
GLA1	First Floor	1118.00	1118.00
BSMT	Basement	240.00	240.00
TOTAL LIVABLE	(rounded)		1118

LIVING AREA BREAKDOWN	
Breakdown	Subtotals
First Floor	
26.0 x 43.0	1118.00
1 Calculation Total (rounded)	1118

Form SKT.BldSkl — "WinTOTAL" appraisal software by a la mode, inc. — 1-800-ALAMODE

Location Map

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						



Form MAP.LOC — "WinTOTAL" appraisal software by a la mode, inc. — 1-800-ALAMODE

License

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Bureau of Occupational Licenses
Department of Self Governing Agencies

The person named has met the requirements for licensure and is entitled under the laws and rules of the State of Idaho to operate as a(n)

LICENSED RESIDENTIAL APPRAISER

WAYNE T. AGEE
1014 MAIN ST
LEWISTON ID 83501

Tana Cory

Tana Cory	LRA-1868	12/30/2008
Chief, B.O.L.	Number	Expires

License

Borrower/Client	N/A						
Property Address	512 6th Ave.						
City	Lewiston	County	Nez Perce	State	ID	Zip Code	83501
Lender	Lewis Clark State College						

Bureau of Occupational Licenses
Department of Self Governing Agencies
The person named has met the requirements for licensure and is entitled under the laws and rules of the State of Idaho to operate as a(n)

CERTIFIED GENERAL APPRAISER

DON KERBY
C/O WESTERN APPRAISALS
1014 MAIN STREET
LEWISTON ID 83501

Tana Cory

Tana Cory	CGA-120	04/04/2009
Chief, B.O.L.	Number	Expires

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COLLEGE OF WESTERN IDAHO

SUBJECT

Approval of the Educational Facility Property Transition Agreement and the Facilities Use Agreement between the State Board of Education and the College of Western Idaho

REFERENCE

February 28, 2008	The Board approved the Memorandum of Understanding between the College of Western Idaho and the State Board of Education and Boise State University.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.I.5.b.3
Senate Concurrent Resolution No. 136, Fifty-Ninth Legislature, Second Regular Session.
Section 33-107(2), Idaho Code

BACKGROUND/DISCUSSION

At the February 2008 meeting, the State Board of Education approved the Memorandum of Understanding by and between the College of Western Idaho (CWI) and the State Board of Education and Boise State University (BSU) whereby the State Board of Education agreed to transfer and convey to CWI approximately 100 acres of BSU's West Campus in Nampa, Idaho, along with the West Campus Academic Building for the purposes of transferring the Selland College of Applied Technology to CWI and helping launch the newest community college in Idaho. This item allows the parties to accomplish that transfer.

IMPACT

This agreement will provide the College of Western Idaho with a campus to start offering community college services in the district.

ATTACHMENTS

Attachment 1 – Map of Parcels Page 3
Attachment 2 – Educational Facility Property Transition Agreement Page 5
Attachment 3 – Facilities Lease Page 27

STAFF COMMENTS AND RECOMMENDATIONS

The Transition Agreement transfers 100 acres of the West Campus in Nampa, along with the West Campus Academic Building to CWI. This includes a payment of $800,000 for personal property listed in Schedule 1 on page 20. The Transition Agreement also includes CWI assuming a BSU bond obligation in the amount of $545,000 for the parking lot adjacent to the West Campus Academic

Building. This is separate from the Idaho State Building Authority bond related to the building.

BSU will continue to be the lessee on the facility, as currently structured. Therefore, BSU and CWI are entering into a use agreement for the facilities. This structure will remain in place until the Idaho State Building Authority bond is paid in full by the Permanent Building Fund.

The division of the property is shown in the map on page 3. The area highlighted in yellow represents the College of Western Idaho acreage, and the area highlighted in blue is the acreage being retained for Boise State University. The area shaded in orange is the lien property for the federal Economic Development Administration (EDA) as requested to be modified by Boise State University.

Representatives from Boise State University and College of Western Idaho will be available for questions by the Board.

Staff recommends approval.

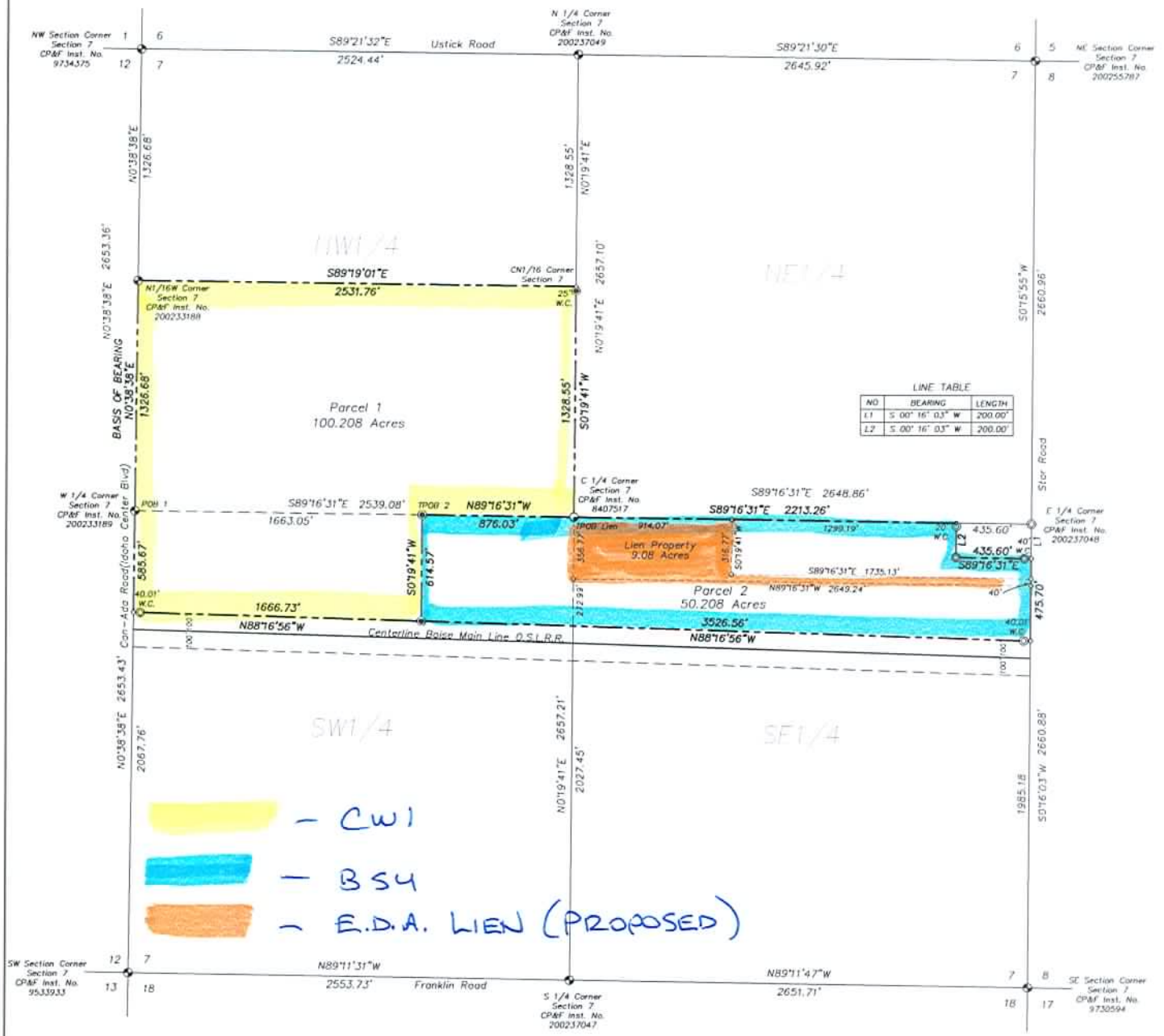
BOARD ACTION

A motion to approve the transfer of the 100 acres as described in Exhibit "A" of the Grant Deed and to approve the request by the College of Western Idaho that the State Board of Education enter into and execute the Educational Facility Property Transition Agreement and the Facilities Use Agreement.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

RECORD OF SURVEY

A PORTION OF THE SE 1/4, NW 1/4 AND THE SW 1/4 OF SECTION 7,
TOWNSHIP 3 NORTH, RANGE 1 WEST, BOISE MERIDIAN,
CANYON COUNTY, IDAHO



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EDUCATIONAL FACILITY PROPERTY TRANSITION AGREEMENT

THIS EDUCATIONAL FACILITY PROPERTY TRANSITION AGREEMENT ("Agreement") is made this ____ day of December, 2008 ("Effective Date"), by and between the COLLEGE OF WESTERN IDAHO DISTRICT, an Idaho community college district formed pursuant to Title 33, Chapter 21, Idaho Code ("CWI"), and the IDAHO STATE BOARD OF EDUCATION ("SBOE") and BOISE STATE UNIVERSITY ("BSU") (collectively "Transferor").

RECITALS

A. Transferor is the Owner of that certain real property and improvements comprising part of Section 7, Township 3 North, Range 1 West, Boise Meridian, located in Canyon County, Idaho consisting of the West Campus Academic Building and the TECenter Building, situated on approximately one hundred fifty (150) acres more or less, and more commonly known as the BSU West Campus (the "West Campus"). Transferor intends to convey real property comprising approximately one hundred (100) acres more or less (the "Premises") to CWI.

B. BSU currently utilizes the West Campus in part for the provision of educational services typically provided by a community college, including, but not limited to professional-technical education ("PTE"), workforce training, and adult basic education. Transferor expressly declares that the West Campus and all personal property utilized thereon remains useful for such purposes and will continue to be used for such purposes. CWI will provide a broad array of community college services, including, but not limited to PTE, workforce training, and adult basic education at the Premises and other locations in the district.

C. Pursuant to Idaho Code § 33-2104(d), CWI was established as a result of a community college district special election held on May 22, 2007, and a June 1, 2007 order by the Canyon County Commission declaring CWI established.

D. Pursuant to Idaho Code § 33-2101 et seq., CWI is the only approved community college district in southwestern Idaho.

E. The Idaho Division of Professional-Technical Education has designated CWI as the postsecondary professional-technical education provider in southwestern Idaho.

F. BSU desires and is statutorily required to relinquish its role as the PTE and community college provider in southwest Idaho and CWI desires and is statutorily required to assume such role. Transferor and CWI agree that it is in the best interests of the Parties and the citizens of Idaho and of the College of Western Idaho District to expedite CWI's assumption of the community college and PTE functions in southwest Idaho by entering into this Agreement.

G. On February 28, 2008, the Parties entered into the Non-Binding Memorandum of Understanding calling for the transfer of the Selland College, including the Canyon County Center, the West Campus Academic Building, and approximately one hundred (100) acres of the West Campus, from Transferor to CWI to further the Parties' mutual goals of promoting an effective community college in southwestern Idaho.

H. The fifty-ninth Legislature, Second Regular Session, adopted Senate Concurrent Resolution No. 136, which resolved, in pertinent part, "that the Legislature approves the transfer of real and personal property located in Nampa, Idaho, by the State Board of Education and Boise State University to the College of Western Idaho under such terms and conditions as may be reasonable and necessary, notwithstanding any other provision of law that may apply to such transfer."

I. The West Campus, specifically the TECenter Building and approximately nine (9) acres underlying and adjacent to the TECenter Building, is subject to and encumbered by that certain Economic Development Administration Project No. 07-01-04923 and the terms, conditions, and covenants subject thereto (the "EDA Encumbrance"). The Parties hereto have requested that the EDA Encumbrance be modified in order to facilitate the purposes of this Agreement without the prior consent of the EDA.

J. The West Campus and the West Campus Academic Building are subject to, respectively, a Site Lease, dated July 17, 2003, by and between SBOE and the Idaho State Building Authority (the "Authority"), and a Facilities Lease, dated July 17, 2003, by and between the Authority and BSU and the Idaho Department of Administration. The West Campus Academic Building and related improvements are owned by the Authority. The Parties agree that CWI will take title to the Premises subject to the Site Lease and will occupy and utilize the West Campus Academic Building pursuant to a facilities use agreement between CWI and BSU.

K. In addition to this Agreement, Transferor and CWI will enter into two separate agreements to further expedite CWI's assumption of the community college and PTE functions in southwest Idaho, to wit: 1) Selland College Transfer Agreement; and 2) Canyon County Center Transition Agreement transferring the Canyon County Center real property and improvements, located in Nampa, Idaho, to CWI. This Agreement is intended to co-exist with the Selland College Transfer Agreement and the Canyon County Center Transition Agreement in order to accomplish the ultimate goal of transferring the community college functions and the Selland College of Applied Technology from BSU to CWI.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, and in consideration of the recitals above, which are incorporated herein, and the premises and the mutual representations, covenants, undertakings and agreements hereinafter contained, Transferor and Transferee represent, covenant, undertake and agree as follows:

1. DESCRIPTION OF PROPERTY TO BE TRANSFERRED.

Subject to the terms and conditions of this Agreement, Transferor agrees to divest, transfer and convey, and CWI agrees to acquire, assume and have transferred and conveyed, all for a purchase price and subject to and upon each of the terms and conditions hereinafter set forth, the Premises, which real property is more particularly described on **Exhibit A** attached hereto and incorporated herein by this reference, together with all right, title and interest of Transferor in and to all easements, tenements, hereditaments, privileges, water rights and appurtenances thereunto belonging, the improvements and structures located on the real property, along with the personal property set forth on **Schedule 1** (collectively, the "Property").

2. CONSIDERATION FOR TRANSFER.

As consideration for the transfer of the Property, as well as the transfer of property and services pursuant to the Selland College Transfer Agreement and the Canyon County Center Transition Agreement, in addition to the recitals, the mutual representations, covenants, undertakings and agreements herein, CWI will:

(a) Assume BSU's role of providing community college services in Area No. 3 by providing public postsecondary education, professional-technical education, community and workforce training, and adult basic education in perpetuity;

(b) Grant a reversionary interest in the deeds required by this Agreement and the Canyon County Center Transition Agreement in favor of Transferor in the event that the property transferred thereby permanently ceases to be used by CWI for public community college purposes (permanent abandonment);

(c) Pay to BSU the sum of **Eight Hundred Thousand Dollars ($800,000.00)**

(d) Assume the principal obligation to that portion of the Boise State University Bonds relating to the parking lot adjacent to the West Campus Academic Building and more particularly described in Exhibit A-2 to the Site Lease, in the approximate amount of five hundred forty-five thousand dollars ($545,000.00); provided, however, that it is anticipated that CWI and BSU will subsequently enter into a memorandum of understanding relating to the shared use of the parking lot and the park and ride operation, and that upon execution of said memorandum of understanding, CWI's financial obligation with respect to the parking lot bond will be reduced according to the terms of that memorandum of understanding;

(e) Grant to Transferor, by way of license and upon terms to be subsequently agreed by the Parties, the right of ingress and egress, including the crossing and delivery of utility and other infrastructure improvements, to Transferor's remaining fifty (50) acres, including the TECenter building and any future development or use of the remaining fifty (50) acres by the Transferor;

(f) Purchase the personal property identified in **Schedule 1**; and

(g) Pay all costs associated with the transfer of the Property, including all engineering and surveying fees necessary to identify the Premises, closing costs, and title insurance costs.

3. ADDITIONAL TERMS, CONTINGENCIES AND CONDITIONS PRECEDENT.

The Parties' respective obligations under this Agreement including, without limitation, the Parties' respective obligations to close the transaction for the Property hereunder are expressly conditioned and contingent upon the prior satisfaction of and/or the respective Parties' express written waiver of the following terms, contingencies and conditions precedent, as applicable, for the respective benefit of the Parties as set forth in this Article 3.

(a) Title Matters.

(i) Title Insurance. By the Closing, CWI, at CWI's expense, shall procure a standard ALTA Owner's Policy of Title Insurance ("Policy") insuring that fee title to the Premises is vested in Transferor subject only to the exceptions set forth in the Title Insurance Commitment, Order No. 200804106, dated April 29, 2008 (the "Commitment).,

(ii) Title Commitment. CWI has received the Commitment, covering the Premises, issued by First American Title Insurance Company ("Title Company"), together with legible and complete copies of all documents referenced as title exceptions in the Commitment. CWI hereby approves the exceptions to the Policy as shown on Schedule B, Section II, of the Commitment except as provided herein:

(b) EDA Encumbrance. Exception No. 18 of the Commitment relating to that certain Economic Development Administration Project No. 07-01-04923 is expected to be relieved insofar as BSU has requested a modification to the EDA Encumbrance so that the Premises is not encumbered thereby. In the event that BSU's modification request is denied by EDA, the Transferor and CWI agree that they shall sign or cause to be signed all documents necessary to either effectuate the removal of the EDA Encumbrance from the Premises or secure the approval of the EDA for the transfer of the Premises from Transferor to CWI.

(c) Site Lease. The Parties understand and agree that the Premises is subject to the Site Lease, as a component of the State Building Revenue Bonds, Series 2003E, issued by the Authority, and that CWI will take the Premises subject to the Site Lease.

(d) Parking Lot Bond. The Parties shall establish a dollar amount, not to exceed five hundred forty-five thousand dollars ($545,000.00), which will represent that portion of the Boise State University Bonds that is fairly and accurately attributable to the parking lot adjacent to the West Campus Academic Building and more particularly described in Exhibit A-2 to the Site Lease. It is anticipated that CWI and BSU will subsequently enter into a memorandum of understanding relating to the shared use of the parking lot and the park and ride operation, and that upon execution of said memorandum of understanding, CWI's financial obligation with respect to the parking lot bond will be reduced according to the terms of that memorandum of understanding, which shall supersede this agreement with respect to the subject matter therein;

(e) **AS IS CONDITION, DISCLAIMER OF WARRANTIES. CWI HAS OCCUPIED THE PROPERTY FOR APPROXIMATELY ONE (1) YEAR MORE OR LESS, DURING WHICH PERIOD CWI HAS HAD THE OPPORTUNITY TO BECOME FULLY FAMILIAR WITH THE CONDITION AND ALL OTHER ASPECTS OF THE PROPERTY. ACCORDINGLY, CWI ACKNOWLEDGES THAT AS OF THE CLOSING DATE CWI SHALL HAVE CONDUCTED ITS OWN DUE DILIGENCE INSPECTION OF THE PROPERTY AND THAT CWI SHALL ACCEPT THE PROPERTY IN "AS IS – WHERE IS" CONDITION AND IN THE CONDITION THAT THE PROPERTY IS IN AS OF THE CLOSING DATE. TRANSFEROR HAS NOT MADE AND DOES NOT HEREBY MAKE ANY OTHER VERBAL OR IMPLIED PROMISES, AGREEMENTS, STIPULATIONS, REPRESENTATIONS OR WARRANTIES OF ANY CHARACTER WHATSOEVER, EXCEPT THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT, AND CWI IN ENTERING INTO THIS AGREEMENT IS RELYING WHOLLY UPON ITS OWN DUE DILIGENCE INSPECTION AND JUDGMENT. TRANSFEROR MAKES NO REPRESENTATIONS AS TO THE ACCURACY OF THE PROPERTY SIZE. CWI SHALL TAKE THE PROPERTY SUBJECT TO THIRD PARTY CLAIMS ARISING OUT OF OR RESULTING FROM DISCREPANCIES, ENCROACHMENTS AND OVERLAPS BETWEEN OR RESULTING FROM EXISTING PERIMETER FENCE LOCATIONS AND THE SURVEYED BOUNDARY LINES OF THE PROPERTY, IF ANY, AND/OR TO ANY STATE OF FACTS AN ACCURATE SURVEY OR INSPECTION OF THE PROPERTY WOULD SHOW. CWI AGREES THAT IT HAS ASCERTAINED, AS OF THE CLOSING DATE, FROM SOURCES OTHER THAN TRANSFEROR, THE APPLICABLE ZONING, BUILDING, HOUSING, AND OTHER REGULATORY ORDINANCES AND LAWS AND CWI ACCEPTS THE PROPERTY WITH FULL AWARENESS OF THESE ORDINANCES AND LAWS AS THEY MAY AFFECT THE PRESENT USE OR ANY INTENDED FUTURE USE OF THE PROPERTY AND TRANSFEROR HAS MADE NO REPRESENTATIONS WITH RESPECT THERETO.**

(f) Conveyance. At Closing, defined below, Transferor shall convey the Premises to CWI by Grant Deed in the form attached hereto as **Exhibit B** and incorporated herein ("Deed"). All costs of recording the grant deed will be paid by the CWI.

(g) No New Encumbrances. During the term of this Agreement, except as may be otherwise expressly provided for herein, Transferor shall not enter into or record or cause or consent to be recorded any new easement, agreement, covenant, restriction, claim, lien, or any other matter affecting the Property or title thereto (an "Encumbrance") without CWI's prior written consent.

(h) BSU-CWI Facilities Use Agreement. Pursuant to the Facilities Lease, BSU currently leases the West Campus Academic building and related improvements from the Authority. The West Campus Academic Building and related improvements are owned by the Authority. The Parties agree that CWI will take title to the Premises subject to the Site Lease and will occupy and utilize the West Campus Academic Building and related improvements pursuant to a facilities use agreement between CWI and BSU in a form substantially the same as **Exhibit C**, attached hereto and incorporated herein by reference.

(i) BSU-CWI Space Allocation. At Closing or at any time subsequent thereto, CWI and BSU shall enter into at least one separate agreement for space allocation between the parties with respect to the West Campus Academic Building. Said agreement shall make space available to BSU for course offerings to further the Parties' desire that BSU continue providing services at the CWI campus. The agreement shall continue annually on a year-to-year term, or until otherwise terminated in accordance with the terms set forth in the agreement. As part of said agreement BSU shall be liable only for actual out-of-pocket costs incurred by CWI as a direct result of the agreement; provided, however that BSU will not be charged for such access or usage of the West Campus Academic Building occurring as a result of services rendered by BSU personnel on behalf of CWI.

4. REPRESENTATIONS AND WARRANTIES.

(a) Transferor represents, warrants and covenants to CWI, as of the Effective Date of this Agreement and as of the date of Closing, as follows:

(1) Owner Fee Simple Title. Subject to the Site Lease and Facilities Lease, the Transferor is and shall be the owner of insurable fee simple title to the Premises and has the authority to convey the Premises as described in **Exhibit A**. Prior to the Closing, the Transferor shall not convey or accept any offer to convey the Premises or any portion of or interest in the Premises nor shall the Transferor encumber or permit encumbrance of the Premises in any way nor grant any property, contract or occupancy right relating to the Premises or any portion thereof without the prior written consent of CWI which may be withheld in the CWI's sole and absolute discretion.

(2) Authority. Transferor has full power, authority and legal right to execute and deliver this Agreement and to perform its obligations under this Agreement. Transferor has authorized the execution and delivery of this Agreement and the performance of its obligations hereunder by all necessary action under Idaho law.

(3) No Adverse Action by Transferor. That Transferor shall not voluntarily take any action, or permit any action to be taken, from and after the execution of this Agreement which adversely affects: (i) the physical condition of the Premises; (ii) title to the Premises; or (iii) development of the Premises.

(4) No Mechanic's Liens. Except for those caused by CWI or arising out of CWI's activities on the Premises, that there are and will be no unrecorded mechanic's or materialmen's liens or any claims for such liens affecting the Premises, and as of the Closing Date, there will be no work or material performed or furnished for which payment will not have previously been made.

(5) Hazardous Materials. To the best of Transferor's knowledge, there are no hazardous substances located on or contained within or below the Premises.

The phrase "to the best of Transferor's knowledge" as used herein shall mean the knowledge of Transferor's agents or employees after diligent inquiry and investigation.

(b) CWI hereby represents, warrants and covenants to Transferor that as of the Effective Date and as of the Closing Date:

(1) Duly Organized; Good Standing. That CWI is an Idaho public corporation that has been duly organized, is validly existing and in good standing under the laws of the State Idaho, and has the full power and authority to: (i) acquire title to the Premises; (ii) enter into this Agreement; and (iii) carry out and consummate the transactions contemplated by this Agreement.

(2) Authority. That the execution and delivery of this Agreement by the signatories hereto on behalf of CWI, and the performance of this Agreement by CWI, have been duly authorized by CWI. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will: (i) result in a breach of or default under any agreement, document or instrument to which CWI is a party or by which CWI is bound; or (ii) violate any existing statute, restriction, order, writ, injunction or decree of any court, administrative agency or governmental body to which CWI is subject.

5. CLOSING AND RELATED MATTERS

(a) Closing Date. The closing of the transaction contemplated by this Agreement ("Closing") shall take place at the Title Company's office on or before the expiration of thirty (30) days from and after the satisfaction of the conditions set forth in Paragraphs 3(b), (c), and (d) herein, or on Wednesday, December 31, 2008, whichever is later ("Closing Date").

(b) Transferor's Deposits. On the Closing Date, Transferor shall deliver the following documents to the Title Officer's:

(i) Deed executed by Transferor conveying the Premises to CWI.

(ii) Transferor-approved Closing statement.

(iii) A Bill of Sale to CWI for the personal property listed on Schedule 1 containing the standard warranties of title free and clear of encumbrances, but conveying said personal property AS IS – WHERE IS without any warranties of condition, merchantability or fitness for a particular purpose.

(iv) Such other documents as the Title Company, CWI or CWI's attorneys may reasonably require in order to effectuate or further evidence the intent of any provision in this Agreement.

All of the documents and instruments to be delivered by Transferor hereunder shall be in form and substance reasonably satisfactory to counsel for both Parties.

(c) CWI's Deposits. On the Closing Date, CWI shall deliver the following documents to Title Officer:

(i) CWI-approved Closing statement.

(ii) Cash or other certified immediately available U.S. funds in the amount of Eight Hundred Thousand Dollars ($800,000.00) sufficient to meet CWI's obligations hereunder.

(iii) Such other documents as the Title Company, Transferor or Transferor's attorneys may reasonably require in order to effectuate or further evidence the intent of any provision in this Agreement.

All of the documents and instruments to be delivered by Transferor hereunder shall be in form and substance reasonably satisfactory to counsel for both Parties.

(d) Possession. Possession of the Premises shall be delivered to CWI on the Closing Date.

(e) Locks. BSU owns and utilizes a proprietary door lock system where the door locking mechanisms and keys are proprietary to BSU. Such locks are currently in use at the West Campus Academic Building. Since CWI cannot produce keys or make changes to such locks in the future, all door locks and locking mechanisms will be removed from the building at BSU's expense before the closing. BSU will coordinate this removal with CWI to ensure CWI can, at its expense, have new locks installed simultaneously with the removal. Pursuant to the BSU-CWI Space Allocation Agreement, BSU will continue to have access to the Facilities notwithstanding the change in locks.

6. PRORATIONS AND ADJUSTMENTS.

The following items shall be prorated and adjusted as of the Closing Date

(a) To the extent applicable, property taxes, assessments, and rents related to the Premises shall be prorated between the Transferor and the CWI as of the date of Closing. Such prorations shall be made on the basis of a 365-day year.

(b) Utilities. All charges for utilities, including water use charges (but not "water taxes" levied by the City of Nampa), shall be paid by Transferor up to and including the Closing Date. Bills received after Closing that relate to expenses incurred or services performed allocable to the period prior to the Closing Date shall be paid by Transferor post-Closing as and when due.

(c) Other Items. Such other items as are customarily prorated in transaction of the type contemplated in this Agreement.

7. NOTICES.

All notices, demands, requests, and other communications under this Agreement shall be in writing and shall be deemed properly served or delivered, if delivered by hand to the party to whose attention it is directed, or when sent, three (3) days after deposit in the U. S. Mail, postage prepaid, certified mail, return receipt requested, or if sent via facsimile transmission, when received as determined by the written facsimile transmission report generated by the sending party's facsimile machine confirming successful delivery, addressed as follows:

(a) If to SBOE: Idaho State Board of Education Attn.: Milford Terrell, President P.O. 83720 Boise, ID 83720-0037 (208) 334-2632 (facsimile)	With a copy to: Deputy Attorney Genera, P.O. Box 83720 Boise, Idaho 83720-0037 (208) _____ (facsimile)
(b) If to BSU: Boise State University Attn.: President 1910 University Drive Boise, Idaho 83725-1000 (208) _____ (facsimile)	With a copy to: General Counsel 1910 University Drive Boise, Idaho 83725-1200 (208) _____ (facsimile)
(c) If to CWI: College of Western Idaho Attn.: President 5500 East University Way Nampa, Idaho 83687 (208) _____ (facsimile)	With a copy to: Richard Stover Eberle, Berlin, Kading, Turnbow & McKlveen, Chtd. P.O. Box 1368 Boise, Idaho 83701 (208) 344-8542 (facsimile)

8. MISCELLANEOUS.

(a) Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, and their respective heirs, personal representatives, successors and assigns.

(b) Counterparts. This Agreement may be executed via facsimile (original to be promptly delivered by U. S. Mail or overnight carrier) in counterparts, each of which shall constitute an original, but all together shall constitute one and the same agreement.

(c) Survival. The terms, provisions, and covenants (to the extent applicable) and indemnities shall survive Closing and delivery of the deed, and this Agreement shall not be merged therein, but shall remain binding upon and for the Parties hereto until fully observed, kept or performed.

(d) Entire Agreement. This Agreement embodies the entire contract between the Parties hereto with respect to the subject matter hereof, and supersedes any and all prior agreements and letters of intent, whether written or oral, between the Parties. No extension, change, modification or amendment to or of this Agreement of any kind whatsoever shall be made or claimed by Transferor or CWI, and no notice of any extension, change, modification or amendment made or claimed by Transferor or CWI shall have any force or effect whatsoever unless the same shall be endorsed in writing and be signed by the party against which the enforcement of such extension, change, modification or amendment is sought, and then only to the extent set forth in such instrument. Nothing herein is intended, nor shall it be construed, as obligating either party to agree to any modification if this Agreement.

(e) Representation by Counsel. All Parties hereto have either: (i) been represented by separate legal counsel; or (ii) have had the opportunity to be so represented. Thus, in all cases, the language herein shall be construed simply and in accordance with its fair meaning and not strictly for or against a party, regardless of which party prepared or caused the preparation of this Agreement.

(f) Captions. The captions at the beginning of the several paragraphs, respectively, are for convenience in locating the context, but are not part of the text.

(g) Severability. In the event any term or provisions of this Agreement shall be held illegal, invalid or unenforceable or inoperative as a matter of law, the remaining terms and provisions of this Agreement shall not be affected thereby, but each such term and provision shall be valid and shall remain in full force and effect.

(h) Governing Law. This Agreement shall be governed by the laws of the State of Idaho.

(i) Recitals, Exhibits and Schedules. The recitals, exhibits and schedules attached to this Agreement are incorporated into this Agreement as if set forth in full herein and shall be an integral part of this Agreement.

(j) Cooperation of Parties. The Transferor and the CWI shall execute or cause to be executed any and all documents reasonably necessary or appropriate to close the transaction pursuant to the terms of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

IDAHO STATE BOARD OF EDUCATION

By: _____
Its: _____

BOISE STATE UNIVERSITY

By: _____
Its: _____

COLLEGE OF WESTERN IDAHO

By: _____
Its: _____

List of Exhibits:

Exhibit A – Legal Description of Property
Exhibit B – Form of Grant Deed
Schedule 1 – Personal Property Included in Transfer
Exhibit C – Use Agreement
Exhibit C-1 – Facilities Lease

EXHIBIT A

This parcel consists of a portion of the NW ¼ and of the SW ¼ of Section 7, Township 3 North, Range 1 West of the Boise Meridian, Canyon County, Idaho and is more particularly described as follows:

BEGINNING at the Southwest corner of said NW ¼ (W ¼ Corner Section 7), a found brass cap monument;

thence North 0° 38' 38" East along the west boundary of said Section 7 a distance of 1326.68 feet to the northwest corner (N 1/16 W Corner Section 7) of the S ½ NW ¼, a found aluminum cap monument;

thence South 89° 19' 01" East along the north boundary of the S ½ NW ¼ a distance of 2531.76 feet to the northeast corner (CN 1/16 Corner Section 7) of said S ½ NW ¼, witnessed by a 5/8 x 30 inch rebar set with a plastic cap stamped L.S. 3627 bearing South 0° 19' 41" West a distance of 25.00 feet;

thence South 0° 19' 41" West along the east boundary of said S ½ NW ¼ a distance of 1328.55 feet to the northeast corner of the SW ¼ (C ¼ Corner Section 7), a 5/8 x 30 inch rebar set with an aluminum cap stamped L.S. 3627;

thence North 89° 16' 31" West along the north boundary of said SW ¼ a distance of 876.03 feet to a 5/8 x 30 inch rebar set with a plastic cap stamped L.S. 3627;

thence South 0° 19' 41" West parallel with the East boundary of said SW ¼ a distance of 614.57 feet to a point on the northerly right-of-way of the Boise Main Line O.S.L.R.R., a 5/8 x 30 inch rebar set with a plastic cap stamped L.S. 3627;

thence North 88° 16' 56" West along said right-of-way a distance of 1666.73 feet to a point on the west boundary of said SW ¼, witnessed by a found 5/8 inch diameter rebar bearing South 88° 16' 56" East a distance of 40.01 feet;

thence North 0° 38' 38" East along said west boundary a distance of 585.67 feet to the **POINT OF BEGINNING**, containing 100.208 acres, more or less, and being subject to all easements and rights-of-way of record or implied.

EXHIBIT B

Grant Deed

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

College of Western Idaho
Attn.: Cheryl Wright
5500 East University Way
Nampa, Idaho 83687

(Space Above For Recorder's Use)

GRANT DEED

For good and valuable consideration, the receipt of which is hereby acknowledged, the **STATE OF IDAHO acting by and through the STATE BOARD OF EDUCATION as the Board of Trustees for BOISE STATE UNIVERSITY**, ("Grantor"), grants, transfers, conveys and assigns to the **COLLEGE OF WESTERN IDAHO** ("Grantee"), whose current address is 5500 East University Way, Nampa, Idaho 83687, and its successors and assigns forever, the following described real property:

> **SEE EXHIBIT "A" attached hereto and incorporated by this reference**
>
> SUBJECT TO all existing easements, rights-of-way, reservations, restrictions and encumbrances of record, to any existing tenancies, to all zoning laws and ordinances, and to any state of facts an accurate survey or inspection of the premises would show and to the restriction on Grantee's use of the Property as set forth herein.

SUBJECT FURTHER TO the Site Lease recorded August 12, 2003 as Instrument Number 200349973, records of Canyon County, Idaho.

This conveyance shall include any and all estate, right, title, interest, appurtenances, tenements, hereditaments, reversions, remainders, easements, rents, issues, profits, rights-of-way and water rights in anywise appertaining to the property herein described as well in law as in equity.

RESERVATION OF GRANTOR. It is hereby understood and stipulated that whenever the property hereby conveyed permanently ceases to be used exclusively for public community college or ancillary purposes by Grantee, its successors or assigns, that said property shall automatically revert to Grantor, its successors or assigns as fully and effectually as if this deed had not been made or executed.

IN WITNESS WHEREOF, the Grantor has hereunto subscribed its name to this instrument this _____ day of _____, 20___.

GRANTOR:

IDAHO STATE BOARD OF EDUCATION, as the Board of Trustees for BOISE STATE UNIVERSITY

By:_____

Its: _____

STATE OF IDAHO)
) ss.
County of _____)

On this _____ day of _____, 20___, before me, the undersigned, a Notary Public, personally appeared _____, known or identified to me to be the _____ of the Idaho State Board of Education, the Board of Trustees for Boise State University, and the agency that executed the foregoing instrument or the person who executed the instrument on behalf the Idaho State Board of Education, and acknowledged to me that such agency executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

_____
NOTARY PUBLIC FOR IDAHO

Residing at _____
My Commission Expires _____

Exhibit A to Grant Deed

This parcel consists of a portion of the NW ¼ and of the SW ¼ of Section 7, Township 3 North, Range 1 West of the Boise Meridian, Canyon County, Idaho and is more particularly described as follows:

BEGINNING at the Southwest corner of said NW ¼ (W ¼ Corner Section 7), a found brass cap monument;

thence North 0° 38' 38" East along the west boundary of said Section 7 a distance of 1326.68 feet to the northwest corner (N 1/16 W Corner Section 7) of the S ½ NW ¼, a found aluminum cap monument;

thence South 89° 19' 01" East along the north boundary of the S ½ NW ¼ a distance of 2531.76 feet to the northeast corner (CN 1/16 Corner Section 7) of said S ½ NW ¼, witnessed by a 5/8 x 30 inch rebar set with a plastic cap stamped L.S. 3627 bearing South 0° 19' 41" West a distance of 25.00 feet;

thence South 0° 19' 41" West along the east boundary of said S ½ NW ¼ a distance of 1328.55 feet to the northeast corner of the SW ¼ (C ¼ Corner Section 7), a 5/8 x 30 inch rebar set with an aluminum cap stamped L.S. 3627;

thence North 89° 16' 31" West along the north boundary of said SW ¼ a distance of 876.03 feet to a 5/8 x 30 inch rebar set with a plastic cap stamped L.S. 3627;

thence South 0° 19' 41" West parallel with the East boundary of said SW ¼ a distance of 614.57 feet to a point on the northerly right-of-way of the Boise Main Line O.S.L.R.R., a 5/8 x 30 inch rebar set with a plastic cap stamped L.S. 3627;

thence North 88° 16' 56" West along said right-of-way a distance of 1666.73 feet to a point on the west boundary of said SW ¼, witnessed by a found 5/8 inch diameter rebar bearing South 88° 16' 56" East a distance of 40.01 feet;

thence North 0° 38' 38" East along said west boundary a distance of 585.67 feet to the **POINT OF BEGINNING**, containing 100.208 acres, more or less, and being subject to all easements and rights-of-way of record or implied.

ATTACHMENT 2

Schedule 1

Estimated Book Value of BSU West Campus and Canyon County Center FFE
From 2002 to 2/6/2008

Tab	Description		Net Book Value	
Book Value of West Campus FFE				
BSU West	Office Supplies/Equipment $2K - $4999	$	1,857	
542000	Office Furniture Less Than $2,000	$	238,747	
BSU West	Office Furniture $2K - $4999	$	3,519	
558000	Non Capital Processing Equipment	$	45,644	
571000	Minor Tools	$	5,212	
572025	Educational Equipment	$	3,760	
573525	Photographic and Video Equipment	$	7,417	
649900	Other Computer Equipment	$	6,183	
652000	Educational Equipment	$	6,123	
671000	Office Furniture	$	47,332	
686000	Communications Equipment	$	6,957	
AV	Audio/Visual Systems and Technology	$	93,120	
W_Book	Bookstore	$	-	(a)
Library	Library - WCAB209	$	34,726	(b)
OIT	OIT - Student Computer Lab	$	22,608	
S_Labs	Science Labs	$	276,798	(c)
	Total BSU West	$	800,000	

(a) Leaving $64,340 (BV) in built-in fixtures and fencing
(b) Leaving $15,453 in FF&E (BV);$34,725 Negotiable
(c) Leaving $10,188 in consumables;$276,798 Negotiable

EXHIBIT C

Facilities Use Agreement

THIS FACILITIES USE AGREEMENT ("Agreement") is made this ____ day of December, 2008 ("Effective Date"), by and between the COLLEGE OF WESTERN IDAHO DISTRICT, and Idaho community college district formed pursuant _____ ("CWI**"**), and BOISE STATE UNIVERSITY ("BSU") with the consent and approval of the IDAHO STATE BOARD OF EDUCATION ("SBOE") (collectively, the "State"), with the consent and approval of the IDAHO STATE BUILDING AUTHORITY (the "Authority").

RECITALS

A. Contemporaneously herewith and in accordance with that certain Educational Facility Property Transition Agreement ("Transition Agreement"), the State has transferred to CWI certain real and personal property as more particularly described in the Transition Agreement.

B. BSU is a party to that certain Site Lease dated as of July 17, 2003 between the Authority and the State ("Site Lease") and that certain Facilities Lease dated as of July 17, 2003 between the Authority, BSU and the State of Idaho Department of Administration ("Facilities Lease"). A copy of the Facilities Lease is attached hereto as **Exhibit C-1** and incorporated herein by this reference.

C. Pursuant to the Transition Agreement, BSU has transferred real property subject to the Site Lease and the Facilities Lease.

D. Pursuant to Section 5.1 of the Facilities Lease, BSU desires to authorize CWI, a Non-State Entity, to occupy and use the facilities subject to the Facilities Lease, and CWI desires to accept such authorization subject to the terms of the Agreement.

E. This Agreement is not intended to be a sublease or an assignment of the interests or the obligations of the State with respect to the Facilities Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, and in consideration of the recitals above, which are incorporated herein, and the premises and the mutual representations, covenants, undertakings and agreements hereinafter contained, BSU and CWI represent, covenant, undertake and agree as follows:

1. Subject to the terms and conditions of the Facilities Lease and the covenants and agreements herein contained, BSU authorizes CWI to use the facilities, as such term is defined and more particularly described in the Facilities Lease ("Facilities").

2. CWI shall use the Facilities for and in connection with its academic programs. The use by CWI shall not, either collectively or individually, adversely affect the tax-exempt status of State Revenue Bonds, Series 2003E issued by the Authority and bonds or notes issued to refinance all or any part thereof. In the event CWI desires to enter into agreements with entities other than BSU relating to the Facilities, CWI shall request the prior written consent thereto from the Authority and BSU.

3. This Agreement shall be in full force and effect from the Effective Date and shall continue through June 30, 2009. The term shall renew for successive one (1) year terms, unless BSU or the SBOE notifies CWI in writing no later nine (9) months prior to the expiration of any lease term that the State of Idaho has not renewed the Facilities Lease. Either party may terminate this Agreement immediately upon written notice if the other party is in material breach of any term, covenant or condition of this Agreement. CWI may terminate this Agreement effective on the first day following the conclusion of the then current CWI academic semester upon thirty (30) days' prior written notice to BSU.

4. As consideration for the use of the Facilities, CWI shall:

a. Comply with the terms and conditions of the Transition Agreement;

b. Except as otherwise agreed by the Parties in writing and at CWI's cost and expense, maintain the Facilities or cause the Facilities to be kept and maintained in good order and condition and make or cause to be made all necessary repairs renewals and replacements with respect to the Facilities during the term of this Agreement and each renewal term; and,

c. Except as otherwise agreed by the Parties in writing and at CWI's cost and expense, pay or cause to be paid all costs, expenses and charges for water, electricity, lights heat, power, sewage telephone, and other utility services rendered or supplied upon or in connection with the Facilities during the term of this Agreement and each renewal term.

5. CWI covenants and agrees that at all times during the term of this Agreement, the existing level and scope of insurance coverage shall be maintained with respect to the Facilities. CWI further covenants and agrees that in the event that it procures additional insurance coverage with respect to the Facilities, the Authority shall be named as an additional named insured on any such policy of insurance. CWI shall at its sole cost and expense maintain in effect policies of insurance covering all its personal property and equipment located at or upon the Facilities and insuring against liability which may be incurred for bodily injury or property damage arising out of CWI's activities under this Agreement. CWI and the State each shall be responsible only for the acts, omissions or negligence of its own officers, employees or agents. CWI hereby releases the State and any and all officers, employees, volunteers, agents insurers and any elected or appointed officials of the State, from any and all claims, demands, rights, causes of action, property damage, personal injury, costs, loss of services, expenses of any kind and any compensation whatsoever brought or maintained by or on behalf of CWI arising out of or related to CWI's use of the Facilities; provided, however, that the foregoing shall not release claims, demands, rights, causes of action, property damage, personal injury, costs, loss of services,

expenses of any kind and any compensation whatsoever arising from the willful misconduct or gross negligence of the State or its officers, employees, volunteers, agents insurers or elected or appointed officials.

6. BSU shall continue its use of the Facilities for course offerings to further the Parties' desire that BSU continue providing services at the CWI campus. To accomplish this, CWI and BSU shall enter into additional agreements whereby BSU retains use of a portion of the Facilities, including but not limited to, office and classroom space on terms to be set forth in the applicable agreement.

7. Any notice or demand given under the terms of this Agreement shall be in writing and shall be deemed delivered immediately upon personal service or forty-eight (48) hours after depositing notice or demand in the United States mail, certified or registered, postage prepaid, addressed to the other party at the address identified below. Such addresses may be changed by either party by notice to the other party.

Idaho State Board of Education: Attn.: Board President P.O. 83720 Boise, ID 83720-0037	With a copy to: Deputy Attorney General, State Board of Education P.O. Box 83720 Boise, Idaho 83720-0010
BSU: Boise State University Attn.: University President 1910 University Drive Boise, Idaho 83725-1000	With a copy to: General Counsel 1910 University Drive Boise, Idaho 83725-1200
CWI: College of Western Idaho Attn.: President 5500 East University Way Nampa, ID 83687	With a copy to: Richard Stover Eberle, Berlin, Kading, Turnbow & McKlveen, Chtd. P.O. Box 1368 Boise, Idaho 83701
The Authority: Idaho State Building Authority Attn.: Executive Director 755 W. Front Street, Ste. 200 Boise, Idaho 83702	With a copy to: Wayne Meuleman Meuleman Mollerup, LLP 755 W. Front Street, Ste. 200 Boise, Idaho 83702

8. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, and their respective heirs, personal representatives, successors and assigns.

9. This Agreement embodies the entire contract between the Parties hereto with respect to the subject matter hereof, and supersedes any and all prior agreements and letters of intent, whether written or oral, between the Parties. No extension, change, modification or amendment to or of this Agreement of any kind whatsoever shall be made or claimed by the State or CWI, and no notice of any extension, change, modification or amendment made or claimed by the State or CWI shall have any force or effect whatsoever unless the same shall be endorsed in writing and be signed by the party against which the enforcement of such extension, change, modification or amendment is sought, and then only to the extent set forth in such instrument. Nothing herein is intended, nor shall it be construed, as obligating either party to agree to any modification if this Agreement.

10. This Agreement may be executed in counterparts. Each such counterpart shall constitute and original, but all such counterparts shall constitute but one agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date first written above.

IDAHO STATE BOARD OF EDUCATION

By: _____
Its: _____

BOISE STATE UNIVERSITY

By: _____
Its: _____

COLLEGE OF WESTERN IDAHO

By: _____
Its: _____

ACKNOWLEDGMENT AND CONSENT OF AUTHORITY

THE UNDERSIGNED, **IDAHO STATE BUILDING AUTHORITY,** as Lessor under the Facilities Lease, and pursuant to Section 5.1 therein, hereby acknowledges, understands and consents to the terms of the foregoing Facilities Use Agreement.

IDAHO STATE BUILDING AUTHORITY

By: _____

Title: _____

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Exhibit A-2

(Facilities Lease)

FACILITIES LEASE

(Boise State University West Campus Academic Building)

THIS FACILITIES LEASE, made as of the 17th day of July, 2003, between the IDAHO STATE BUILDING AUTHORITY (the "Authority"), as lessor, and the STATE OF IDAHO (the "State"), acting through the IDAHO DEPARTMENT OF ADMINISTRATION ("IDOA") and BOISE STATE UNIVERSITY ("BSU"), with the consent and approval of the IDAHO STATE BOARD OF EDUCATION, as lessee.

RECITALS

A. The Authority was created by the Idaho State Building Authority Act, Title 67, Chapter 64, Idaho Code, to finance, construct, and operate facilities for the purposes set forth in the Act; and

B. The Authority is empowered by the Act, among other powers, to acquire property; to enter into agreements with the State of Idaho or any agency, board, department or commission thereof for the financing of facilities; to provide for the acquisition, development, construction, reconstruction, improvement, alteration, maintenance, operation, or repair of facilities or parts thereof; and to lease such facilities as provided by the Act; and

C. In accordance with the provisions of Idaho Code, Section 67-6410(a), the Idaho Legislature, pursuant to House Concurrent Resolution No. 30, First Regular Session of the Fifty-seventh Legislature, has authorized the IDOA and BSU to enter into agreements with the Authority as may be reasonable and necessary for the purpose of providing financing and development of educational facilities (defined herein as the "Facilities"), for use by BSU; and

D. Concurrently herewith, the Authority has leased the real property described in Exhibit A-1 together with the right for ingress, egress and parking over the real property described on Exhibits A-2 and A-3 pursuant to the Site Lease, as defined hereinafter, to finance and acquire the Facilities, and to lease the Facilities back to the State pursuant to this Facilities Lease; and

E. The Authority intends to finance the cost of acquisition of the Facilities and related costs by the issuance of bonds, notes or other evidences of indebtedness as authorized by the Act; and

F. The State and the Authority acknowledge that there shall be no merger of the State's leasehold interest in the Facilities and its ownership interest in the real property described in Exhibits A-1, A-2 and A-3; and

G. The State will be responsible for the design and construction of the Facilities pursuant to the terms of the Development Agreement, as hereinafter defined, and will lease the Facilities from the Authority upon the terms and conditions set forth in this Facilities Lease.

NOW, THEREFORE, in consideration of the mutual promises, conditions, and covenants set forth herein, the parties agree:

ARTICLE 1
FINDINGS AND DECLARATION

Section 1.1 Findings: The Authority has found and declared, in accordance with Section 67-6410(c), Idaho Code, that the Facilities will be of public use and will provide a public benefit to the people of the State of Idaho.

Section 1.2 Declaration: The parties agree and acknowledge that the Recitals contained in this Facilities Lease are true and are incorporated into this Facilities Lease as if set forth in full. This Facilities Lease shall constitute the agreement of the Authority to provide the Facilities as required by Section 67-6410(b), Idaho Code.

ARTICLE 2
DEFINITIONS

The terms used herein shall have the following meanings:

Section 2.1 **"Act"** shall mean Chapter 64, Title 67, Idaho Code, as it now exists and as it may hereafter be amended and supplemented.

Section 2.2 **"Administrative Costs"** shall mean the Authority's expenses (including reasonable reserves for such expenses) for real property assessments, allocable administration and general expenses of the Authority, expenses for maintenance and repairs, insurance premiums, arbitrage rebate calculation expenses, utility charges, legal, financial, architectural and engineering expenses, fees and expenses of fiduciaries under the Bond Resolution, bond insurance, guaranty and/or letter of credit fees, interest and finance charges, and any other expenses or contingencies to be paid or provided for by the Authority, all to the extent properly attributable to the Facilities and payable by the Authority. Administrative Costs shall not include any Cost of Acquisition and Construction or any provision for depreciation, amortization or similar charges or any expenses for maintenance and repairs, utility services or insurance paid for or provided by the State pursuant to this Facilities Lease.

Section 2.3 **"Annual Rent"** shall mean, with respect to the initial term of this Facilities Lease and each renewal term thereof, the Basic Rent and Additional Rent determined in accordance with Article 6 hereof due and payable by the State to the Authority with respect to the Facilities for such lease term.

Section 2.4 **"Authority"** shall mean the Idaho State Building Authority, an independent public body corporate and politic of the State of Idaho, created by and existing under the Act.

Section 2.5 **"Bonds"** shall mean the portion of any bond or bonds, note or notes, or other evidences of indebtedness issued by the Authority for the purpose of financing the Cost of Acquisition and Construction and bonds or notes issued to refinance all or any part thereof and any

bonds or notes issued to finance any additions, modifications or replacements of the Facilities from time to time hereafter.

Section 2.6 **"Bond Resolution"** shall mean the resolution or resolutions of the Authority, as amended and supplemented, authorizing the issuance of Bonds.

Section 2.7 **"Code"** means the Internal Revenue Code of 1986, as amended, regulations thereunder and rulings and judicial decisions interpreting or construing the Code.

Section 2.8 **"Cost of Acquisition and Construction"** shall mean any proper and reasonable cost, whether or not specifically mentioned herein, of the lease, development and design and construction of the Facilities and furniture, fixtures, machinery, apparatus and equipment therefore; of engineering and architectural services, designs, plans, specifications and surveys; of planning, analysis, project management, administration, inspection and similar services in connection with the Facilities; of acquisition or lease of any land or interest therein for use in connection therewith; of preparation of the sites thereof and of any land to be used in connection therewith; of any indemnity and surety bonds and insurance premiums; of allocable administrative and general expenses of the Authority; of allocable portions of legal fees, audits, fees and expenses of any trustees, depositories and paying agents, financial advisors, underwriters and others for the Bonds; of issuance of the Bonds and interest thereon and other financing charges, and of fees and expenses of other advisors and consultants necessary or appropriate in connection therewith; of the payment of any Bonds of the Authority (including any interest and redemption premiums) issued to temporarily finance the payment of any item or items of cost of the Facilities; of expenses necessary or incidental to determining the feasibility or practicability of the Facilities; and of all other reasonable expenses not specified herein as may be necessary or incidental to the development, design, construction and acquisition of the Facilities, the financing thereof, and the placing of the same in use and operation.

Section 2.9 **"Development Agreement"** shall mean an agreement entered into between the Authority and the State whereby the State agrees to complete the design and construction of the Facilities satisfactory to the Authority and to convey ownership of the Facilities to the Authority as the design and construction progresses.

Section 2.10 **"Facilities"** shall mean the Authority's interest in the real property described in Exhibits A-1, A-2 and A-3 attached hereto created by the Site Lease together with all easements and rights appurtenant thereto and together with all improvements located thereon and improvements to be constructed thereon described in Exhibit B, together with all equipment, furniture, fixtures, improvements, and appurtenances designed, constructed or installed thereon by or for the Authority.

Section 2.11 **"Facilities Lease"** shall mean this Facilities Lease, including any amendments or supplements thereto.

Section 2.12 **"Fiscal Year"** shall mean the twelve-month period of each year beginning July 1 and ending on the following June 30.

Section 2.13 **"Site Lease"** shall mean the Site Lease entered into between the Authority and the State of Idaho acting by and through BSU coincidentally herewith, containing the terms and conditions of the lease of real property and easements, described in Exhibits A-1 and A-2, to the Authority.

ARTICLE 3
LEASE OF PROJECT; TERM OF LEASE

Section 3.1 **Lease of Facilities:** The Authority hereby leases the Facilities to the State for use in furtherance of the public benefit, and the State hereby leases the Facilities from the Authority on the terms and conditions set forth herein.

As affects this Facilities Lease, BSU shall have the primary responsibility to act on behalf of the State in all respects pertaining to the obligations of the State under this Facilities Lease. The State of Idaho hereby authorizes BSU to act as its representative and agent in all respects pertaining to this Facilities Lease, and the State of Idaho shall be fully bound by all acts, authorizations, representations and decisions of BSU, except as otherwise expressly provided in this Facilities Lease.

Section 3.2 **Term of Lease:** This Facilities Lease shall be in full force and effect from the effective date hereof. The initial term of this Facilities Lease shall extend from the effective date hereof through June 30, 2004. The State shall have the option to renew this Facilities Lease in accordance with the provisions hereof for successive terms concurrent with and equal to succeeding Fiscal Years thereafter and each such renewal of this Facilities Lease shall be deemed to be exercised, automatically and without further action by the State, unless the State shall notify the Authority in writing of its intent not to renew this Facilities Lease not later than ten (10) months prior to the expiration of any lease term; provided, however, no term of this Facilities Lease shall extend beyond the term of the Site Lease.

ARTICLE 4
ACQUISITION, DEVELOPMENT AND FINANCING

Section 4.1 **Acquisition and Development of Facilities:** The Authority agrees to acquire real property and parking for use as the site of the Facilities by the Site Lease entered into coincidentally herewith. Pursuant to the terms of the Site Lease, the Authority will own fee title to the improvements constructed thereon as provided in the Development Agreement entered into coincidentally herewith. This Facilities Lease and the rights, title and interest of the State in this Facilities Lease and the Facilities shall be subject to the interests of the Authority in the real property and parking acquired therefor.

Section 4.2 **Financing of Facilities by the Authority:** The Authority agrees to finance the Cost of Acquisition and Construction of the Facilities by issuance of Bonds as authorized by the Act. The Authority may from time to time refinance or refund such Bonds as the Authority may deem appropriate; provided the Authority shall not refinance or refund such Bonds without the

written consent of the State if to do so would increase the Basic Rent due hereunder. The Authority shall give written notice to the State of its intent to refinance or refund such Bonds.

Section 4.3 Bond Anticipation Notes: The Authority may issue bond anticipation notes payable from proceeds of Bonds.

ARTICLE 5
USE OF FACILITIES

Section 5.1 Use of Facilities: The State agrees that the Facilities shall be used by BSU and such other institutions, departments and agencies of the State as deemed necessary or appropriate by the State. With the written consent of the Authority, which shall not be unreasonably withheld, the State may enter into agreements with other entities ("Non-State Entities") for the operation and/or maintenance of the Facilities or for the use or occupancy of portions of the Facilities by Non-State Entities upon the following conditions:

(a) the nature and extent of the proposed agreements with Non-State Entities will not adversely affect the tax-exempt status of the Bonds; and

(b) such proposed users or uses shall be compatible with and complimentary to the interests in and uses of the Facilities by the State; and

(c) the nature and extent of the proposed uses of the Facilities conforms to policies relating to permitted uses of the Facilities adopted by the Board of Commissioners of the Authority.

ARTICLE 6
RENT

Section 6.1 Payment of Annual Rent: In consideration of the lease of the Facilities, the State shall pay to the Authority, in advance and without any set off or deduction whatsoever, the following Annual Rent:

(1) For the period of the initial term of this Facilities Lease in the Fiscal Year ending June 30, 2004, the State shall pay no Annual Rent.

(2) For the renewal term of this Facilities Lease commencing July 1, 2004 and for each annual renewal term thereafter, the State shall, within 30 calendar days following the commencement of such renewal terms, pay in advance:

(a) As and for Basic Rent, an amount for such term which shall equal the principal installments, including sinking fund deposits, and interest payable in the corresponding Fiscal Year in accordance with the Bond Resolution with respect to the Bonds; and

(b) As and for Additional Rent as follows:

(i) the amount estimated by the Authority to be sufficient to provide the Authority with adequate monies to pay all Administrative Costs attributable to the Facilities for the applicable term of this Facilities Lease, plus

(ii) any amount payable as rebate or other sums payable with respect to the bonds and the amount, if any, of deposits to any debt service reserve account, any operating fund, and any other reserve or expense accounts required to meet all terms and conditions of the Bond Resolution. The Authority will provide to the State an estimate of Administrative Costs which shall accompany its statement for Additional Rent.

(3) Annual Rent payable for any renewal term shall not be deferred or abated because of delays in completion of the construction of the Facilities or delays in completion of any repair or replacement of damage to the Facilities.

(4) Any installment of Annual Rent which is not paid by the State on or before the due date thereof shall, from and after said due date, bear interest until paid at the highest rate per annum borne by any of the Bonds then outstanding; time being of the absolute essence of this obligation.

(5) The Authority and the State hereby agree that the Basic Rent in any lease term shall be reduced by any amounts on deposit with the Authority legally available for and allocated by the Authority to the payment of principal and interest on the Bonds, including without limitation capitalized interest deposited from the proceeds of the Bonds and funds on deposit in the debt service account established under the Bond Resolution. Basic Rent shall be increased or decreased as appropriate to reflect the issuance by the Authority of Bonds bearing interest at variable rate and issuance of any additional Bonds issued to refinance the Facilities, in whole or in part, or any additional Bonds issued for the purposes set forth in Section 9.1 hereof or issued to finance additions, modification or replacement of the Facilities or any part thereof.

(6) Annual Rents shall be payable in lawful money of the United States of America, which shall be legal tender for public and private debts under the laws of the United States at the time of payment, provided that, upon prior written approval of the Authority, the State may transfer funds through electronic funds transfer. Payment shall be made at the office of the Authority or such other place or places as may be designated in writing by the Authority.

(7) The State and the Authority have agreed and determined that such Annual Rent represents the fair market rental value of the Facilities. In making such determination, consideration has been given to the Cost of Acquisition and Construction, and the costs of financing of the Facilities and the Administrative Costs thereof, and the uses and purposes of the Facilities which will accrue to the State and the Authority and the general public by reason of the use and occupancy thereof by the State and ownership by the Authority.

(8) The parties agree that the Annual Rent hereunder constitutes ordinary operating expense of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 6.2 Application of Rent: The Authority covenants to use and apply Annual Rent to payment of debt service of the Bonds, Administrative Costs, deposits to required reserve accounts and other appropriate purposes pertaining to the Facilities and/or the Bonds.

ARTICLE 7
OPERATION AND MAINTENANCE OF THE FACILITIES

Section 7.1 Operation, Repairs, and Maintenance: The State shall, throughout the term of this Facilities Lease and each renewal term thereof, at the State's cost and expense, keep and maintain or cause to be kept and maintained, the Facilities and all equipment, fixtures, additions and improvements thereof, in good order and condition, and shall, at the State's cost and expense, make or cause to be made all necessary repairs, renewals, and replacements with respect to the Facilities. To the extent repairs or replacements are insured under policies maintained by the Authority and insurance proceeds are paid to the Authority, the State shall be entitled to such insurance proceeds to the extent of the actual costs incurred by the State and except to the extent the insurance proceeds are required to be otherwise applied in accordance with the terms of the Bonds. Subject to Section 10.1, in the event the Facilities or any part thereof are damaged or destroyed by uninsured or partially uninsured casualty of any kind, the State shall either replace or rebuild the Facilities in equal value, or pay such sums to the Authority as may be required to fully pay and discharge the Bonds.

Section 7.2 Utilities: The State shall pay or cause to be paid all costs, expenses and charges for water, electricity, lights, heat, power, sewage, telephone, and other utility services, rendered or supplied upon or in connection with the Facilities during the term of this Facilities Lease and each renewal term.

Section 7.3 Insurance:

(1) The State shall maintain or cause to be maintained with responsible insurers or under an established program of self-insurance (as considered to be adequate by an Insurance Consultant as may be engaged by the Authority) the following kinds and amounts of insurance acceptable to the Authority with respect to all existing buildings, improvements, equipment and other property comprising any part of the Facilities and/or the use of the Facilities at all times throughout the initial term and each renewal term of this Facilities Lease:

(a) Commercial general liability insurance (CGL) and, if necessary, commercial umbrella insurance and property damage liability, and errors and omissions liability as shall afford protection to the Authority in an amount of not less than $1,000,000 for each occurrence. The commercial general liability insurance shall cover liability arising from premises, operations, independent contractors, product-completed operations, personal injury and advertising injury, and liability assumed under an insured contract. Such insurance shall protect the Authority to the same extent as the State is protected from claims, demands, causes of actions, penalties, including costs

and attorney fees, arising out of the use or occupancy of the Facilities. Upon written request of the Authority, the State will increase the amount of the CGL insurance to an amount determined by the Authority if, in the opinion of the Authority and based on local standards, the amount of the CGL insurance is not adequate.

(b) Commercial property insurance and, as applicable, course of construction insurance, in the amount of the full replacement value of the Facilities or any portion thereof, including fixtures, equipment, lessee improvements and betterments. Commercial property insurance shall, at a minimum, cover the perils insured under the ISO special causes of loss form CP 1030 and, if reasonably available, earthquake and flood insurance, debris removal, operation of building laws, extra expense, consequential loss, loss of rents and/or business interruption. Such loss of rents or business interruption insurance shall be in an amount equal to Annual Rent payable to the Authority by the State with respect to the Facilities during such time or times as the use of the Facilities may be totally or partially interrupted or the construction thereof delayed as a result of damage or destruction resulting from perils insured against pursuant to this subsection (1)(b).

(c) Worker's Compensation Insurance in the amount and in the form which the State is required by law to maintain.

(d) Any other insurance agreed to in writing by the State and the Authority.

(e) Any other insurance required by the terms and conditions of the Bonds.

(2) All insurance procured and any self-insurance plan maintained by the State shall comply with the following requirements:

(a) Each policy or policies of insurance shall be written by insurance companies authorized to do business in the state of Idaho and furnished through an insurance carrier or carriers satisfactory to the Authority or through a self-insurance plan satisfactory to the Authority and an Insurance Consultant pursuant to the Bond Resolution.

(b) True, correct and complete copies of all insurance policies or self-insurance plan and all endorsements, changes, amendments and supplemental provisions thereto shall be continually maintained by the State and shall be available for inspection and copying by the Authority at all times during the State's regular office hours.

(c) All such insurance shall provide that coverage shall not be canceled or amended except upon sixty (60) calendar days prior written notice to the Authority. The Authority shall be furnished current certificates upon the commencement of the initial term and each renewal term of this Facilities Lease showing that all such insurance fully complies with the terms of this Facilities Lease, and current certificates shall be furnished at any other time or times as may be reasonably requested.

(d) All policies of insurance obtained by and any self-insurance plan maintained by the State shall include provisions that coverage shall not be affected, reduced or waived by any inaccurate or misleading statement or information furnished by the State in obtaining such insurance nor shall insurance under such policies furnished to the Authority be reduced by any actual or alleged breach of warranties made by the State in obtaining such insurance. All liability insurance furnished by the State shall include insurance covering the obligations of the State under Article 8 of this Facilities Lease.

(3) The Authority and the State hereby release each other from any and all liability or responsibility to the other as to any person claiming through or under either by way of subrogation or otherwise for any loss or damage to property caused by any casualty insured by the above-described coverages, even if the loss is caused by the fault or negligence of the other party or by any party for whom the other party is responsible.

(4) All insurance provided to the Authority by the State pursuant to this Facilities Lease shall name the Authority as additional named insured and contain a loss payable clause providing for payment of proceeds to the Authority and the trustee of the Bonds to the extent of their interest therein, and the Annual Rent otherwise payable by the State with respect to the Facilities shall be reduced by the amount of business interruption or loss of rents insurance payments, if any, made to the Authority and/or the trustee of the Bonds.

(5) In the event the Authority is able to procure any or all of the insurance coverages herein required at a cost less than the cost incurred by the State thereof, the Authority agrees to do so and the cost thereof shall be included as Administrative Costs of the Authority. In such event the obligation of the State to provide any such insurance shall continue until the insurance coverage procured by the Authority is actually in effect. Upon the expiration or termination of any insurance procured by the Authority hereunder, the State shall immediately, without any interruption in insurance coverage, procure and maintain such coverage.

ARTICLE 8
INDEMNITY

Section 8.1 State's Indemnification: The State hereby agrees to defend, protect, hold harmless and indemnify the Authority and its agents, employees, representatives, successors, and assigns, against all demands, claims, liabilities, causes of action or judgments, and all loss, expense and damage of any and every sort and kind, including, but not limited to, costs of investigations and attorneys' fees and other costs of defense, for:

(1) injury to person or property occurring in, upon or about the Facilities or any adjacent or related real property or improvements owned, occupied or controlled by the State or any of its agencies, departments, bureaus or subgovernmental entities;

(2) injury to person or property arising out of the use or occupancy of the Facilities or relating in any manner to operations conducted thereon;

(3) any other premises liability relating to the Facilities;

(4) any loss to person or property to the extent of its self-insurance, if any; and

(5) all liability whatsoever arising out of any public or governmental activities of the State of any kind or nature whatsoever.

Nothing in this Article 8 shall be construed as the agreement of the State to indemnify the Authority from liability for damages arising out of personal injury or damage to property caused solely and exclusively by the negligence or malfeasance of the Authority.

The obligations under this Section are deemed to be ordinary operating expenses of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 8.2 Authority's Indemnification: The Authority hereby agrees to defend, indemnify and save the State harmless from and against any and all liability, loss, damage, cost and expense, including court costs and attorney fees of whatever nature or type, whether or not litigation is commenced, that the State may incur, by reason of any act or omission of the Authority, its employees or agents or any breach or default of the Authority in the performance of its obligations under this Facilities Lease. The foregoing indemnity shall not apply to any injury, damage or other claim resulting solely from the act or omission of the State.

ARTICLE 9
ALTERATIONS, ADDITIONS, AND IMPROVEMENTS

Section 9.1 Alterations, Additions, and Improvements: The State shall have the right, at any time and from time to time during the term of this Facilities Lease, at the State's costs and expense, to make such, alterations, additions, expansions and improvements, to the Facilities, as the State shall deem necessary or desirable in connection with its use of the Facilities. Notwithstanding the foregoing, the State shall not make any alterations, additions, expansions or improvements which are structural or which will lessen the market value of the Facilities without the prior written consent of the Authority which shall not be unreasonably withheld. Once commenced, all alterations, additions, expansions and improvements shall be diligently pursued to completion. All such alterations, additions and improvements shall be of such character as to not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof and all the costs thereof shall be promptly paid or discharged so that the Facilities shall at all times be free of liens or claims for labor and materials supplied thereto. All, alterations, additions, fixtures and permanent improvements to the Facilities shall be and become a part of the Facilities and shall become the property of the Authority.

Section 9.2 Furniture, Fixtures, and Equipment: The State shall maintain an inventory of all furniture, fixtures, and equipment and other tangible personal property financed or provided by the Authority as part of the Facilities and shall have the right to replace, at its expense, such tangible personal property as the State shall deem necessary or desirable in connection with its use of the Facilities. The State shall, upon request but in no event more than once per year, provide to

the Authority an inventory of furniture, fixtures, and equipment in use at the Facilities provided by the Authority with the Facilities.

ARTICLE 10
DAMAGE, DESTRUCTION, AND CONDEMNATION

Section 10.1 Damage, Destruction, and Condemnation: In the event of damage, destruction, or condemnation of the Facilities, or any part thereof, the net proceeds of any insurance or condemnation awards with respect to the Facilities and, to the extent necessary, the proceeds of any additional Bonds which may be issued by the Authority for such purpose pursuant to the terms and conditions of the Bonds, shall be used and applied by the Authority in accordance with the terms of the Bonds to repair, restore, rebuild, or replace the Facilities; provided, however, that, in the event of total or substantial destruction or condemnation of the Facilities or in the event that the aforesaid insurance proceeds, condemnation awards, and proceeds of Bonds are not sufficient to repair, restore, rebuild, or replace the Facilities, the Authority may elect not to repair, restore, rebuild, or replace the Facilities, in which case the net proceeds of all insurance and condemnation awards, together with all other available funds, shall be applied in accordance with the terms of the Bonds. Any such repair, restoration, rebuilding, or replacement of the Facilities may be in accordance with such different design, plans, and specifications approved by the State as will or may provide facilities of the same or different nature or use, so long as any such change therein or thereof shall not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof. In consideration of the Authority proceeding with the repair, restoration, rebuilding, or replacement of the Facilities as above provided, the State shall continue to pay the Annual Rent due under this Facilities Lease, except to the extent the Authority actually receives proceeds of business interruption or loss of rents insurance described in Section 7.3 hereof.

ARTICLE 11
PARTICULAR COVENANTS

Section 11.1 Compliance with Laws and Regulations: The State shall, at its own cost and expense, promptly comply with, or cause to be complied with, all applicable laws and ordinances, rules, regulations and other governmental requirements, whether or not the same require structural repairs or alterations, which may be applicable to the State, the Facilities or the use or manner of use of the Facilities. The State shall also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Facilities.

Section 11.2 Covenant Against Waste: The State covenants not to do or suffer or permit to exist any hazardous materials, contamination, waste, damage, disfigurement or injury to, or public or private nuisance, in or upon the Facilities in violation of any state of Idaho or federal laws or regulations and agrees to pay all costs, changes, penalties or any other expense reasonably incurred or to be incurred to remove, restore or reclaim the Facilities or premises thereof.

Section 11.3 Right of Inspection: The State covenants and agrees to permit the Authority and the authorized agents and representatives of the Authority to enter the Facilities at reasonable

times during usual business hours for the purpose of inspecting the same, subject to reasonable security requirements and procedures of the State.

Section 11.4 Condition of Facilities: The Authority makes no representation regarding the condition of the Facilities or real property underlying or adjacent thereto and the Authority shall not be liable for any latent or patent defects therein.

Section 11.5 Assignment and Subletting: The State shall not assign or mortgage this Facilities Lease or any right hereunder or interest herein and shall not sublease the Facilities or any portion thereof, without prior written consent of the Authority (which consent may be granted or withheld by the executive director of the Authority); provided, that in no event shall the State assign this Facilities Lease or any right hereunder or interest herein or sublease the Facilities or any portion thereof unless the State shall continue to remain liable for the performance of all the terms, covenants, and conditions contained in this Facilities Lease and unless the proposed assignee or sublessee shall agree, in writing, to be bound by all of the terms, covenants, and agreements contained in this Facilities Lease and all other agreements related thereto. The Authority agrees that it will not unreasonably withhold its consent to any such assignment or subleasing.

Section 11.6 Covenant of Quiet Enjoyment: The Authority covenants that it has full right and lawful authority to enter into this Facilities Lease and that, so long as the State shall pay the Annual Rent and shall duly observe all of its covenants and agreements in this Facilities Lease, the State shall have, hold, and enjoy, during the initial term of this Facilities Lease and each renewal term thereof, peaceful, quiet, and undisputed possession of the Facilities. No defect, encumbrance, cloud, lease, restriction or other matter affecting title to the land on which the Facilities shall be developed existing at the time the land is acquired or leased to the Authority or to which this Facilities Lease is subrogated to shall constitute a breach of this Facilities Lease by the Authority.

Section 11.7 Tax Covenant: The State covenants for the benefit of the holders of the Bonds and the Authority that during the term of this Facilities Lease, that no action shall be taken or omitted with respect to the Bonds, the proceeds thereof, any other funds of the State or any Facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (ii) would cause the Bonds to become "specified private activity bonds" with the meaning of Section 57(a)(5)(C) of the Code, or (iii) would cause interest of the Bonds to lose its exclusion from Idaho taxable income under present Idaho law. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Code have been met.

ARTICLE 12
DEFAULT

Section 12.1 Events of Default: The following shall be events of default under this Facilities Lease:

(1) Failure by the State to pay the Annual Rent as the same shall become due, or

(2) Failure by the State or anyone contracting with the State to observe and perform any other covenant, condition, or agreement to be observed or performed under this Facilities Lease for a period of 90 calendar days after written notice, specifying such failure and requesting that it be remedied, given to the State by the Authority or trustee of the Bonds, unless the Authority or trustee shall agree in writing to an extension of such time prior to its expiration.

Section 12.2 Remedies: Whenever any event of default referred to in Section 12.1 hereof shall occur, the Authority may take any one or more of the following remedial steps:

(1) Declare all Annual Rent payable for the applicable lease term then in effect to be immediately due and payable, together with applicable interest thereon.

(2) Re-enter and take possession of the Facilities, exclude the State from possession thereof, and terminate this Facilities Lease.

(3) Take such action at law or in equity as may appear necessary or desirable to collect all sums due and thereafter to become due, or to enforce performance and observation of any obligation, agreement, or covenant of the State under this Facilities Lease.

Section 12.3 Remedies Not Exclusive: No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Facilities Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In the exercise of any remedy reserved to the Authority in this Article 12, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

ARTICLE 13
SURRENDER OF FACILITIES

Section 13.1 Surrender of Facilities: In the event that the State elects not to renew or extend the term of this Facilities Lease or this Facilities Lease is otherwise terminated, the State shall immediately quit and surrender the Facilities to the Authority in the same condition in which it existed at the date the construction of all Facilities was completed by the Authority, subject to any alterations, additions, expansions or improvements made in accordance with Section 9.1 hereof, ordinary wear and tear excepted.

ARTICLE 14
LIMITATION ON OBLIGATIONS

Section 14.1 Obligations of Authority and State: Notwithstanding any other provisions of this Facilities Lease, no obligation assumed by or imposed upon the Authority by this Facilities Lease shall require the performance of any act by the Authority except to the extent, if any, that the cost and expense of such performance may be paid from the proceeds of the Bonds issued by the Authority or from other funds legally available to the Authority to meet the cost and expense of such performance, and no obligation assumed by or imposed upon the State by this Facilities Lease shall require the performance of any act by the State, including, but not limited to, the payment of Annual Rent, except to the extent that funds may be available for such performance or payment from State general appropriations or other funds legally available therefor. This Facilities Lease shall not be construed as obligating the Legislature of the State of Idaho to make future appropriations for the payment of Annual Rent or the performance of any other obligations under this Facilities Lease beyond the initial rental term or for any renewal term hereof. In the event that appropriated funds are not legally available for payment of Annual Rent or other obligations hereunder for any term, then this Facilities Lease shall be terminated. The liability of the State for payment of Annual Rent as it becomes due shall be in consideration of the right of the State, whether or not exercised, to occupy and/or use the Facilities for the then-current lease term.

ARTICLE 15
MISCELLANEOUS

Section 15.1 Pledge of Rent, Proceeds, and Lease: It is expressly understood and agreed by the parties hereto that the Authority has the right to pledge and assign the Annual Rent, all proceeds receivable by the Authority from any sale of the Facilities, and its rights and interest under this Facilities Lease to secure: (i) the payment of the principal of and the interest on and redemption premium, if any, on the Bonds; and (ii) other obligations of the Authority under the terms and conditions of the Bonds.

Section 15.2 Notices: All notices or other communications hereunder shall be sufficiently given and shall be deemed given on the second business day following the day on which the same are mailed by certified mail, postage prepaid, addressed as follows:

(1) If to the State:

Idaho Department of Administration
Attn: Director
Statehouse Mail
Boise, Idaho 83720

AND

Boise State University
Attn: Vice President for Finance and Administration

1910 University Drive
Boise, Idaho 83725-1200

(2) If to the Authority:

Idaho State Building Authority
Attn: Executive Director
Post Office Box 2802
Boise, Idaho 83701

The State or the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent notices or other communications shall be sent. Notice may be also given by personal delivery of a written notice.

Section 15.3 Severability: If any term or provision of this Facilities Lease or the application of it to any person, entity or circumstance shall to any extent be invalid or unenforceable, the remainder of this Facilities Lease or the application of such term or provision to persons, entities or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Facilities Lease shall be valid and shall be enforced to the extent permitted by law.

Section 15.4 Attorney Fees: In the event either party to this Agreement is required to initiate or defend litigation with respect to the terms hereof or to enforce any of its rights hereunder, the prevailing party in such litigation shall be entitled to reasonable attorney's fees incurred in such litigation, including all discovery costs and costs of expert witnesses, together with all reasonable litigation expenses.

Section 15.5 Headings: The article and section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Facilities Lease.

Section 15.6 Counterparts: This Facilities Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15.7 Amendments: The Authority and the State shall not, without the written consent of the trustee of the Bonds or other legally-authorized representative of the interests of the owners of the Bonds, consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with this Facilities Lease which will reduce the payments required to be made by the State hereunder during the initial term or any renewal term hereof, or which will in any manner materially impair or adversely affect the rights of the Authority hereunder, and any action by the Authority or the State in violation of this covenant shall be null and void as to the Authority and the State. Furthermore, any voluntary amendment, modification or termination of this Facilities Lease shall require the written consent of all parties to this Facilities Lease.

Section 15.8 Effective Date: This Facilities Lease shall be effective as of the date stated above upon its execution.

IN WITNESS WHEREOF, the parties hereunto have caused this Facilities Lease to be executed as of the day and year first hereinabove set forth.

AUTHORITY:

IDAHO STATE BUILDING AUTHORITY

By: _____
V. L. Bud Tracy, Chairman

Dated: July 17, 2003

ATTEST:

By _____
Wayne V Meuleman, Secretary

STATE:

STATE OF IDAHO, by and through

IDAHO DEPARTMENT OF ADMINISTRATION

By: _____
Pamela I. Ahrens, Director

Dated: July 15, 2003

BSU:

BOISE STATE UNIVERSITY

By: _____
Robert W. Kustra
Its President

STATE OF IDAHO)
) ss.
County of Ada)

On this 23RD day of JULY, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared V.L. Bud Tracy and Wayne V Meuleman, known or identified to me to be respectively the Chairman and Secretary, respectively, of the IDAHO STATE BUILDING AUTHORITY, each of whom acknowledged to me that they executed the within Facilities Lease on behalf of the Idaho State Building Authority in their representative capacity.

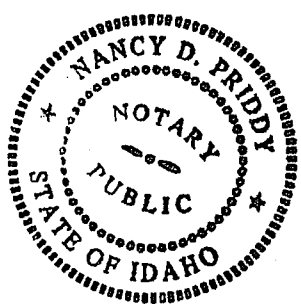
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Dennis Gibala
Notary Public for the State of Idaho
Residing at BOISE, IDAHO
My commission expires 5/1/08

STATE OF IDAHO)
) ss.
County of Ada)

On this 15th day of July, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Pamela I. Ahrens, known or identified to me to be the Director of the IDAHO DEPARTMENT OF ADMINISTRATION of the STATE OF IDAHO, who acknowledged to me that she executed the within Facilities Lease on behalf of the State in her representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

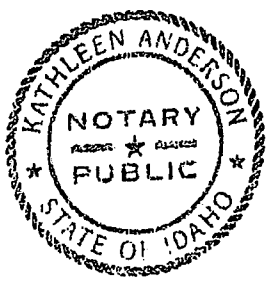


Nancy D. Priddy
Notary Public for the State of Idaho
Residing at Eagle, ID
My commission expires 8/13/2005

STATE OF IDAHO)
) ss.
County of Ada)

On this 14 day of July, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Robert W. Kustra, known or identified to me to be the President of BOISE STATE UNIVERSITY, who acknowledged to me that he executed the within Facilities Lease in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Notary Public for the State of Idaho
Residing at Boise, Idaho
My commission expires 11-02-06

EXHIBIT A-1

[DESCRIPTION OF PREMISES]

TOOTHMAN-ORTON ENGINEERING COMPANY
CONSULTING ENGINEERS, SURVEYORS AND PLANNERS

9777 CHINDEN BOULEVARD
BOISE, IDAHO 83714-2008
208-323-2288 • FAX 208-323-2399
boise@toengrco.com

PROJECT: 03024
DATE: April 9, 2003
PAGE: 1 of 1

EXHIBIT A-1

A parcel of land located in Government Lot 3, and the NE ¼ of the SW ¼, of Section 7, Township 3 North, Range 1 West, Boise Meridian, Canyon County, Idaho, more particularly described as follows:

A.) **COMMENCING** at the ¼ corner common to said Section 7 and Section 12, Township 3 North, Range 2 West, as shown on Record of Survey Instrument No. 9905375, records of Canyon County, Idaho, from which the North 1/16 corner common to said Sections bears N.00°38'38"E., 1326.68 feet; thence, N.35°08'30"E., 1644.13 feet to the **POINT OF BEGINNING**; thence,

1.) N.28°15'47"E., 491.05 feet, from which corner said 1/16th corner bears N.83°20'05"W., 1165.27 feet; thence,

2.) S.61°22'36"E., 749.76 feet; thence,

3.) S.28°38'02"W., 507.65; thence,

4.) N.60°06'09"W., 746.77; to the **POINT OF BEGINNING**

CONTAINING 8.58 Acres, more or less.

SUBJECT TO: All Covenants, Rights, Rights-of-Way, Easements of Records, and other encumbrances.

REFERENCE: Record of Survey Instrument No. 9905375, records of Canyon County, Idaho,

EXHIBIT "B" attached, and by this reference, made a part hereof.

H:\03024\WPFILES\exhi-DSU.doc

PROFESSIONAL LAND SURVEYOR
REGISTERED
8961
4-9-03
STATE OF IDAHO
STEVEN J. FRISBIE

BOISE - COEUR d'ALENE

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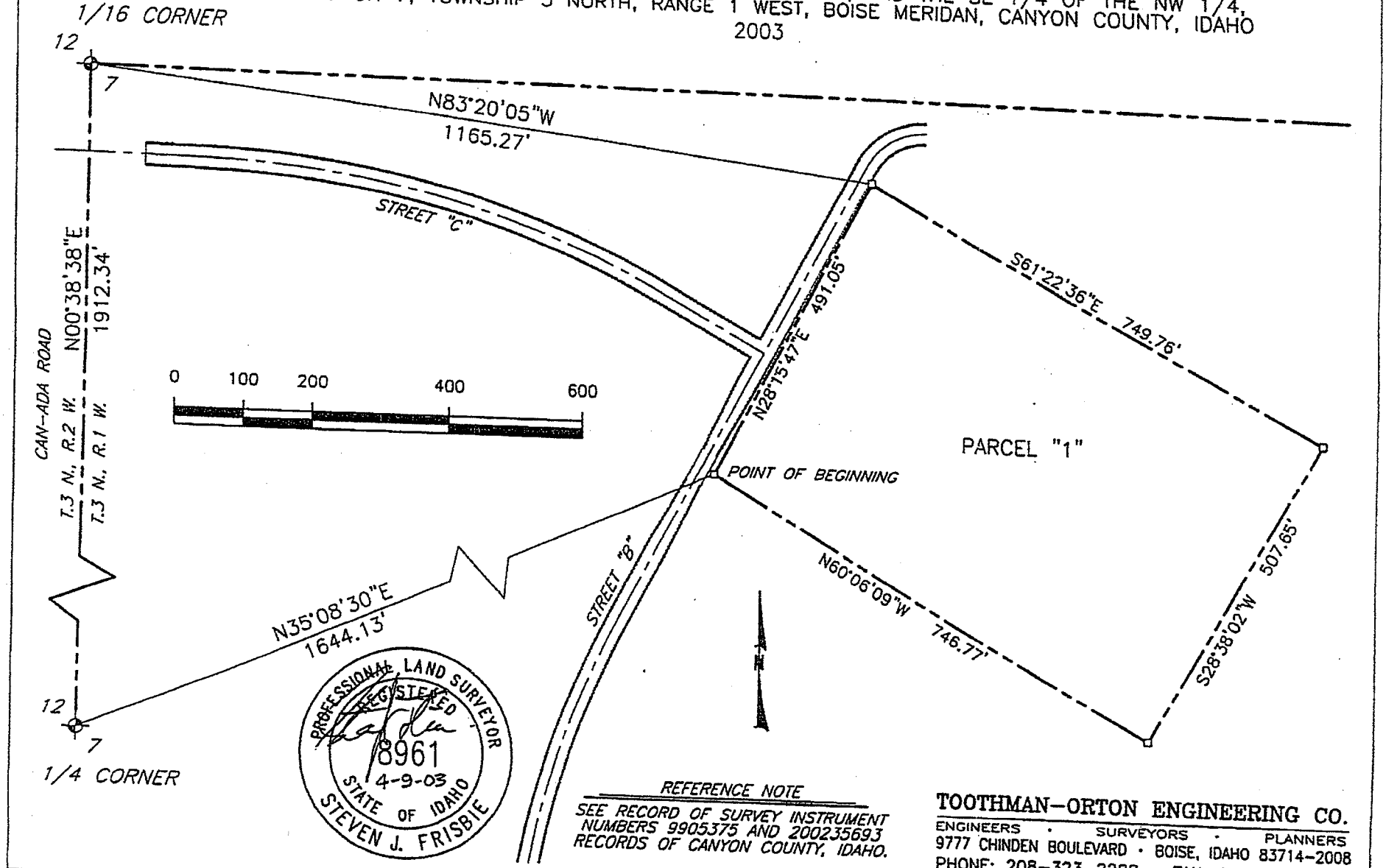
EXHIBIT "B"

A PARCEL OF LAND LOCATED IN GOVERNMENT LOT 2, AND THE SE 1/4 OF THE NW 1/4, OF SECTION 7, TOWNSHIP 3 NORTH, RANGE 1 WEST, BOISE MERIDAN, CANYON COUNTY, IDAHO

2003



REFERENCE NOTE

SEE RECORD OF SURVEY INSTRUMENT NUMBERS 9905375 AND 200235693 RECORDS OF CANYON COUNTY, IDAHO.

TOOTHMAN-ORTON ENGINEERING CO.
ENGINEERS · SURVEYORS · PLANNERS
9777 CHINDEN BOULEVARD · BOISE, IDAHO 83714-2008
PHONE: 208-323-2288 · FAX: 208-323-2399

E-FILE: 03024\Exh1-BSU_WCAMPUS.DWG DATE: 04\09\03 JOB: 03024

EXHIBIT A-2

[DESCRIPTION OF PARKING]

PROJECT: 03024
DATE: June 13, 2003
PAGE: 1 of 1

EXHIBIT A-2

A parcel of land located in Government Lot 2, and the NE ¼ of the SW ¼, of Section 7, Township 3 North, Range 1 West, Boise Meridian, Canyon County, Idaho, more particularly described as follows:

A.) **COMMENCING** at the N 1/16 corner common to said Section 7 and Section 12, Township 3 North, Range 2 West, as shown on Record of Survey Instrument No. 9905375, records of Canyon County, Idaho, from which the 1/4 corner common to said Sections bears S.00°38'38"W., 1326.68 feet; thence S.83°20'05"E., 1165.27 feet to the **POINT OF BEGINNING**; thence,

1.) N.28°15'34"E., 15.21 feet to the beginning of a tangent curve; thence,

2.) Northeasterly along said curve to the right having a radius of 83.50 feet, an arc length of 90.97 feet, through a central angle of 62°25'22", and a chord bearing and distance of N.59°28'28"E., 86.54 feet; thence, tangent from said curve,

3.) S.89°18'51"E., 798.64 feet; thence,

4.) S.28°38'02"W., 463.67 feet; thence,

5.) N.61°22'35"W., 749.76 feet to the **POINT OF BEGINNING**

CONTAINING 4.55 Acres, more or less.

SUBJECT TO: All Covenants, Rights, Rights-of-Way, Easements of Records, and other encumbrances.

REFERENCE: Record of Survey Instrument No. 9905375, records of Canyon County, Idaho,

EXHIBIT "B2" attached, and by this reference, made a part hereof.

H:\03024\WTFILES\exhibit-B5U.doc

PROFESSIONAL LAND SURVEYOR REGISTERED 8961 6-13-03 STATE OF IDAHO STEVEN J. FRISBIE

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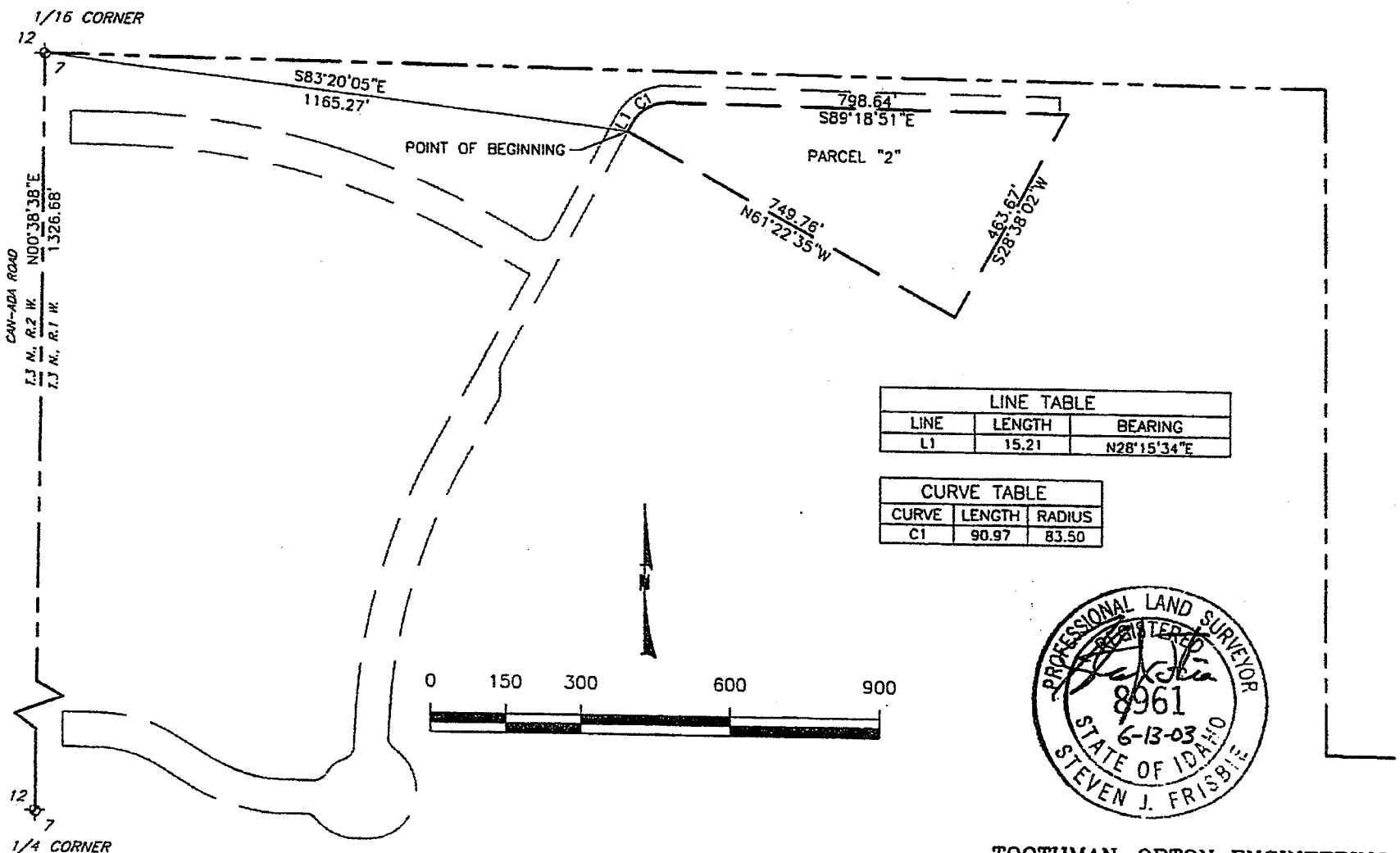
EXHIBIT "B2"

A PARCEL OF LAND LOCATED IN GOVERNMENT LOT 2, AND THE SE 1/4 OF THE NW 1/4, OF SECTION 7, TOWNSHIP 3 NORTH, RANGE 1 WEST, BOISE MERIDAN, CANYON COUNTY, IDAHO
2003



LINE TABLE		
LINE	LENGTH	BEARING
L1	15.21	N28°15'34"E

CURVE TABLE		
CURVE	LENGTH	RADIUS
C1	90.97	83.50

PROFESSIONAL LAND SURVEYOR REGISTERED 8961 6-13-03 STATE OF IDAHO STEVEN J. FRISBIE

TOOTHMAN-ORTON ENGINEERING CO.
ENGINEERS · SURVEYORS · PLANNERS
9777 CHINDEN BOULEVARD · BOISE, IDAHO 83714-2008
PHONE: 208-323-2288 · FAX: 208-[illegible]-2399
E-FILE: 03024\...\Easement.dwg DATE: 06\13\03

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ATTACHMENT 3

EXHIBIT A-3

[DESCRIPTION OF ROADWAY]

PROJECT: 03024
DATE: June 13, 2003
PAGE: 1 of 4

EXHIBIT A-3

A parcel of land located in Government Lot 2, and the NE ¼ of the SW ¼, of Section 7, Township 3 North, Range 1 West, Boise Meridian, Canyon County, Idaho, more particularly described as follows:

A.) **COMMENCING** at the N 1/16 corner common to said Section 7 and Section 12, Township 3 North, Range 2 West, as shown on Record of Survey Instrument No. 9905375, records of Canyon County, Idaho, from which the 1/4 corner common to said Sections bears S.00°38'38"W, 1326.68 feet; thence S.83°20'05"E., 1165.27 feet to the **POINT OF BEGINNING**; thence,

1.) N.28°15'34"E., 15.21 feet to the beginning of a tangent curve; thence,

2.) Northeasterly along said curve to the right having a radius of 83.50 feet, an arc length of 90.97 feet, through a central angle of 62°25'22", and a chord bearing and distance of N.59°28'28"E., 86.54 feet; thence, tangent from said curve,

3.) S.89°18'51"E., 782.93 feet; thence,

4.) N.00°41'09"E., 33.00 feet; thence,

5.) N.89°18'51"W., 784.53 feet to the beginning of a tangent curve; thence,

6.) Southwesterly along said curve to the right having a radius of 116.50 feet, an arc length of 126.13 feet, through a central angle of 62°01'54", and a chord bearing and distance of S.59°40'12"W., 120.06 feet; thence, tangent from said curve,

7.) S.28°39'16"W., 269.41 feet to the beginning of tangent curve; thence,

8.) Southwesterly along said curve to the right having a radius of 28.00 feet, an arc length of 43.94 feet, through a central angle of 89°54'32", and a chord bearing and distance of S.73°34'27"W., 39.57 feet to a point of reverse curvature; thence,

9.) Northwesterly along said curve to the left having a radius of 1855.13 feet, an arc length of 414.29 feet, through a central angle of 12°47'43", and a chord bearing and distance of N.65°31'16"W., 413.43 feet to a point of compound curvature; thence,

10.) Northwesterly along said curve to the left having a radius of 1527.68 feet, an arc length of 437.68 feet, through a central angle of 16°24'55", and a

chord bearing and distance of N.81°07'22"W., 436.19 feet; thence, tangent from said curve,

11.) N.89°34'44"W., 108.50 feet; thence,

12.) S.00°38'38"W., 64.84 feet; thence,

13.) S.89°18'34"E., 114.04 feet to the beginning of a tangent curve; thence,

14.) Southeasterly along said curve to the right having a radius of 1440.98 feet, an arc length of 678.77 feet, through a central angle of 26°59'20", and a chord bearing and distance of S.75°46'09"E., 672.51 feet; thence, tangent from said curve,

15.) S.61°26'28"E., 163.92 feet; thence,

16.) S.28°16'00"W., 214.37 feet; thence,

17.) S.29°08'33"W., 179.88 feet to the beginning of a tangent curve; thence,

18.) Southwesterly along said curve to the left having a radius of 1274.34 feet, an arc length of 572.61 feet, through a central angle of 25°44'43", and a chord bearing and distance of S.15°47'34"W., 567.81 feet; thence, tangent from said curve,

19.) S:02°09'26"W., 51.73 feet to the beginning of a tangent curve; thence,

20.) Southwesterly along said curve to the right having a radius of 27.41 feet, an arc length of 35.55 feet, through a central angle of 74°18'08", and a chord bearing and distance of S.36°16'57"W., 33.10 feet to a point of reverse curvature; thence,

21.) Southwesterly along said curve to the left having a radius of 59.72 feet, an arc length of 42.65 feet, through a central angle of 40°55'17", and a chord bearing and distance of S.52°58'22"W., 41.75 feet to a point of reverse curvature; thence,

22.) Southwesterly along said curve to the right having a radius of 34.87 feet, an arc length of 31.20 feet, through a central angle of 51°16'05", and a chord bearing and distance of S.58°08'46"W., 30.17 feet; thence, tangent from said curve,

23.) N.89°03'53"W., 63.03 feet; to the beginning of a tangent curve; thence,

24.) Northwesterly along said curve to the right having a radius of 288.38 feet, an arc length of 145.01 feet, through a central angle of 28°48'41", and a

chord bearing and distance of N.74°39'32"W., 143.49 feet; thence, tangent from said curve,

25.) N.60°00'00"W., 84.83 feet; to the beginning of a tangent curve; thence,

26.) Northwesterly along said curve to the left having a radius of 316.50 feet, an arc length of 162.16 feet, through a central angle of 29°21'22", and a chord bearing and distance of N.74°40'41"W., 160.39 feet; thence, tangent from said curve,

27.) N.89°21'22"W., 68.90 feet; thence,

28.) S.00°38'38"W., 66.99 feet; thence,

29.) S.89°01'22"E., 80.88 feet to the beginning of a tangent curve; thence,

30.) Southeasterly along said curve to the right having a radius of 240.83 feet, an arc length of 115.33 feet, through a central angle of 27°26'21", and a chord bearing and distance of S.73°21'18"E., 114.23 feet; thence, tangent from said curve,

31.) S.60°05'04"E., 55.39 feet to the beginning of a tangent curve; thence,

32.) Southeasterly along said curve to the left having a radius of 386.01 feet, an arc length of 198.27 feet, through a central angle of 29°25'45", and a chord bearing and distance of S.71°37'01"E., 196.10 feet; thence, tangent from said curve,

33.) S.89°12'19"E., 38.65 feet; thence,

34.) N.89°12'02"E., 23.58 feet; thence,

35.) Southeasterly along said curve to the right having a radius of 16.10 feet, an arc length of 14.05 feet, through a central angle of 50°00'36", and a chord bearing and distance of S.65°47'40"E., 13.61 feet to a point of reverse curvature; thence,

36.) Southeasterly along said curve to the left having a radius of 117.52 feet, an arc length of 79.54 feet, through a central angle of 38°46'43", and a chord bearing and distance of S.60°10'43"E., 78.03 feet; thence, tangent from said curve,

37.) S.89°06'27"E., 43.66 feet to the beginning of a tangent curve; thence,

38.) Northeasterly along said curve to the left having a radius of 93.82 feet, an arc length of 237.13 feet, through a central angle of 144°48'29", and a

chord bearing and distance of N.15°52'01"E., 178.87 feet to a point of compound curvature; thence,

39.) Northwesterly along said curve to the right having a radius of 31.60 feet, an arc length of 23.85 feet, through a central angle of 43°14'31", and a chord bearing and distance of N.37°32'16"W., 23.29 feet; thence, tangent from said curve,

40.) N.03°32'34"E., 102.42 feet to the beginning of a tangent curve; thence,

41.) Northeasterly along said curve to the right having a radius of 1209.63 feet, an arc length of 456.76 feet, through a central angle of 21°38'06", and a chord bearing and distance of N.16°55'35"E., 454.05 feet to a point of compound curvature; thence,

42.) Northeasterly along said curve to the right having a radius of 2766.82 feet, an arc length of 163.11 feet, through a central angle of 03°22'40", and a chord bearing and distance of N.28°37'16"E., 163.09 feet to a point of reverse curvature; thence,

43.) Northeasterly along said curve to the left having a radius of 30.00 feet, an arc length of 15.69 feet, through a central angle of 29°58'01", and a chord bearing and distance of N.13°38'16"E., 15.51 feet; thence, tangent from said curve,

44.) N.01°20'44"W., 44.04 feet to the beginning of a tangent curve; thence,

45.) Northeasterly along said curve to the right having a radius of 21.50 feet, an arc length of 11.04 feet, through a central angle of 29°25'45", and a chord bearing and distance of N.13°22'08"E., 10.92 feet; thence, tangent from said curve,

46.) N.28°14'54"E., 535.06 feet to the **POINT OF BEGINNING**.

CONTAINING 5.29 Acres, more or less.

SUBJECT TO: All Covenants, Rights, Rights-of-Way, Easements of Records, and other encumbrances.

REFERENCE: Record of Survey Instrument No. 9905375, records of Canyon County, Idaho,

EXHIBIT "B3" attached, and by this reference, made a part hereof.

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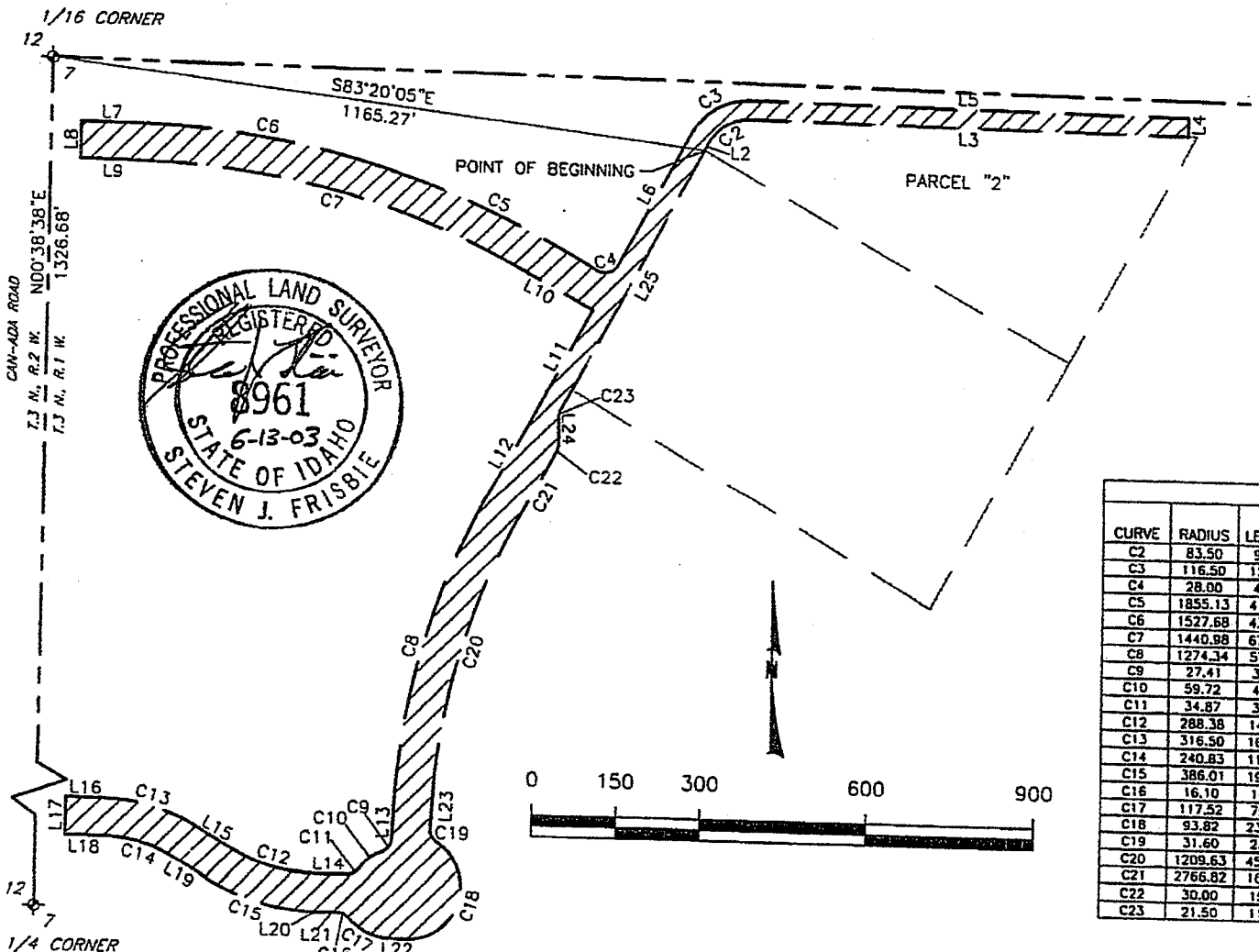
EXHIBIT "B3"

A PARCEL OF LAND LOCATED IN GOVERNMENT LOT 2, AND THE SE 1/4 OF THE NW 1/4, OF SECTION 7, TOWNSHIP 3 NORTH, RANGE 1 WEST, BOISE MERIDAN, CANYON COUNTY, IDAHO 2003



LINE TABLE		
LINE	BEARING	LENGTH
L2	N28°15'34"E	15.21
L3	S89°18'51"E	782.93
L4	N00°41'09"E	33.00
L5	N89°18'51"W	784.53
L6	S28°39'16"W	269.41
L7	N89°34'44"W	108.50
L8	S00°38'38"W	64.84
L9	S89°18'34"E	114.04
L10	S61°26'28"E	163.92
L11	S28°16'00"W	214.37
L12	S29°08'33"W	179.88
L13	S02°09'26"W	51.73
L14	N89°03'53"W	63.03
L15	N60°00'00"W	84.83
L16	N89°21'22"W	68.90
L17	S00°38'38"W	66.99
L18	S89°01'22"E	80.88
L19	S60°05'04"E	55.39
L20	S89°12'19"E	38.65
L21	N89°12'02"E	23.58
L22	S89°06'27"E	43.86
L23	N03°32'34"E	102.42
L24	N01°20'44"W	44.04
L25	N28°14'54"E	535.06

CURVE TABLE					
CURVE	RADIUS	LENGTH	CENTRAL ANGLE	CHORD BEARING	CHORD DISTANCE
C2	83.50	90.97	62°25'22"	N59°28'28"E	86.54
C3	116.50	126.13	62°01'54"	S59°40'12"W	120.06
C4	28.00	43.94	89°54'32"	S73°34'27"W	39.57
C5	1855.13	414.29	12°47'43"	N65°31'16"W	413.43
C6	1527.68	437.68	16°24'55"	N81°07'22"W	436.19
C7	1440.98	678.77	26°59'20"	S75°46'09"E	672.51
C8	1274.34	572.61	25°44'43"	S15°47'34"W	567.81
C9	27.41	35.55	74°18'08"	S36°16'57"W	33.10
C10	59.72	42.65	40°55'17"	S52°58'22"W	41.75
C11	34.87	31.20	51°16'05"	S58°08'46"W	30.17
C12	288.38	145.01	28°48'41"	N74°39'32"W	143.49
C13	316.50	162.16	29°21'22"	N74°40'41"W	160.39
C14	240.83	115.33	27°26'21"	S73°21'18"E	114.23
C15	386.01	198.27	29°25'45"	S71°37'01"E	196.10
C16	16.10	14.05	50°00'36"	S65°47'40"E	13.61
C17	117.52	79.54	38°46'43"	S60°10'43"E	78.03
C18	93.82	237.13	144°48'29"	N15°52'01"E	178.87
C19	31.60	23.85	43°14'31"	N37°32'16"W	23.29
C20	1209.63	456.76	21°38'06"	N16°55'35"E	454.05
C21	2766.82	163.11	3°22'40"	N28°37'16"E	163.09
C22	30.00	15.69	29°58'01"	N13°38'16"E	15.51
C23	21.50	11.04	29°25'45"	N13°22'08"E	10.92

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E-FILE: 03024\...\Easement.dwg DATE: 06\13\03

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EXHIBIT B

DESCRIPTION OF IMPROVEMENTS COMPRISING THE FACILITIES

This new, three-story building will house a lecture hall, classrooms of various configurations, science laboratories, computer lab, library, offices, bookstore, and multi-use dining spaces. Immediate site work includes sidewalks, landscaping, and other site elements surrounding the building.

Total Square Footage: 65,600

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SUBJECT

Authorize the institutions the ability to request student fee increases in excess of 10%

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.R.1

BACKGROUND / DISCUSSION

Board policy V.R.1 states an institution cannot request more than a ten percent (10%) increase in the total full-time student fee unless otherwise authorized by the Board. The institutions are contemplating the possibility of bringing fee requests in excess of 10% to the Board in April due to possible ongoing state budget holdbacks in FY 2010. The institutions need approval in order to publish student fee hearing documents prepared for on-campus fee hearings.

The institutions are also reviewing methods to cut costs. Implementation of cost cutting measures should mitigate, to some degree, the amount of fee increases requested by the institutions at the April 2009 Board meeting.

IMPACT

By authorizing the institutions the ability to request more than a ten percent increase in the total full-time student fee, the institutions will be able to present their full need for student fees and publish the higher rate increase in the student fee hearing literature.

STAFF COMMENTS AND RECOMMENDATIONS

At the April Board meeting, institutions provide the estimated revenues generated from their requested fee increase. Staff also recommends the institutions document efforts to reduce costs and create maximum efficiencies for existing dollars.

BOARD ACTION

A motion to authorize the ability for Boise State University, Idaho State University, University of Idaho, Lewis-Clark State College, and Eastern Idaho Technical College to submit a fee increase proposal for FY 2010 in excess of 10%, to be presented at the April 2010 State Board of Education meeting.

Moved _____ Seconded_____ Carried Yes _____ No _____

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES
SECTION: V. FINANCIAL AFFAIRS

Subsection: R. Establishment of Fees August 2006

R. Establishment of Tuition and Fees

1. Board Policy on Student Tuition and Fees

   Consistent with the Statewide Plan for Higher Education in Idaho, the institutions shall maintain tuition and fees that provide for quality education and maintain access to educational programs for Idaho citizens. In setting fees, the Board will consider recommended fees as compared to fees at peer institutions, percent fee increases compared to inflationary factors, fees as a percent of per capita income and/or household income, and the share students pay of their education costs. Other criteria may be considered as is deemed appropriate at the time of a fee change. An institution cannot request more than a ten percent (10%) increase in the total full-time student fee unless otherwise authorized by the Board.

SUBJECT

Second reading Board Policy V.W. Litigation

REFERENCE

August 2008	Board approved first reading
October 2008	Motion failed due to discomfort with proposed dollar threshold

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.I.7.

BACKGROUND / DISCUSSION

Periodically the institutions are required to initiate litigation, and to settle claims or matters already in litigation. Current board policy on litigation is misplaced, as it is in the Real Property section, and only allows the chief executive officer of each institution, agency or school to negotiate settlements or claims up to $25,000. It does not address the subject of institution initiated litigation - presumably all such matters would require prior Board approval.

The proposed litigation policy would delegate authority to the chief executive officer to initiate litigation where the amount in controversy does not exceed $25,000. The policy would also delegate authority to the chief executive office to settle claims/litigation where the payment or receipt does not exceed $25,000. All issues involving eminent domain must have prior approval of the Board. In addition, the institutions are required to submit reports to the Board on all claims, potential claims, and litigation matters on a monthly basis.

This subject came to the Board for a second reading in October but was not approved due to discomfort with the approval threshold and is being brought back at the original approval threshold for settlements ($25,000) and an approval threshold for institution initiated litigation (also $25,000) that was not previously addressed.

IMPACT

The attached policy will delegate authority to the chief executive officer to initiate and settle claims/litigation where the amount in contention does not exceed $25,000; all matters in excess of this threshold require prior Board approval.

ATTACHMENTS

Attachment 1 - Governing Policy Section V.W Page 3

STAFF COMMENTS AND RECOMMENDATIONS

The revised policy will assist the Board in maintaining its level of oversight while permitting the institutions the opportunity to act in a more timely fashion on certain matters.

BOARD ACTION

A motion to approve the second reading of Board Policy V.W. – Litigation.

Moved _____ Seconded_____ Carried Yes _____ No _____

ATTACHMENT 1

Idaho State Board of Education

GOVERNING POLICIES AND PROCEDURES

SECTION: V. FINANCIAL AFFAIRS
Subsection: W. Litigation **August 2008**

1. Initiation of Litigation

   a. An institution, agency, or school under the governance of the Board may initiate a legal action with respect to any matter in which the amount in controversy does not exceed twenty five thousand dollars ($25,000). Any initiation of litigation of a legal matter that is in excess of twenty five thousand dollars ($25,000) must be approved by the Board prior to such initiation of litigation.

   b. Notwithstanding the authority to initiate litigation provided above, any legal action involving the exercise of the right of eminent domain must have the prior approval of the Board.

   c. Pursuant to Idaho Code §33-3804, an institution is permitted to initiate legal action in its own name.

2. Settlement of Litigation

The chief executive officer has authority to settle a legal matter involving the payment or receipt of up to twenty five thousand dollars ($25,000) of institution, agency, or school funds. Any settlement of a legal matter that is in excess of twenty five thousand dollars ($25,000) in institution, agency, or school funds must be approved by the Board prior to any binding settlement commitment.

3. Litigation Reporting by Institutions

Legal counsel for the institutions shall provide monthly attorney – client privileged litigation reports to the members of the Board, with a copy to the Board office (to the attention of the Board's legal counsel). Such reports should include a description of all claims and legal actions filed against the institution since the date of the last report (and identify legal counsel for the parties involved, for conflict analysis purposes); a summary of the current status of all claims and pending litigation; risk analysis pertaining to all such claims and pending litigation; and the settlement of any legal claims or actions since the date of the last report, including settlements of matters handled by the State of Idaho Department of Administration, Division of Internal Management Systems, Risk Management Program. With respect to the reporting of a legal settlement, such report shall describe the amount of institution funds that were used, and the amount and source of any other funds that were provided in connection with such settlement, including funds from the Office of Insurance Management or from any other parties. Legal counsel for the institutions should also include in the report any significant incident occurring since the last

report that is reasonably expected to give rise to a claim, as well as probable claims or legal actions the institution is aware of which have been threatened but not yet instituted.