



May 21, 2020

Federalism Commission
320 E. Capitol Street
Salt Lake City, UT 84114

Re: AEON AI

To Whom it May Concern:

I have been asked by AEON AI to review their valuation methodology, spreadsheets, and algorithms used in their current AI software. In doing so I have reviewed a number of spreadsheets, data points, assumptions, grids, cash flow models, and other analysis tools. It is my understanding the primary object and goal of the valuation part of the software is to provide reasonable market supported value estimates based on numerous data inputs and market derived assumptions. The results are to assist in a decision making process and to provide a reasonable estimate that is superior to a “best guess” or broker opinion. The models and algorithms are not intended to provide traditional appraisal valuation type conclusions or an appraisal report.

For land value estimates the models and algorithms are primarily based on the “land residual” valuation technique, which is sometimes referred to as the “development approach”. This is a common method to use for mass appraising, for land parcels that are unique, or where there are limited sales comparables. The land residual method takes into account what price could be paid for the land, when considering the costs of development, assuming it is developed to its highest and best use. For the intended use of the AEON AI model, and for the benefit of sensitivity analysis, this would be a normal method to use. For existing and potential income producing properties primary emphasis is placed on income analysis through traditional direct capitalization and/or discounted cash flow analysis.

Through my review and analysis it appears that the mathematical calculations and applied assumptions are commensurate with the appropriate valuation methods for this particular AI use, and that the basic methodology and financial principles used in the algorithms and spreadsheets generally align with the fundamental processes used by analysts and valuation professionals.

Sincerely,

A handwritten signature in blue ink that reads "Howard J. Layton".

Howard J. Layton, MAI, CCIM
Colliers International & Valuation

HJL