



## Redd, Brown & Williams Real Estate Services

Mailing Address: P.O. Box 1720, Paintsville, KY 41240

OFFICES IN: Paintsville, Pikeville, Prestonsburg, Louisa, KY

Fax: 606-789-5414, Web Site: [www.RBandW.com](http://www.RBandW.com)

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- **Commercial Appraisal Report For-Client & Intended User(s):**

First Commonwealth Bank  
Attn: Beauty Kidd, Loan Operations  
311 North Arnold Avenue  
Prestonsburg, KY 41653  
(606) 886-2321 [bkidd@myfcbank.com](mailto:bkidd@myfcbank.com)

**CONFIDENTIAL DOCUMENT- Appraisal Report**

- **Appraisal Report of:**

"As Complete" Fee Simple Market Value  
Of Commercial Land and Improvements  
Located at 497 George Road, Betsy Layne, Floyd County, KY 41605  
(Known as Bud Rife property)

- **Effective Date of Appraisal**

February 1, 2016

- **Intended Use:**

For internal use, including but not limited to, rendering a decision relative to financing/development

- **Access to Properties Provided By**

Property Representative

- **Appraiser (s):**

Paul David Brown, Jr., GAA, IFAS  
Certified General Appraiser,  
General Accredited Appraiser, Independent Fee Appraiser Senior,  
AQB National Certified USPAP Instructor  
Real Estate Broker, Auctioneer

Cindy K. Legg  
KY Certified General Appraiser  
KY Real Estate Sales Agent



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 E-mail: [appraisal@RBandW.com](mailto:appraisal@RBandW.com)

RBW File: Rife property Betsy Layne

**Date of Report:** February 16, 2016  
**Date of Observation:** February 1, 2016  
**Client:** First Commonwealth Bank, Attn: Beauty Kidd, Loan Operations  
 311 North Arnold Avenue, Prestonsburg, KY 41653  
**Subject:** As Complete Fee Simple Market Value of Property Located At  
 497 George Road, Betsy Layne, Floyd County, KY 41605  
**Property Owner:** Bud Rife  
**Intended User:** Strictly First Commonwealth Bank and their assigned  
**Intended Use:** For internal use, including but not limited to, rendering a decision relative to  
 financing/development  
**Value Definition:** Fee Simple – Market Value

To Whom It May Concern,

Pursuant to your request, we have made an appraisal of the market value of the property known as:

**Bud Rife Property  
 497 George Branch  
 Betsy Layne, Floyd County, KY**

As per mutual agreement with client and Redd, Brown & Williams Real Estate Services, the format used is defined as an **Appraisal Report**. It complies with the requirements set forth under Standard 2-2(a) of the Uniform Standards of Professional Practice as well as the Financial Institution Reform, Recovery and Enforcement Act of 1989 and other applicable standards, but is subject to the Assumptions and Limiting Conditions listed in this report. This appraisal report details the information used to arrive at a conclusion of value. It can be understood by a knowledgeable reader without additional information in the work file of the appraiser. There is additional supporting documentation concerning the data, reasoning, and analyses retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

I (we) have completed the required analysis, gathered the necessary data, and made certain analyses that have enabled me to form an opinion of "As Complete" Fee Simple Market Value through this **Appraisal Report** for the subject commercial improvement and site, more particularly described within this report for purpose of financing/development. The date of inspection is the effective date of report being **February 1, 2016**. The appraiser(s) have been working for 36+ and 23+ years respectively, and have developed a working knowledge of the subject area (competency process described in report) as of date of this report. Marketing time is estimated to be equal to normal marketing time for similar subject tracts of up to 24+ months. Due to this, no discount for excess marketing time is required.

**Market Value<sup>1</sup>** is defined in various sections of this report. Market value, as used in this report, 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, 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:

<sup>1</sup> (Ref: Office of the Comptroller of the Currency (the OCC) under 12 U.S.C. 1, 93a, 1462a, 1463, 1464, 1828(m), 5412(b)(2)(B) and title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (Pub. L. 101-73, 103 Stat. 183 (1989)), 12 U.S.C. 3331 et seq.)

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and each acting in what he considers his 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.

The real estate only was appraised. This report does not include fixtures, equipment, inventory or business (going concern) value. This report assumes provided information is true and accurate. There was not any obvious, visible or reported environmental concern on subject property and this report is completed assuming the subject does not have environmental contamination. This report specifically indicates what is considered.

Some of the data gathered and some of the conclusions reached in the analysis of the subject property are included in the following pages of this report.

After completing the investigation and analyses, it is concluded through this *Appraisal Report* that the Fee Simple Market Value of the subject property in "As Complete" condition as mentioned above as of February 1, 2016 is:

**\$750,000.00**

If any additional information or clarification is needed, please do not hesitate to contact Redd, Brown & Williams.

Respectfully submitted,

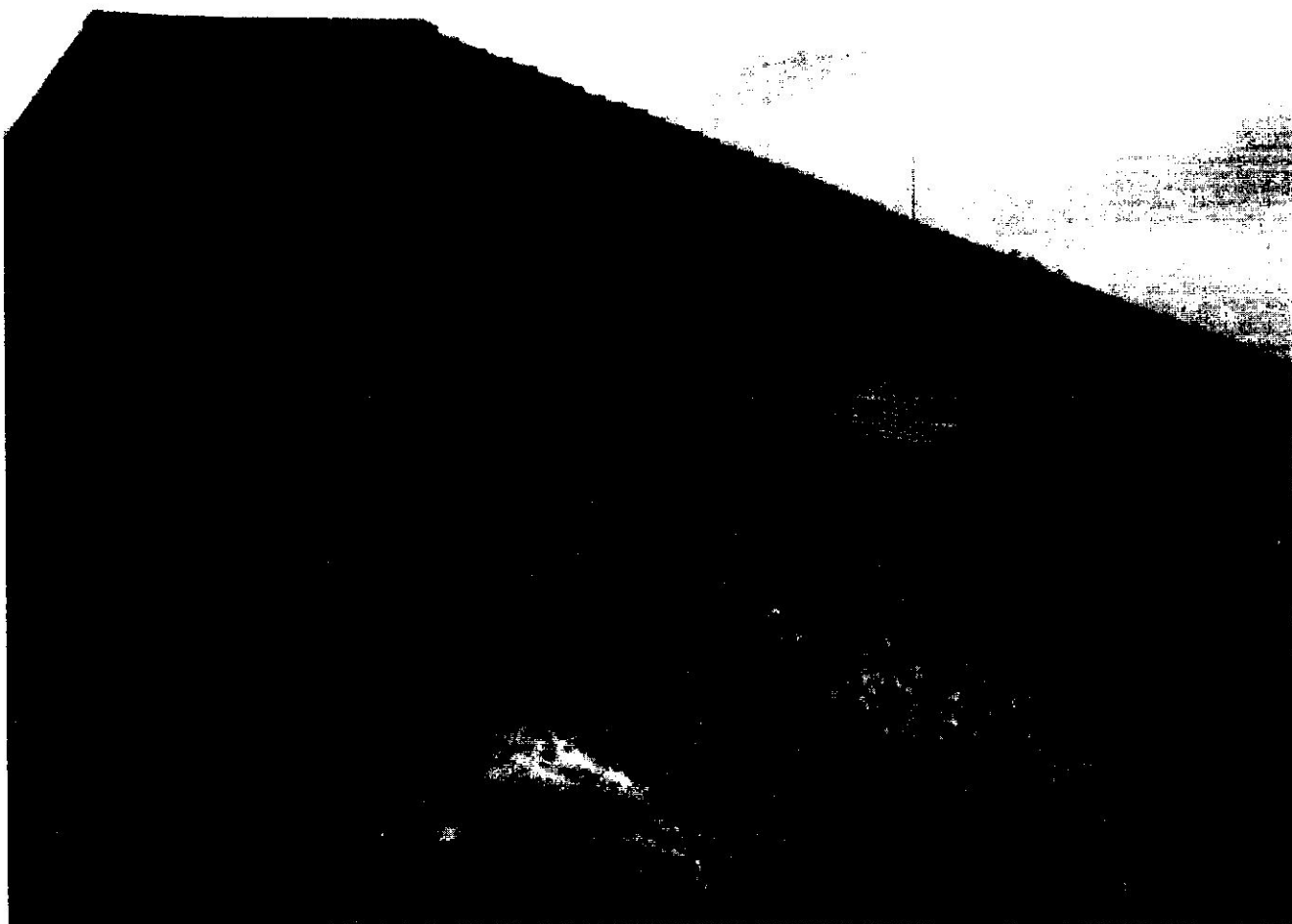


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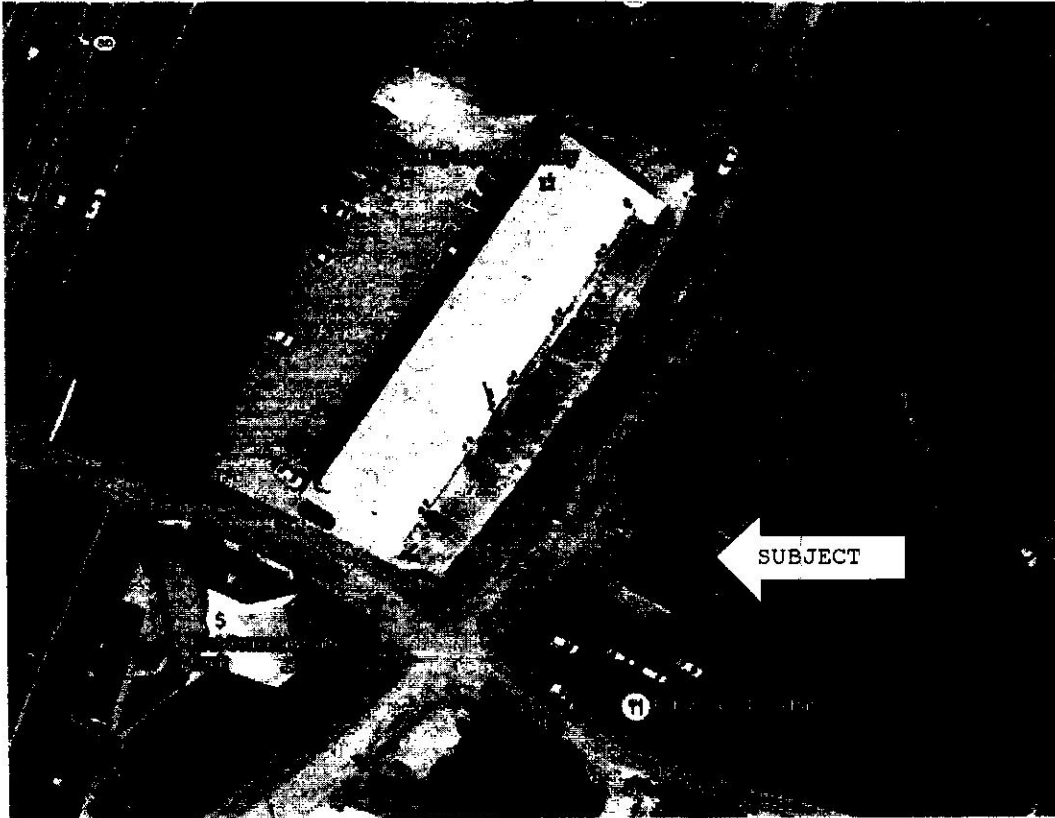


Cindy K. Legg,  
 Certified General Appraiser  
 KY Real Estate Sales Agent

*Subject*



*Subject*



### *Appraiser Disclosure Statement*

- **Name of Appraiser(s):** Paul David Brown  
Cindy K. Legg
- **Class of Certification/ Licensure:** Certified General  
Certified General  
\*See resume for applicable states
- **Appraiser Certification Number:** 4 (KY) & 1881 (KY)  
\*See resume for other states certification numbers
- **Scope: This Report** Is within the Scope of my (our)  
Certification/ License
- **Service Provided By:** Disinterested & Unbiased  
Third Party (ies)
- **Prior Service Provided the Appraiser  
in the last three years** None

#### **INTENDED USE AND INTENDED USER OF THE APPRAISAL:**

- The Intended Use of the appraisal is to estimate the defined value type listed in this report of the subject property, as defined in this report, as of the effective date of this report. The intended use of the appraisal is to assist the client and any other intended users in the completion of listed use(s). The intended users of this report are the stated client and any assigned listed in the subject report by name or type. No one else, including the purchaser, seller, developer, or anyone other than identified parties should rely on the estimate of value or any other conclusions contained in this appraisal report.

#### **ANALYSIS AND REPORT FORM:**

- The appraisal is based on the information gathered by the appraiser from public records, other identified sources, inspection of the subject property(ies) and neighborhood/ marketing area, selection of comparable sales, listings, and/or rentals and any other pertinent information developed within the subject market area.
- The original source of the comparable data described in the Data Source section of the various sections of the report along with the source of confirmation provided, where available. The original source is presented first. The sources and data are considered reliable. When conflicting information was provided, the source deemed most reliable has been used. Data believed to be unreliable was not included in the report or used as a basis for the value conclusion. The extent of the analysis to this assignment is stated in the Appraiser's Certification included above and attached to this report.

**DEFINITION OF INSPECTION:**

- The term "Inspection", as used in this report, is not the same level of inspection that is required for a "Professional Home Inspection", Professional Commercial Inspection, Pest Inspection, Structural Inspection or any similar inspections. The appraiser does not fully inspect the electrical system, plumbing system, mechanical systems, foundation system, floor structure, or subfloor. The appraiser is not an expert in construction materials and the purpose of the appraisal is to make an economic evaluation of the subject property. If the client needs a more detailed inspection of the property, a home inspection, by a Professional Home Inspector, Commercial Property Inspector, Termite Inspector, Structural Inspector, etc... is suggested.

**DIGITAL SIGNATURES:**

- The signature(s) affixed to this report, and certification, have been applied by the original appraiser(s) or supervisory appraiser and represent their acknowledgements of the facts, opinions and conclusions found in the report. IF A DIGITAL SIGNATURE, each appraiser(s) applied his or her signature electronically using a password encrypted method. Hence these signatures have more safeguards and carry the same validity as the individual's hand applied signature. If the report has a hand-applied signature, this comment does not apply.

**OPINION OF MARKET VALUE VS ESTIMATE OF MARKET VALUE:**

- The current Uniform Standards of Professional Practice defines the market value conclusion as an opinion of market value and not an estimate of market value. **Market Value** is defined by The Appraisal Institute in their basic text; *The Appraisal of Real Estate, 13th Ed., p.23* as: "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress." IF A VALUE DEFINITION OTHER THAN MARKET VALUE IS DEVELOPED IN THIS REPORT, THAT VALUE DEFINITION WILL BE SPECIFICALLY NOTED AND DEFINED.

**THREE YEAR SALES HISTORY FOR THE SUBJECT PROPERTY:**

- The appraiser has complied with Standards Rule 1-5b and 2-2a requiring the appraiser to analyze and report all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal. If this information was available to the appraiser(s), it is reported in the section one of the appraisal report.

**EXPOSURE PERIOD**

- By studying the sales of similar comparable properties with value ranges as identified in the Neighborhood section of this report and discussions with individuals knowledgeable of current neighborhood trends in the subject area, the appraiser feels that the exposure time for the subject property is equal to the indicated Marketing Time identified in the Marketing Area Analysis of this appraisal report.

Exposure Time assumes that:

The subject property would sell at the appraised value(s) as of the effective date(s) of the appraisal.

The subject property was on the market for a reasonable time prior to the date of value and that the terms of sale are typical of other properties of its type that have sold as confirmed by exposure times of comparable sales.

## *TABLE OF CONTENTS*

### *Sections*

- 1) **The Scope of Work in This Assignment - (SCOPE OF WORK: the type and extent of research and analyses in an appraisal or appraisal review assignment.)**
    - a. Client and Intended Users
    - b. Intended Use of the Appraisal
    - c. Type and Definition of Value
      - i. Exposure Time and Marketing Period
    - d. Effective Date of Appraisal
    - e. Physical, Legal, Economic Characteristics of Subject Property
      - i. Identification of Property
      - ii. Property Rights Appraised
      - iii. Ownership History (Minimum 3 years)
      - iv. Applicable Contracts
      - v. Property Tax Data
    - f. Assignment Conditions
  - 2) **Valuation Analysis**
    - a. Land Analysis
    - b. Cost Analysis
    - c. Sales Comparison Analysis
    - d. Income Analysis
  - 3) **Reconciliation**
  - 4) **Certification/ Limiting Condition**
  - 5) **Addenda Section**
- **Addendum Section:** This section is at the rear of the report and contains various information about the subject, maps, deeds, plats, zoning information, photos, drawings, as well as possibly comparable information such as comparable deeds, if applicable. Additional economic information may be in this section or any other information the appraiser feels pertains to the report.
- Appraiser qualifications will be in back of this section.



### *Executive Summary of Salient Facts and Conclusions*

- **TYPE OF REPORT:** "Appraisal Report" in compliance with current USPAP requirements.
- **EFFECTIVE DATE:** February 1, 2016
- **VALUE DEFINITION OF THE APPRAISAL AND INTEREST VALUED:** Provide an opinion of Market Value of Fee Simple Interest in the subject property in "As Complete" condition identified within this report as of the effective date of the report. Fixtures, inventory and business value are not included in subject report other than those items permanently installed (including trade fixtures). Market value defined in letter of transmittal and other places in this report.
- **INTEREST APPRAISED (Fee Simple, Lease Fee, Leasehold):** Fee Simple
- **CLIENT/ INTENDED USERS OF REPORT:** Client is defined by USPAP as: the party or parties who engage, by employment or contract, an appraiser in a specific assignment. Comment: The client may be an individual, group, or entity, and may engage and communicate with the appraiser directly or through an agent. The client of this report is disclosed on the Cover Page, Letter of Transmittal and other places. This report is intended for use only by named client only. Other Intended Users is defined as the client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment. Other Intended Users do not necessarily have access to Confidential Information used in development and reporting of this assignment. This report's use by others is not intended by the appraiser and voids this report.
- **PROPERTY OWNER/ NAME:** Bud Rife
- **FUNCTION AND INTENDED USE OF REPORT:** This report is intended only for use in the process of establishing market value of property for the purpose of financing/development and is developed with this sole intended use in mind. The appraiser does not intend any other use of this report.
- **IDENTIFICATION/ LOCATION OF PROPERTY; PHYSICAL, LEGAL AND ECONOMIC ATTRIBUTES:** Identification/Location: (Actual legal description was provided - appraiser assumes all provided information is accurate) Property located at 497 George Road, Betsy Layne, Floyd County, KY. The information in the subject report is from property owner, county PVA (tax commissioner), area Realtors®, other appraisers, Chamber of Commerce, and other records and is assumed to be correct. Physical, Legal and Economic attributes follow.
- **PERSONAL PROPERTY, TRADE FIXTURES OR INTANGIBLE ITEMS:** None included in this report other than those that are permanently installed.
- **TYPE & ZONING, DEED RESTRICTIONS:** Subject is not specifically zoned, which is typical in this section of city/county. Subject is in an area having primarily commercial properties in the immediate vicinity, with a combination of commercial and residential properties in the general area. There are similar land tracts in the county. There is not a hypothetical zoning condition.
- **FLOOD ZONE:** The subject is not located within the 100-year flood plain and is depicted as being within Zone "X" on Flood Insurance Rate Map #21071C 0220E dated September 16, 2015. See map within addendum section. Appraiser is NOT a Flood Determination Company and only has typical appraiser knowledge regarding flood plain. Appraiser does not guarantee the flood plain stated in this report is accurate. National Flood Insurance Maps are not explicit as to individual property locations, have various scales, roadways may or may not be correctly identified on Maps, etc... If client has a question or concern about subject's Flood Plain, a professional Flood Determination Company or Engineer needs to be contacted. In addition, due to the Biggert-Waters Flood Plain Act of 2012, some areas, if found to be in 100 year flood plain, have extremely high flood insurance rates. THIS REPORT DOES NOT GUARANTEE OR WARRANTY FLOOD PLAIN INDICATED IN THIS REPORT. THIS REPORT DOES NOT ADDRESS POTENTIAL/ POSSIBLE HIGH FLOOD INSURANCE PREMIUMS, IF SUBJECT IS IN 100 YEAR FLOOD PLAIN. SOME 100 YEAR FLOOD PLAIN AREAS HAVE HIGH FLOOD INSURANCE PREMIUMS. THE APPRAISER HAS NOT BEEN PROVIDED ANY APPLICABLE FLOOD INSURANCE PREMIUM, IF ANY. THIS REPORT DOES NOT ADDRESS POSSIBLE/ POTENTIAL AFFECT TO SUBJECT PROPERTY'S MARKET VALUE OF HIGH FLOOD INSURANCE PREMIUM IF FOUND TO BE IN 100 YEAR FLOOD PLAIN.

- **FLOOD ZONE (Con't):** THIS REPORT IS COMPLETED UNDER THE EXTRAORDINARY ASSUMPTION ANY FLOOD INSURANCE PREMIUM WILL NOT BE IN EXCESS OF "TYPICAL" FLOOD INSURANCE PREMIUM FOR PROPERTIES LOCATED 100 YEAR FLOOD PLAIN (IF APPLICABLE FOR SUBJECT) IN MARKETING AREA.
- **DIMENSIONS & SIZE: SITE:** There was a specific legal description provided to the appraiser. Provided deed indicates the subject measures 90' x 133' x 129' x 140' for a total of 14,947 sq.ft. or 0.34 acre, per information provided to the appraiser and is assumed to be true and correct. Property was listed on public record. Per the assignment instructions, subject is fee simple appraisal. **Boundaries:** the boundaries appear to have been surveyed and appraiser assumes true and correct. If other information is later provided indicating boundaries and/or acreage are not correct, it could affect the final value conclusion.
- **IMPROVEMENT(S) Description:** Subject improvement is a proposed one and half-story steel frame/metal improvement specifically described within the improvement section of this report. This report is based upon "As Complete" condition.
- **PARKING:** subject property appears to have adequate parking available for occupancy.
- **UTILITIES:** On site utilities include: Electric, municipal water and sewer, etc.
- **MARKETING PERIOD/ TREND:** Up to 24± months, which is common for the subject's area for this type of property. (Based on Market Analysis of turnover rate of similar improvements, on Realtors®, on area economic factors, Chamber of Commerce information, state economic statistical information, discussions with area business owners, etc...) The commercial/residential market in this area is stable.
- **HIGHEST & BEST USE, more detailed information and explanation within this report:** The highest and best use of the subject unimproved is commercial type occupancy as is typical use for similar properties of the area; improved highest and best use is commercial service/office use, as is proposed.
- **LAST TIME THIS PROPERTY SOLD:** Last arm's length transfer was more than 3 years ago. Property conveyed to current owners via DB 578/250 dated April 28, 2011.
- **LEASES, EASEMENTS, RESTRICTIONS, ENCUMBRANCES, RESERVATIONS, COVENANTS, CONTRACTS, DECLARATIONS, SPECIAL ASSESSMENTS, ORDINANCES, OR OTHER SIMILAR ITEMS THAT MAY AFFECT THE SUBJECT:** None known, found or reported to appraiser. Typical utility easements.
- **PROPERTY CURRENT OWNER, OCCUPANT, AND USE:** According to public records and information provided to the appraiser, title to the subject property is in the name of Bud Rife. Currently the property is under construction, proposed to be improved as described throughout this report.
- **ASSESSED VALUE AS OF DATE OF INSPECTION: ASSESSMENT YEAR: 2016 Map#: 094-30-15-015.00**  
**ASSESSED VALUE/ASSESSMENT:** \$180,000. *Properties in Kentucky are typically assessed at 100% of the appraised or market value of the property. If the property were sold, it would typically be re-assessed at the recorded new conveyance price. It is our opinion that the taxes for the subject property are not unusual or excessive in relation to properties surrounding the subject, or similar-type properties. Furthermore, the tax load does not appear excessive in relation to other municipalities similar to subject. The taxes do not negatively impact market value.*
- **HISTORY OF OWNERSHIP: (In developing a real estate appraisal, an appraiser must consider, analyze and disclose):** The subject property is currently in the name of: Bud Rife. Transferred to current owners via DB 578/250 dated April 28, 2011 and has not been further conveyed within past three years. Analysis of the last sale of the subject indicates the transfer was an arms length transaction. At the time of sale there was another building on the property, which current owner razed and began construction of the building described herein. Subject IS NOT under any known contract, sales agreement, lease, etc... See deed and other pertinent information in addendum.
- **CONTRACTS, OPTIONS, LISTINGS, LEASES, ETC...:** The subject does not have any existing contracts in place on the subject property, based upon information provided.

- EXPOSURE TIME:** Quoting USPAP, "Estimated length of time that 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. Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market." An appraiser, when purpose of assignment is to develop market value, must develop an opinion of reasonable time linked to the value opinion. An appraiser is telling intended user(s) in order for your real property interest to have a market value indicated in report, on the noted effective date, it would have been exposed for X amount of time. Marketing time is NOT the same thing as exposure time. Marketing time deals with time after date of appraisal and exposure time is prior to date of appraisal. Marketing time and exposure time opinions can be equal; particularly when no immediate market changes are anticipated. Marketing time includes same basic elements as exposure time with one exception; marketing time includes anticipated changes in market conditions. The exposure time of the subject report is based upon statistical information about days on market, information gathered through sale verification, interviews of market participants, and other sources. USPAP Statement 6 deals with exposure time. Based upon this Statement reasonable exposure time is one of a series of conditions in most market value definitions. "EXPOSURE TIME IS ALWAYS PRESUMED TO PRECEDE THE EFFECTIVE DATE OF THE APPRAISAL." For the subject report, based upon the aforementioned analysis as well as analyses throughout this report, exposure time is up to **24± months**.
- ENVIRONMENTAL NOTATION:** The subject property does not have any obvious, reported, known or visual environmental concerns on site. Appraiser assumes this is accurate and this report has been completed assuming no actual environmental contamination is in place on subject or adjoining properties. If this is incorrect, it could affect the final value of the subject.
- MARKETING TIME:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing times). Market time for subject property is considered approximately 24± months.
- BIAS:** Standards Rule 2-3 requires the following statement as part of all appraisal certifications: "I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved." In the case of the subject property, I HAVE NO BIAS. Standards Rule 2-3 goes onto state, "I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment." The appraiser(s) completing this assignment do(es) not have any bias regarding this assignment. Bias is defined by USPAP as "a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment." The appraiser does not receive any commission or any other benefit from the completion of this appraisal report except typical/ usual appraisal completion commission. Final value, closing of loan, etc. do not affect the completion of appraisal report.
- PRIOR SERVICES:** USPAP Requirement- Prior to accepting an assignment, and if discovered at any time during the assignment, an appraiser must disclose to the client and in the report, any services regarding the subject property performed by the appraiser within the prior three years, as an appraiser or in any other capacity. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. An appraiser must disclose each prior service to the client and included in the report certification (NOTE: See Report Certification clause in additional comments section). This disclosure is similar to when an appraiser has any current or prospective interest in the subject property or the parties involved, which requires that each interest be specified. Therefore, each service must be disclosed to the client and appear in the certification.
- REPORT ALTERATION:** ALTERATION, CHANGE, AMENDMENT, ELIMINATING OF COMMENTS, RE-FORMATTING, ELIMINATION OF PHOTOS, MAPS OR OTHER ADDENDUM OR ANY OTHER CHANGES TO PROVIDED INFORMATION IN THIS REPORT BY CLIENT OR ANY OTHER PARTY VOIDS THE REPORT IN TOTAL. PER USPAP REQUIREMENTS, THE APPRAISER MUST PROVIDE A REPORT WHICH IS NOT MISLEADING AND MUST KEEP AN EXACT COPY OF REPORT AS SUBMITTED TO THE CLIENT. BASED UPON USPAP AND OTHER REGULATORY REQUIREMENTS, ANY ALTERATION OF THE ORIGINAL REPORT IS SPECIFICALLY FORBIDDEN. AGAIN, ANY ALTERATION OF ANY KIND TO THE ORIGINAL REPORT IS STRICTLY FORBIDDEN AND VOIDS THE ENTIRE REPORT. Appraiser is NOT responsible for any manipulation of the original report by a third party.

### *Executive Summary- Value Conclusion Summary*

|  |                     |
|--|---------------------|
| • <i>Estate Appraised.</i>                 | Fee Simple          |
| • <i>Date of Value.</i>                    | February 1, 2016    |
| • <i>Value Condition.</i>                  | As Complete         |
| • <i>Land Value.</i>                       | \$178,500.00        |
| • <i>Cost Approach.</i>                    | \$825,000.00        |
| • <i>Sales Comparison Approach.</i>        | \$756,000.00        |
| • <i>Income Approach.</i>                  | \$750,000.00        |
| • <i>Final Value: Market Value "As Is"</i> | <b>\$750,000.00</b> |
| • <i>Market Value "As Completed"</i>       | <b>N/A</b>          |
| • <i>Market Value "As Stabilized"</i>      | <b>\$750,000.00</b> |

*NOTE: As stabilized is defined as a value estimate that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods, when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long term value. It is also defined as a value estimate that excludes from consideration any transitory condition which may cause excessive construction costs. (The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> Ed, AI) The determination of economic feasibility requires a market value estimate of the property as if currently exists (its "as is" value) AND a value estimated at the prospective time (ie "as completed") and/ or "as stabilized" which is a value which indicates the property has reached the level of utility for which it was designed or planned. For rental units (for example) this means stabilized occupancy and income; for a subdivision this means when all improved subdivision lots are sold; for a restaurant it may be operating and paying market rent for space but it is not stabilized until local consumers have had a chance to compare the restaurant with its competition. It is essential to recognize that the values of a property as is, upon completion of construction, and upon stabilization are not necessarily concurrent; they may occur at different times on the development timeline. Stabilization is the point in a property's life when it has reached a level of utility commensurate with supply and demand.*

### *Scope/ Property Reconnaissance*

***APPRAISAL PROCESS: As defined by Fundamentals of Real Estate Appraisal, 7th edition, the appraisal process contains:***

- State the problem
- List the data needed and the sources
- Gather, record and verify the necessary data (general- national, region, city, neighborhood; specific- subject site, improvements; data for each appraisal- sales data, cost data, income and expense data)
- Determine highest and best use
- Estimate the value of land (if applicable)
- Estimate value by each of the three approaches
- Reconcile the estimated values for the final value estimates
- Report the final value estimate

### ***SCOPE OF REPORT***

In preparing this appraisal I (we) have:

- Made a complete physical inspection of the property on the indicated date.
- Researched public records for assessment and historical sales information pertaining to the subject property.
- Analyzed income and expense information provided by the owner, if applicable.
- Researched the demographics and other data effecting the area and neighborhood. Among our referenced sources of information were; properties that we have previously appraised in the area, relevant publications, periodicals, U.S. Census data, and other reference material.
- Researched pertinent neighborhood data, comparable listings, comparable rentals, and comparable sales.
- Gathered comparable improved sales, comparable listings, comparable rentals, expenses of comparables, etc. from similar neighborhoods and/or data from similar properties previously appraised.
- Analyzed the current real estate market and trends for the subject's property type, particularly in the subject's market area.

***In preparing our written report we have completed the following, as applicable:***

- Identified the property by tax identification number and deed references.
- Considered the purpose and intended use of the appraisal.
- Prepared a brief history of the property.
- Stated the current definition of market value and exposure time.
- Determined the property rights being appraised.
- Discussed and analyzed to the extent appropriate, the demographic data in the area surrounding the subject, including population and income characteristics, employment data, school district, and other amenities.
- Described the neighborhood surrounding the subject, including highway access and the location/uses of notable properties.
- Discussed and analyzed the physical attributes of the subject site.
- Discussed and analyzed the physical attributes of the subject improvement(s).
- Analyzed the Highest and Best Use of the site.
- Considered all three approaches to value and determined which approach or approaches were applicable, given the nature of the assignment and the characteristics of the subject property.
- Analyzed and discussed the reasoning for choosing the most applicable approach or approaches in determining the value for the subject property.
- Thoroughly discussed and documented our value conclusions by the applicable approach and/or approaches.

The research in this report was developed by the signing appraiser(s) and the staff of REDD, BROWN & WILLIAMS. The individuals who observed the subject property contributed to the value estimate and have signed this report. The data development process completed by Redd, Brown & Williams staff includes but is not limited to, FmHA, ASCS, County Court Clerk, PVA's Office, State Remapping Office (if subject in emergency Remapping area), aerial photos, deeds, plats, neighbors, state offices with county and city economic statistics, building indexes, etc. Data is believed to be accurate. The appraiser assumes that data provided by the property owner, occupant and others is accurate and correct. Research into sales of similar properties throughout the subject county, as well as surrounding counties as necessary, is a routine part of the property scope.

In rural areas, conversations with local property owners, as well as real estate professionals is a typical part of this process as well. Sales data over the past four to five years is typically researched.

Replacement cost of the improvements having "contributory value" was considered. Cost sources included Marshall and Swift Valuation Service, appraiser's files, American Appraisal Institute Cost Service, Boeckh's Building Cost Services, as well as local contractors, etc.

In addition, our research, analysis, investigation, etc. process includes data from our own databases, compiled over several years and updated on monthly basis. The Scope of this report is specific to the subject property type, to the purpose of the appraisal, to the intended user and intended use of the report, and is a process that is somewhat unique for each report, due to the uniqueness of each property.

For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:

1. identify the problem to be solved;
2. determine and perform the scope of work necessary to develop credible assignment results; and
3. disclose the scope of work in the report.

(SCOPE OF WORK: the type and extent of research and analyses in an appraisal or appraisal review assignment.)

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results. Scope of work includes, but is not limited to:

the extent to which the property is identified;  
 the extent to which tangible property is inspected;  
 the type and extent of data researched; and  
 the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal, appraisal review, and appraisal consulting assignment.

Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use.

**Problem Identification:** An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal, appraisal review or appraisal consulting problem to be solved.

**Comment:** The assignment elements necessary for problem identification are addressed in the applicable Standards Rules (i.e., SR 1-2, SR 3-1, SR 4-2, SR 6-2, SR 7-2 and SR 9-2). In an appraisal assignment, for example, identification of the problem to be solved requires the appraiser to identify the following assignment elements:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal. Similar information is necessary for problem identification in appraisal review and appraisal consulting assignments. Communication with the client is required to establish most of the information necessary for problem identification. However, the identification of relevant characteristics is a judgment made by the appraiser that requires competency in that type of assignment.

An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment. In all cases, the appraiser must perform competently when completing the assignment. The appraiser(s) meet this requirement.

**ASSIGNMENT RESULTS:** Assignment results are an appraiser's opinions or conclusions developed specific to an assignment. The subject appraisal report, as per USPAP requirements, includes appraiser's:

- opinions or conclusions developed in an appraisal assignment, not limited to value;
- opinions or conclusions developed in an appraisal review assignment, not limited to an opinion about the quality of another appraiser's work; or
- opinions or conclusions developed when performing a valuation service other than an appraisal or appraisal review assignment.

Additional: Appraisal observation of the subject property with permission of the controlling person, measuring, walking through and around improvements and site, photos of the subject property, analyzing comparables, etc., is a typical part of report development and reporting process. The detail of this observations process depends on the requirements/ requests made by the client in agreement with appraiser, as well as the type of report mutually agreed upon by the client and appraiser. Properties may have an interior and exterior observation or they may have only an exterior observation, depending on the scope and requirements of report. The appraiser(s) is/are not "home" or similar "inspectors." The appraisal observation process completed is a "typical" appraisal observation process. The appraiser is not guaranteeing building quality, operation of equipment or components, or material quality. This report is based upon typical appraisal observation as well as research and information provided to the appraiser. The agreement as to the type of report is based upon requirements of USPAP as well as the need of the client and/or intended user(s). The development of information, property observation, report content, and other components of this report are meant to be in compliance with USPAP requirements.

## *Area Analysis*

### **Betsy Layne, Kentucky**

**Betsy Layne** is a census-designated place and coal town in Floyd County, Kentucky, United States. It was established in 1875 along the Betsy Layne Branch of the Levisa Fork. The post office opened on May 1, 1908, with Clayton L. Hitchins as postmaster.<sup>[1]</sup> Its zip code is 41605. The 2010 United States Census reported the population to be 688. Stage actress Bette Henritze (born 1924) is a native of Betsy Layne.

### **Floyd County, Kentucky**

**Floyd County** is a county located in the U.S. state of Kentucky. As of the 2010 census, the population was 39,451. Its county seat is Prestonsburg. The county, founded in 1800, is named for Colonel John Floyd (1750–1783).

### **History**

On December 13, 1799, the Kentucky General Assembly passed legislation to form Floyd County as the 40th county of Kentucky. The county was made from parts of Fleming, Montgomery, and Mason County, Kentucky. The legislation became effective on June 1, 1800. The county was named for James John Floyd, a pioneer surveyor who helped lay out the city of Louisville. The county seat was Preston's Station, later renamed Prestonsburg. The first court house burned down on April 8, 1808, destroying all the early records, so the earliest records of government activity do not date prior to 1808. Prestonsburg was used as a Confederate stronghold during the Civil War and two battles took place nearby, the Battle of Ivy Mountain on November 8, 1861 and the Battle of Middle Creek on January 10, 1862. Both were Union victories. In 1958, the county was the site of one of the deadliest bus accidents in U.S. history.



### *Subject Specific Marketing Area Analysis*

**Neighborhood** is defined as: *The Appraisal of Real Estate, 13th Edition (Appraisal Institute, Chicago, Il., 2008), p. 55*

*A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises." Neighborhood boundaries may be well defined by natural or man-made barriers or they may be less well defined and measured by a change in land use, change in the character of the inhabitants or any other distinctive trait that separates uses or groups of inhabitants. The following paragraphs list the predominant characteristics of the neighborhood (marketing area).*

- **ACCESS AND HIGHWAYS:** The subject neighborhood is most easily reached by George Road via U.S. #23.
- **NEIGHBORHOOD STABILITY:** Neighborhoods generally experience a four-stage life cycle that includes growth, stability, decline, and revitalization. The subject neighborhood would be described as being in a period of stability.
- **DETRIMENTAL FEATURES:** No major detrimental features were noted that would adversely affect the value of the subject property in the foreseeable future.
- **MARKETING AREA BOUNDARIES:** The marketing area of the subject property is bounded to the north, south, east and west by the Floyd County line, extending into adjacent Pike County. These marketing boundaries are somewhat more liberal than preferred, but due to the type of area, these boundaries are typical.
- **LOCATION AND TYPE OF STRUCTURES:** Schools, shopping facilities, churches, medical office, restaurants, etc. are all within typical 5-15 mile distance to this neighborhood. Typical area consisting of small to medium commercial occupancies. Marketing area does have minimal zoning.
- **PERCENTAGE OF AREA BUILD-UP:** Area is built up 65 - 75%. Land use is a mixture of small & medium commercial and residential.
- **MUNICIPALITY SERVICES:** Electric, gas, garbage, etc., available in the area. Municipal sewer system is typical type for area; water is municipal for the subject, typical for subject area. Average fire protection and police protection is available.
- **CULTURAL ASPECTS:** Education, recreation, etc. are average for area. Musical Theaters, Arts Center, Historical Theaters as well as other area musical centers offer a wide variety of cultural events for the area.
- **ROADS AND TRANSPORTATION:** Roads are average with George Road adjacent to the subject, with easy access to U.S. #23. This is the access route in this local area; medium density highway. Public transportation by means of taxi and city bus as is normal for area.
- **INCOME LEVELS:** Income levels middle to lower middle class level.
- **MAINTENANCE:** The area is generally an average area with pride of ownership, property maintenance, etc., typical for area.
- **TOPOGRAPHY AND CHARACTER:** Neighborhood is flat to rolling to hillside as is usual for subject area.
- **CONCLUSIONS:** Area is average in respect to protection from adverse conditions, appeal and appearance, etc. This neighborhood is average generally for area. Buildings are generally of average construction with most being maintained in average condition.

### *Specific Land or Site Analysis and Identification*

- **PROPERTY LOCATION:** 497 George Road, Betsy Layne, Floyd County, KY. See location map and subject photos in addendum section.
- **PRESENT USE:** Proposed use of subject site is for service/office facility.
- **SHAPE AND SIZE, UTILITIES, STREET IMPROVEMENTS:** *Shape:* The site is rectangular in shape. *Size:* Per provided deed indicates the subject measures 90' x 133' x 129' x 140' for a total of 14,947 sq.ft. or 0.34 acre. Site size appears to be typical for the area. Additional information per P.V.A./owner information provided to the appraiser and physical inspection of property. *Utilities:* Accessible and are typical county utilities. *Street Improvements:* Subject is adjacent to paved roadway with direct access.
- **LANDSCAPING, TOPOGRAPHY, SOIL:** *Landscaping* is typical. *Topography* is level with usable land being the entire subject tract. Soil is sand and limestone rock, clay, and shell rock as is average for this area.
- **DRAINAGE AND FLOOD PLAIN:** Drainage is typical for area. See flood map copy in addendum and comments in Executive Summary. Appraiser is NOT a Flood Determination Company and only has typical appraiser knowledge regarding flood plain. Appraiser does not guarantee the flood plain stated in this report is accurate. National Flood Insurance Maps are not explicit as to individual property locations, have various scales, roadways may or may not be correctly identified on Maps, etc... If client has a question or concern about subject's Flood Plain, a professional Flood Determination Company or Engineer needs to be contacted. In addition, due to the Biggert- Waters Flood Plain Act of 2012, some areas, if found to be in 100 year flood plain, have extremely high flood insurance rates. THIS REPORT DOES NOT GUARANTEE OR WARRANTY FLOOD PLAIN INDICATED IN THIS REPORT. THIS REPORT DOES NOT ADDRESS POTENTIAL/ POSSIBLE HIGH FLOOD INSURANCE PREMIUMS, IF SUBJECT IS IN 100 YEAR FLOOD PLAIN. SOME 100 YEAR FLOOD PLAIN AREAS HAVE HIGH FLOOD INSURANCE PREMIUMS. THE APPRAISER HAS NOT BEEN PROVIDED ANY APPLICABLE FLOOD INSURANCE PREMIUM, IF ANY. THIS REPORT DOES NOT ADDRESS POSSIBLE/ POTENTIAL AFFECT TO SUBJECT PROPERTY'S MARKET VALUE OF HIGH FLOOD INSURANCE PREMIUM IF FOUND TO BE IN 100 YEAR FLOOD PLAIN. THIS REPORT IS COMPLETED UNDER THE EXTRAORDINARY ASSUMPTION ANY FLOOD INSURANCE PREMIUM WILL NOT BE IN EXCESS OF "TYPICAL" FLOOD INSURANCE PREMIUM FOR PROPERTIES LOCATED 100 YEAR FLOOD PLAIN (IF APPLICABLE FOR SUBJECT) IN MARKETING AREA.
- **ADVERSE EASEMENTS, ENCROACHMENTS:** None except typical utility easements, highway right of way, etc; none of which would be considered adverse.
- **CONFORMING OR LEGAL NON-CONFORMING USE:** Site is in an area that has similar uses around subject. Site does conform to standard site use in area.
- **RESTRICTIVE COVENANTS, EASEMENTS, SPECIAL ASSESSMENTS:** No restrictive covenants, special assessments found by or reported to the appraiser. Typical utility easements were found; see section above and deeds in addendum section.
- **KNOWN, REPORTED, OR OBVIOUS ENVIRONMENTAL CONDITIONS OR CONCERNS:** Please note that the appraiser is not an environmental engineer and did not complete any testing of any type. The appraiser completed a typical surface property appraisal inspection, talked with applicable parties regarding the property, and completed typical appraisal scope and analysis. There are no known, reported, or obvious visible environmental concerns regarding the subject property.

**Improvement Analysis**  
**"As Complete"**

- |                                     |  |                               |                         |
|-------------------------------------|--|-------------------------------|-------------------------|
| • <b>CONDITION-</b>                 | As Complete                                  | • <b>FOUNDATION-</b>          | Concrete Slab           |
| • <b>PROPERTY TYPE-</b>             | Commercial                                   | • <b>FLOOR COVERING-</b>      | Concrete                |
| • <b>CONSTRUCTION TYPE-</b>         | Steel Frame/Metal                            | • <b>CEILING-</b>             | Drop (Office)           |
| • <b>STORIES-</b>                   | One and half                                 | • <b>CEILING HEIGHT-</b>      | Typical/Various         |
| • <b>SQUARE FEET-</b>               | 7,200 TOTAL                                  | • <b>INTERIOR PARTITIONS-</b> | Frame                   |
| • <b>YEAR BUILT-</b>                | 2016   | • <b>ROOF COVERING-</b>       | Metal                   |
| • <b>EFFECTIVE AGE-</b>             | New  | • <b>PLUMBING-</b>            | Modern                  |
| • <b>ECONOMIC LIFE-</b>             | 60 Years ±                                   | • <b>HEAT-</b>                | Blower/Central (Office) |
| • <b>DEPRECIATION FACTS-</b>        |  | • <b>AIR CONDITIONING-</b>    | Central (Office)        |
| • <b>Physical-</b>                  | None   | • <b>ELECTRICAL-</b>          | Typical                 |
| • <b>Functional-</b>                | None   | • <b>ELEVATORS-</b>           | None                    |
| • <b>External-</b>                  | None   | • <b>INSULATION-</b>          | Typical                 |
| • <b>PARKING SURFACE-</b>           | Gravel                                       | • <b>SPRINKLERS-</b>          | None                    |
| • <b>PARKING SPACES-</b>            | Adequate                                     |                               |                         |
| • <b>FIRE PREVENTION EQUIPMENT-</b> | Required to be in place per occupant         |                               |                         |
| • <b>IF UNDER CONSTRUCTION-</b>     | anticipated date of completion: Spring, 2016 |                               |                         |

*Subject is a steel frame/metal construction having garage/service and office areas on the main floor having kitchen, conference, bath, reception and offices and the second floor to be used primarily for storage and a possible office expansion area. Information provided to the appraiser indicates the office areas will include sheetrock walls, painted concrete floors, drop ceiling and central heat and air. The main floor garage/service areas will have blower heat, concrete floors (not painted) and open ceiling. This improvement will include a security system and all municipal utilities.*

**SITE IMPROVEMENTS:** Improvements on and off a site that make it suitable for its intended use or development. On-site improvements include grading, landscaping, paving, and utility hookups; off-site improvements include streets, curbs, sidewalks, drains, and connecting utility lines. Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

Site Improvements include concrete drive and walkways and minimal landscaping.

**THIS REPORT DOES NOT INCLUDE FIXTURES, EQUIPMENT, INVENTORY OR BUSINESS (GOING CONCERN) VALUE.**

**NOTICE:** This report does not guarantee the quality of construction or materials. The appraisal observation is not a structural survey, a flood plain determination, a code inspection, survey, etc., nor should it be construed as one. The appraiser does not guarantee or warranty mechanical systems or other components of the property. The appraiser has a typical appraiser's knowledge of improvement and site components. This report assumes all provided information, plans, specs, construction information, environmental information, and all other data is true and accurate.

The appraiser assumes the improvements meet all local and state building codes including ADA requirements and it is assumed improvements will continue to meet these requirements. Areas such as wall interiors, roofs and other construction are assumed in like condition to those areas that are readily observable. If this is not the case it could significantly affect the values as provided.

## *Highest and Best Use and Complexity*

- ***The Highest and Best Use of the subject property is:***

The purpose of the highest and best use analysis is different for each type of highest and best use. This report will clearly identify, explain and justify the purpose and conclusions involved. The value of the land estimated as if vacant because land value depends on the uses to which it can be put. Therefore, highest and best use of land, as though vacant, must be considered in relation to a variety of uses, including its existing and all potential uses.

There are two reasons for analyzing the highest and best use of a property as improved. The first is to identify the use of the property that is expected to produce the highest overall return per dollar of invested capital. The second is to help in identifying comparable properties. Highest and best use analysis is concerned with the maximally productive use of the site "as vacant" and "as improved", as mentioned above.

By following this sequence, potential uses are systematically and logically narrowed until only the highest and best use remains.

- ***Site as vacant.***

*Legally Permissible-* There are no obvious legal limitations of the subject site, except for compliance to current requirements under National Flood Assurance Program.

*Physically Possible:* There are no physical limitations on the site based on information provided to the appraiser, except the limitation of site size.

*Economically Feasibility:* The issue of economically feasible is concerned with identifying those uses that generate a positive return, however small, on investment. The subject meets these criteria.

*Maximum Productivity:* The issue of most profitable is concerned with identifying the one use that generates the highest risk-weighted on investment. The subject having commercial use appears to meet the aforementioned criteria.

Given the legal conformity of the site with a ***commercial*** use, its physical possibility and the availability of an adequate return on investment; in the appraiser's opinion the highest and best use of the site as if vacant and ready for development is commercial development.

- ***Site as improved.***

The subject property is improved with Rife service/office facility, based upon physical inspection (observation) of subject and based upon information provided to the appraiser. Property use will have to conform to local zoning laws as well as requirements under National Flood Insurance Program. It will conform to the average use of similar sites in area.

There are no physical limitations on the site as improved. The site has average physical and locational attributes as well as accessibility. Similar uses are all around the subject. An improved ***commercial service/office facility*** is the most feasible. The expected return on investment should be the maximum productivity over other permissible uses.

The highest and best use, as improved, is a use that contributes value to the property in excess of the value of vacant site minus demolition cost. Given the legal conformity of the site with a ***commercial*** use, its physical possibility and the availability of an adequate return on investment; in the appraiser's opinion the highest and best use of the site is use as a commercial service/office facility.

1. The Dictionary of Real Estate Appraisal, Appraisal Institute, 3<sup>rd</sup> Ed.  
12<sup>th</sup> Edition

2, 3, 4. The Appraisal of Real Estate, Appraisal Institute,

### *Competing Projects/Properties*

Competitive projects or property supply is a basic market study that identifies the supply of properties within a defined geographic area competitive with the subject property, and rates these properties against the subject based on their location and amenity attributes. Supply analysis is used to define the primary trade area for the subject property and to determine the amount of competitive space in this area. Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

Within the subject marketing area there are competing properties similar to the subject. The competing properties are numerous and varied. These competing properties have been in the marketing area for several years and have very little negative effect on the marketability of the subject property. Competing properties do not appear to create a downward pricing trend and/or pricing pressure for the subject property.

## *The Appraisal Process*

An appraisal problem is ordinarily solved through the attempted use of three generally accepted valuation techniques. Each technique has an individual valuation concept and provides a separate indication of value for the subject property. The three separately conceived value indications tend to form a zone of reasonability, and under the process known as correlation, the final value conclusion is found within this zone. Depending on the subject property, the type of appraisal requested by client, and other factors one or more of the approaches to value can be not applicable or deleted. Careful review of the report is required to determine what approaches to value were used.

Within the **Cost Approach**, there are four basic steps required to arrive at a value indication. The first step is to estimate the value of the land as if vacant and available for development to its highest and best use. A replacement cost estimate of the existing improvements is then made and an estimate of depreciation of the improvements. The depreciation estimate includes consideration of deterioration of the physical qualities of the improvements as well as obsolescence attributed to both functional and economic considerations. The final step in the Cost Approach is the compilation of the depreciated estimated replacements cost of the improvements to which is added the estimated land value, giving a value estimate of the property by the Cost Approach.

Application of the **Sales Comparison Approach** produces a value estimate by comparing similar properties, which have been recently sold or are currently under contract with all contingencies removed to the subject property. An estimate of the degree of comparability is made by comparing such value factors as location, construction, age and condition, utility, equipment and marketability. Sale properties judged to be comparable tend to set a range in which the value of the subject property will fall. The Principle of Substitution is the controlling factor in this approach to value.

The **Income Approach** is concerned with the present worth of the future benefits of the property. Again, four basic steps are required for a value indication. These are the estimation of economic rent, expenses, economic life of the improvements and the selection of an appropriate capitalization rate for processing the net income. In its application, the appraiser estimates a gross annual income, which the property should produce to attract investors in the market. From the gross income, expenses are subtracted to obtain a net income before recapture projection. Expenses include taxes, insurance, operating costs and maintenance costs. An estimate of the economic life of the improvements requires a determination of the probable duration of the income stream. Rate selection requires market scrutiny for an interest rate reflective of current conditions. An applicable capitalization technique is then asserted, and the net income estimate is processed by the proper rate for a value estimate of the property.

The final correlation (reconciliation) process of the applicable approaches to value is an extremely important part of the appraisal process. The appraiser weighs the estimates of value from the various approaches, analyzes the type of property, as well as numerous other factors and develops a final value opinion for the subject property. Each approach to value may carry different weight or equal weight in final value opinion. The final reconciliation process, once completed, is explained by the appraiser to indicate to the reader the reasoning for the final value opinion.

## *Depreciation*

Depreciation is a loss in value due to any cause. It is the difference between the value of a building or equipment and its reproduction or replacement cost new as of date of appraisal. In U.S.P.A.P publication, accrued depreciation in appraising property is defined as being, "the difference between the cost new and the present worth of the improvements."

There are three generally accepted types of depreciation used in Cost Approach Appraising: Physical Deterioration, Curable and Incurable; Functional Obsolescence, Curable and Incurable, and Economic Obsolescence (most often incurable).

- **Physical Depreciation** (deterioration) is an impairment condition reflecting the loss in value due to wear and tear, use, disintegration and the action of the elements. Physical deterioration of the subject property, if any, is based on a percentage factor, considering the total effective age and future economic life. Curable physical deterioration refers to items of deferred maintenance, for example, painting or items currently in need of repair (such as broken stair rails). Incurable physical deterioration refers to other items that currently are not practical or feasible to correct-for example, furnaces or roof shingles that have not reached the end of their economic life. Condition is a measure of the degree at which items subject to physical depreciation have been maintained. The observed condition of each component subject to wear is estimated relative to new condition. Many portions of a structure wear out slowly, if at all, such as excavations, foundations, and concrete exterior walls. Such long-lived portions could represent a major portion of the total reproduction cost and if still functional will contribute toward an extended life expectancy.
- **Functional Obsolescence** is an impairment of functional utility or efficiency, exemplified by loss in value arising from inadequacy, over-capacity and changes in the part that affect the property item itself or its relation to other items comprising a large property. Functional obsolescence is also the inability of a structure to perform functions of its current employment adequately. A new structure may suffer from functional obsolescence. Functional obsolescence may be curable or incurable. Curable Functional Obsolescence is the lack of utility or desirability due to such factors as outdated or inadequate lighting and plumbing fixtures or heating units, which could be corrected or replaced without, major rebuilding. Incurable Functional Obsolescence is the lack of utility or desirability due to such factors as poorly designed floor plans that interfere with proper space utilization or antiquated mechanical systems that may be completely incurable except by major reconstruction or renovation and usually are not economically feasible to correct.
- **Economic/ External Obsolescence** is an impairment of desirability or useful life of the improvements, resulting from economic forces outside the property itself, such as changes in highest and best use, legislative enactment's which restrict or impair property rights and changes in supply-demand relationships. The age/life method of depreciation calculation is defined as, "a method of estimating accrued physical deterioration. The deterioration as a decimal is calculated by dividing the estimated effective age by the total economic life," per N.A.I.F.A.'s publication *Appraising Income Properties*. In addition to the Age-Life Method of depreciation there are several other ways to calculate such as from market transactions. Data needed to calculate depreciation from the market includes sales price of improved properties and unimproved properties, type of construction, quality of the construction, gross improvement area, net improvement area, effective age of the improvements, functional obsolescence affecting the improvements and external obsolescence affecting the property. In addition to the sales prices, the data for the sites should include; site characteristics (frontage, depth and area), suitability of the topography and soil for construction, site improvements and availability and quantity of utilities. The transactions should have involved the same property rights, the conditions of sale should have represented an arm's length transaction, and the market conditions at the date of sale should have been equivalent to the current market conditions.

The site value should be estimated by sales comparison; the area of the improvements should be obtained from a measurement of the property or from public records; the reproduction cost should be estimated from current cost information; and the effective age should be estimated from an inspection of the property. With this information, the physical deterioration of properties based on their effective age can be calculated.<sup>1</sup> See section 12 for specific calculations of depreciation, analysis of depreciation, and other facts concerning this subject property. 1) Reference "Appraising Income Properties", (N.A.I.F.A.)

### *Land Valuation*

The major objective of site analysis is to gather all of the facts pertinent to an evaluation and commentary of its Highest and Best Use. Other objectives include use as the basis for an analysis of comparable sales and allocation of value in the Cost Approach. The examination of these facts is an important step in assessing the appropriateness of the subject site for its intended use. Further, its location and physical attributes are significant factors in determining its likelihood of economic feasibility for this use.

The following description was prepared after a physical inspection of the site on February 1, 2016, a review of the deed, and reference to County assessment records. We have assumed that the dimensions obtained from these sources and relied upon in this report are essentially correct.

The data developed for the comparable sales (if applicable) information in this report is from the "in-house" data base maintained by **Redd, Brown & Williams Real Estate Services** and updated monthly by PVA (tax commissioner), County Court Clerk, and MLS records as well as other appraisers and Realtors®. The limited population density of some of the rural areas restricts certain characteristics of comparability and requires the use of somewhat less current sales data or a larger geographic area. For the subject report, County tax office, local Realtors®, local real estate magazines, other Appraisal Services, and other sources were used.

The subject land value is estimated here as if vacant and available for development and, thus, was evaluated relative to the sale of unimproved land tracts with similar access, topography, utility and linkages. Adjustments are made where sufficient data is available to quantify the market's reaction to specific characteristics. These adjustments are based on paired market analysis. Where insufficient data exists for these conclusions, it is necessary to note the differential and make observations on the effect these characteristics have on the placement of the final value estimate in the data range.

Site Improvements in the development plan include:

|                          |           |                           |          |
|--------------------------|-----------|---------------------------|----------|
| <b>Utility Services:</b> | Municipal | <b>Curbs/ Sidewalks:</b>  | None     |
| <b>Electricity:</b>      | Municipal | <b>Street Lighting:</b>   | Partial  |
| <b>Water:</b>            | Municipal | <b>Alley:</b>             | None     |
| <b>Sanitary Sewer:</b>   | Municipal | <b>Driveway Surface:</b>  | Concrete |
| <b>Parking Lot:</b>      | Concrete  | <b>Offstreet Parking:</b> | Yes      |
| <b>Storm Sewer:</b>      | No        | <b>Other:</b>             | None     |

***Comparable origination and confirmation sources:***

Comparables were researched in County PVA's (tax commissioner) Office, county clerk's office, local Realtors® office as well as other appraiser's data bases and confirmed by deeds, tax records, and other verification sources. In addition, they may have been verified with observation and/or MLS records and/or Realtor® records and/or grantor/grantee information. Land sales throughout the county were reviewed with the County Property Tax Office as well as local Realtors®, deeds, etc. The land sales used are the most similar and comparable found. The appraiser assumes information received to be true and accurate information. Any misrepresented or incorrect information provided or verified to the appraiser is not the responsibility of the appraiser.

***Elements of Comparison***

The characteristics of properties and transactions causing variances in price paid area known as elements of comparison. These elements of comparison use Paired Market Analysis, when possible, for adjustment analysis and determination. Other adjustments may be developed using information from other market participants such as appraisers, developers, brokers, appraiser's experience with similar types of properties and knowledge of the area. Elements of comparison typically include: property rights, financing, sale motivation, market conditions, location/ access, physical characteristics, use/ zoning, etc...



## *Land Sales and Adjustment Analysis*

### Subject Property:

|                        |  |
|------------------------|--|
| Property Type:         | Commercial                                     |
| Address:               | 497 George Road, Betsy Layne, Floyd County, KY |
| Sale Data:             | DB 578/250                                     |
| Sale Price:            | \$180,000                                      |
| Grantor (ee)           | Landmark Development/Rife                      |
| Sale Date:             | April 28, 2011                                 |
| Verification Source:   | MLS, PVA                                       |
| Property Rights:       | Fee Simple                                     |
| Zoning:                | None   |
| Gross Land Size:       | 0.34 acre                                      |
| Sale Price/Gross Acre: | N/A – Improved Sale                            |

### *Vacant Comparable Land Sales:*

#### Land Sale #1:

|                  |  |
|------------------|--|
| Address:         | 497 George Road, Betsy Layne (SUBJECT) |
| Sale Price:      | \$180,000                              |
| Sale Date:       | 04/28/2011                             |
| Land Size:       | 0.34 acre                              |
| Sale Price/Acre: | \$529,412.                             |

*\*Analysis based upon dollar per acre/ square foot so adjustments for difference in acreage is not applicable.*

Adjustments: This is the prior sale of the SUBJECT PROPERTY. At the time of sale, there was an improvement on site that was razed. No adjustments considered.

#### Land Sale #2:

|                   |                       |
|-------------------|-----------------------|
| Address:          | 152 S.R. #122, Martin |
| Sale Price:       | \$680,000             |
| Sale Date:        | 05/11/2015            |
| Land Size:        | 1.2 acres             |
| Sale Price/Acre:  | \$566,667.            |
| Adjusted \$/Acre: | \$623,333.            |

*\*Analysis based upon dollar per acre/ square foot so adjustments for difference in acreage is not applicable.*

Adjustments: Property rights are similar. Location of this sale is inferior, with regard to visibility/access (subject is just off U.S. #23), requiring a positive adjustment (+10%). Topography, time, financing terms, ingress/egress, utilities, and other components of the sale are similar to subject.

**Land Sale #3:**

Address: 1324 South Lake Drive, Prestonsburg, KY  
 Distance from Subject: 1.5 mile  
 Sale Price: \$95,000.  
 Sale Date: 06/15/2010  
 Land Size: 0.275 ac  
 Sale Price/Acre: \$345,000.

*\*Analysis based upon dollar per acre/ square foot so adjustments for difference in acreage is not applicable.*

Adjustments: Property rights are similar. While the subject is located just off U.S. #23 and this sale is within the downtown area of the county seat, this sale is considered comparable with regard to location and visibility/access. Topography, time, financing terms, ingress/egress, utilities, and other components of the sale are similar to subject.

**Land Sale #4:**

Address: 290 North Lake Drive, Prestonsburg, KY  
 Distance: 1.5 Mile  
 Sale Price: \$475,000  
 Sale Date: 10/24/2012  
 Land Size: 1.081 acres  
 Sale Price/Acre: \$439,408.  
 Adjusted \$/Acre: \$417,438.

*\*Analysis based upon dollar per acre/ square foot so adjustments for difference in acreage is not applicable.*

Adjustments: Property rights are similar. While the subject is located just off U.S. #23 and this sale is within the downtown area of the county seat, this sale is considered comparable with regard to location and visibility/access. Topography, time, financing terms, ingress/egress, utilities, and other components of the sale are similar to subject. This is the former Sav-A-Lot grocery location purchased by Family Dollar. The existing improvements were completely remodeled from the ground up. The only thing standing prior to renovation was the exterior shell. As such, appraiser has considered a small negative adjustment (-5%) for the existing shell.

***Land Valuation Analysis***

The sales utilized in this report were reviewed in addition to several other land sales in the subject area and were determined most similar to the subject property. Sales are in the subject marketing area and are as similar to the subject as possible, being along or close to the same route or in the same area. Adjustments have been made for the differences in the subject and sales, if necessary. The appraiser searched the subject marketing area within a reasonable radius and within the last several years to find the best possible comparable sales. The appraiser is aware some sale dates may be older than one year, some line adjustments may be larger than preferred, net and/or gross percentages may be larger than preferred, but the marketing area as defined within this report was researched and analyzed to develop the most similar sales data available.

The appraiser reviewed several land sales in subject area as well as in other similar marketing areas throughout the region. In addition, real estate developers, Realtors®, Appraisers, Auctioneers, insurance agents, property owners, and others were consulted regarding market conditions, commercial land sales, etc. Again, these are the best available sales in the subject area and as similar to the subject as possible. Some of the sales listed may be older than preferred, but are the best available in subject marketing area and provide a good indication of estimated market value for the subject.

### *Land/ Site Reconciliation*

Redd, Brown & Williams Appraisal Staff's reconciliation is the process of reducing a range of value indications into an appropriate conclusion for that analysis, e.g., the derivation of a value indication from the adjusted prices of two or more comparable sales in the site sales comparison. Reconciliation is not merely the correction of errors or the averaging of the estimates reached by each of the appraisal approaches, but the final statement of reasoning and weighing of facts, results and conclusions that culminates in a fully justified final estimate of value. Redd, Brown & Williams Real Estate Services appraisal staff have attempted to reasonably address all required elements of current Uniform Standards of Professional Appraisal Practice in the process of completing this report. The final value opinion is based upon analysis of all developed data within this report. Reconciliation criteria enable RBW appraiser to form a meaningful, defensible conclusion about the final value opinion. Value indications are tested for the appropriateness of approaches and adjustments applied, accuracy of data, and quantity of evidence analyzed.

Reconciliation is the process of reducing a range of value indications into an appropriate conclusion for that analysis, e.g., the derivation of a value indication from the adjusted prices of comparable sales in the land sales comparison. The last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value or a single point estimate. Source: Appraisal Institute. The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010). Reconciliation is an ongoing process throughout the research and analysis performed during the appraisal process. In the final reconciliation, data and the reasonableness and validity of the data supports indicated values are provided as well as the quality and quantity of the available data.

Redd, Brown & Williams Real Estate Services appraisers took a reasonable approach to reconciliation. RBW appraiser reconciliation is a process of finding the correct, as best as reasonably possible based upon market data, any potential inconsistencies in judgment which may produce widely variant estimates. Among the many questions that a RBW appraiser asks are: • Were the positive adjustments for location or building condition in the sales comparisons consistent with the estimated depreciation in the summation of Cost Approach? • Did I miss any market forces which allowed me to get such a wide variation of sales comparison value indications? Do I need to complete more analysis and ask more questions about the sales used? Do I need more sales to understand the applicable economic forces? Do I need to interview a larger array of market participants? The RBW appraiser has reviewed all adjusted indications of value for all applicable and necessary approaches to value.

IN THE SUBJECT REPORT, emphasis has been given to each of the comparables, as they are the most representative of the market place and sales are most representative of market's reaction to similar properties. Based upon aforementioned analysis, verification, and reconciliation process, the subject's site value is approximately \$525,000/acre for a total of:

**\$178,500.00**

## *Cost Approach*

The Cost Approach assumes that no prudent purchaser would pay more for a property than that amount of money required to acquire a similar site and construct the improvements, accounting for loss in value experienced by the subject due to age (physical curable or incurable depreciation), functional obsolescence (curable or incurable), or external factors (external obsolescence).

The improvements are described throughout this report and the value data is derived from three published sources, as well as our extensive "in house" database: Marshall and Swift Cost Guide, Boeckh's Building Cost Guide, and American Appraisal Association Cost Guide. All these guides are nationally recognized cost sources. In addition, cost information was received from established area contractors of various expertise as well as local lumber and building suppliers. This cost information is assumed to be true and correct by the appraiser. Where it was possible, specific cost information provided to the appraiser was confirmed with each contractor.

The Age/Life Method is applied here as a basis for identifying the depreciation for this subject property. This method uses the estimated typical economic life of the improvements and their effective or 'condition' age at the time of the report. This method was selected due to the uniform acceptance of this methodology and easy-to-understand calculations. Other methods of depreciation calculation reviewed include the abstraction or market method which extracts depreciation directly from the market and the breakdown method which separates charges on the basis of origin or cause of loss (physical deterioration, functional obsolescence and external). Each component is estimated separately, using the engineering method of observation techniques.

Construction cost data is from subject property (if applicable cost data has been provided) and from comparable cost data resources including but not limited to appraiser's own data files which is an accumulation of years of appraisal data, construction contractors, building suppliers, regional and national cost services, etc...

**NOTE:** The appraiser assumes typical construction methods and materials have been/will be used in the construction of the subject improvement. The observation of the subject property did not include improvement inter-wall, inter-attic, or other areas. Interior condition is assumed to remain equal to the exterior. Quality of construction, quality of materials, competency of contractor, are all assumed to be usual/typical/average by the appraiser and by this report. The subject property includes improvement(s) and site. Square footage per sketches in addendum section of this report and are not absolute. The appraiser is not a specialist in the field of ADA requirements, building code requirements, fire and safety equipment requirements, etc... The appraiser has inquired as to the acceptability of all features and assumes the provided information is true and correct. This report is not a warranty of subject construction. Appraiser is not responsible for inaccurate information provided to the appraiser.

**Market Analysis Cost Approach (Hard Costs)**

|                           | Years |                |    |
|---------------------------|-------|----------------|----|
| Actual Age -----          | 0     | Physical Depr: | 0  |
| Effective Age -----       | 0     | REL            | 60 |
| Physical Life -----       | 60    |                |    |
| Total Economic Life ----- | 60    |                |    |

**Improvements- Estimated Replacement Cost New (RCN)**

| Description            | Length | Width | Sq.Ft.       | \$/Sq.Ft. | Total RCN         |
|------------------------|--------|-------|--------------|-----------|-------------------|
| Main Floor Garage      | 60     | 45    | 2700         | \$ 60.00  | \$ 162,000        |
| Main Floor Offices     | 50     | 45    | 2250         | \$ 120.00 | \$ 270,000        |
| Second Floor Offices   | 50     | 45    | 2250         | \$ 85.00  | \$ 191,250        |
|                        | 0      | 0     | 0            | \$ -      | \$ -              |
|                        | 0      | 0     | 0            | \$ -      | \$ -              |
|                        | 0      | 0     | 0            | \$ -      | \$ -              |
|                        | 0      | 0     | 0            | \$ -      | \$ -              |
| <b>Cost New Totals</b> |        |       | <b>7,200</b> |           | <b>\$ 623,250</b> |

**Depreciation Calculations**

| * based on percentages        | Physical | Functional | External |
|-------------------------------|----------|------------|----------|
| By Percentage                 | 0%       | 0%         | 0%       |
| Total Depreciation in Dollars | \$ -     | \$ -       | \$ -     |

|   |                          |
|---|--------------------------|
| Depreciated Value of Improvements:              | \$ 623,250               |
| Plus Depreciated Value of Site Improvements:    | \$ 24,000                |
| Plus Land Value                                 | \$ 178,500               |
| Inventory                                       | N/A                      |
| Equipment                                       | N/A                      |
| Entrepreneurial Incentive (if applicable)       | N/A                      |
| <b>Final Value of Subject Via Cost Approach</b> | <b>\$ 825,750</b>        |
|   | Rounded <b>\$825,000</b> |

**NOTE: This report based upon "as complete" condition per info provided.**

Comments on depreciation: See below comments.

Minimum entrepreneurial incentive (RMEI) is based upon current market data. An appraiser's entrepreneurial profit differs from an accountant's or economist's definition of profit. Entrepreneurial profit is a required cost of construction, which is necessarily comprised of the RMEI. It is the minimum incentive in order to commence the business.

The aforementioned references direct costs, which include the cost of materials and labor as well as the contractor's profit, required to construct the improvement on the effective date of the appraisal. The overhead and profit of the general contractor and various subcontractors are part of the usual construction contract, and therefore represent direct costs that should always be included in the cost estimate.

**Indirect (Soft) Costs:** Indirect costs are expenditures or allowances that are necessary for construction but are not a typical part of the construction contract. Indirect or Soft Costs include real estate taxes during construction, interest and financing fees, environmental and market studies, as well as other due diligence work. Entrepreneurial Incentive: When direct and indirect costs of developing a property are used to provide an indication of value, the appraiser must also include an economic reward sufficient to induce an entrepreneur to incur the risk associated with a building project. For a completed project at stabilization, the difference between the sum of direct and indirect costs and the market value of the property is the entrepreneurial profit (or loss) realized. These costs have been estimated at 5.0% of the total *Direct (Hard) Costs*.

***This report does not include equipment (other than permanently affixed), inventory or business value***

This report is a fee simple As Complete estimate of value. The subject property is a proposed service/office improvement. This report does not include any mobile equipment, inventory or business value. It does include all improvements affixed to the building such as coolers, freezers, etc.

Subject specific data is based upon information provided by the property occupant, neighbors to subject, as well as information from appraisal cost guides, local contractors, local building suppliers, local tax office personnel and the appraisers' in-house database.

Subject is a steel frame/metal improvement with metal roof. The structure currently under construction and this report is based upon value in its completed condition. The appraiser is not responsible for any items that may change from information presented.

Physical depreciation – None upon completion, based on information provided.

Functional obsolescence – None noted or brought to the attention of the appraiser.

External depreciation/obsolescence – None noted or brought to the attention of the appraiser.

The subject is located in an area with limited population density growth in past several years and in area where property values have been stabilized.

**NOTE:** Fixtures, equipment, inventory or business (going concern) values are not included in this report. Also, this report is completed based upon the assumption that there is not any environmental contamination on the subject property. If any environmental contamination is found such as leakage from inground tank or waste oil tank, it could affect the final value opinion.

See photos and sketch in addendum section of this report for additional visualization of subject property as of the date of this report. Sketches are not absolute representations nor are they meant to be.

This report does assume all real estate and specifically engineered components necessary for operation of subject to be included in this report. Components such as special wiring, electrical outlets, plumbing, ADA specifics, etc. are included in this report and are assumed to be operational and up to date per information provided to the appraiser. This report is being completed based upon "As Complete" value.

Cost Reference Support:

OFFICE BUILDINGS (344)

| CLASS  | TYPE      | EXTERIOR WALLS   | INTERIOR FINISH   | LIGHTING, PLUMBING AND MECHANICAL                                | HEAT                          | COST       |         |          |
|--------|-----------|--|---|--|-------------------------------|------------|---------|----------|
|        |           |  |   |  |                               | Sq. M.     | Sq. Ft. |          |
| A      | Excellent | Best metal or stone, brick or block backup, solar glass                  | Plaster, best veneers, vinyl wall coverings, vinyl tile, terrazzo, carpet | *Luminous ceilings, many outlets, many private restrooms         | Hot and chilled water (zoned) | \$2,815.76 | \$20.28 | \$243.01 |
|        | Good      | Good metal and solar glass, face brick, precast concrete panels          | Drywall or plaster, some wall cover, acoustic tile, vinyl tile, carpet    | *Good fluorescent, high intensity lighting, good restrooms       | Hot and chilled water (zoned) | 2,070.07   | 18.09   | 192.37   |
|        | Average   | Brick, concrete or metal and glass panels, little trim                   | Average partitions, acoustic tile, vinyl composition, some adobe          | *Average intensity fluorescent lighting, average restrooms       | Warm and cool air (zoned)     | 1,662.07   | 12.09   | 145.12   |
|        | Low cost  | Minimum-cost walls and fenestration, little trim                         | Drywall, acoustic ceilings, asphalt tile, few partitions                  | *Minimum office lighting and plumbing                            | Warm and cool air (zoned)     | 1,244.43   | 8.63    | 115.61   |
| B      | Excellent | Best metal or stone, brick or block backup, tinted glass                 | Plaster, best veneers, vinyl wall coverings, vinyl tile, terrazzo         | *Luminous ceilings, many outlets, many private restrooms         | Hot and chilled water (zoned) | 2,542.35   | 19.68   | 238.19   |
|        | Good      | Good metal and solar glass, face brick, precast concrete panels          | Drywall/plaster, some wall cover, acoustic tile, vinyl tile, carpet       | *Good fluorescent, high intensity lighting, good restrooms       | Hot and chilled water (zoned) | 1,949.84   | 15.48   | 185.79   |
|        | Average   | Brick, concrete or metal and glass panels, little trim                   | Average partitions, acoustic tile, vinyl composition, some adobe          | *Average intensity fluorescent lighting, average restrooms       | Warm and cool air (zoned)     | 1,496.52   | 11.59   | 139.03   |
|        | Low cost  | Minimum-cost walls and fenestration, little trim                         | Drywall, acoustic ceilings, asphalt tile, few partitions                  | *Minimum office lighting and plumbing                            | Warm and cool air (zoned)     | 1,185.33   | 9.18    | 110.12   |
| C      | Excellent | Steel frame, masonry and glass, stone ornamentation, top quality         | Plaster, painting, carpet and terrazzo, suspended ceilings                | *Best fluorescent ceiling panels, tiled restrooms, good fixtures | Warm and cool air (zoned)     | 2,136.87   | 16.54   | 198.52   |
|        | Good      | Steel frame or bearing walls, brick/conc. panels, some ornamentation     | Plaster or drywall, good partitions, acoustic tile, carpet and vinyl      | *Good fluorescent lighting, good restrooms and fixtures          | Package A.C.                  | 1,481.78   | 11.50   | 138.58   |
|        | Average   | Steel or concrete frame, or bearing walls, some trim                     | Paint, drywall partitions, acoustic tile, vinyl composition               | *Fluorescent lighting, adequate outlets and plumbing             | Forced air                    | 1,058.75   | 8.20    | 98.36    |
|        | Low cost  | Masonry bearing walls, light veneer, very plain                          | Paint, low low-cost partitions, acoustic tile, asphalt tile               | Minimum office lighting and plumbing                             | Wall furnace                  | 713.22     | 5.52    | 86.26    |
| D      | Excellent | Steel or steel columns, bar or web joists, brick or stone veneer, E.F.S. | Best plaster, paneling, carpet and vinyl tile                             | *Fluorescent panels, many outlets, good tiled restrooms          | Warm and cool air (zoned)     | 2,020.51   | 13.64   | 187.71   |
|        | Good      | Best stucco on good frame, brick or stone trim, good front               | Plaster or drywall, good partitions, acoustic tile, carpet and vinyl      | *Good fluorescent lighting, good restrooms and fixtures          | Package A.C.                  | 1,408.21   | 10.88   | 130.64   |
|        | Average   | Stucco or wood siding on wood or steel studs, some trim                  | Drywall, acoustic tile, low-cost carpet or vinyl composition              | *Adequate lighting and plumbing                                  | Forced air                    | 995.87     | 7.71    | 92.50    |
|        | Low cost  | Light stucco or siding on wood or steel studs, very plain                | Drywall, few partitions, acoustic tile, asphalt tile                      | Minimum lighting and plumbing                                    | Wall furnace                  | 686.72     | 5.18    | 81.84    |
| D POLE | Good      | Good metal panels, fenestration, some brick or stone trim                | Plaster or drywall, good partitions, acoustic tile, carpet and vinyl      | *Good fluorescent lighting, good restrooms and fixtures          | Package A.C.                  | 1,291.46   | 10.00   | 119.88   |
|        | Average   | Pole frame, insulated metal panels, some ornamentation                   | Drywall, acoustic tile, low-cost carpet or vinyl composition              | Adequate lighting and plumbing                                   | Forced air                    | 863.06     | 6.84    | 82.04    |
|        | Low cost  | Pole frame, finished interior, some insulation                           | Drywall, few partitions, acoustic tile, asphalt tile                      | Minimum lighting and plumbing                                    | Wall furnace                  | 595.79     | 4.61    | 55.35    |
| S      | Good      | Good sandwich panels and fenestration, some brick or stone               | Plaster or drywall, good partitions, acoustic tile, carpet and vinyl      | *Good fluorescent lighting, good restrooms and fixtures          | Package A.C.                  | 1,380.58   | 10.69   | 128.26   |
|        | Average   | Insulated wall or sandwich panels, adequate fenestration                 | Drywall, acoustic tile, low-cost carpet or vinyl composition              | Adequate lighting and plumbing                                   | Forced air                    | 948.83     | 7.34    | 88.13    |
|        | Low cost  | Steel or aluminum on light frame, finished interior, some insulation     | Drywall, few partitions, acoustic tile, asphalt tile                      | Minimum lighting and plumbing                                    | Wall furnace                  | 643.47     | 4.98    | 59.78    |

MULTISTORY BUILDINGS - Add .5% (1/2%) for each story, over three, above ground, to base costs, including basements but excluding mezzanines, up to 30 stories; over 30 add .4% (4/10%) for each additional story.

SPRINKLERS - Systems are not included. Costs should be added from Page 37.

BALCONIES - Exterior balconies see Page 37, or they may be computed from the Segregated

\*ELEVATORS - Base costs of buildings marked with an asterisk (\*) include elevator costs. If the subject building has no elevators, deduct the following from the base costs for buildings on this page. See Notes on Page 19.

| Classes A & B | Excellent | Sq. M. | Sq. Ft. | Average | Sq. M. | Sq. Ft. |
|---------------|-----------|--------|---------|---------|--------|---------|
|               |           |        |         |         |        |         |

### SERVICE (REPAIR) GARAGES (528)

| CLASS        | TYPE      | EXTERIOR WALLS  | INTERIOR FINISH   | LIGHTING, PLUMBING AND MECHANICAL                             | HEAT          | Sq. M.    | COST Cu. Ft. | Sq. Ft. |
|--------------|-----------|---|---|---|---------------|-----------|--------------|---------|
| <b>A-B</b>   | Average   | Brick, reinforced concrete, good fenestration                       | Some plaster and glazed surfaces, offices, masonry partitions | *Good level of lighting, adequate plumbing                    | Space heaters | \$ 816.80 | \$6.41       | \$75.79 |
| <b>C</b>     | Excellent | Steel or concrete frame, brick, decorative block or concrete panels | Some good offices and supply rooms, good steel-municipal type | Good electrical, lighting and service outlets, good restrooms | Forced air    | 1,054.01  | 6.99         | 97.92   |
|              | Good      | Steel, concrete or glulam frame, masonry curtain or bearing walls   | Finished office, painted walls, some partitions               | Adequate lighting and service outlets, adequate restrooms     | Space heaters | 741.75    | 4.92         | 68.91   |
|              | Average   | Masonry bearing walls with pilasters, light trusses                 | Unfinished, small finished office area, some supply area      | Adequate lighting and service outlets, small restroom         | Space heaters | 537.02    | 3.56         | 48.89   |
|              | Low cost  | Light masonry bearing walls, light rafters                          | Unfinished, small partitioned office area, concrete floor     | Minimum electrical and plumbing                               | Space heaters | 390.73    | 2.59         | 36.30   |
| <b>D</b>     | Good      | Wood frame, good siding, brick veneer or stucco and fenestration    | Partially finished, finished office area, some partitions     | Adequate lighting and service outlets, adequate restrooms     | Space heaters | 845.09    | 4.28         | 99.63   |
|              | Average   | Light wood frame, siding or stucco                                  | Unfinished, small finished office area, some supply area      | Adequate lighting and service outlets, small restroom         | Space heaters | 472.86    | 3.14         | 43.83   |
|              | Low cost  | Cheap frame, stucco or siding                                       | Unfinished, small office area, concrete floor                 | Minimum lighting and plumbing                                 | Space heaters | 348.43    | 2.31         | 32.37   |
| <b>DPOLE</b> | Average   | Pole frame, metal siding, lined and insulated                       | Small finished office area, some supply area                  | Adequate lighting and service outlets, small restroom         | Space heaters | 408.66    | 2.70         | 37.78   |
|              | Low cost  | Pole frame and truss, metal siding                                  | Small partitioned office area, concrete floor, utility type   | Minimum lighting and plumbing                                 | Space heaters | 297.73    | 1.98         | 27.86   |
| <b>S</b>     | Good      | Sandwich panels or metal with interior finish                       | Partially finished, finished office area, some partitions     | Adequate lighting and service outlets, adequate restrooms     | Space heaters | 841.00    | 4.28         | 99.65   |
|              | Average   | Single wall with some interior finish                               | Unfinished, small finished office area, some supply area      | Adequate lighting and service outlets, small restroom         | Space heaters | 463.50    | 3.08         | 43.06   |
|              | Low cost  | Light, pre-engineered, utility-type building                        | Unfinished, small office area, concrete floor                 | Minimum lighting and plumbing                                 | Space heaters | 337.02    | 2.24         | 31.31   |

\*For elevator costs, see bottom of Page 34.

SPRINKLERS - Sprinkler systems are not included. Costs should be added from Page 37.

### SERVICE GARAGE SHEDS (526)

|              |          |  |   |   |               |          |        |         |
|--------------|----------|--|---|---|---------------|----------|--------|---------|
| <b>C</b>     | Good     | Open front, block or low-cost brick, good roof                 | Unfinished, concrete floor, shop area and cabinets              | Good lighting and outlets, adequate plumbing      | Space heaters | \$338.08 | \$2.22 | \$31.13 |
|              | Average  | Open front, tilt-up, block, steel or wood truss, average cover | Unfinished, concrete or asphalt floor, some cabinets, work area | Adequate electrical and water service and outlets | None          | 237.45   | 1.58   | 22.06   |
|              | Low cost | End walls only, concrete block, shed or flat roof              | Unfinished, concrete or asphalt floor                           | Adequate electrical and water service and outlets | None          | 179.44   | 1.19   | 16.67   |
| <b>DPOLE</b> | Good     | Open front, good metal siding on pole frame                    | Unfinished, concrete floor, shop area and cabinets              | Good lighting and outlets, adequate plumbing      | Space heaters | 261.35   | 1.73   | 24.28   |
|              | Average  | Open front, metal or board on light pole frame                 | Unfinished, concrete or asphalt floor, some cabinets, work area | Adequate electrical and water service and outlets | None          | 184.60   | 1.23   | 17.15   |
|              | Low cost | End walls only, low-cost siding on wood pole frame             | Unfinished, concrete or asphalt floor                           | Adequate electrical and water service and outlets | None          | 141.76   | .94    | 13.17   |
| <b>S</b>     | Good     | Open front, good metal and steel frame                         | Unfinished, concrete floor, shop area and cabinets              | Good lighting and outlets, adequate plumbing      | Space heaters | 296.66   | 1.87   | 27.96   |
|              | Average  | Open front, enameled siding on light frame                     | Unfinished, concrete or asphalt floor, some cabinets, work area | Adequate electrical and water service and outlets | None          | 211.62   | 1.40   | 19.66   |
|              | Low cost | End walls only, low-cost siding or steel frame                 | Unfinished, concrete or asphalt floor                           | Adequate electrical and water service and outlets | None          | 162.54   | 1.08   | 15.10   |



## Sales Comparison Approach

The Sales Comparison Approach involves making a direct comparison between the property being appraised and other properties that have been sold or listed for sale.

When carefully collected, analyzed, verified and reconciled, market data usually provides a good indication of market value for a property. The price that a typical buyer pays is often the result of a shopping process in which properties are examined and evaluated. Buyers often base their value conclusions primarily on properties that are being offered for sale. Appraisers use this information plus information about properties that have sold and rented.

In this approach comparable sales of similar improved properties have been used to develop a final estimate of value. Various factors are considered in the adjustment of the comparable properties and to develop final estimate of value. These include but are not limited to: Type of financing, condition, physical features, utility, size, access, location, age of sale, etc...




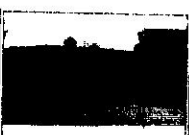

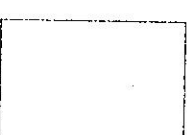
The Sales Comparison Approach assumes that no prudent purchaser would pay more for a property than that amount of money required to acquire a similar property from the standing stock. In the subject area, as is true for most rural type locations, comparable sales may be limited due to the limited number of overall sales.

The appraiser reviewed and analyzed recorded sales in the subject area for the past three to five years. There were limited sales found in the subject county. The search area was increased in an effort to find additional comparable sales. This expanded search included adjoining counties and often into the adjacent states. The subject is a typical income type commercial property and the Income Approach to value is the method of emphasis for valuation.

### *Subject Information*

|                            |                                  |
|----------------------------|----------------------------------|
| Address:                   | 947 George Road, Betsy Layne, KY |
| Tax Map Reference          | 094-30-15-015.00                 |
| Source of Data:            | PVA - Owner                      |
| Property Rights Appraised: | Fee Simple                       |
| Date of Last Sale:         | April 28, 2011                   |
| Year Built:                | 2016                             |
| Effective Age:             | New                              |
| Gross SqFt:                | 7,200                            |
| Site Size:                 | 0.34 acre                        |
| Excess Land:               | None                             |
| Construction Type:         | Steel/Metal                      |
| Construction Quality:      | Average                          |
| Condition:                 | New                              |
| Other Pertinent Info:      | N/A                              |
| Comments:                  | N/A                              |

### Sold Property Comparison Report for Commercial Real Estate in Kentucky

|                         |   |   |   |  |   |   |
|-------------------------|---|---|---|--|---|---|
|                         |  |  |  |  |  |  |
| <b>Address</b>          | 182 Madison Square<br>Madisonville, KY<br>42431                                   | 428 Main Street #34<br>Bromley, KY 41016  | 12293 Dixie Highway<br>Walton, KY 41094   | 1004 Leewood Dr<br>Frankfort, KY 40601   | 10101 Taylorsville<br>Road<br>Louisville, KY 40299                                  | 410 Dudley Trace<br>Florence, KY 41042  |
| <b>Property Type</b>    | Office  | Retail  | Office  | Office   | Retail  | Industrial  |
| <b>Property Subtype</b> | Office Building   | Vehicle Related   | Office Building   | Office Building  | Free Standing Bldg  | Warehouse   |
| <b>Zoning</b>           |   |   |   |  |   |   |
| <b>Year Built</b>       | 1984  | 1951  | 1985  | 2000   |   | 2009  |
| <b>Building Size</b>    | 3,168 SF  | 2,500 SF  | 2,064 SF  | 8,000 SF   | 6,000 SF  | 6,731 SF  |
| <b>No. Units</b>        |   |   |   |  |   |   |
| <b>No. Stories</b>      | 1   |   |   |  |   |   |
| <b>Lot Size</b>         | 0.77 Acres  | 0.20 Acres  | 1.68 Acres  | 1.11 Acres   |   | 1.00 Acres  |
| <b>APN / Parcel ID</b>  | M-43-2-6F; M-43-2-<br>8C  | 054-21-01-016.00  | 077.00-01-021.00  | 062-00-00-015.04   |   | 074.00-21-002.00  |
| <b>Sale Date</b>        | 11/24/2015  | 05/20/2015  | 05/11/2015  | 12/28/2007   | 12/31/2014  | 08/15/2014  |
| <b>Sale Price</b>       | \$350,000   | \$250,000   | \$230,000   | \$600,000  | \$690,000   | \$675,000   |
| <b>Sale Price Per</b>   | \$110.48/SF   | \$100/SF  | \$111.43/SF   | \$112.50/SF  | \$115/SF  | \$100.28/SF   |
| <b>Cap Rate</b>         |   |   |   | 10.88%   |   |   |

### *Sales Comparison Approach Reconciliation and Summary*

Of the sales considered in this analysis, all were analyzed for/as alternative locations for similar properties to the subject. Prior to comparative adjustment, the unit prices of the sales were analyzed along with arithmetic data. After comparing each of the sales to the subject on an individual basis, and making adjustments for applicable differences, the indicated unit price range was developed. The adjusted range of unit value was analyzed to develop a final opinion of subject value.

Reconciliation is the process of reducing a range of value indications into an appropriate conclusion for that analysis, e.g., the derivation of a value indication from the adjusted prices of two or more comparable sales within the sales comparison approach. The appraiser has attempted to reasonably address all required elements of current Uniform Standards of Professional Appraisal Practice in the process of completing this report. The final value opinion is based upon analysis of all developed data within this report. Reconciliation criteria enables an appraiser to form a meaningful, defensible conclusion about the final value opinion. Value indications are tested for the appropriateness of approaches and adjustments applied, accuracy of data, and quantity of evidence analyzed. The last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value or a single point estimate. Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

Reconciliation is an ongoing process throughout the research and analysis performed during the appraisal process. In the final reconciliation, an explanation of reasonableness and validity of the indicated values are expected to be provided as well as the quality and quantity of the available data. The reconciliation should report which approach or approaches were used and which were provided the most weight. The reconciliation is also where the final opinion of market value is provided. The reconciliation process is not an averaging or mean process, but is a weight emphasis and an analytical tool which is used by the appraiser to develop the final opinion of value. All approaches to value should be addressed, analyzed, and reconciled to determine final market value (or other value definition if applicable).

In the sales comparison approach, reconciliation may involve two levels of analysis; derivation of value indication from the adjusted prices of two or more sales expressed in the same unit of comparison and derivation of a value indication from the adjusted price of two or more sales expressed in different units of comparison.

In the final reconciliation, emphasis was given to each of the sales. The sales presented may not have been all the sales analyzed or in the subject marketing area, but are the most similar, based upon the variables analyzed.

These sales provide an indication of estimated market value for the subject in as complete condition at approximately \$105/sq.ft. for a total of:

**\$756,000.00**

## *Income Approach*

This approach is concerned with the present worth of future benefits of the property. The income approach is defined as, "An appraisal technique in which the anticipated net income is processed to indicate the capital amount of the investment which produces net income." There are four basic steps required for a value indication. These are the estimation of economic rent, expenses, economic life of the improvements, and selections of an appropriate capitalization rate for processing the net income. Capitalization is defined as, "The process of converting into a present value a series of anticipated future annual installments of income." This capitalization rate is extracted from competitive properties in the market or by using other techniques when applicable.

The income capitalization approach, like the cost and sales comparison approaches, requires extensive market research. Specific areas that an appraiser investigates for this approach, some of which were mentioned previously, are the property's gross income expectancy, the expected reduction in gross income from lack of full occupancy and collection loss, the expected annual operating expenses, the pattern and duration of the property's income stream, and the anticipated value of the resale or the other real property interest reversions. When accurate income and expense estimates are established, the income streams are converted into present value by the process of capitalization. The rates or factors used for capitalization are derived by the investigation of acceptable rates of return for similar properties.

Research and analyses of data for the income capitalization approach are conducted against a background of supply and demand relationships. This background provides information in trends and market anticipation that must be verified for data analysis by the income capitalization approach.

An investor anticipates an acceptable return on the investment in addition to the return of the invested funds. The level of return necessary to attract investment capital fluctuates with changes in the money market and with levels of return available from alternative investments. The appraiser must be alert to changing investor requirements as revealed by demand in the current market for investment properties, and to changes in the more volatile money markets that may indicate a forthcoming trend.

Direct Capitalization Method is based upon estimating a property's annual income because the process employed converts one year's income into an indication of value. Typically, due to the principle of Anticipation, the year most often chosen is the year succeeding the Effective Date of the appraisal.

In Yield Capitalization, the object is to estimate ALL future cash flows during the specified holding period.

"Yield Capitalization is a method used to convert future benefits to present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate." 1

The Yield Capitalization Technique converts the future benefits into the present value (PV) of real estate. These benefits typically consist of two types: periodic cash flows from the operation of property and cash flow from the sale of the property. Discounted cash flow analysis is a procedure that converts income received in the future into present value. Value of the property equals present value of the periodic income stream plus present value of the reversion. Historical yield rates derived for comparable sales can be relevant with their obvious drawback being that they reflect the past, not the future. Therefore, the selection of yield rates should focus on the comparable sales information, but also upon prospective rates anticipated by typical buyers and sellers. Appraisers verify investor assumptions directly by interviewing the parties to comparable sales transactions.

## *Income Analysis Data*

### Subject Data

|                                |                                  |
|--------------------------------|----------------------------------|
| Address:                       | 497 George Road, Betsy Layne, KY |
| Year Built:                    | 2016                             |
| Gross Building Area:           | 7,200 sq.ft.                     |
| Current Vacancy Rate %:        | N/A                              |
| Construction Type:             | Steel/Metal                      |
| Construction Quality:          | Average                          |
| Condition:                     | New                              |
| Parking:                       | Adequate                         |
| Lease Type:                    | N/A                              |
| Rent Per SqFt (if applicable): | N/A                              |
| Rent Concessions:              | N/A                              |
| Other:                         | N/A                              |

Comparable Rental Data: A survey was made of rental rates from comparable properties. The rentals recited below are considered most comparable to the subject. These rentals from the local market area form the basis of the development of the market rental opinion for the subject property. The rentals described and analyzed herein are the best available, as revealed by a market survey. In selecting the comparable rentals, special emphasis was placed on those leases that were negotiated during the recent economic conditions as well as current listings which better reflect current market conditions. All information from comparable rentals is not always available to the appraiser. Appraiser has attempted to obtain all relevant rental data, however, some rental data details have been redacted for confidentiality reasons. The comparable rentals are summarized below:

### Lease #1:

723 National Avenue Lexington, KY 40502

\$12 SF/Year     Rare Availability in Warehouse Block

|                       |               |                    |                               |
|-----------------------|---------------|--------------------|-------------------------------|
| Rental Rate           | \$12 /SF/Year | Property Sub-type  | Free Standing Bldg<br>More... |
| Total Space Available | 4,000 SF      | Building Size      | 4,000 SF                      |
| Min. Divisible        | 2,000 SF      | Build to Suit      | Yes                           |
| Property Type         | Retail        | Zoning Description | Adaptive Reuse                |

**Lease #2:**

Barger Building, 1508 Cuba Road, Mayfield, KY 42066

|                       |               |                   |                 |
|-----------------------|---------------|-------------------|-----------------|
| Rental Rate           | \$12 /SF/Year | Property Sub-type | Office Building |
| Total Space Available | 1,500 SF      | Building Size     | 6,000 SF        |
| Property Type         | Office        | Lot Size          | 0.50 SF         |

|                 |               |                |                 |
|-----------------|---------------|----------------|-----------------|
| Rental Rate     | \$12 /SF/Year | Space Type     | Office Building |
| Space Available | 1,500 SF      | Date Available | Feb 2016        |

**Space 1**

|                        |   |                      |              |
|------------------------|---|----------------------|--------------|
| Rental Rate            | \$12 /SF/Year                                 | Lease Type           | Modified Net |
| Space Available        | 4,000 SF                                      | Lease Term           | 36 Months    |
| Min. Divisible         | 2,000 SF                                      | Date Available       | Jan 2016     |
| Space Type             | Free Standing Bldg                            | No. Parking Spaces   | 10           |
| Additional Space Types | Retail (Other)<br>Restaurant<br>Creative/Loft | Pct. Procurement Fee | 3.00%        |

**Lease #3:**

1 Moock Rd, Wilder, KY 41071

|                       |               |                   |                 |
|-----------------------|---------------|-------------------|-----------------|
| Rental Rate           | \$12 /SF/Year | Property Sub-type | Office Building |
| Total Space Available | 4,361 SF      | Building Size     | 4,882 SF        |
| Min. Divisible        | 1,589 SF      | Building Class    | A               |
| Max. Contiguous       | 2,772 SF      | Year Built        | 2000            |
| Property Type         | Office        | Lot Size          | 1.23 AC         |

**2 Spaces Available****Space 1**

|                 |                 |                    |           |
|-----------------|-----------------|--------------------|-----------|
| Rental Rate     | \$12 /SF/Year   | Lease Term         | 12 Months |
| Space Available | 2,772 SF        | Date Available     | Jun 2015  |
| Space Type      | Office Building | No. Parking Spaces | 40        |
| Lease Type      | Full Service    |                    |           |

**Lease #3 (Con't):**

|                 |                 |                    |              |
|-----------------|-----------------|--------------------|--------------|
| Space 201-2     |                 |                    |              |
| Rental Rate     | \$12 /SF/Year   | Lease Type         | Full Service |
| Space Available | 1,589 SF        | Lease Term         | 12 Months    |
| Max. Contiguous | 2,070 SF        | Date Available     | Jun 2015     |
| Space Type      | Office Building | No. Parking Spaces | 40           |

**Description:**

Building A suite includes two meeting rooms, reception desk, waiting area, 3 individual offices and 2 bathrooms. Building B includes 5 individual offices, plus an executive suite with bathroom, a kitchenette and bathroom for office use, and a large meeting space. Tenant pays rent, electric, cable, and telephone.

**Lease #4:**

3045 Rodenbeck Drive

|                        |                 |                    |                |
|------------------------|-----------------|--------------------|----------------|
| Property Type          | Office          |                    |                |
| Space 1                |                 |                    |                |
| Rental Rate            | \$10.75         | Lease Type         | Modified Gross |
| Space Available        | 1,200 SF        | Lease Term         | 24 Months      |
| Space Type             | Office Building | No. Parking Spaces | 20             |
| Additional Space Types | Executive Suite |                    |                |

Reception area, 4 offices and conference room.

|                   |                 |            |                 |
|-------------------|-----------------|------------|-----------------|
| Space Lower Level |                 |            |                 |
| Rental Rate       | \$9.74 /Month   | Space Type | Office Building |
| Space Available   | 680 SF          | Lease Type | Modified Gross  |
| Rental Rate       | \$9.75 /SF/Year | Space Type | Office Building |
| Space Available   | 680 SF          | Lease Type | Modified Gross  |

**Description**

Two spaces available: 1,200 sf with five offices and reception area, newly renovated; 900sf with 4 offices and reception area. Plenty of parking.

**Lease #5:**

|                       |            |               |                   |
|-----------------------|------------|---------------|-------------------|
| Rental Rate           | \$12/SF    | Building Size | 7,200 SF          |
| Total Space Available | 1,200 SF   | Lot Size      | 1 AC              |
| Property Type         | Industrial | Features      | Electricity/Power |
| Property Sub-type     | Flex Space |               |                   |
| Find out more...      |            |               |                   |

## Space 1, 2, 3

|                 |                |                |            |
|-----------------|----------------|----------------|------------|
| Rental Rate     | \$1,200 /Month | Space Type     | Flex Space |
| Space Available | 1,200 SF       | Date Available | Aug 2015   |

*Description*

Three (3) 1200 sq ft units that are currently gutted so space could be combined for additional space (1200, 2400, 3600). Each 1200 sq ft unit has a front door, back door, & overhead door. 1/2 is currently leased. Tenant improvement funds are available for qualified tenants.

**Comparable Lease Data Analysis:**

Range of Adjusted Comparable Lease / SqFt/ Yr: \$9.74 to \$12.00

**Analysis of Comparable Rentals.** To verify that the subject's projected rentals are at market and to arrive at a projected gross income, we made an examination of the rentals of other similar buildings in the market area. We evaluated the area's rental environment, market orientation, and comparable rental facilities. Our investigation was limited to properties that were similar in style and/or age and had tenant appeal similar to that of the subject property.

When comparing the comparable rentals to the subject property and making adjustments, I/we employed qualitative analysis, as this technique recognizes the inefficiencies of real estate markets and the difficulty of expressing most adjustments with exact mathematical precision. In addition, the pattern presented by data can yield somewhat inconsistent results. An examination of the pattern displayed by the market rental data revealed that although there are differences in size, the pattern of the data does not unambiguously suggest the need for a size adjustment. In any case, the conversion of the lease/ rental prices into unit prices will tend to eliminate or lessen the need to make adjustments for size differences. Any remaining size-related differences which may be due to economies of scale, whereby the per unit sale price of a substantially smaller or larger rental/ lease data may be raised or lowered by economies of scale, is considered during final income reconciliation. The income, rental and similar data analyzed are judged to bracket the subject property's rental/ lease value the best as market allows.

**Conclusion.** The indicated general office rentals range from \$9.74 to \$12.00 per sq. ft. of a gross or triple net basis. These leases include properties throughout the State, having similarities to the subject. Because the subject includes service/garage and office areas, appraiser searched for lease comps having similar uses and included office buildings, warehouse/light industrial and service/garage type uses and has included here the best of that search. The reconciliation process is the result of the appraiser's judgment and not necessarily the result of a mathematical process.

**Comparison Process:** This analysis draws directly from the actions of tenants and property owners of comparable properties. The attributes of the leases and properties, such as the type of lease, location, environment, access and exposure, building size, quality, condition and age of the improvements, construction quality, and other qualities were considered. After adjustments, the market rent for the subject is estimated per square foot on a net basis. This rent is at the low end of the range due to the location and condition of the property.



**Potential Gross Income:** Potential gross income is the total income attributable to real property at 100% occupancy. It is estimated based on a sample of market rents from competing space in the market. The estimated potential gross income includes income from rental revenues as well as revenue from other income or reimbursement income.

**Expense Reimbursements:** Typically with a "net" lease, there is a period of vacancy between tenants, which results in the owner being responsible for all of the operating expenses attributable to the subject property. Therefore, while the tenant is responsible for operating expenses during the term of the lease, these expenses must be paid by the owner during times of vacancy. A typical net lease stipulates that the tenant is responsible for all operating expenses. The exception would be any leasing costs, and capital improvements, as well as a replacement allowance, and administrative considerations. Based on these assumptions, we can calculate total expense reimbursements based on the Operating Expenses shown in the pro-forma to follow. Reimbursable expense categories for the subject are listed below.

- Common Area Maintenance (CAM)
- Real Estate Taxes
- Insurance
- Repairs & Maintenance

**Vacancy and Credit Allowance:** This item is a stated allowance to be set against the PGI to compensate for probable vacancy, turnover expenditure or non-payment of rent by tenants of leased units. The Direct Capitalization Approach assumes that the property is stabilized and that vacant space will be leased and absorbed at market rates. In determining the consistency of occupancy levels, and estimated vacancy factors during stabilized occupancy periods, the vacancy rates of the subject and similarly utilized and constructed properties throughout the market were examined. Even when a building is fully occupied as of the date of the appraisal, it is prudent to anticipate some rent loss over the projection period in order to estimate "stabilized" occupancy.

Information on historical and current occupancy rates was gathered from several sources, including published research, local Realtors and appraisers, and other similar properties that we have appraised. Based on the vacancy rate of the subject, the study performed above, and secondary market resources, a general Vacancy and Credit Allowance based on a percentage of PGI is concluded for the subject property.

**Effective Gross Income:** EGI is calculated by deducting the vacancy and credit loss from the PGI.

**Operating Expenses:** A net lease structure indicates that the tenant is responsible for all operating expenses not including the exceptions noted above.

**Primary Market Data:** The marketplace has been surveyed to provide additional data in reconciling operating expenses for the subject property. Several comparable properties were surveyed. These properties are presented on a \$/SF and % of Income basis.

**Secondary Data Sources:** Next, secondary data sources will be examined to estimate operating expenses for the subject property.

Market analysis of operating expenses are analyzed as well as subject operating expenses to determine market operating expenses for subject analysis.

**Income Analysis  
Direct Capitalization**

|                          |  |
|--------------------------|--|
| Date of Valuation        |  |
| Total Rentable Area (SF) |  |
| Base Rent (\$PSF)        |  |
| Lease Type               |  |
| Market Vacancy Rate (%)  |  |
| Market Cap Rate (%)      |  |

| Projected Stabilized Potential Gross Income Statement |   |                  |            | S/SqFt   |
|---|---|------------------|------------|----------|
| PGI   | 7,200 Units   | \$ 12.0 Per Unit | \$ 86,400  | \$ 12.00 |
|   | Less Vacancy/Collection/Shrinkage   |                  | \$ 4,320   | 5%       |
|   | Plus Other Income (see below)   |                  | \$ -       |          |
| EGI   | Effective Gross Income  |                  | \$ 82,080  | \$ 11.40 |
|   | Less Operating Expenses   |                  |            |          |
|   | 8.0% Real Estate Tax Expense  |                  | \$ 6,566   | \$ 0.91  |
|   | 5.0% Insurance  |                  | \$ 4,104   | \$ 0.57  |
|   | 5.0% Management   |                  | \$ 4,104   | \$ 0.57  |
|   | 5.0% Maintenance  |                  | \$ 4,104   | \$ 0.57  |
|   | 5.0% Reserve For Replacement  |                  | \$ 4,104   | \$ 0.57  |
|   | 3.5% Utilities  |                  | \$ 2,873   | \$ 0.40  |
|   | Total Operating Expenses  |                  | \$ 25,855  | \$ 3.59  |
|   | Net Operating Income  |                  | \$ 56,225  |          |
|   | Operating Expense Ratio   |                  | 32%        |          |
|   | The value is estimated by dividing the indicated capitalization rate into the projected net operating income. See abstractions and comments on following pages. |                  |            |          |
| NOI   | Net Operating Income  |                  | \$ 56,225  |          |
|   | Capitalization Rate Per Analysis  |                  | 7.50%      |          |
|   | Value Based On Income Approach  |                  | \$ 749,664 |          |
|   | Final Value- Rounded  |                  | \$ 750,000 |          |

The subject is not currently a leased (rented) property. This report is based upon real estate ONLY. There are no fixtures, equipment, inventory or business (going concern) values (other than permanently affixed fixtures/equipment) included in this report. **The subject is a commercial property located at 497 George Road, Betsy Layne, Floyd County, KY.** The income analysis is based upon a blended rate for comparable income producing properties throughout the subject marketing area. Subject is a steel frame/metal improvement with metal roof, as specifically described within the improvement section and having a two-story office/storage section and adjacent garage/service area. The subject is proposed and was not occupied at the time of inspection. The income information is based upon "As Complete" condition as of the effective date of this report. The subject improvement appears to be in average condition, overall. This report is based upon the value of real estate and income generated by the subject property and/or similar properties, utilizing a blended rate (as indicated by similar properties). There are similar properties in the subject area that income information has been developed from (however few).

The income analysis is based upon real estate value. This report assumes there is not any evidence of environmental contamination on the subject or adjacent properties. If environmental contamination is found, it could affect the final value opinion.

**Notes/Comments on aforementioned income and expense analysis:**

The subject information provided to the appraiser is assumed correct. The appraiser maintains an "in-house" database that is updated monthly from area Realtors®, developers, County PVA (property tax commissioner) records, County Court Clerk records, as well as other sources with comparable property information. In addition, appraiser has reviewed any and all available information from the subject property. Income/expense ledgers, balance sheets, tax records (if available to the appraiser) were also analyzed. The appraiser assumes information provided is true and accurate. Appraiser also assumes the subject location meets and will meet all current state and federal licensing requirements, building codes requirements, ADA, FEMA requirements, etc.

CAPX: Expenditures that materially increase value of structure or prolong its life:

- Roof replacement
- Additions
- HVAC Replacement
- Resurfacing of parking areas
- Tenant improvements
- Other items such as foundation, paint, window, water heaters, and other short lived item replacement count affect the effective age of subject property.

REDD, BROWN & WILLIAMS REAL ESTATE SERVICES - 4th Quarter 2015  
CURRENT & HISTORICAL CAPX LEADERS

| Year     | Q1   | Q2  | Q3    | Q4  | Q1    | Q2  | Q3   | Q4  | Q1    | Q2  | Q3    | Q4  | Q1    | Q2  | Q3    | Q4  | Q1    | Q2  | Q3    | Q4  | Q1    | Q2   | Q3    | Q4  |
|----------|------|-----|-------|-----|-------|-----|------|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|------|-------|-----|
| 2015     | 8.12 | -12 | 11.66 | -17 | 8.77  | -11 | 8.91 | -12 | 10.24 | -19 | 8.97  | -20 | 8.97  | -9  | 9.13  | -13 | 11.64 | -15 | 9.52  | -23 | 11.08 | -16  | 9.38  | -14 |
| 3rd Qtr. | 8.15 | -2  | 11.74 | 5   | 8.79  | -2  | 8.92 | -4  | 10.26 | -4  | 9.00  | -1  | 9.01  | 2   | 9.14  | -3  | 11.67 | -2  | 9.47  | -7  | 11.15 | 3    | 9.40  | -2  |
| 2nd Qtr. | 8.17 | 11  | 11.70 | 16  | 8.92  | 11  | 8.95 | 10  | 10.30 | 14  | 9.02  | 12  | 8.99  | 10  | 9.17  | 10  | 11.70 | 14  | 9.54  | -1  | 11.12 | 15   | 9.42  | 11  |
| 1st Qtr. | 8.06 | -11 | 11.54 | -20 | 8.71  | -13 | 8.95 | -13 | 10.16 | -22 | 8.89  | -21 | 8.90  | -14 | 9.08  | -13 | 11.56 | -15 | 9.55  | -13 | 10.98 | -18  | 9.31  | -15 |
| 2014     | 8.24 | -15 | 11.83 | -9  | 8.89  | -1  | 9.03 | -4  | 10.43 | -17 | 9.17  | -5  | 9.06  | -22 | 9.28  | 15  | 11.79 | -6  | 9.75  | -20 | 11.24 | 14   | 9.52  | -7  |
| 2013     | 8.39 | 14  | 11.92 | -14 | 8.90  | 5   | 9.07 | -2  | 10.60 | 3   | 9.22  | 14  | 9.28  | -19 | 9.11  | -4  | 11.86 | 9   | 9.95  | -24 | 11.80 | 1    | 9.68  | -2  |
| 2012     | 8.25 | -35 | 12.07 | 6   | 8.85  | -36 | 9.09 | -40 | 10.57 | -24 | 9.08  | -39 | 9.47  | 3   | 9.15  | -13 | 11.77 | 6   | 10.19 | -49 | 11.09 | -4   | 9.60  | -21 |
| 2011     | 8.60 | -29 | 12.00 | -22 | 9.21  | -40 | 9.49 | -11 | 10.81 | -24 | 9.48  | -8  | 9.44  | -10 | 9.28  | -26 | 11.70 | -14 | 10.69 | -3  | 11.12 | -17  | 9.81  | -19 |
| 2010     | 8.89 | 4   | 12.22 | 5   | 9.62  | 15  | 9.60 | 12  | 11.05 | 7   | 9.55  | 22  | 9.54  | 16  | 9.54  | 25  | 11.84 | 12  | 10.72 | 21  | 11.30 | 0    | 10.00 | 13  |
| 2009     | 8.95 | 8   | 12.17 | 16  | 9.47  | 10  | 9.48 | 10  | 10.98 | -7  | 9.33  | 1   | 9.38  | 29  | 9.29  | 20  | 11.72 | 15  | 10.50 | 37  | 11.30 | 8    | 9.87  | 14  |
| 2008     | 8.77 | -4  | 12.01 | 29  | 9.37  | -16 | 9.38 | -14 | 11.05 | 56  | 9.32  | -5  | 9.09  | -16 | 9.09  | -11 | 11.57 | -28 | 10.13 | 20  | 11.22 | -7   | 9.74  | -8  |
| 2007     | 8.81 | -45 | 11.72 | -21 | 9.53  | -65 | 9.52 | -25 | 10.49 | -28 | 9.37  | -26 | 9.25  | -47 | 9.20  | -12 | 11.85 | 61  | 9.93  | -38 | 11.29 | -24  | 9.75  | -28 |
| 2006     | 9.26 | 12  | 11.93 | 47  | 10.18 | 15  | 9.77 | 35  | 10.77 | 27  | 9.63  | 41  | 9.72  | 26  | 9.32  | 30  | 11.24 | 18  | 10.31 | 27  | 11.53 | 9    | 10.03 | 26  |
| 2005     | 9.14 | 14  | 11.46 | 80  | 10.03 | -16 | 9.42 | -30 | 10.50 | -21 | 9.22  | 19  | 9.46  | 6   | 9.02  | 16  | 11.06 | 5   | 10.04 | 13  | 11.44 | -30  | 9.77  | 2   |
| 2004     | 9.00 | -19 | 10.66 | 26  | 10.19 | -37 | 9.72 | 19  | 10.71 | -38 | 9.03  | -48 | 9.40  | -4  | 8.86  | -19 | 11.01 | -15 | 9.91  | -13 | 11.74 | -30  | 9.75  | -19 |
| 2003     | 9.19 | -2  | 10.38 | -32 | 10.56 | 64  | 9.53 | 33  | 11.69 | 56  | 9.51  | -11 | 9.44  | 1   | 9.05  | -18 | 11.16 | 8   | 10.04 | -53 | 12.04 | 105  | 9.94  | 12  |
| 2002     | 9.21 | -40 | 10.70 | 18  | 9.92  | -39 | 9.20 | -61 | 11.13 | 26  | 9.62  | -60 | 9.43  | -35 | 9.23  | -62 | 11.08 | -3  | 10.57 | -12 | 10.99 | -177 | 9.82  | -41 |
| 2001     | 9.61 | 64  | 10.52 | 133 | 10.31 | 90  | 9.81 | 16  | 10.87 | 98  | 10.22 | -69 | 9.78  | -35 | 9.85  | -53 | 11.11 | 47  | 10.69 | 13  | 12.76 | 32   | 10.23 | 21  |
| 2000     | 8.97 |     | 9.19  |     | 9.41  |     | 9.65 |     | 9.89  |     | 10.90 |     | 10.13 |     | 10.38 |     | 10.64 |     | 10.56 |     | 12.44 |      | 10.01 |     |

\*3rd Quarter 2015 Data

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Real Estate.com INVESTOR GUIDE 4th Quarter 2015

DISCOUNT RATES

|                                  |        |        |        |       |        |        |        |        |        |
|----------------------------------|--------|--------|--------|-------|--------|--------|--------|--------|--------|
| Apartments                       | 5.92%  | 15.26% | 10.69% | 5.15% | 13.28% | 9.30%  | 5.86%  | 15.11% | 10.58% |
| Garden/Suburban TH               | 5.92%  | 14.03% | 9.93%  | 5.15% | 12.20% | 8.64%  | 5.86%  | 13.89% | 9.83%  |
| Hi-Rise/Urban TH                 | 6.79%  | 15.26% | 10.75% | 5.90% | 13.28% | 9.35%  | 6.72%  | 15.11% | 10.64% |
| Student Housing                  | 6.53%  | 14.87% | 11.06% | 5.68% | 12.94% | 9.62%  | 6.47%  | 14.72% | 10.95% |
| Golf                             | 7.03%  | 20.66% | 15.05% | 6.11% | 17.97% | 13.10% | 6.96%  | 20.43% | 14.90% |
| Public Daily Fee Courses         | 9.38%  | 20.50% | 14.57% | 8.16% | 17.84% | 12.68% | 9.29%  | 20.30% | 14.42% |
| Semi-Private Clubs               | 7.63%  | 20.66% | 15.22% | 6.64% | 17.87% | 13.25% | 7.55%  | 20.45% | 15.07% |
| Private Clubs                    | 7.03%  | 19.03% | 14.25% | 6.11% | 16.56% | 12.40% | 6.96%  | 18.94% | 14.11% |
| Health Care/Senior Housing       | 6.36%  | 19.98% | 10.95% | 5.53% | 17.38% | 9.53%  | 6.28%  | 19.78% | 10.84% |
| Acute Care Facilities            | 7.40%  | 21.10% | 12.55% | 6.44% | 18.36% | 10.92% | 7.33%  | 20.89% | 12.43% |
| Out-Patient Care Facilities      | 6.36%  | 14.81% | 9.75%  | 5.53% | 12.89% | 8.48%  | 6.29%  | 14.66% | 9.66%  |
| Congregate Care Facilities       | 7.24%  | 16.45% | 10.76% | 6.30% | 14.31% | 9.36%  | 7.17%  | 16.29% | 10.65% |
| Assisted Living Facilities       | 6.61%  | 15.26% | 9.97%  | 5.75% | 13.28% | 8.67%  | 6.54%  | 15.11% | 9.87%  |
| Industrial                       | 6.21%  | 15.55% | 11.58% | 5.22% | 13.06% | 9.72%  | 6.27%  | 15.71% | 11.69% |
| Warehouse/Distribution           | 6.21%  | 13.39% | 10.41% | 5.22% | 11.24% | 8.74%  | 6.27%  | 13.52% | 10.51% |
| R&D/Flex                         | 7.23%  | 15.55% | 11.89% | 6.08% | 13.06% | 9.99%  | 7.30%  | 15.71% | 12.01% |
| Climate Controlled/Manufacturing | 6.75%  | 14.91% | 10.92% | 5.67% | 12.52% | 9.17%  | 6.81%  | 15.06% | 11.03% |
| Lodging                          | 6.94%  | 18.67% | 13.38% | 5.83% | 15.69% | 11.24% | 6.73%  | 18.11% | 12.98% |
| Full Service Facilities          | 6.94%  | 15.86% | 13.47% | 5.83% | 13.32% | 11.32% | 6.73%  | 15.38% | 13.07% |
| Limited Service Facilities       | 7.99%  | 18.67% | 13.72% | 6.71% | 15.69% | 11.53% | 7.75%  | 18.11% | 13.31% |
| Golf/Gaming/Resort               | 7.56%  | 17.62% | 12.60% | 6.35% | 14.80% | 10.58% | 7.33%  | 17.09% | 12.22% |
| Mobile Home/RV Park/Camping      | 6.22%  | 17.48% | 11.52% | 5.04% | 14.16% | 9.33%  | 6.22%  | 17.48% | 11.52% |
| RV Parks/Campgrounds             | 6.97%  | 17.48% | 12.03% | 5.65% | 14.16% | 9.74%  | 6.97%  | 17.48% | 12.03% |
| Manufactured Housing             | 6.22%  | 15.67% | 10.73% | 5.04% | 12.69% | 8.69%  | 6.22%  | 15.67% | 10.73% |
| Mobile Home Parks                | 6.82%  | 15.96% | 11.49% | 5.53% | 12.92% | 9.31%  | 6.82%  | 15.96% | 11.49% |
| Office                           | 6.23%  | 15.22% | 11.71% | 5.42% | 13.24% | 10.19% | 6.17%  | 15.07% | 11.59% |
| Suburban                         | 6.23%  | 13.94% | 11.03% | 5.42% | 12.13% | 9.59%  | 6.17%  | 13.80% | 10.92% |
| CBD                              | 7.30%  | 15.22% | 11.91% | 6.35% | 13.24% | 10.36% | 7.22%  | 15.07% | 11.79% |
| Medical                          | 7.41%  | 15.33% | 10.78% | 6.45% | 13.33% | 9.38%  | 7.34%  | 15.17% | 10.67% |
| Restaurants                      | 7.82%  | 19.65% | 15.12% | 6.65% | 16.70% | 12.85% | 7.51%  | 18.86% | 14.51% |
| Full Service                     | 10.60% | 19.65% | 15.12% | 9.01% | 16.70% | 12.85% | 10.18% | 18.86% | 14.51% |
| Fast Food                        | 7.82%  | 18.62% | 14.19% | 6.65% | 15.82% | 12.06% | 7.51%  | 17.87% | 13.62% |
| Retail                           | 6.17%  | 16.80% | 12.34% | 5.31% | 14.45% | 10.61% | 6.05%  | 16.46% | 12.09% |
| Anchored                         | 6.17%  | 15.40% | 12.40% | 5.31% | 13.24% | 10.66% | 6.05%  | 15.09% | 12.15% |
| Un-Anchored                      | 6.98%  | 16.80% | 13.10% | 6.00% | 14.45% | 11.27% | 6.84%  | 16.46% | 12.84% |
| Convenience/Gas                  | 7.31%  | 16.90% | 10.84% | 6.28% | 14.53% | 9.32%  | 7.16%  | 16.56% | 10.62% |
| Free Standing                    | 6.57%  | 16.40% | 12.90% | 5.65% | 14.10% | 11.10% | 6.44%  | 16.07% | 12.65% |
| Self-Storage                     | 6.32%  | 14.66% | 12.26% | 5.37% | 12.46% | 10.42% | 6.32%  | 14.66% | 12.26% |
| Climate Controlled               | 6.46%  | 14.66% | 12.10% | 5.49% | 12.46% | 10.29% | 6.46%  | 14.66% | 12.10% |
| Mini Storage                     | 6.32%  | 15.73% | 12.26% | 5.37% | 13.37% | 10.42% | 6.32%  | 15.73% | 12.26% |
| Special Purpose                  | 7.47%  | 20.39% | 13.81% | 6.43% | 17.54% | 11.88% | 7.32%  | 19.98% | 13.54% |
| Schools/Day Care Centers         | 7.47%  | 17.47% | 12.45% | 6.43% | 15.03% | 10.70% | 7.32%  | 17.12% | 12.20% |
| Churches/Temples/Synagogues      | 8.69%  | 20.39% | 13.88% | 7.47% | 17.54% | 11.93% | 8.51%  | 19.98% | 13.60% |
| All Properties                   | 5.92%  | 21.10% | 12.27% | 5.04% | 18.36% | 10.48% | 5.86%  | 20.89% | 12.10% |

\*3rd Quarter 2015 Data

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| Redd/Bates.com INVESTOR SURVEY - 4th Quarter 2015 |          |                              |      |          |          |       |
|---|----------|------------------------------|------|----------|----------|-------|
| DUE D - ALL TYPES                                 |          |                              |      |          |          |       |
| Item  | Input    |                              |      |          | GAR      |       |
| Spread Over 10-Year Treasury                      | 1.05%    | DCR Technique                | 1.15 | 0.044493 | 0.90     | 4.61  |
| Debt Coverage Ratio                               | 1.15     | Band of Investment Technique |      |          |          |       |
| Interest Rate                                     | 3.22%    | Mortgage                     | 90%  | 0.044493 | 0.040044 |       |
| Amortization                                      | 40       | Equity                       | 10%  | 0.076890 | 0.007689 |       |
| Mortgage Constant                                 | 0.044493 | OAR                          |      |          |          | 4.77  |
| Loan-to-Value Ratio                               | 90%      | Surveyed Rates               |      |          |          | 4.53  |
| Equity Dividend Rate                              | 7.69%    |                              |      |          |          |       |
| Spread Over 10-Year Treasury                      | 6.27%    | DCR Technique                | 2.25 | 0.117747 | 0.50     | 12.25 |
| Debt Coverage Ratio                               | 2.25     | Band of Investment Technique |      |          |          |       |
| Interest Rate                                     | 8.44%    | Mortgage                     | 50%  | 0.117747 | 0.058874 |       |
| Amortization                                      | 16       | Equity                       | 50%  | 0.162390 | 0.081195 |       |
| Mortgage Constant                                 | 0.117747 | OAR                          |      |          |          | 14.61 |
| Loan-to-Value Ratio                               | 50%      | Surveyed Rates               |      |          |          | 13.31 |
| Equity Dividend Rate                              | 16.24%   |                              |      |          |          |       |
| Spread Over 10-Year Treasury                      | 3.16%    | DCR Technique                | 1.70 | 0.066860 | 0.73     | 8.25  |
| Debt Coverage Ratio                               | 1.70     | Band of Investment Technique |      |          |          |       |
| Interest Rate                                     | 5.33%    | Mortgage                     | 73%  | 0.066860 | 0.048474 |       |
| Amortization                                      | 30       | Equity                       | 28%  | 0.123915 | 0.034077 |       |
| Mortgage Constant                                 | 0.066860 | OAR                          |      |          |          | 8.26  |
| Loan-to-Value Ratio                               | 72.5%    | Surveyed Rates               |      |          |          | 9.77  |
| Equity Dividend Rate                              | 12.39%   |                              |      |          |          |       |

\*3rd Quarter 2015 Data

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### Conclusion of Expense Estimates

- **Real estate taxes** are analyzed in the property tax section of this report, including likely changes following sale. Real Estate tax expense is based upon current property tax assessment data collected for subject property and similar properties.
- **Insurance** is based on the owner and/ or buyer's insurance quote and typical insurance rates for similar properties.
- **Management** is based on third party management rates for similar properties to the subject's profile. RBW does property management for various properties in region and also has access to other firms who provide similar services. Management Fees run from 5 to 12% based upon property type, number of occupancies, etc... Subject report management fee based upon this and similar market data.
- **Administrative costs** are typically nominal on owner-user leased properties, limited to professional services such as accounting. For tenant used leased properties, administrative costs will be higher.
- **Maintenance** is based on typical budgets based on comparables and the IREM survey. Maintenance costs in subject marketing area are often at lower end of range as many property owners complete much of maintenance themselves. Marketing area maintenance costs run from 3.5% to 10% of property EGI.
- **Janitorial expenses** are based on expenses at comparable properties and surveyed properties. In marketing area, janitorial costs/ expenses are developed and included in "maintenance" expense.

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- **Utilities** are based on similar occupancy where depending on whether tenants pay their own utilities or not. Expense comparables are full-service buildings similar to subject. Utility cost is applicable to vacant occupancies (if any) and to common areas.
- **Security** assumes on-site security with after-hours monitoring. Most comparables are monitored only.
- **Reserves** are not reimbursed and represent structural replacement of long-lived items. The budget is typical for buildings of this profile. Reserves are developed based upon TEL of component, shortly lived items present, and representative economic life of component.

Note: No fixtures, equipment, inventory or business (going concern) values are included in this report. The reserve for replacement analysis was developed from comparable commercial properties as well as information from the subject property (if available). Reserves for replacement are those short life components that would be replaced during the term of ownership of a typical investor buyer. Usually the reserve for a component is calculated by dividing the current cost of a short-lived component by its anticipated economic life (straight line). Report does include real estate components necessary for operation of subject. Specific electrical, electrical outlets, ADA compliant items, plumbing, building requirements, etc... are included in this report.

### **Capitalization of Net Income**

The income capitalization method is one of the most commonly used and most widely accepted methods of estimating value in income producing properties. By proper application of this simple theory, appraisers are able to determine a proximate value of the income producing property. Appraisers can extract the capitalization through examination of capitalization rates from recent sales that are market comparable, from nearby similar properties or through the use of multiple regression analysis and other statistical methods.

Capitalization is the process of converting into present value (or obtaining the present worth of) a series of anticipated future periodic installments of net income. It is the procedure of expressing such anticipated future benefits of ownership in dollars and processing them into a present worth at a rate that is attracting purchase capital to competitive investments. The methods of capitalization are Yield Capitalization and Direct Capitalization.<sup>22</sup>

#### **Yield Capitalization**

In yield capitalization, the relationship between several years' stabilized income and a reversionary value at the end of a designated period is reflected in a yield rate. The most common application of yield capitalization is discounted cash flow analysis.

#### **Direct Capitalization**

In direct capitalization, the relationship between one year's income and value is reflected in either a capitalization rate or an income multiplier.

The Direct Capitalization method, using a rate abstracted from the market was also considered, but given less weight because there was insufficient income and expense data available for the known comparable sales. Detailed income and expense histories are vital to abstracting a capitalization rate that is reliable.

In all methods of yield capitalization, the future benefits that will be derived from a property are discounted to their present worth to estimate a "present value". The benefits typically considered consist of periodic net income, the growth in periodic net income, the equity build-up through mortgage loan amortization, and the reversion of the sales proceeds in excess of the mortgage loan balance and other costs at the end of the term. The rate at which these cash flows and reversion are discounted to a present value is designated by various analogous terms. Among them are the Equity Yield Rate, the Internal Rate of Return (IRR) and the Discount Rate. IRR is considered by many financial analysts to be the most comprehensive measure of financial benefits that will be received by the investor during the period of ownership.

An accurate estimate of the overall capitalization rate is a major factor in achieving the valuation of income producing property. When using the direct capitalization approach, appraisers derive an overall capitalization rate by a number of different techniques, depending on the quantity and quality of data that is available. Several of the accepted techniques include:

- extraction from market data
- derivation from effective income multipliers
- use of band of investments method
- use of a statistical model.

### Estimate of Overall Capitalization Rate

Three methods have been selected to be used to estimate the overall capitalization rate; debt coverage ratio (DCR), band-of-investment and market transactions. These methods are discussed below and on the following pages.

#### Overall Capitalization Rate by Debt Coverage Ratio (*Calculations*)

*\*Data developed from subject and comparable property data:*

|                          |                              |                   |                                |
|--------------------------|------------------------------|-------------------|--------------------------------|
| Debt Coverage x<br>Ratio | Mortgage x Mortgage =<br>(I) | Constant          | Overall<br>Capitalization Rate |
| 1.3                      | 70%                          | 0.0802            | 7.3%                           |
|                          |                              | <i>Rounded to</i> | <b>7.3%</b>                    |

#### ***Mortgage-Equity Technique***

Based on the assumptions used in the example cash flow analysis in this report, the final value opinion of the Income Approach would be developed using the aforementioned capitalization rate range.

#### Mortgage-Equity Analysis Financial Feasibility-Mortgage Equity Analysis

Value is the present worth of future net benefits. This definition of the income approach also applies to the foundation for the mathematics of the mortgage-equity technique. This approach to value talks the investor's language in that it attempts to answer such questions as:

- A) What does the purchaser put into the investment?
- B) What does the purchaser get out of the investment in dollars (Future Net Benefits)
- C) The yield rate on the dollar amount that the purchaser invests.

The mortgage-equity technique, sometimes applied by the appraiser, zeroes in on that topical trio. Mortgage-equity is neither a single purpose nor an all purpose tool. It can be employed by the appraiser or analyst to perform a variety of various functions:

- 1) Appraisal for market value, which answers the questions, what is it worth?
- 2) Appraisal for investment value in preparing a financial feasibility study for clients.
- 3) Establishing a range of values for purpose of price negotiations.
- 4) Projecting a possible range of rates of yield on equity as a basis for decision making.
- 5) Preparing an incisive, detailed analysis for the investor and the lender.
- 6) Using the analysis as a check on other indicators of value.

This technique utilizes a special composite Overall Capitalization Rate, embodying six (6) variables that relate directly to a limited period of ownership, to a desired or projected rate of return on equity, to all terms of financing, and to a possible change in property value within the projected holding period. Corollary consideration is given to equity build up through debt reduction and possible appreciation; and to the three aspects of yield-- current yield, deferred yield, and yield to maturity.

- Equity = Purchase price – Loan
- Equity cap rate =  $BTCF + Equity$
- Loan cap rate =  $Re$  (equity dividend rate)  
= Loan cash flow + loan
- Loan-to-value ratio =  $Rm$  (Loan constant)  
= Loan amount + Price  
=  $m$  (Mortgage-equity cap rate)  
=  $m \times Rm + (1-m) \times Re$

Mortgage-equity Analysis was first introduced to the appraisal and investment community by Eliwood. The basic algebra formula reads:

$$(LTV \text{ Ratio} \times \text{Rate to Mortgage}) + (ETV \text{ Ratio} \times \text{Rate to Equity})$$

|  |       |
|--|-------|
| Typical market LTV for similar investment:   | 70%   |
| <i>Mortgage Constant</i> (The mortgage constant or mortgage capitalization rate is the first year debt payment divided by the beginning loan balance): | .0802 |
| <i>Equity To Value Ratio</i> for similar market typical investment:  | 30%   |
| Rate to Equity for similar investment:   | .07   |

*NOTE: Since the lender is typically in first mortgage position, the mortgage position usually involves less risk. This suggests that the expected profit level rate for the lender would be less than the equity investor's profit rate (equity yield rate):*

Capitalization Rate Reconciliation is the process of reducing a range of rate indications into an appropriate conclusion for subject analysis, e.g., the derivation of an overall rate from the indicated overall rates of the aforementioned analysis of various rate development methods.

**Overall Capitalization Rate by Band of Investment Calculations:**

| Capital                          | x | Ratio | x                 | Rate = Weighted Rate |
|----------------------------------|---|-------|-------------------|----------------------|
| Mortgage (VM)                    |   | 70%   |                   | 0.0802               |
| Equity (YE)                      |   | 30%   |                   | 0.0700               |
| Overall Capitalization Rate (RO) |   |       |                   | 0.0771               |
|                                  |   |       | <i>Rounded to</i> | 7.70%                |

**Market Extraction Direct Capitalization Method**

This method can be used to convert the NOI estimated for the subject property into a value indication. To determine the appropriate capitalization rate, three (3) techniques to extract capitalization rates are used: direct comparison, band of investment, and secondary data sources.



### Comparable Property Multiplier Analysis

| RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2012* |          |                                     |      |          |          |              |
|---|----------|-------------------------------------|------|----------|----------|--------------|
| OFFICE - ALL TYPES                                  |          |                                     |      |          |          |              |
| Item  | Input    |                                     |      |          |          | OAR          |
| <b>Minimum</b>                                      |          |                                     |      |          |          |              |
| Spread Over 10-Year Treasury                        | 1.07%    | <b>DCR Technique</b>                | 1.15 | 0.049755 | 0.80     | <b>4.58</b>  |
| Debt Coverage Ratio                                 | 1.15     | <b>Band of Investment Technique</b> |      |          |          |              |
| Interest Rate                                       | 2.87%    | Mortgage                            | 80%  | 0.049755 | 0.039804 |              |
| Amortization  | 30       | Equity                              | 20%  | 0.081495 | 0.016289 |              |
| Mortgage Constant                                   | 0.049755 | OAR                                 |      |          |          | <b>5.61</b>  |
| Loan-to-Value Ratio                                 | 80%      | <b>Surveged Rates</b>               |      |          |          | <b>5.33</b>  |
| Equity Dividend Rate                                | 8.15%    |                                     |      |          |          |              |
| <b>Maximum</b>                                      |          |                                     |      |          |          |              |
| Spread Over 10-Year Treasury                        | 6.70%    | <b>DCR Technique</b>                | 2.25 | 0.118169 | 0.50     | <b>13.29</b> |
| Debt Coverage Ratio                                 | 2.25     | <b>Band of Investment Technique</b> |      |          |          |              |
| Interest Rate                                       | 8.50%    | Mortgage                            | 50%  | 0.118169 | 0.059084 |              |
| Amortization  | 15       | Equity                              | 50%  | 0.170460 | 0.085230 |              |
| Mortgage Constant                                   | 0.118169 | OAR                                 |      |          |          | <b>14.43</b> |
| Loan-to-Value Ratio                                 | 50%      | <b>Surveged Rates</b>               |      |          |          | <b>13.71</b> |
| Equity Dividend Rate                                | 17.05%   |                                     |      |          |          |              |
| <b>Average</b>                                      |          |                                     |      |          |          |              |
| Spread Over 10-Year Treasury                        | 3.39%    | <b>DCR Technique</b>                | 1.70 | 0.071450 | 0.68     | <b>8.20</b>  |
| Debt Coverage Ratio                                 | 1.70     | <b>Band of Investment Technique</b> |      |          |          |              |
| Interest Rate                                       | 5.19%    | Mortgage                            | 68%  | 0.071450 | 0.048229 |              |
| Amortization  | 25       | Equity                              | 33%  | 0.130426 | 0.042388 |              |
| Mortgage Constant                                   | 0.071450 | OAR                                 |      |          |          | <b>9.06</b>  |
| Loan-to-Value Ratio                                 | 67.5%    | <b>Surveged Rates</b>               |      |          |          | <b>10.19</b> |
| Equity Dividend Rate                                | 13.04%   |                                     |      |          |          |              |

\*2nd Quarter 2012 Data

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7.5% Discount Rate for Subject Real Estate

## *Appraisal Report*

### *Correlation and Conclusion*

It is the purpose of the correlation to sum up the processes of valuation that have taken place throughout the report and to develop the several value indications into a final conclusion of value. The correlation affords the appraiser an opportunity to consider the quantity and quality of the data available for examination under each approach, the inherent dangers and advantages of each approach, and the relevancy of each to the subject property and the appraisal problem.

As is evident within this report, all three approaches to value were considered, Cost Approach, Sales Comparison Approach, and Income Approach. The Cost Approach analyzes the cost of the property and the effect of depreciation. The Sales Comparison Approach uses similar properties in the establishment of value, but in more rural or specific use commercial properties this approach is sometimes difficult to include due to limited comparable sales information. The Income Approach analyzes the income or potential income of the subject property minus its expenses. In the Income Approach a cap rate or other method of capitalization is usually used.

The *Cost Approach* was given consideration in this specific report. The subject has no depreciation present, and this report is based upon "As Complete" value. This approach allows the estimation of cost based on a range of values and it allows for depreciation of the improvements. Where the subject is an older type property or has a larger than typical amount of depreciation this approach is usually given less weight; in these cases this approach can be less dependable as depreciation is a major element of final value. Appraiser assumes all information regarding components of the subject is true and correct. Any incorrect or misleading information presented to the appraiser could affect the final value opinion.

The *Sales Comparison Approach* was given consideration in determining the subject value, as the purpose of this appraisal is to find the estimated market value of the subject property. Using the most recent, available and similar comparable to the subject, and keeping in mind the definition of market value, an estimated value would be abstracted if comparable sales can be found. In this case, there several improved sales throughout the subject marketing region, including uses similar to the subject. This approach is included in the value determination "as improved". The Sales Comparison approach is also addressed within the land valuation section of this report.

The *Income Approach* was given emphasis because the subject is an income producing type property, and the usual specific use similar to the subject does produce an income stream. As in the Sales Comparison approach, appraiser has researched and included lease comps from properties throughout the region that have similarities to the uses of the subject. There are arm's length comparable income producing properties (however few), that accurate income information can be developed from.

Reconciliation is the process of reducing a range of value indications into an appropriate conclusion for that analysis, e.g., the derivation of a value indication from the adjusted prices of two or more comparable sales within the sales comparison approach. The appraiser has attempted to reasonably address all required elements of current Uniform Standards of Professional Appraisal Practice in the process of completing this report. The final value opinion is based upon analysis of all developed data within this report. Reconciliation criteria enables an appraiser to form a meaningful, defensible conclusion about the final value opinion. Value indications are tested for the appropriateness of approaches and adjustments applied, accuracy of data, and quantity of evidence analyzed. The last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value or a single point estimate. Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

Reconciliation is an ongoing process throughout the research and analysis performed during the appraisal process. In the final reconciliation, an explanation of reasonableness and validity of the indicated values are expected to be provided as well as the quality and quantity of the available data. The reconciliation should report which approach or approaches were used and which were provided the most weight. The reconciliation is also where the final opinion of market value is provided. The reconciliation process is not an averaging or mean process, but is a weight emphasis and an analytical tool which is used by the appraiser to develop the final opinion of value. All approaches to value should be addressed, analyzed, and reconciled to determine final market value (or other value definition if applicable).

In the specific subject property's case, final Market Value reconciliation into a final Market Value opinion consists of emphasis upon the income approach to value with support from the sales comparison approach to value. Placing emphasis upon this specific data, final market value opinion of \$750,000 is developed.

|  |              |
|--|--------------|
| • <b>VALUE INDICATED BY<br/>SALES COMPARISON APPROACH-</b> | \$756,000.00 |
| • <b>VALUE INDICATED BY COST APPROACH-</b>                 | \$825,000.00 |
| • <b>VALUE INDICATED BY INCOME APPROACH-</b>               | \$750,000.00 |
| • <b>FINAL ESTIMATION OF VALUE:</b> Market Value "As Is"   | \$750,000.00 |
| Market Value "As Completed"                                | N/A          |
| Market Value "As Stabilized"                               | \$750,000.00 |

Final value is based upon assumption that all major components of subject are operational, that there are no environmental contaminants on subject property, that land lease (if any), is still valid and enforceable, and that property meets all local, state and federal code requirements.

As a result of the investigation and analysis, it is the opinion of this appraiser that the subject property has the following **Fee Simple Market Value** "As Complete" as of February 1, 2016:

**\$750,000.00**

Does not include fixtures, equipment, inventory or business (going concern) values\*

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E-mail: [appraisal@RBandW.com](mailto:appraisal@RBandW.com)

***ASSUMPTIONS AND LIMITING CONDITIONS***

According to *Uniform Standards of Professional Appraisal Practice (USPAP)*, Assumption is defined as: *That which is taken to be true.* Therefore, it is critical to note that this appraisal report is based upon the following Assumptions and Limiting Conditions as well as others stated throughout report.

1. This is an Appraisal Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such it presents a summary discussion of the data, reasoning, and analyses that were used in the valuation process. It may, therefore, also exclude some of the data, reasoning and analyses used in the valuation process. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's permanent file. If a third party study was relied upon to assist in reaching a value for the subject property, such study is included herein with the name of the person or firm responsible for such study, along with the appraiser's comments and conclusions regarding that data. The information obtained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser(s) is/are not responsible for unauthorized use of this report.

2. The *Americans with Disabilities Act (ADA)* became effective January 26, 1992. Unless otherwise stated, the appraisers have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the *ADA*. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the *ADA*, could reveal that the property is not in compliance with one or more of the requirements of the Act and the presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility. If so, this fact could have a negative effect upon the value of the property. *Since the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.* Therefore, the appraisers have made the assumption that the subject improvements do comply with the *ADA*.

3. Unless otherwise stated in this report, the existence of hazardous material, 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, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.* The appraisers have made the assumption that hazardous materials are not present within the subject improvements or on the subject property.

4. All data gathered by or furnished to the appraiser during the course of our investigation are from sources believed to be reliable and are assumed correct, but are not guaranteed. No warranty is given for its accuracy.

5. No responsibility is assumed for matters legal in character or nature.

6. The property is assumed free and clear of any or all liens and/or encumbrances except as herein described, and assumes its title to be marketable unless otherwise stated.
7. No responsibility is assumed for the legal description or for matters including title considerations. The legal description, as given by the client, or as obtained through public records, is assumed correct. Title to the property is assumed to be good and marketable unless otherwise stated in this report. No survey has been made, unless noted in the report, and no responsibility is assumed in connection therewith.
8. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
9. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
10. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization, have been or can be obtained or renewed, for any use of which the value estimates contained in this report are based.
11. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report. Zoning laws are assumed stable. No responsibility is assumed for building code violations.
12. No responsibility is assumed for any architectural, structural, mechanical or engineering matters. All engineering is assumed to be correct. It is assumed that there are no hidden conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
13. All engineering is assumed to be correct. Any sketches, maps, plot plans or illustrative material contained within this report are included only to assist the reader in visualizing the property and are not necessarily to scale.
14. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless the noncompliance is stated, defined, and considered in the appraisal report.
15. This appraisal report may contain a valuation relating to the geographical portion of a larger parcel and the value reported for such portion plus the value of all other geographic portions may or may not equal the value of the entire parcel or tract when considered in its entirety.
16. Any value estimates provided in this report apply to the subject property as a whole, 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. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
18. Possession of this report, or a copy thereof, does not carry with it the right of publication. This report may not be used for any purpose by any person other than the party to whom it is addressed or the intended user, without the written consent of that person or Redd, Brown & Williams Real Estate Services and in any event, only with proper written qualification and only in its entirety. The appraiser(s) signing the report must be notified in order to reproduce this appraisal.
19. The appraiser(s), by reason of this appraisal, is/are not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made. With the delivery of this appraisal, the employment is completed and the fee is due and payable upon receipt of billing. If further reports are necessary, or court appearances desired, separate arrangements must be made for additional services.

20. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser(s), or the firm with which the appraiser(s) is/are 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(s).

21. The sizes of the improvements and underlying land for the subject used in this analysis have been based on information provided by the client, the owner, or from public records. Based on a visual inspection of the subject, the measurements appear to be reasonable and therefore we have assumed this information is correct.

22. Only a limited financial history of the subject was provided we assumed this information was accurate. We relied on market data to fill in the gaps when developing a Performa for the subject.

23. Acceptance of and/or use of the appraisal report constitutes acceptance of the assumptions and limiting conditions.

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

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

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

27. The appraiser has not and was not requested or contracted to complete an environmental screening or audit of the property. The value estimate in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser routine inspection of and inquires about the subject property did not develop any information that indicated any apparent obvious hazardous situation on the subject property. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and or toxic materials. Such determination would require investigation by a qualified expert. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or was any request made for process to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

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

29. Appraiser is NOT a Flood Determination Company and only has typical appraiser knowledge regarding flood plain. Appraiser does not guarantee the flood plain stated in this report is accurate. National Flood Insurance Maps are not explicit as to individual property locations, have various scales, roadways may or may not be correctly identified on Maps, etc... If client has a question or concern about subject's Flood Plain, a professional Flood Determination Company or Engineer needs to be contacted. In addition, due to the Biggert- Waters Flood Plain Act of 2012, some areas, if found to be in 100 year flood plain, have extremely high flood insurance rates. THIS REPORT DOES NOT GUARANTEE OR WARRANTY FLOOD PLAIN INDICATED IN THIS REPORT. THIS REPORT DOES NOT ADDRESS POTENTIAL/ POSSIBLE HIGH FLOOD INSURANCE PREMIUMS, IF SUBJECT IS IN 100 YEAR FLOOD PLAIN. SOME 100 YEAR FLOOD PLAIN AREAS HAVE HIGH FLOOD INSURANCE PREMIUMS. THE APPRAISER HAS NOT BEEN PROVIDED ANY APPLICABLE FLOOD INSURANCE PREMIUM, IF ANY. THIS REPORT DOES NOT ADDRESS POSSIBLE/ POTENTIAL AFFECT TO SUBJECT PROPERTY'S MARKET VALUE OF HIGH FLOOD INSURANCE PREMIUM IF FOUND TO BE IN 100 YEAR FLOOD PLAIN. THIS REPORT IS COMPLETED UNDER THE EXTRAORDINARY ASSUMPTION ANY FLOOD INSURANCE PREMIUM WILL NOT BE IN EXCESS OF "TYPICAL" FLOOD INSURANCE PREMIUM FOR PROPERTIES LOCATED 100 YEAR FLOOD PLAIN (IF APPLICABLE FOR SUBJECT) IN MARKETING AREA.

30. Personal Property is Excluded from this Appraisal UNLESS specifically identified and stated to contrary. Personal Property is defined as: Any movable equipment, furnishings, and fixtures necessary to the operation of this property were not included in the value of the real estate. If necessary to the operation of the real estate as a hotel, personal care residence, etc., and a value is required by the client, the personal property has been allocated separately.

**DISCLOSURE OF REQUIREMENT TO CLIENT-** Uniform Standards of Professional Appraisal Practice (Applies to all certified or licensed appraisers in U.S.) - ADVISORY OPINION 26 (AO-26)- SUBJECT: Readdressing (Transferring) a Report to Another Party APPLICATION: Real Property, Personal Property, and Intangible Property THE ISSUE: After an assignment has been completed and the report has been delivered, an appraiser may be asked to "readdress" (transfer) the report to another party. Does USPAP allow an appraiser to "readdress" (transfer) a report by altering it to indicate a new recipient as the client or additional intended user when the original report was completed for another party? No. Once a report has been prepared for a named client(s) and any other identified intended users and for an identified intended use, the appraiser cannot "readdress" (transfer) the report to another party.

**Redd, Brown & Williams**  
**Real Estate Services**  
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 E-mail: [appraisal@RBandW.com](mailto:appraisal@RBandW.com)

***Certification***

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analysis opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent upon the reporting of a predominated value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
6. My analysis, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
7. I have made a personal inspection of the property that is the subject of this report unless otherwise indicated.
8. No one provided significant professional assistance to the person or persons signing this report unless otherwise stated.
9. The report analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and the National Association of Independent Fee Appraisers.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. The estimate of value in this appraisal report is not based in whole or in part upon race, color, or national origin of the prospective owners or occupants of the property appraised, or upon race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
12. As of the date of this report, I have completed the requirements of the continuing education program of the applicable State Appraisal Board and all associations with which the appraiser may be affiliated.



13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I (we) have no direct evidence relating to this issue, I (we) did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

14. The A.I. (Appraisal Institute), the N.A.I.F.A. (National Association of Independent Fee Appraisers) have a mandatory recertification program which the appraiser, if a member, is currently certified under the continuing education program.

15. USPAP Requirement- Prior to accepting an assignment, and if discovered at any time during the assignment, an appraiser must disclose to the client and in the report any services regarding the subject property performed by the appraiser within the prior three years, as an appraiser or in any other capacity. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. An appraiser must disclose each prior service to the client and included in the report certification (NOTE: See Report Certification clause in additional comments section). This disclosure is similar to when an appraiser has any current or prospective interest in the subject property or the parties involved, which requires that each interest be specified. Therefore, each service must be disclosed to the client and appear in the certification. In the case of the subject property, RBW Appraisers have NOT completed prior services in last three years.

### *Assumptions and Condition Certification*

**EXTRAORDINARY ASSUMPTIONS** are defined as "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. *Comment:* Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. Extraordinary Assumptions include typical conditions such as assumed insulation i. walls, under floors, etc... Also assumed typical construction methods, typical quality of construction, meeting all current state and local codes, etc.

**Extraordinary Assumptions in this report ARE BASED UPON PROVIDED INFORMATION TO THE APPRAISER AND ARE ASSUMED TO BE TRUE AND ACCURATE. ANY REPORTED OR PROVIDED INFORMATION THAT IS LATER FOUND NOT TO BE TRUE, MAY AFFECT THE FINAL VALUE OPINION.** Extraordinary assumptions in this subject report include assumptions that construction quality and materials of any improvements are typical for similar properties and meet state and local building code requirements. Report assumptions include that the provided property lines are accurate, assumption that utilities are in place, permanent, and transferrable, as explained and disclosed to the appraiser, and that the subject has all needed utilities. This report assumes any and all subject buildings are physically located 100% on the subject property (site), assumes the subject has no concerns with regard to termites or similar pests, and assumes there are no adverse easements or encroachments. This report assumes, unless specifically stated to the contrary, that the subject is CURRENTLY under Fee Simple ownership, having full rights of ownership, permanent, transferrable right of ingress and egress from county roadway to the subject property. This report assumes there are no concerns with regard to environmental issues or concerns, assumes the subject meets all local building code requirements and assumes the subject is structurally sound. The appraiser does not crawl under improvements and does not crawl all the way into the attic space. Any unknown, not visible or obvious adverse conditions in these areas could affect final value opinion. This report assumes all provided information from property contact, property owner, property occupant, client provided materials, and/or public records is/are true and accurate. This report assumes sale transactions are arm's length with no special financing, unless specifically stated otherwise. This report assumes the subject property does not have any unknown, unreported, or inaccurately reported adverse conditions whatsoever. Other specific extraordinary assumptions may be stated in other sections of this report. Extraordinary Assumptions are a part of value determination and inaccurate or unknown Extraordinary Assumptions can affect the final value opinion. The appraiser is not a home inspector, termite inspector, septic inspector, or similar. Appraiser has a typical appraiser knowledge regarding property conditions. *If these assumptions are not correct, it could significantly affect the market value, therefore, client should review closely.*

**HYPOTHETICAL CONDITIONS** are defined as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

*Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. Any unreported, non-typical conditions could affect the final opinion of value.*

There ARE hypothetical conditions in this report. *The subject improvements are currently under construction. This report is based upon the hypothetical condition that the improvements have been completed based upon oral/written plans and description, using typical construction methods/materials, with all systems installed and fully operational.*



Paul David Brown, IFAS, GAA  
 Certified General Appraiser  
 Independent Fee Appraiser Senior  
 General Accredited Appraiser  
 AQB Nationally Certified USPAP Instructor  
 Real Estate Broker



Cindy K. Legg,  
 Certified General Appraiser  
 KY Real Estate Sales Agent

Date: February 11, 2016

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*Addendum Section*



**ADDITIONAL MATERIALS ATTACHED FOR REFERENCE AND/ OR ADDITIONAL IDENTIFICATION**

*Redd, Brown & Williams Real Estate Services*

*With offices in:*

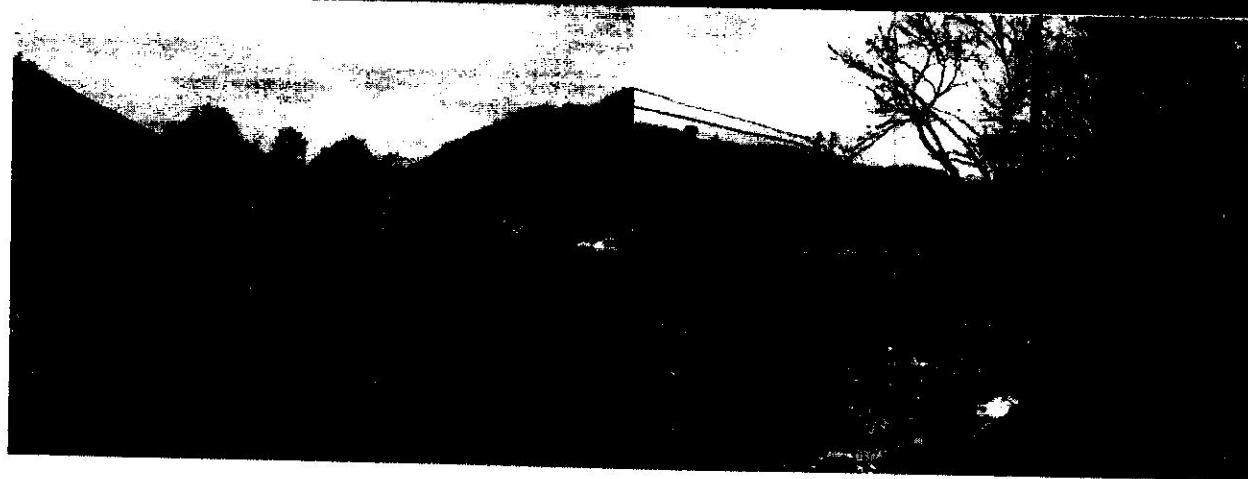
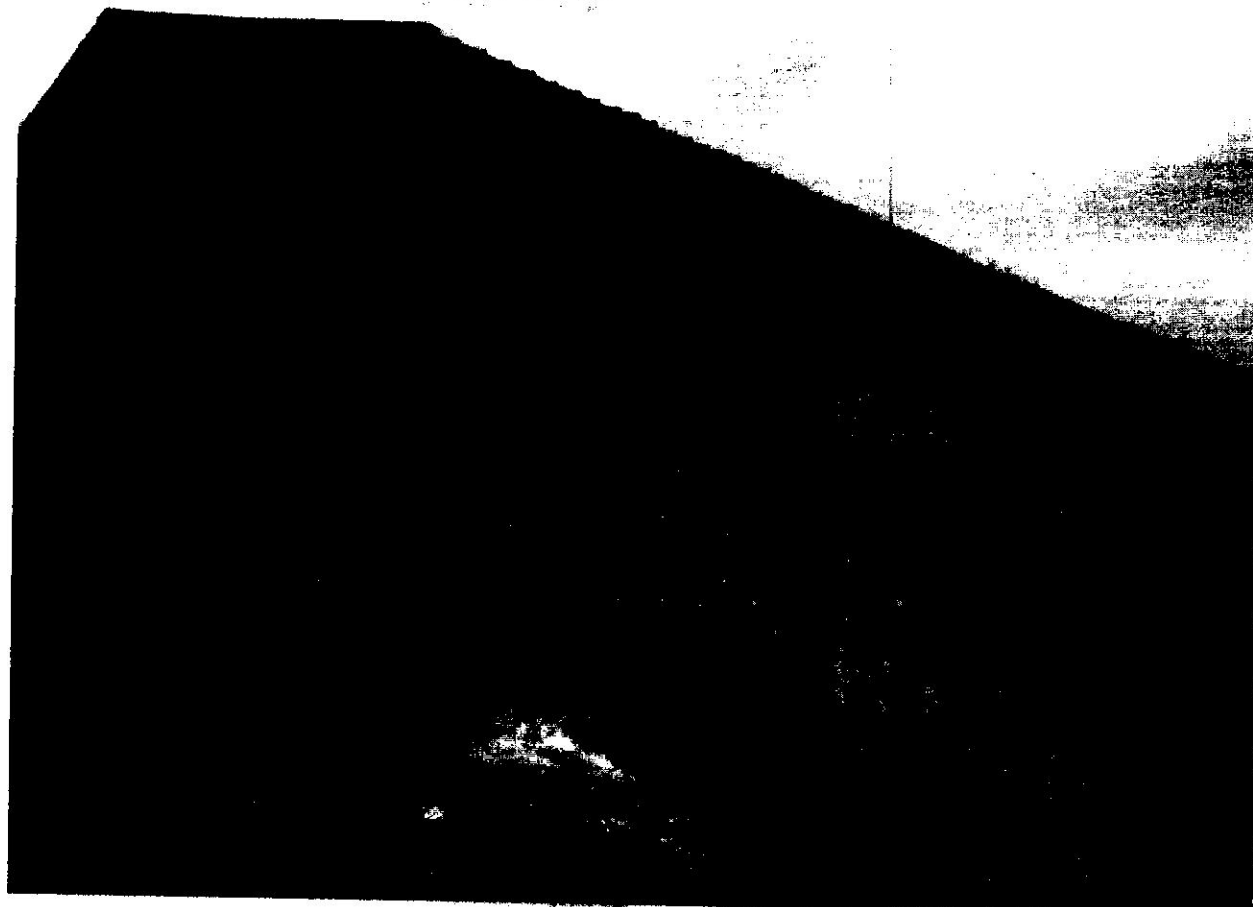
*Paintsville, Pikeville, Prestonsburg, and Louisa, KY*

Redd, Brown & Williams is a full service real estate firm serving the region since 1950.

*Certified Appraisers, Real Estate Sales, Property Management, Auction, and other Real Estate Services*

**WE APPRECIATE YOUR BUSINESS !!!!**

*Photo Addendum*



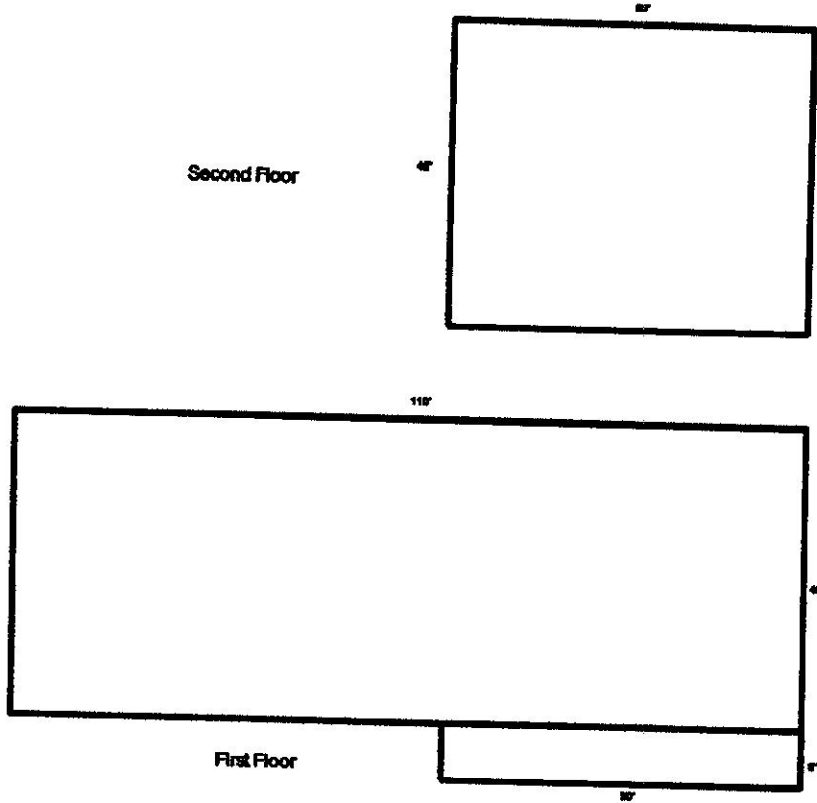




*Aerial Photo*



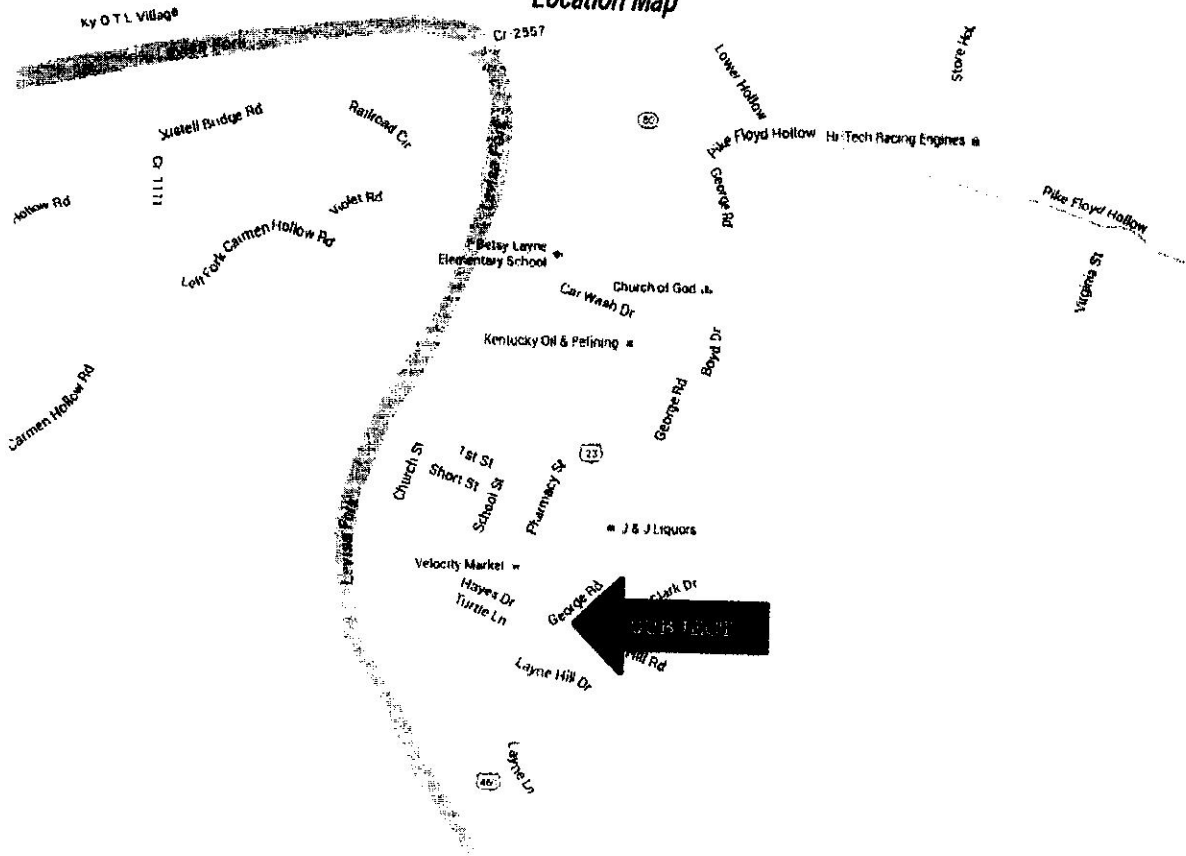
Sketch



| SUMMARY       |      | PERIMETER |              | AREA CALCULATION DETAILS |        |
|---------------|------|-----------|--------------|--------------------------|--------|
| Porch         | 400  | 116       | Common Area  | 110.0 X 45.0 =           | 4950.0 |
| Building Area | 4000 | 310       | Second Floor | 87.0 X 45.0 =            | 3915.0 |
| Common Area   | 4000 | 310       |              |                          |        |
| Second Floor  | 2200 | 180       |              |                          |        |



### Location Map



# Flood Map



## FLOOD HAZARD INFORMATION

SEE KEY FOR DETAILS REGARDING FLOOD HAZARD INFORMATION. THE INFORMATION DEPICTED ON THIS MAP AND SUPPORTING DOCUMENTATION ARE ALSO AVAILABLE IN DIGITAL FORMAT AT [HTTP://MSC.FEMA.GOV](http://MSC.FEMA.GOV)

- 0.2% Annual Chance Flood Hazard, Areas of 1% Annual Chance Flood with average depth less than one foot or with average areas of less than one square mile**
- 1% Annual Chance Flood Hazard**
- Areas with Reduced Flood Mitigation to Lower Sea Water**
- Areas of Moderate Flood Hazard**
- Areas of Uncontrolled Flood Hazard**
- Channel, Culvert or Storm Sewer**
- Accretion of Previously Accumulated Debris, Obstructions**
- Non-accretion Levee, Dike or Floodwall**
- Cross Sections with 1% Annual Chance**
- Water Surface Elevation (WSE)**
- Coastal Wetland**
- Coastal Protected Base Area**
- Prohibited Structure**
- Highly Susceptible Coastal**
- State Flood Control Line (SFL)**
- Levee of State**
- Natural/Artificial Boundary**

## NOTES TO USERS

The information depicted on this map was derived from the National Flood Insurance Program (NFIP) Flood Insurance Study (FIS) for the State of Kentucky. The information is for informational purposes only and does not constitute a warranty of any kind. The information is not to be used for any purpose other than that for which it was intended. The information is not to be used for any purpose other than that for which it was intended. The information is not to be used for any purpose other than that for which it was intended.

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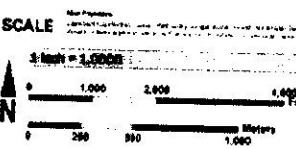
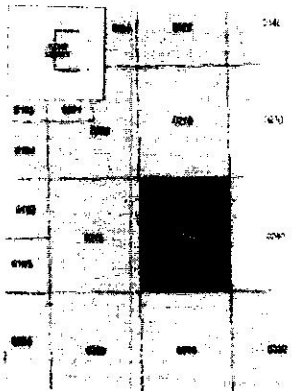
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## PANEL LOCATOR



**FEMA**  
National Flood Insurance Program

Legal Description

7388210

Book 578 Page 256C

DEED OF CONVEYANCE

THIS DEED OF CONVEYANCE made and entered into this 14<sup>th</sup> day of April, 2011, by and between LANDMARK DEVELOPMENT, CP MINIMAL, LLC, whose address is P. O. Box 2966, Pikeville, Kentucky 41783, Grantor; and BUD RIFE, single, whose address is P. O. Box 155, Harold, Kentucky 41625 Caretaker, in-Care-Of Address for the property tax bill is Bud Rife, P. O. Box 155, Harold, Kentucky 41635.

WITNESSETH:

That we and in consideration of the sum of One Hundred Eighty Thousand Dollars (\$180,000.00), cash in hand paid, the receipt and sufficiency of which is hereby acknowledged, the Grantor does hereby bargain, grant, sell and convey unto the Grantee, his heirs and assigns, the following described real property located and being in Harold in Floyd County, Kentucky and more particularly described as follows:

BEGINNING at the line of Bernard M. Clark and Peggy J. Hays Clark, his wife, and adjoining Old US 28 and running in a northeasterly direction -/- 96 (ninety) feet to the top of the bank behind the building presently known as Clark's V. Shop; thence in a southerly direction -/- 133 (one hundred thirty three) feet with the base of the bank behind the building located at present by Commercial Supply, Inc. to a point; thence in a westerly direction -/- 129 (one hundred twenty nine) feet to the Old US 28 right-of-way; thence in a northeasterly direction -/- 142 (one hundred forty) feet with the right-of-way of Old US 28, to the point of BEGINNING.

Being the same property conveyed to the Grantor from Landmark Development, a partnership, Jim Siskel, et al, by deed dated September 24, 2002 and of record in Deed Book 478, Page 326, in the office of the Floyd County Clerk.

TO HAVE AND TO HOLD the above, together with all of the appurtenant acres thereunto belonging unto the Grantee, his heirs and assigns forever, with covenant of general warranty.

**Paul David Brown, Jr.**

**Redd, Brown & Williams Real Estate Services**  
**P.O. Box 1720, Paintsville, KY, 41240**


**Office Locations:**

Corporate Headquarters: 201 Bridge St, Paintsville, KY 41240, 606-789-8119  
 685 N. Mayo Trail, US 23 N., Pikeville, KY 41501, 606-437-2333

253 University Drive, Prestonsburg, KY 41653, 606-886-3939  
 110 S. Clay St, Louisa, KY 41230, 606-638-4449

All Locations FAX: 606-789-5414

E-Mail: [pdbrown@RBandW.com](mailto:pdbrown@RBandW.com)

www.  **RBandW.com**



President, CEO, Principal Broker,  
 Senior Appraiser (RBW)  
 KY Certified General Appraiser (4),  
 WV Certified General Appraisal (CG242),  
 KY Real Estate Principal Broker,  
 National Association of Realtors- General  
 Accredited Appraiser (GAA),

Independent Fee Appraiser Senior (IFAS  
 #14717),  
 Auctioneer, General & Residential Associate  
 Member of Appraisal Institute,  
 Appraisal Qualification Board National Certified  
 U.S.P.A.P Instructor,  
 Auctioneer,  
 Certified Environmental Risk Screener

**Curriculum Vitae**

*\*This information is updated regularly but is NOT all inclusive. Information is not meant to be absolute and is for "general reference" only.*

- **OVERVIEW OF QUALIFICATIONS:**

**Sampling of States Real Estate Services Work Completed In:** Kentucky, West Virginia, Virginia, Ohio, Tennessee, Indiana, Oregon, North Carolina, South Carolina, Florida, etc...

**Example of Real Estate Services work performed:** Consultation, court testimony, analysis and studies, property development, property management, appraisals, insurance consultation/ underwriting, location analysis/ recommendations (Highest & Best Use Analysis), Bank Consulting & Policy Assistance, various other aspects of real estate and insurance services.

**Special cases:** Appraisals, consultation, prepared court work and testimony on environmentally impacted properties, property adverse taking, property divisions, tax assessments, easements, and numerous other. Consultation and court prep- in regard to insurance policies, insured property damage estimates, loss due to insured and un-insured perils, etc...

**Example assignments completed:** (Real Estate/Appraising/ Consulting) Including but not limited to: Commercial, oil/gas service companies, mining sites (coal, perite and other mineral), funeral homes, Leasehold/ Leased Fee Leases, recreation facilities, subdivision development sites, office and medical buildings, various types of multi-unit apartment buildings, residential properties, etc... Principal Auctioneer for real estate auctions, estate auctions, Bank Consulting, Policy Review, Appraisal Review, etc..

**Property development:** Vacant Land, commercial sites, residential subdivision development, raw land development, small industrial site development, strip plazas, grocery stores, etc...

**Teaching/ Instruction/ Etc...** Approved Appraising, Real Estate, Insurance, Bank/ Lender Services Instructor in several states and by various associations.

- **EDUCATION:** (partial listing ONLY- not meant to be absolute of all inclusive)

**Graduate of:**

Paintsville High School, Paintsville, KY  
 Eastern Kentucky University, Richmond, KY  
 (B.B.A.)

Professional Academic School System ( Real  
 Estate ) 1980-81

Weikel Real Estate School- 1980-81  
 Kentucky School of Insurance 1980

Bluegrass Auctioning School- 1985  
 Lidell Life and Health Insurance School- 1980  
 I.I.A.K.'s Kentucky School of Insurance- 1980-81  
 A-Pass-Weikel Institute- 204A-B- Real Estate  
 Law Course  
 P.I.A.'s Certified Insurance Representative  
 Program- 1988- (5 part)  
 Dale Carnegie Management Class (Business

- Management)
- Agency Records Control- Agency Automation  
Records Control Training
- Weikel Real Estate Appraising
- Wilson Real Estate Appraising
- N.A.E.R.A. – Environmental Program (Designations-  
C.E.R.S., C.E.R.A.)
- N.A.I.F.A.- Independent Fee Appraiser Program  
(Designation- I.F.A. and I.F.A.S.)
- WEG-151, Dec. 91, Cost Approach/ Methods  
and Applications
- WEG-153, Nov. 91, Methods & Mechanics  
Income Approach/HP12C
- WEG-154, Nov. 91, Income Approach/Non-Farm  
Properties
- N.A.I.F.A., Nov. 91, Condemnation Appraising
- WEG-FIR, FIRREA/Appraising Regulations
- WEG-191 Blue Print/Specifications Reading-  
4/94, Harrodsburg, KY
- WEG-160, Feb. 93, Residential Case Study  
March 94, 2.2 Advanced Income Appraising
- Appraisal Institute- 8/ 91, Standards Of Professional  
Practice
- RE 121- Appraising
- Oct. 91, Environmental Risk Screening  
Review Appraising
- KY Realtors Institute- 5/92- GRI 102, Residential  
Construction & Appraisal
- Sales Comparison-Commercial/Residential
- N.A.I.F.A., Nov. 94, Valuation of Commercial  
Timber, Residential Trees, Shrubs
- N.A.I.F.A.- March 94, 2.2 Income Appraising  
Environmental Identification/ Screening/  
Solutions
- Government Institutes'- KY. Environmental Law
- WEG-199, May 95, Residential Appraisal Review
- WEG-196, May 95, Litigation
- WEG-197, May 95. HP-12C Applications
- Appraisal Institute, May 95, Appraisal for  
Litigation
- Appraisal Institute, May 95, Appraisal RE-  
American Disabilities Act
- NAERA- 301, 302, 303- Indiana University,  
August 95 completion date-
- Environmental Auditors Classes including by not  
limited to Environmental  
Legal Issues, Identifying and Testing Hazards,  
Water Quality, Wetlands, PCB's, Indoor  
Environmental Hazards, Lab and Field Work,  
etc....
- U.S.P.A.P.96 (Uniform Standards)- Feb. 96
- N.A.I.F.A./ N.A.E.R.A. #401- Appraising  
Environmentally Impacted Properties-  
Aug 96- Baton Rouge, LA
- U.S.P.A.P. Update and Instructor Training  
Session (Uniform Standards) Nov.96-  
Charlotte, NC, Nov. 97- Boston, Mass
- National Association of Environmental Risk  
Auditors Instructor Clinic, 12/96-
- Evansville, Indiana
- Lead Hazard Risk Assessor Training  
Completion, University of Cincinnati,  
February 1997- Passed Kentucky  
examination 1997
- Annual Kentucky USPAP Instructors Seminar-  
KY Appraiser Board (98/99/00/01)
- Appraisal Institute- Chicago- #310 Basic Income  
Capitalization, July 01
- Appraisal Institute- #500 Advanced Residential  
Form & Narrative Report Writing,  
Indianapolis, IN, Sept, 01
- National USPAP Training-  
Atlanta March 2002
- Appraisal Institute- #705 Litigation Appraising-  
Specialized Topics & Applications, San  
Francisco, Oct 2002
- Appraisal Institute- #650 Appraising Historical  
and High Value Homes, Hudson, OH, Oct  
2002
- Appraisal Institute- #720 Condemnation  
Appraising: Advanced Topics and  
Applications (Served as Appraisal Expert  
Witness in Mock Trial), St Louis, MO, Nov  
2002
- Appraisal Institute- Seminar- Appraising  
Environmentally Contaminated Property-  
Indianapolis, IN, Dec 2002
- Appraisal Institute- #700 The Appraiser As An  
Expert Witness: Preparation &  
Testimony, Dec 2002- Denver, CO
- Appraisal Institute- #420, Standards of  
Professional Practice Part B, Dec 2002
- KY Real Estate Commission Broker's Management  
Instructor's Certification Education- Louisville,  
KY- March 2003
- The Appraisal Foundation/ Appraisal Standards Board  
National Uniform Standards of Professional  
Appraisal Practice Instructor's Certification  
Education and successful completion of  
national examination, April 2003- New Jersey
- The Appraisal Institute: Appraising Manufactured  
Housing, Chicago, IL (online), September 2003
- The Appraisal Institute: Residential Demonstration  
Appraisal  
Report Writing, Chicago, IL (online), Nov 2004
- St Meinrad Seminary (Diaconate Certification) 2008
- Comptroller of the Currency- Risk Assessment (8 Hrs)  
3-2009
- Appraisal Institute- Discounted Cash Flow- Charleston,  
WV- 10-09
- KREC Agency Instructor update, KREAB/ etc...  
updates, etc... continued through current date.
- Annual USPAP Instructors Update  
3/4/2013 To 3/6/2013- (17 Hours) Comptroller of  
Currency- Mastering the Basics, Bank Director's  
Challenge- Louisville, KY
- Numerous hours of real estate continuing education as

KY & other states have continuing education requirement for appraisal, real estate, insurance, auctioneer license.

*Additional annual CE taken every year.*

*NOTE: Certificates, education, etc... is updated regularly but may not be all inclusive. Annual CE required for all licenses.*

• **PROFESSIONAL EXPERIENCE:**

**License/Training:**

*Partial Listing*

Kentucky Real Estate Sales Associate (1980),  
 Broker (1985+/-)  
 KY, WV Certified General Appraiser  
 Certified Lead Hazard Risk training  
 Kentucky Principal Auctioneer  
 Approved Insurance, Real Estate & Appraising  
 Instructor- Experienced Faculty member  
 1) National Association of Environmental Risk  
 Auditors  
 2) Proprietary Board of KY  
 3) KY & WV Community College System  
 4) Kentucky Appraiser Board Approved Instructor  
 5) Approved Real Estate Services instructor in  
 several states  
 Approved Appraiser for U.S. Army Corps of  
 Engineers- (CCS registry)  
 Certified KY Broker's Management Instructor  
 Bank/ Lender Seminar Instructor regarding Bank  
 Policies, Procedures as relates to Real  
 Estate, Appraisal, Policies, Regulatory  
 Requirements, etc...

**Several Designations Earned:** (List may not be all inclusive)

*C.E.R.S.- Certified Environmental Risk Screener #1043*  
*C.E.R.A.- Certified Environmental Risk Assessor #0037*  
*C.E.V.A.- Certified Environmental Valuation Assessor #3*  
*I.F.A.S.- Independent Fee Appraiser Senior #14717*  
*G.A.A.- General Accredited Appraiser*  
*Approved FHA/HUD, USDA, RHS Appraiser*  
*Approved Veterans Administration Appraiser*  
*Approved KY DOT Residential/ Commercial Appraiser, Reviewer, Expert Witness*  
*Past Adjunct Faculty Member: KY Community College System,*  
*National Uniform Standards of Professional Appraisal Practice (USPAP) Certified Instructor*

**Business Experience Diversity:**

Founded/ Owned/ Operated Professional Dry Cleaners 1981 to 1987  
 Founded/ Own/ Operate Family Health Club 1987 to 1996- Fitness Facility Operation, Consultants  
 Experience with C-Store, Discount Groceries, Retail Clothing, Rental Properties, Motels, Storage Facilities,  
 Multi-Family, Construction/ Development, etc... *(Only a partial listing)*  
 Redd, Brown, Williams Real Estate Services - 1980 to present

**Personal Experience Diversity: Volunteer**

High School Basketball, Baseball & Football Coach  
 Baseball Coach for 16 years (Junior League, High School, College, Rookie Professional League)  
 Various Boards, Councils, Commissions such as but not limited to: Finance Councils, Parish Council, Bank  
 Board, Service Organizations, etc...

• **PROFESSIONAL MEMBERSHIPS:** *(Partial Listing)*

East Kentucky Board of Realtors, Kentucky & National Association of Realtors  
 National Association of Realtor- Appraisal Section  
 Kentucky & National Association of Auctioneers  
 National Association of Environmental Risk Assessors  
 National Association of Independent Fee Appraisers, (Past Chapter President)  
 Member, U.S.P.A.P. Issues Resource Panel, Appraisal Foundation, Washington DC, 1997- 1/1/01  
 Appraisal Institute- General Associate and Residential Associate Member

• **LOCAL ORGANIZATIONS:**

Eastern Kentucky University Alumni Association- Life Member since July 1980

Paintsville City Councilman 1994 to 1997  
 Paintsville Little League Association, Board Member 1988 to 1998, President 1994-97  
 St. Michael's Church Parish Council 1993-1996, Building Committee 2000- present, Finance Council 2002-  
 present  
 President- Local chapter NAIFA (94-2010)  
 Community Emergency Response Team- Leader  
 Emergency Search and Rescue Team

• **CURRENT JOB RESPONSIBILITIES:**

President, C.E.O., Senior Appraiser, Principal Broker, Principal Auctioneer, Instructor  
 Redd, Brown, and Williams Real Estate Services, Paintsville, Pikeville, Prestonsburg, Louisa, KY

• **TEACHING/ INSTRUCTION:**

Approved Real Estate, Appraising, Insurance Instructor  
 Past Adjunct Faculty Member- KY Community College & Technical System  
 Nationally Certified Uniform Standards of Professional Appraisal Practice (USPAP) Instructor  
 Bank/ Lender Seminar Instructor  
 Motivational & Career Speaker

• **COURSE INSTRUCTION EXPERIENCE:**

*(Partial Listing)*

|  |  |
|--|--|
| Real Estate Finance  | HUD/FHA, VA Requirements   |
| Real Estate Law  | ANSI Methodology   |
| Real Estate Marketing  | Commercial Income  |
| R.E. Principles  | Commercial Cost  |
| Real Estate Broker's Management Class<br>(Required in KY for Sales Assoc to sit for<br>Brokers Exam) | Court Case Study   |
| Real Estate Continuing Education   | Liability Issues   |
| Appraising Environmentally Impacted<br>Properties I  | Ethics   |
| Appraising Environmentally Impacted<br>Properties II   | Appraisal Review   |
| Appraisal Principals I   | Appraisal Inspection and Documentation   |
| Appraisal Principals II  | Bank Environmental Issues  |
| URAR Form Interpretation   | Bank Policy Regulations (Real Estate/<br>Appraisal)  |
| Flood Determination Process  | Bank Appraisal Review  |
|  | Bank Board of Directors Responsibilities   |
|  | National Course- Uniform Standards of<br>Professional Appraisal Practice<br>(15 hour and 7 hour courses) |

• **CLIENTS SERVED:** Appraising/ Real Estate/ Consultation/etc. **SAMPLING ONLY**

*EXAMPLE OF Appraisal, Consultation, Environmental, Real Estate, other service clients:*

Individuals, Army Corp of Engineers, County and City School Systems, Local Government, Insurance  
 Companies, Relocation Companies, Fast Food Chains, Savings and Loans, Legal Firms  
 Worldwide Equipment Locations in Numerous States  
 Holiday Inn Express  
 Super 8 Motel  
 Letcher, Johnson, Paintsville Independent, Pike, Floyd, Lawrence and other county school boards  
 Schlumberger in Various States  
 Big Sandy Area Development  
 Various City and County Governments  
 Appalachian Regional Hospitals in Three States  
 CSX Railroads  
 Equitable Gas Company  
 Interstate National Gas Company  
 Lauffer Gas Company

Corps of Engineers

Veterans Administration

(Client References)

Citizens National Bank, Paintsville, Ky., 606-789-4001, contact Ben Tackett- Executive Officer

First Commonwealth Bank, Prestonsburg, Paintsville and other locations in KY, 606-789-3541, Tim Deskins, Janie Salyer,

City National Bank, Paintsville, KY, 606-788-4965

Branch Bank & Trust, Paintsville, Williamson WV, Prestonsburg, Pikeville, etc...Patty Hatfield, 606-789-4540

Community Trust Bank (various locations)- contact Steve Belcher 606-432-1414

Kentucky Housing Mortgage Corporation, Hazard & Frankfort, KY

U.S. Army Corps of Engineers- Offices- Huntington, WV, Nashville, TN, Louisville, KY

Plus: First National Bank, Corbin, KY, Commerce Bank, Huntington WV, Bank One, Lexington, KY, FHA/HUD, Mortgage and Finance Companies, Relocation Companies, Environmental Companies, Citicorp, University of Kentucky Federal Credit Bureau, Halliburton Energy Services, City/ County Governments, Save-A-Lot Groceries throughout region, Veterans Administration Panel Approved Appraiser, FHA/Hud Certified Appraiser, KY DOT approved appraiser, etc... Have prepared appraisals, real estate consulting assignments, provided expert testimony, appraisal case preparation for numerous legal firms, individuals, companies, etc.

- **EXAMPLE PROPERTIES APPRAISED, CASE STUDIES:**

***Environmental- (partial list)***

Adjacent Superfund properties including Appraising Environmentally Impacted Property, General Appraising, market analysis, tracking sales over extended periods, aerial mapping, Appraisal of contaminated properties involving ground water, air and soil contamination, radiation contaminated sites, oil well tank batteries, oil/ gas well sites, pits, etc... Hydrocarbon contaminated sites, Commercial properties with UST's (leaks)

Residential/ commercial properties adjacent to contaminated properties

Heavy equipment storage/ repair locations, Trucking company storage/ repair locations, C-Store locations, Abandoned

Coal Mining and Tipple Sites, Residential Subdivision Areas Adjacent to Contaminated Waters, Residential/ Farm

properties Adjacent to Contaminated Waterways, Other environmentally troubled areas as well as environmental screenings on commercial, farm, and residential properties (service station sites, tank removal sites, chemical tank, sites, mines, etc...)

Case studies on properties in several states

***Conventional Appraising-***

Various commercial and farm timber tracts- residential trees, shrubs, and orchards office buildings, small and intermediate businesses. Funeral Homes, Restaurants, and Clinics. Oil and gas properties, Hobby farms. Service stations, commercial parking lots. Groceries, Dollar General Stores, and other similar retail stores. Warehouses & Lumber Companies.

Apartment buildings. Radio Stations. Schools, Churches, Flood Plain Management Properties, Condemnation, Residential properties of all sizes.

PLUS: various other properties throughout various states.

***Court Testimony: Environmental, Conventional Appraising, Real Estate:***

Deposition and court testimony of properties adjacent to superfund site as well as non-superfund adjacent sites with various environmentally impacted problems. Example areas of contamination worked with (appraisals on): Soil, ground water, surface water, noise, underground tanks, above ground tanks, radiation, various chemicals, etc.. Also dealing with property rights, real estate law, insurance coverages, etc..

***Case Studies:***

Preparation, review, site visits, research, market analysis, of several case studies involving superfund adjacent sites as well as contaminated non-superfund adjacent sites in several states.

***Conventional/ Other:***

Deposition and other testimony on property disputes, property settlements, taxation values, condemnation valuation, property damage claims, insurance coverages, insurance losses, etc...

- **PROPERTY MANAGEMENT, CONSULTING, MARKET DEVELOPMENT**



Redd, Brown & Williams Real Estate Services provides commercial and multi-property management services for various clients in RBW marketing area. Property management services range from simple leasing of available space to complete management of property. Real Estate, appraisal, environmental conditions relating to real estate consulting services provided also.

- **CURRENT EMPLOYMENT:**

President/ CEO, Redd, Brown & Williams Real Estate Services, Mailing Address: P.O. Box 1720, Paintsville, KY 41240.  
Office Locations: 201 Bridge Street, Paintsville, KY 41240- 685 N. Mayo Trail, Pikeville, KY- 253 University Drive, Prestonsburg, KY- 110 S. Clay St, Louisa, KY 41234. A full service Real Estate, Appraisal, Auction, Limited Phase 1 Environmental, Education Services Company.

**Cindy K. Legg**  
 Kentucky Certified General  
 Real Property Appraiser,  
*Redd, Brown & Williams Real Estate Svc*  
 201 Bridge Street – P.O. Box 1720, Paintsville, Ky., 41240  
 606-789-8119, Fax: 606-789-5414

## Qualifications

### Education:

- 1976 Graduate Of Woodlan High School, Woodburn, Indiana  
 04/86 - Collecting Accounts Receivable  
 10/92 - IAAO 1/Fundamentals of Real Property Appraisal - 30 hrs\*  
 07/93 - KY Licensed Real Property Examination - PASS\*  
 06/94 - IAAO 2/Income Approach to Valuation - 1 hrs\*  
 08/94 - KREAB Uniform Standards (USPAP) Update - 4 hrs\*  
 12/94 - USPAP Workshop - 15 hrs\*  
 03/96 - KREAB Uniform Standards (USPAP) Update - 2 hrs.  
 05/96 - Litigation - 2 hrs\*  
 05/96 - Capitalization Rate Review - 6 hrs\*  
 01/97 - KREAB Uniform Standards (USPAP) Update - 3 hrs\*  
 03/97 - URAR Forms Completion - 16 hrs\*  
 04/97 - Appraising Environmentally Impacted Prop, II - 16 hrs\*  
 09/97 - Commercial Income Analysis - 16 hrs\*  
 09/97 - Principles/Practices of Env Risk Screening & Env Screen Report Writing - 22 hrs\*  
 09/97 - Commercial Cost Analysis - 16 hrs\*  
 11/97 - Certified General Appraiser Examination - PASS  
 10/97 - HP12C Financial Calculator - 16 hrs\*  
 12/98 - KREAB Uniform Standards (USPAP) Update - 7 hrs\*  
 12/98 - Real Estate Law (Prestonsburg Community College) - 45 hrs\*  
 04/99 - Court Case Studies - 7 hrs\*  
 05/99 - VA Workshop  
 08/99 - Appraising Environmentally Impacted Properties - 16 hrs\*  
 01/00 - FHA Appraisal Examination - PASS  
 02/00 - KREAB 2000 USPAP Update and Issues Impacting the Appraisal Profession - 14 hrs\*  
 05/00 - KREAB 2000 USPAP Instructors Workshop - 7 hrs.  
 10/00 - KREAB 2001 USPAP Update & Appraiser Issues - 14 hrs\*  
 05/01 - KREAB 2001 USPAP Instructors Training Workshop - 4 hrs\*  
 09/01 - Commercial Income I - 15 hrs\*  
 10/01 - VA Fec Appraiser Training  
 01/01 - KREAB 2002 USPAP Update and Appraisers Issues - 14 hrs\*  
 02/01 - Real Estate Principles I (Prestonsburg Community College)\*  
 03/02 - Real Estate Sales Agent Examination - PASS  
 10/02 - Appraising High Value and Historic Homes  
 11/02 - A1720 Condemnation Appraising: Adv Topics & Apps - 16 hrs\*  
 12/02 - A1700 Appraiser Expert Witness Prep & Testimony - 16 hrs\*  
 03/03 - KREAB 2003 USPAP Update - 7 hrs\*  
 05/03 - VA Appraiser Meeting/Training Session - 3 hrs\*  
 10/03 - A1500 Advanced Res Form & Narrative Report Writing - 40 hrs\*  
 12/03 - Real Estate Broker's Management - 48 hrs\*  
 02/04 - 2004 National USPAP - 15 hrs.\*  
 07/04 - Quadrennial Realtor Code of Ethics Training\*  
 12/04 - Real Estate Law Update - 3 hrs.\*  
 12/04 - Real Estate Environmental Issues - 3 hrs.\*  
 03/05 - 2005 Real Estate Professional Standards - 3 hrs.\*  
 05/05 - Real Estate Sq.Ft. Analysis - 3 hrs.\*  
 05/05 - 2005 AQB National USPAP - 7 hrs.\*  
 05/05 - ANSI Square Footage - 7 hrs.\*  
 12/05 - Real Estate Agency Law/Buyer Brokerage  
 10/06 - Real Estate CORE Law - 6 hrs.\*  
 12/06 - RE Agency Law & New KY Agency Forms - 3 hrs.\*  
 12/06 - RE ANSI Square Footage Analysis - 3 hrs.\*  
 04/07 - 2007 AQB National USPAP - 7 hrs.\*  
 12/07 - RE Kentucky License Law - 3 hrs.\*  
 12/07 - Residential Construction & Systems - 3 hrs.\*  
 05/08 - Real Estate Finance - 48 hrs.  
 06/08 - Residential Construction & Systems - 7 hrs.\*  
 06/08 - FHA Basics - 7 hrs.\*  
 11/08 - KY License Law - 3 hrs.\*  
 11/08 - Residential Construction - 3 hrs.\*  
 05/09 - USPAP 7 hr. Update - 7 hrs.\*  
 05/09 - 1004MC Form - 7 hrs.\*  
 12/09 - RE ANSI Square Footage Analysis - 3 hrs.\*  
 12/09 - Real Estate Agency Law Update - 3 hrs.\*  
 01/10 - KRISC 2010 Professional Standards Training - 6 hrs.\*  
 06/10 - REO - Regulatory Issues - 7 hrs.\*  
 06/10 - 2010-2011 National USPAP Update Course - 7 hrs.\*  
 10/10 - KY CORE Course - 6 hrs.\*  
 05/11 - Appraising Distressed Properties - 7 hrs.\*  
 06/11 - Dodd-Frank Act, Regulatory Issues - 7 hrs.\*  
 08/11 - Uniform Appraisal Dataset (UAD) - 7 hrs.\*  
 11-11 - Real Estate Law - 3 hrs.\*  
 11-11 - Real Estate Property Observation & Documentation - 3 hrs.\*  
 01-12 - USPAP 7hr. Update - 7 hrs.\*  
 11-12 - Real Estate Commercial Terminology, Contract, Leases - 3 hrs.\*  
 11-12 - Real Estate Code of Ethics Course\*  
 04-13 - AMC Agreements, Issues, Law & Regulatory Update - 7 hrs.\*  
 04-13 - Essential Elements of Appraisal Extraordinary Assumption Hypothetical Conditions & Disclosures  
 09-13 - Real Estate Licensee Safety & Self Defense Basics - 3 hrs.\*  
 09-13 - RE Legal Issues-Easements, Encroachments, Short Sales - 3 hrs.\*  
 01-14 - Uniform Standards of Professional Appraisal Practice - 7 hrs.\*  
 02-14 - Comparative Analysis - 7 hrs.\*  
 04-14 - Appraisal Adjustment Development & Analysis - 7 hrs.\*  
 12-14 - Kentucky CORE Law - 6 hrs.\*  
 03-15 - Appraisal Regulatory Update 2015 - 7 hrs.\*  
 04-15 - KY Supervisor & Associate Class - 7 hrs.\*  
 12-15 - 2015-2016 Uniform Standards of Appraisal Practice - 7 hrs.\*  
 12-15 - What RE Pros Should Know about FHA Requirements - 3 hrs.\*  
 12-15 - RESPA & TILA Regulatory Requirements - 3 hrs.\*

### Professional Registration:

Kentucky Certified General Real Property Appraiser, #001881  
 Kentucky Real Estate Sales Associate #59310 (May, 2002)

### Present Employment:

KY Certified General Real Property Appraiser & Real Estate Sales Agent - **April 9, 1996 to Present**  
 REDD, BROWN, WILLIAMS REAL ESTATE SERVICES, Paintsville, Kentucky 41240

### **Professional Appraisal Experience:**

Practicing Full Time Appraiser since 1993 – Commercial and Residential Appraisals for the following: Banks - Savings and Loans Credit Unions - Mortgage and Finance Companies - Individuals & Estates – Hotels/Motels – Hospitals & other Health Care entities - Private Corporations - Government Lending - School Boards of Education - City and County Governments - Hospitals – Churches - Real Estate Firms - Attorneys at Law

Experience also includes FHA, HUD and Rural Development appraisals, commercial and residential appraising, appraisal research, property observation, reference data collection, area market research and analysis, report preparation, etc., for court cases involving environmentally impacted properties, eminent domain, divorce, etc. Participated in mock trials as appraiser, court reporter, assistant to and legal counsel. Certified General Real Property Appraiser - Temp TN license (2004) for specific industrial properties in Knoxville & Chattanooga, TN. Virginia Certified General license thru 5/31/11.

**Instructor - Redd, Brown & Williams Real Estate Services**  
Teach and Assist Various Appraisal Education Courses

**Adjunct Professor - Big Sandy KCTCS**  
Various Real Estate & Appraisal classes,  
1999 to 2009

### **Local Organizations/Designations:**

Rotary International – D6740 District Governor 2015-2016  
Good Neighbors, Inc. – Member, Board of Directors  
First United Methodist Church of Paintsville, Inc. – Treasurer, 2000-2015  
Community Emergency Response Team Member  
Eastern Kentucky Association of Realtors, 2005 President, Member since 1997  
Paintsville Rotary Club – 2005/2006 President, Board member since 2003, member since 9/21/99  
Rotary International – District 6740 Area 10 – Assistant District Governor 2009-2013  
Rotary International – District 6740 Interact, Annual Programs Fund & Paul Harris Society Coordinator  
Paintsville High School INTERACT Club – Club Sponsorship/Advisory Chair  
Notary Public – Kentucky State at Large, since 1986  
KY Conference of United Methodist Churches, Prestonsburg District Bd of Trustees, 2002-2011  
KY Conference of United Methodist Churches, Prestonsburg District Locations & Bldgs Committee

### **Previous Work Experience:**

1992-1996 -Curd Surveying, Eng. & Land Consulting, Inc., West Liberty, KY  
Appraiser, Office Manager in charge of West Liberty and Morehead Offices including Bookkeeping, collections, as well as deed research and deed plotting.  
1984-1992 -Bocook Engineering, Inc., 312 Tenth Street, Paintsville, KY  
Bookkeeper  
1982-1984 -Salyersville National Bank, Salyersville, KY  
Teller, proof operator and assistant to Compliance Officer.  
1981-1982 -Pines of America, Inc., Fort Wayne, IN  
Executive Secretary to Comptroller  
1981-1981 -Kelly Temporary Services, Fort Wayne, IN  
First Federal Savings & Loan, Credit & Collections  
Archway Cookies, Factory Labor  
1980-1981 -Paul Harris Stores, Inc., Indianapolis, IN  
Retail Clothing Sales Manager in Fort Wayne, IN and Galesburg, IL  
1978-1980 -Shilling Sales, Inc., Fort Wayne, IN  
Advertising Specialty Sales  
1976-1978 -Medical Protective Company, Fort Wayne, IN  
Clerical & Receptionist

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*Redd, Brown & Williams Real Estate Services  
Paintsville, Pikeville, Prestonsburg, Louisa, KY*