



**Valbridge**  
PROPERTY ADVISORS

## Appraisal Report

Delaplain Disposal Company  
W Yusen Way  
Georgetown, Scott County, Kentucky 40324

Report Date: 08-12-2019



FOR:

Central States Water Resource  
Ms. Sandy Neal  
Regional Director of Utility Acquisitions  
500 Northwest Plaza Drive, Suite 500  
St. Ann, Missouri 63074

### Valbridge Property Advisors

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08-12-2019

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Ms. Sandy Neal  
Regional Director of Utility Acquisitions  
Central States Water Resource  
500 Northwest Plaza Drive, Suite 500  
St. Ann, Missouri 63074

RE: Appraisal Report  
Delaplain Disposal Company  
W Yusen Way  
Georgetown, Scott County, Kentucky 40324

Dear Ms. Neal:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The subject property, as referenced above, is located in the residential subdivisions of Deer Run, Moonlake Estates, Shuttle Run and Riffon Meadows as well as the Delaplain Industrial Park and is further identified as tax parcel numbers 161-20-002.000. The appraised property is comprised of a fee simple site (sewer plant site) which contains 1.5014 Acres. In addition, to the Fee Simple site, the appraised properties include approximately 23,469 LF of utility easements through the Residential Subdivisions of Deer Run, Moonlake Estates, Shuttle Run and Riffon Meadows and approximately 12,000 LF of utility easements through the Industrial Park. Said easements contain a total of approximately 387,765 square feet of Residential land and 180,012 square feet of Industrial Land.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The client in this assignment is Central States Water Resource and the intended user of this report is Central States Water Resources and no others. The sole intended use is for regulatory filings. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

**Extraordinary Assumptions:**

- None

**Hypothetical Conditions:**

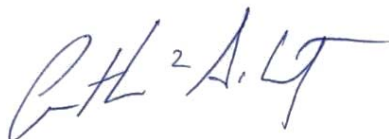
- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

**Value Conclusions**

Component	As Is	As Is
Value Type	Market Value	Market Value
Property Rights Appraised	Easement	Fee Simple
Effective Date of Value	July 23, 2019	July 23, 2019
<b>Value Conclusion</b>	<b>\$681,500</b>	<b>\$195,000</b>
	<b>\$1.28 psf</b>	<b>\$2.98 psf</b>

Respectfully submitted,  
 Valbridge Property Advisors



Arthur L. Schwertz, MAI  
 Senior Managing Director  
 Kentucky Certified General  
 Real Property Appraiser #5470

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## Summary of Salient Facts

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### Property Identification

Property Name	Delaplain Disposal Company
Property Address	W Yusen Way Georgetown, Scott County, Kentucky 40324
Latitude & Longitude	38.28586, -84.555967
Tax Parcel Number	161-20-002.000
Property Owner	Delaplain Disposal Company

### Site

Zoning	Residential and Industrial (R-1, R-1B and I-1)
FEMA Flood Map No.	0
Flood Zone	0
Fee Simple Site Area	1.501 acres
Residential Easement Area	8.902 acres
Industrial Easement Area	4.133 acres

### Valuation Opinions

Highest & Best Use - As Vacant	Residential Easement Land - Single Family Residential; Industrial Easement Land - Industrial
Reasonable Exposure Time	Less than 12 months
Reasonable Marketing Time	Less than 12 months

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### Value Indications

Approach to Value	As Is	As Is
Sales Comparison	\$681,500	\$195,000
Cost	Not Developed	Not Developed
Income Capitalization	Not Developed	

### Value Conclusions

Component	As Is	As Is
Value Type	Market Value	Market Value
Property Rights Appraised	Easement	Fee Simple
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# Aerial and Front Views

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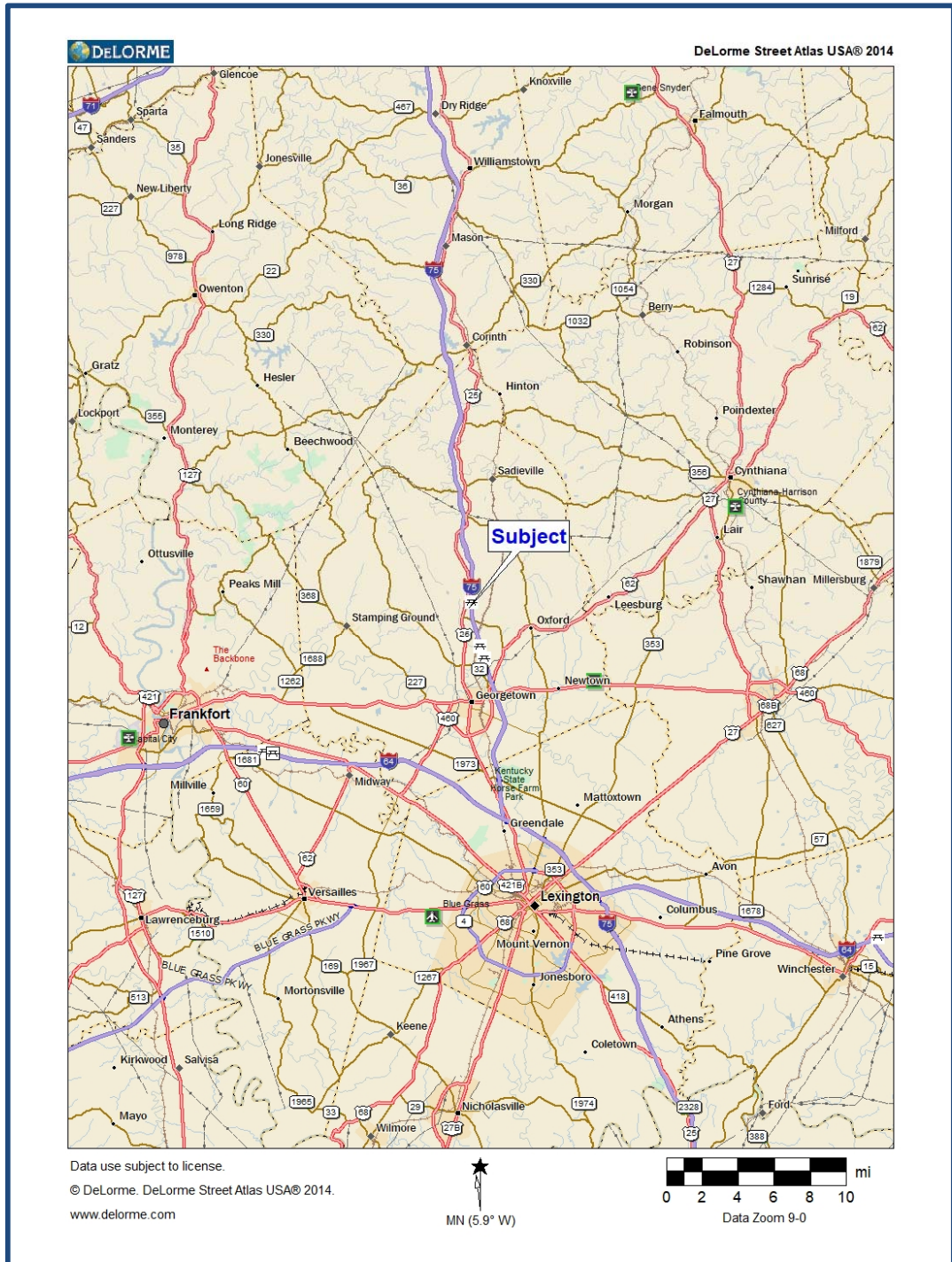
**AERIAL VIEW**



**FRONT VIEW**



# Location Map



# Introduction

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## Client and Intended Users of the Appraisal

The client in this assignment is Central States Water Resource and the sole intended user of this report is Central States Water Resources. Under no circumstances shall any of the following parties be entitled to use or rely on the appraisal or this appraisal report:

- i. The borrower(s) on any loans or financing relating to or secured by the subject property,
- ii. Any guarantor(s) of such loans or financing; or
- iii. Principals, shareholders, investors, members or partners in such borrower(s) or guarantors.

## Intended Use of the Appraisal

The sole intended use of this report is for regulatory filings.

## Real Estate Identification

The subject property is located at W Yusen Way, Georgetown, Scott County, Kentucky 40324. The subject property is further identified by the tax parcel number 161-20-002.000. The appraised property is comprised of a fee simple site (sewer plant site) which contains 1.5014 Acres. In addition, to the Fee Simple site, the appraised properties include approximately 23,469 LF of utility easements through the Residential Subdivisions of Deer Run, Moonlake Estates, Shuttle Run and Riffton Meadows and approximately 12,000 LF of utility easements through the Industrial Park. Said easements contain a total of approximately 387,765 square feet of Residential land and 180,012 square feet of Industrial Land.

## Legal Description

Fee Simple - 1.5014 Acre Parcel in Delaplain Industrial Park; Easements - In addition to the Fee Simple site, the appraised properties include approximately 23,469 LF of utility easements through the Residential Subdivisions of Deer Run, Moonlake Estates, Shuttle Run and Riffton Meadows and approximately 12,000 LF of utility easements through the Industrial Park. Said easements contain a total of approximately 387,765 square feet of Residential land and 180,012 square feet of Industrial Land.

## Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was a utility property.

## Use of Real Estate as Reflected in this Appraisal

The opinion of value for the subject as is reflects use as a utility property.

## Ownership of the Property

According to County Records, title to the subject property is vested in Delaplain Disposal Company.



## History of the Property

Ownership of the subject property has not changed within the past three years.

## Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale.

## Type and Definition of Value

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

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."*<sup>1</sup>

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

## Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Easement Interest	July 23, 2019
As Is Market Value of the Fee Simple Interest	July 23, 2019

We completed an appraisal inspection of the subject property on 07-23-2019.

## Date of Report

The date of this report is 08-12-2019.

<sup>1</sup> Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

### List of Items Requested but Not Provided

- None

### Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

#### Extraordinary Assumptions

- None

#### Hypothetical Conditions

- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

## Scope of Work

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The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

### Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via public Records.
- Economic Characteristics - Economic characteristics of the subject property were identified via information provided by the client, market surveys, discussions with market participants, and our database, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via a general inspection of the property by the appraiser.

### Extent to Which the Property Was Inspected

We inspected the subject on 07-23-2019.

### Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type.

### Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Direct Capitalization: Land Residual Method - The land residual methodology involves estimating the residual net income to the land by deducting from total potential income the portion attributable to the improvements, assuming development of the site at its highest and best use. The residual income is capitalized at an appropriate rate, resulting in an indication of land value.

- Direct Capitalization: Ground Rent Capitalization – A market derived capitalization rate is applied to the net income resulting from a ground lease. This can represent the leased fee or fee simple interest, depending on whether the income potential is reflective of a lease in place or market rental rates.
- Yield Capitalization: Subdivision Development Method – Also known as Discounted Cash Flow Analysis (DCF), the methodology is most appropriate for land having multiple lot development in the near term as the highest and best use. The current site value is represented by discounting the anticipated cash flow to a present value, taking into consideration all necessary costs of development, maintenance, administration, and sales throughout the absorption period.

All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment, we relied upon the sales comparison approach. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

### Appraisal Conformity and Report Type

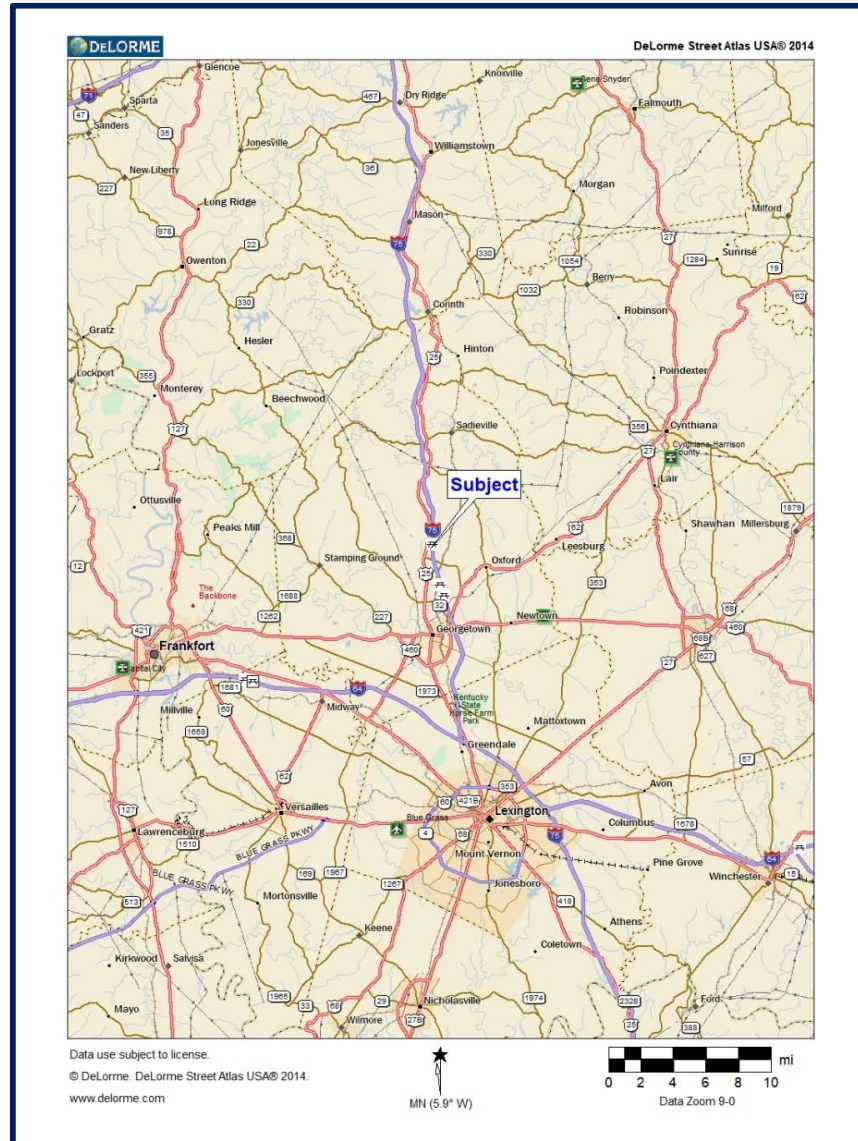
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

### Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

# Regional and Market Area Analysis

## REGIONAL MAP



### Overview

The subject is located in Georgetown, in Scott County. It is part of the Lexington MSA. The Lexington MSA is home to several large corporations. Sizable employment is generated by four Fortune 500 companies: Xerox (which acquired Affiliated Computer Services), Lexmark International, Lockheed-Martin, and IBM, employing 3,000, 2,800, 1,705, and 552, respectively. United Parcel Service, Trane, and Amazon.com, Inc. have large operations in the MSA, and Toyota Motor Manufacturing Kentucky is located in adjoining Georgetown. A Jif peanut butter plant located here produces more peanut butter than any other factory in the world.

## Population

Population characteristics relative to the subject property are presented in the following table.

### Population

Area	2000	2010	Annual %	Estimated 2019	Projected 2024	Annual %
			Change 2000 - 10			Change 2019 - 24
United States	281,421,906	308,745,538	1.0%	332,417,793	345,487,602	0.8%
Kentucky	4,041,769	4,339,367	0.7%	4,582,010	4,699,576	0.5%
Lexington-Fayette, KY MSA	408,327	472,099	1.6%	522,484	552,118	1.1%
Georgetown City, KY	19,084	29,013	5.2%	36,527	40,659	2.3%

Source: Site-to-Do-Business (STDB Online)

## Transportation

Major transportation routes in the larger area include Interstates 64 and 75 which intersect in Lexington, Kentucky.

## Employment

The largest employments sectors in Lexington MSA include Services, Retail Trade and Manufacturing.

### Employment by Industry - Lexington-Fayette, KY MSA

Industry	2019 Estimate	Percent of Employment
Agriculture/Mining	5,797	2.20%
Construction	14,493	5.50%
Manufacturing	31,094	11.80%
Wholesale trade	6,851	2.60%
Retail trade	31,621	12.00%
Transportation/Utilities	10,277	3.90%
Information	3,689	1.40%
Finance/Insurance/Real Estate Services	12,385	4.70%
Services	136,760	51.90%
Public Administration	10,277	3.90%
<b>Total</b>	<b>263,507</b>	<b>100.0%</b>

Source: Site-to-Do-Business (STDB Online)

## Unemployment

The following table exhibits current and past unemployment rates as obtained from the Bureau of Labor Statistics. Overall, the Region boasts one of the lowest unemployment rates for metropolitan statistical areas in the country at 3.6 percent.

### Unemployment Rates

Area	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	YE 2018	YTD 2019
United States	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%	3.9%	3.6%
Kentucky	8.1%	7.7%	5.5%	5.3%	5.2%	4.4%	4.3%	4.0%
Lexington-Fayette, KY MSA	5.8%	5.2%	3.6%	3.6%	3.5%	3.0%	3.0%	3.9%
Georgetown City, KY	5.5%	4.8%	3.4%	4.1%	3.7%	3.2%	3.0%	3.6%

*Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted*

### Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA and county compare favorably to the state and the country.

### Median Household Income

Area	Estimated 2019	Projected 2024	Annual % Change 2019 - 24
United States	\$60,548	\$69,180	2.9%
Kentucky	\$49,381	\$54,938	2.3%
Lexington-Fayette, KY MSA	\$58,200	\$67,818	3.3%
Georgetown City, KY	\$64,164	\$74,880	3.3%

*Source: Site-to-Do-Business (STDB Online)*

## Site Description

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The subject site is located in the residential subdivisions of Deer Run, Moonlake Estates, Shuttle Run and Riffton Meadows as well as the Delaplain Industrial Park. The characteristics of the site are summarized as follows:

### Site Characteristics

Gross Land Area:	1.50 Acres or 65,401 SF
Usable Land Area:	1.50 Acres or 65,401 SF
Usable Land %:	100.0%
Shape:	Irregular
Average Depth:	feet
Topography:	Level to Rolling
Drainage:	Typical of the Area
Grade:	At street grade
Utilities:	Typical of the Area
Off-Site Improvements:	None
Interior or Corner:	Interior
Signalized Intersection:	No:
Excess or Surplus Land:	None

### Street Frontage / Access

Frontage Road	Primary
Street Name:	West Yusen Way
Street Type:	Access Easement
Frontage (Linear Ft.):	20.00

### Additional Access

Alley Access:	No
Water or Port Access:	No
Rail Access:	No

### Flood Zone Data

Flood Zone:	The subject is not in a flood zone.
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### Other Site Conditions

Soil Type:	Typical of the Area
Environmental Issues:	The appraiser did not note any known environmental hazards during his inspection.
Easements/Encroachments:	None



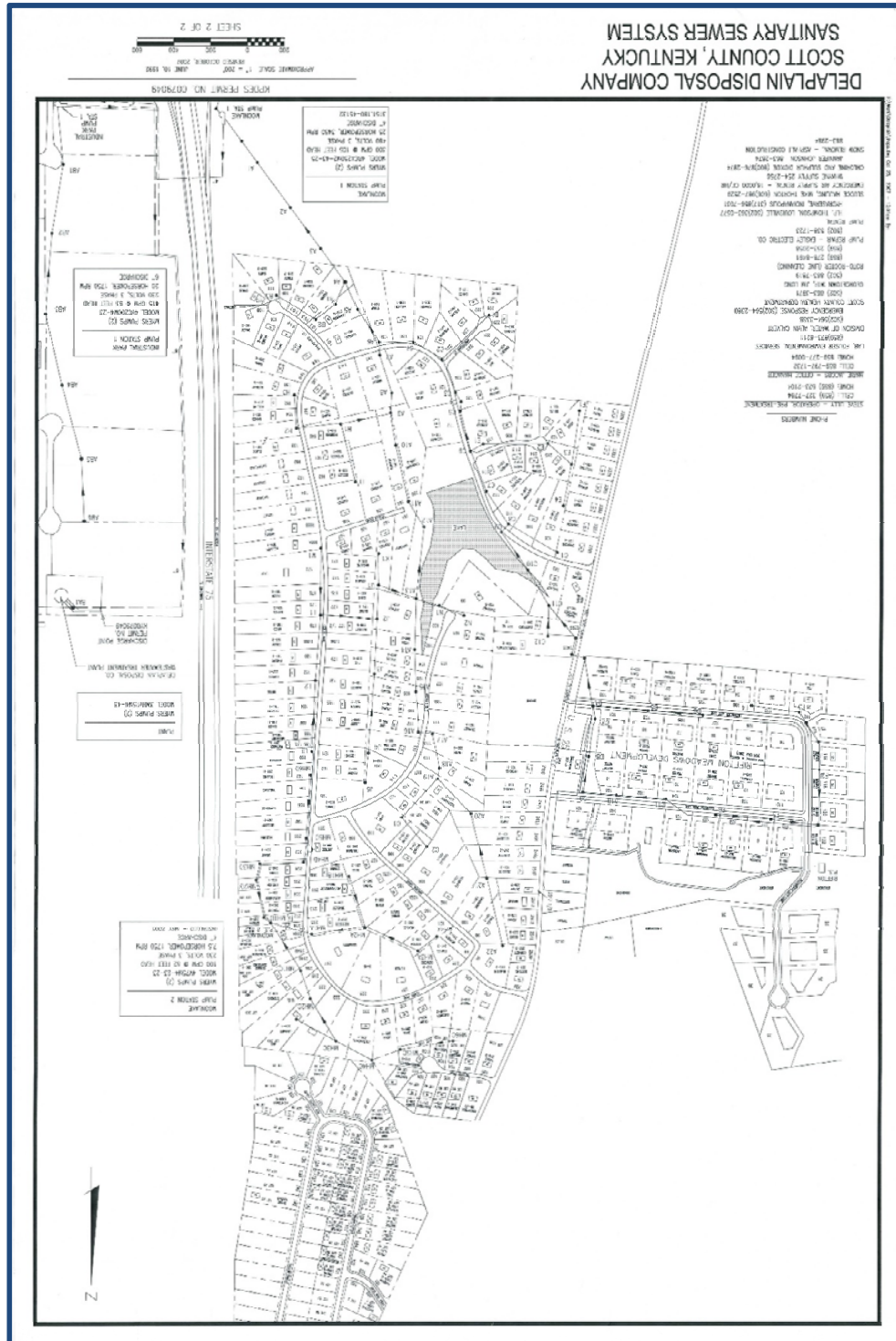
### Site Ratings

Access: Good  
Visibility: Average

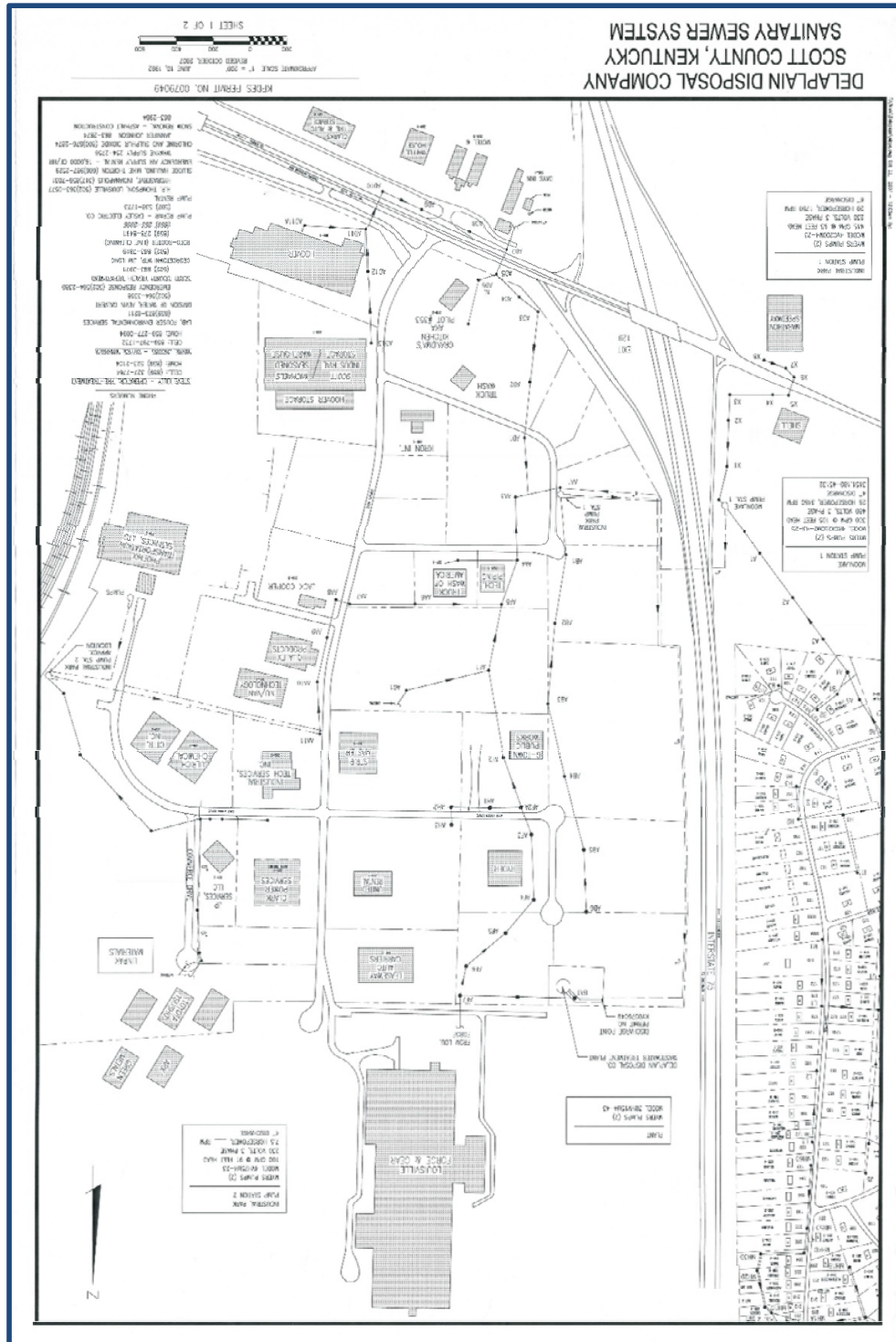
### Zoning Designation

Zoning Jurisdiction: Scott County  
Zoning Classification: R-1, R-1B and I-1, Residential and Industrial  
Permitted Uses: Residential and Industrial  
Zoning Comments: The fee simple site is zoned I-1, Industrial along with the easement land in the Industrial Park. The easement land in the residential subdivisions is zoned R-1 and R-1B.

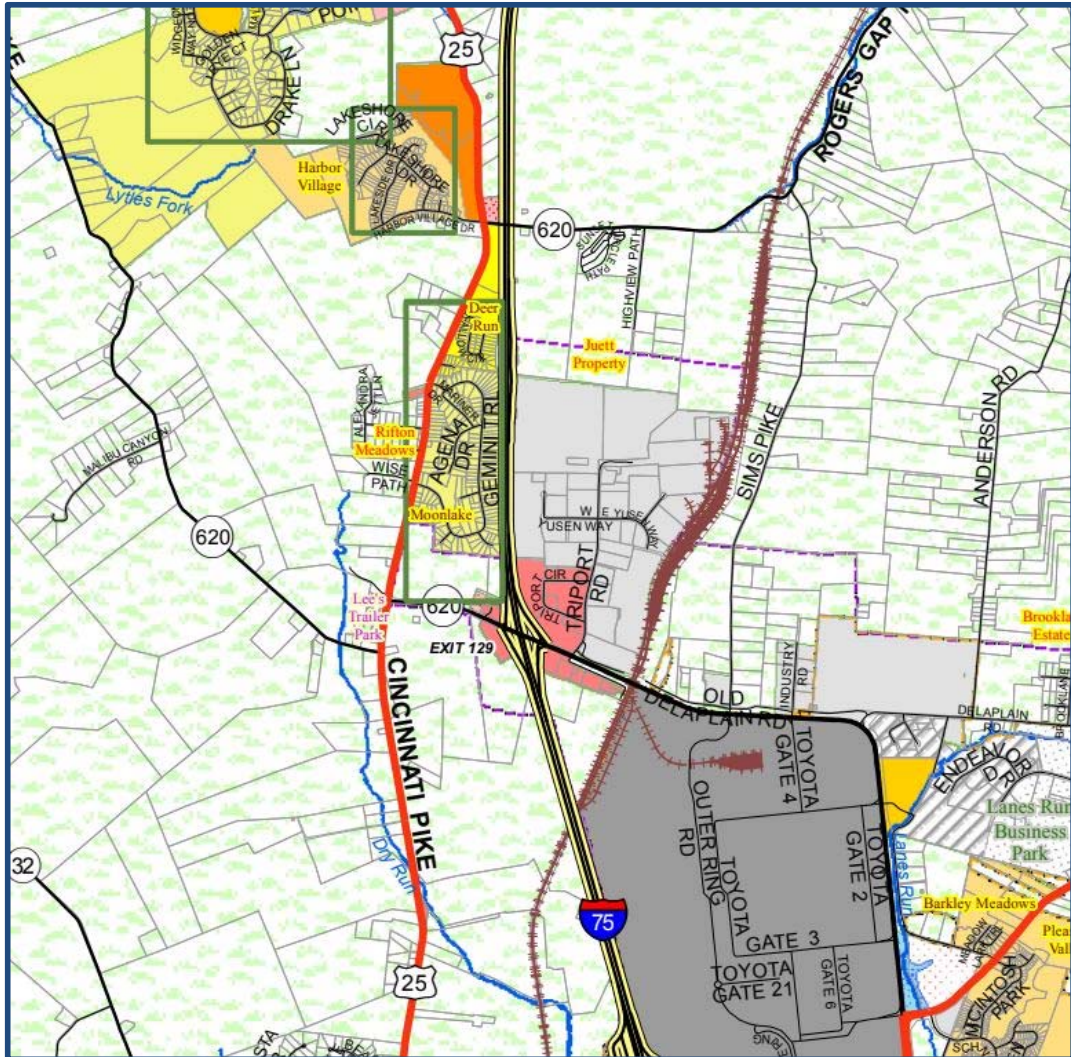
**SURVEY**



**SITE SURVEY**



**ZONING MAP**



## Subject Photos

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Typical Servitude



Typical Servitude



Typical Servitude Area

## Highest and Best Use

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The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

### Analysis of Highest and Best Use As If Vacant

The primary determinants of the highest and best use of the property as if vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

#### Legally Permissible

The subject site is zoned R-1, R-1B and I-1, Residential and Industrial which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

#### Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. There are no items of a physical nature that would materially limit appropriate and likely development.

#### Financially Feasible

The probable use of the site for residential and industrial development conforms to the pattern of land use in the market area. A review of published yield, rental and occupancy rates suggest that there is a balanced supply and demand is sufficient to support construction costs and ensure timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is marginally financially feasible.

#### Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for residential easement land - single family residential; industrial easement land - industrial use.

#### Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for residential easement land - single family residential; industrial easement land - industrial use.

### Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is owner-user.

# Land Valuation

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## Methodology

Site Value is most often estimated using the sales comparison approach. This approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on the principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

The process of developing the sales comparison approach consists of the following analyses: (1) researching and verifying transactional data, (2) selecting relevant units of comparison, (3) analyzing and adjusting the comparable sales for differences in various elements of comparison, and (4) reconciling the adjusted sales into a value indication for the subject site.

## Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is per usable square foot.

## Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location and (7) physical characteristics.

## Comparable Sales Data

To obtain and verify comparable sales of vacant land properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, and a review of our internal database.

We included three sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property.

The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.





**Land Sales Summary**

	Subject	Sale # 1	Sale # 2	Sale # 3
Sale ID				
Sale Status				
Location	W Yusen Way Georgetown, Kentucky	331 E Yusen Way Georgetown, Kentucky	411 Triport Road Georgetown, Kentucky	Etter Lane Georgetown, Kentucky
Tax ID	161-20-002.000	161-40-018.001	161-20-011.000	168-30-069.001
<b>Sales Data</b>				
Date of Sale	July-19	5/13/2016	6/14/2016	1/11/2018
Sales Price		\$215,000	\$120,000	\$195,000
Price/Usable Square Foot		\$2.08	\$1.10	\$3.55
Grantor		Santa Barbara Land Corp.	Gary and Richard Kirschner	Grace and Edmond Karam
Grantee		United Property Holdings, LLC	Hiserbob, LLC	American Mini- Storage of Kentucky, Inc.
Book/Page Number		377/524	379/557	394/284
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing		Typical	Typical	Typical
Conditions of Sale		Typical	Typical	Typical
<b>Physical Characteristics</b>				
Usable Land Area (Sq. Ft.)		103,237	108,850	54,886
Gross Land Area (Sq. Ft.)		103,237	130,244	54,886
Zoning		Industrial	Industrial	Industrial
Shape		Irregular	Irregular	Pie-Shaped
Corner Exposure		Interior	Interior	Interior
Access/Visibility		Average/Average	Average/Average	Average/Average

## Land Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment was applied if inferior. A summary of the elements of comparison follows.

## Transaction Adjustments

Transaction adjustments include (1) real property rights conveyed, (2) financing terms, (3) conditions of sale and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

### Real Property Rights Conveyed

Real property rights conveyed influence sale prices and must be considered when analyzing a sale comparable. The appraised value and sale comparables all reflect the fee simple interest with no adjustments required.

### Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms. All of the sale comparables involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

### Conditions of Sale

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value. The sale comparables do not indicate any condition of sale adjustments were warranted for atypical conditions or for-sale listings.

### Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, and/or costs to remediate environmental contamination.

The relevant figure is not the actual cost incurred, but the cost anticipated by both the buyer and seller. Unless the sales involved expenditures anticipated upon the purchase date, no adjustments to the comparable sales are required for this element of comparison. The parties to these transactions did not anticipate expenditures were required immediately after purchase; therefore, no adjustments were warranted.

## Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

The sale comparables represent recent sale transactions and current listings near the date of value with no market conditions adjustments necessary.

## Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion analyzes each adjustment category deemed applicable to the subject property.

### Location

Location adjustments may be required when the locational characteristics of a comparable property are different from those of the subject property. These include, but are not limited to, general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors.

The subject property is located along West Yusen Way with good access and average visibility. Land Sale 3 has been adjusted downward for its superior location.

### Size

The size adjustment addresses variance in the physical size of the comparables and that of the subject, as a larger parcel typically commands a lower price per unit than a smaller parcel. This inverse relationship is due, in part, to the principle of "economies of scale."

The subject property consists of 1.50 gross acres (65,401 gross square feet), and 1.50 acres (65,401 square feet) of useable land area. The sales range in size from 54,886 to 108,850 square feet and required size adjustments. We applied an adjustment factor of approximately 5% per doubling to each sale, resulting in total adjustments ranging from -2.0% to 3.0%.

### Corner Exposure

Tracts with major street influence tend to bring higher prices than otherwise comparable secondary street locations. Additionally, tracts featuring corner influence typically command higher prices in the market place, as opposed to interior locations. For retail users, the hard corner of an intersection may be marketed to a fairly large pool of small users (e.g. service stations, fast food restaurants, etc.) for sale. No adjustments appear warranted.

## Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

**LAND SALES ADJUSTMENT GRID**

	Subject	Sale # 1	Sale # 2	Sale # 3
Sale ID				
Date of Value & Sale	July-19	February-19	February-19	February-19
Unadjusted Sales Price		\$214,900	\$245,000	\$167,000
Residual Land Value		\$53,725	\$61,250	\$41,750
Usable Square Feet	387,765	45,302	27,443	18,060
<b>Unadjusted Sales Price per Usable Sq. Ft.</b>		<b>\$1.19</b>	<b>\$2.23</b>	<b>\$2.31</b>
<b>Transactional Adjustments</b>				
<b>Property Rights Conveyed</b>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjusted Sales Price		\$1.19	\$2.23	\$2.31
<b>Financing Terms</b>	<i>Cash to Seller</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>
Adjusted Sales Price		\$1.19	\$2.23	\$2.31
<b>Conditions of Sale</b>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>
Adjusted Sales Price		\$1.19	\$2.23	\$2.31
<b>Expenditures after Sale</b>				
Adjustment		-	-	-
<b>Adjusted Sales Price</b>		<b>\$1.19</b>	<b>\$2.23</b>	<b>\$2.31</b>
<b>Market Conditions Adjustments</b>				
<b>Elapsed Time from Date of Value</b>		<i>0.40 years</i>	<i>0.40 years</i>	<i>0.42 years</i>
Market Trend Through	July-19	-	-	-
<b>Analyzed Sales Price</b>		<b>\$1.19</b>	<b>\$2.23</b>	<b>\$2.31</b>
<b>Physical Adjustments</b>				
<b>Location</b>	<i>W Yusen Way Georgetown, Kentucky</i>	<i>100 Agena Drive Georgetown, Kentucky</i>	<i>240 Gemini Trail Georgetown, Kentucky</i>	<i>104 Sheppard Georgetown, Kentucky</i>
Adjustment		-	-	10.0%
<b>Size</b>		<i>45,302 sf</i>	<i>27,443 sf</i>	<i>18,060 sf</i>
Adjustment		-	-	-
<b>Corner Exposure</b>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>
Adjustment		-	-	-
Net Physical Adjustment		-	-	10.0%
<b>Overall Net Relative Comparison</b>		<b>Superior</b>	<b>Superior</b>	<b>Similar</b>
<b>Adjusted Sales Price per Usable Square Foot</b>		<b>\$1.19</b>	<b>\$2.23</b>	<b>\$2.54</b>

### Conclusion - Sewer Plant Site

From the market data available, we used land sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted unit prices:

#### Land Sale Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sales Price per Usable Square Foot	\$1.19	\$1.19	\$1.19
Maximum Sales Price per Usable Square Foot	\$3.22	\$3.22	\$3.22
Median Sales Price per Usable Square Foot	\$2.27	\$2.27	\$2.39
Mean Sales Price per Usable Square Foot	\$2.24	\$2.24	\$2.30

Based on the adjusted prices and the most comparable sale, a unit value for the subject property is near the upper end of the adjusted range, or \$3.00 per usable square foot. This indicates a market value of \$195,000 for the fee simple interest in the sewer plant site.

### Conclusion - Market Value of the Easements

The subject easements will be valued herein utilizing only the Sales Comparison Approach to Value. They will be valued based upon a comparison with sales of comparably located sites in the immediate area of the subject sites which are more functionally useable in size and shape. This will give an Across the Fence or ATF value from which the market value of the corridor interest can be determined.

Based on the foregoing analysis, the estimated unit value for the subject property is approximately \$3.00 per usable square foot. Thus, the estimated "Across the Fence Value" of the Fee Simple Interest in the subject servitudes is calculated to be \$1,703,500.

### Valuation of the Servitude

The use to which the subject servitudes will be put to is for underground water and sewer pipes. As such, little or no surface improvements will be possible, but access across the surface will be allowed. It is my opinion, therefore, that such a servitude will encumber approximately 40% of the ownership rights in the subject properties.

Thus, based upon the assumptions, reasoning and comparable data discussed herein, the estimated "Market Value" of the subject servitudes is calculated as follows:

#### Calculation of Easement Value

	Site Area		Unit Value		Market Value of Fee	Easement Use	Value of
Residential Easements	387,765 square feet	X	\$3.00 PSF	=	\$1,163,500	X 40%	\$465,500
Industrial Easements	180,012 square feet	X	\$3.00 PSF	=	\$540,000	X 40%	\$216,000
Total Market Value of Easements							\$681,500

## Valuation Summary

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

### Value Indications

Approach to Value	As Is	As Is
Sales Comparison	\$681,500	\$195,000
Cost	Not Developed	Not Developed
Income Capitalization	Not Developed	

### Value Conclusions

Component	As Is	As Is
Value Type	Market Value	Market Value
Property Rights Appraised	Easement	Fee Simple
Effective Date of Value	July 23, 2019	July 23, 2019
<b>Value Conclusion</b>	<b>\$681,500</b>	<b>\$195,000</b>
	<b>\$1.28 psf</b>	<b>\$2.98 psf</b>

To reach a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach. Given the availability and reliability of data within the Sales Comparison Approach, we gave this approach primary weight in arriving at our final value conclusions. Furthermore, land properties such as the subject property are typically purchased by owner-users, who primarily rely upon the methods employed by the Sales Comparison Approach.

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions:

- None

#### Hypothetical Conditions:

- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

#### Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of less than 12 months and less than 12 months, respectively, are considered reasonable and appropriate for the subject property.

## General Assumptions and Limiting Conditions

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This appraisal is subject to the following general assumptions and limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | New Orleans will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | New Orleans is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | New Orleans and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors |New Orleans.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.



22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and 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. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an 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 could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

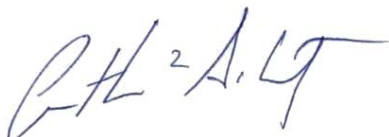
35. You and Valbridge Property Advisors | New Orleans both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | New Orleans and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | New Orleans or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | New Orleans for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | New Orleans shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | New Orleans. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | New Orleans and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | New Orleans harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | New Orleans in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by VPA of South Louisiana, Inc.. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

## Certification – Arthur L. Schwertz

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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, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. **Arthur L. Schwertz has personally inspected the subject property.**
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Arthur L. Schwertz, MAI  
Senior Managing Director  
Kentucky Certified General  
Real Property Appraiser #5470

# Addenda

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Glossary

Qualifications

- Arthur L. Schwertz, MAI - Senior Managing Director

Information on Valbridge Property Advisors

Office Locations

## Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

### Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

### Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4<sup>th</sup> Ed.)

### Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

### Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A

conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

#### Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

#### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ( $DCR = NOI/Im$ ), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

#### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

#### Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

#### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and

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. (Dictionary)

#### Easement

The right to use another's land for a stated purpose. (Dictionary)

#### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

#### Effective Date

The date on which the appraisal or review opinion applies. (SVP)

In a lease document, the date upon which the lease goes into effect. (Dictionary)

#### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

### Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

### EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

### Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

### Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

### Exposure Time

The time a property remains on the market. The 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. (Dictionary)

### Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

### Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

### Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's



operating and fixed expenses; also called a *full service lease*. (Dictionary)

#### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

#### Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

#### Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

#### Gross leasable area plus all common areas.

For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

#### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

#### Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

#### Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

#### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

#### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

#### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

#### Highest and Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

[The] highest and most profitable use for which the property is adaptable and needed or likely

to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

#### Hypothetical Condition

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. (USPAP)

#### Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

#### Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

#### Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

#### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

#### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

#### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

#### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

#### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

#### Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

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. (Dictionary)

#### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

#### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

#### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

#### Market Value

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;

- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

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. (Dictionary)

#### 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)

#### Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

#### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

#### Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e.,  $OER = 1 - NIR$  (Dictionary)

#### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

#### Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

#### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

#### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

#### Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed– reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

#### Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

#### Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

#### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

#### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

#### Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

#### Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

#### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

### Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

### TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

### Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease*, *net net net lease*, or *fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

### Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

### Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

### VTAB

Value of the Total Assets of a Business. The value of a going concern (i.e. the business enterprise). (Dictionary)

Qualifications of Arthur L. Schwertz, MAI  
Senior Managing Director  
Valbridge Property Advisors | South Louisiana



*Independent Valuations for a Variable World*

State Certifications

Certified General in:  
Louisiana  
Mississippi  
Alabama  
Texas  
Virginia  
California

Membership/Affiliations

Member: Appraisal Institute – MAI Designation  
Louisiana Chapter President, 2017  
Member: Celebration Church Administrative Team (Corporate Secretary)

Appraisal Institute & Related Courses

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

Education

Bachelor of Arts  
History  
Louisiana State University

Publications, Seminars Presented, etc.

“Contract or Effective Rent: Finding the Real Rent”, Appraisal Institute, Baton Rouge, Louisiana, 2016.

“Appraising Commercial and Complex Properties in an Historic Area”, Webinar for the Appraisal Institute, 2015.

“The Unique Appraisal: Case Studies in Appraising Special Purpose Properties”, AI Connect 2014 (Appraisal Institute’s National Meeting), Austin, Texas, 2014.

Schwertz, Arthur L. 2014. “History Lesson”, *Valuation Magazine 2<sup>nd</sup> Quarter, 2014*, 12 – 13.

Huso, Deborah R. 2013. “On the Waterfront”, *Valuation Magazine 2<sup>nd</sup> Quarter, 2013*, 22 – 27. (Contributor)

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Experience

Senior Managing Director  
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Vice-President  
Argote, Derbes, Graham, Shuffield & Tatje, Inc. (1992-2013)

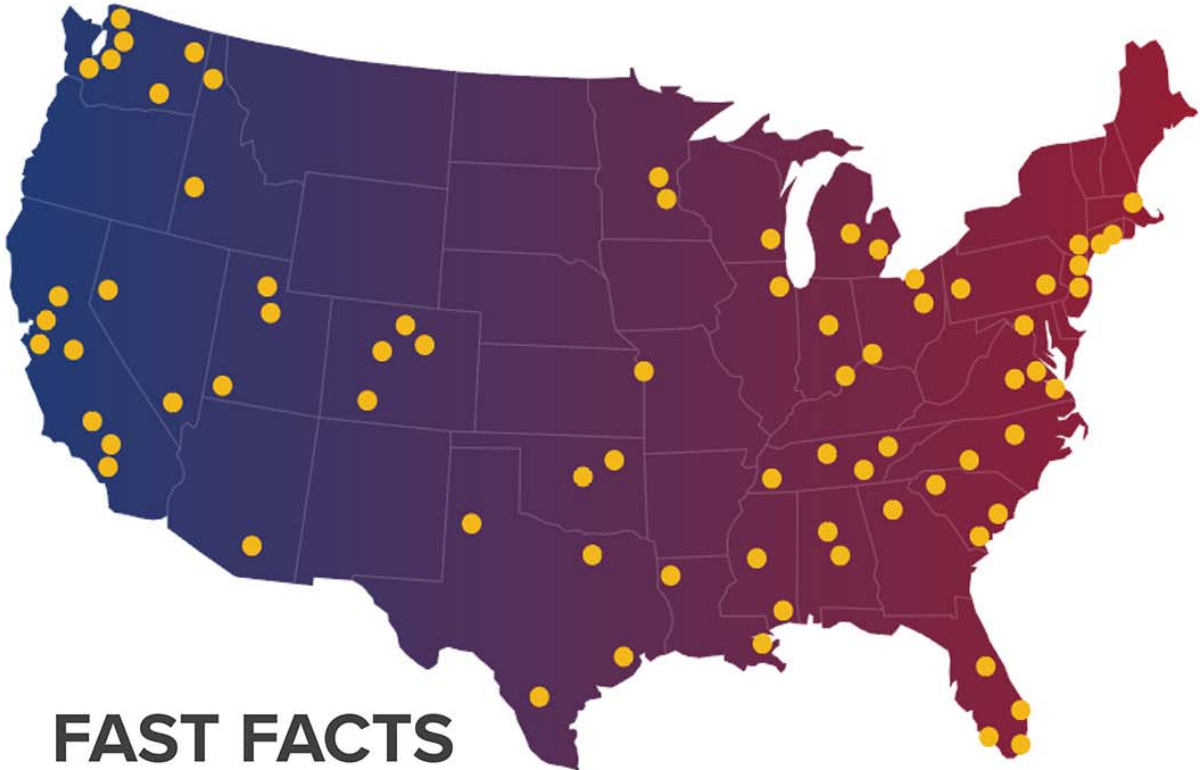
Appraisal/valuation and consulting assignments include (but not limited to): Single-family, condominium, apartments, vacant land, funeral homes, amphitheaters, live performance theaters, office buildings, hospitals, nursing homes, specialized healthcare, hotels/motels, service stations, retail, industrial plants, warehouses, fractional interest valuations, contaminated properties, special purpose properties (port facilities, nuclear reactor simulator facility, shipyards, etc.), senior residential and healthcare facilities, feasibility studies, market studies, condemnation, construction defects, litigation support, mediations, and review appraisals.

Mr. Schwertz has provided valuation services in a wide variety of complex civil litigation including real estate, land use cases, condemnation, estate matters, property taxation, construction defect, and bankruptcy/creditors matters.

Qualified as an expert witness in Jefferson, Orleans, and St. Tammany Parishes, Dallas County, Texas, United States Court of Federal Claims and the Bankruptcy Court for the Middle District of Louisiana.



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### COMPANY INFORMATION

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- Valbridge services all property types, including special-purpose properties and residential.
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## Concise Appraisal Report

River Bluffs Sewer Easements

River Bluff, Oldham County, Kentucky 40059

Report Date: 05-24-2019



FOR:

Central States Water Resource  
Ms. Sandy Neal  
Regional Director of Utility Acquisitions  
500 Northwest Plaza Drive, Suite 500  
St. Ann, Missouri 63074

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Regional Director of Utility Acquisitions  
Central States Water Resource  
500 Northwest Plaza Drive, Suite 500  
St. Ann, Missouri 63074

RE: Appraisal Report  
River Bluffs Sewer Easements  
River Bluff, Oldham County, Kentucky 40059

Dear Ms. Neal:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The subject for this site consists of the utility easements for sewer within River Bluff, Kentucky. Said easements measure approximately 11,982.61 Linear Feet and contain an average width of 10 feet.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The client in this assignment is Central States Water Resource and the intended user of this report is Central States Water Resources and no others. The intended use is for regulatory filings and no other use. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions:

- The easements included in this analysis are for the apparent easements for which the appraiser could find evidence as we were not able to locate a recordation of these easements. There could exist the potential for additional easements. If such easements are located, the appraiser reserves the right to revise his estimate of value.

#### Hypothetical Conditions:

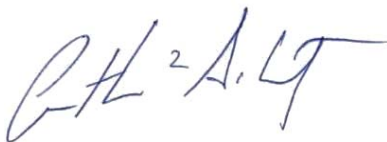
- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

#### Value Conclusions

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple in the Easements
Effective Date of Value	May 15, 2019
<b>Value Conclusion</b>	<b>\$103,000</b>
	<b>\$0.86 psf</b>

Respectfully submitted,  
 Valbridge Property Advisors



Arthur L. Schwertz, MAI  
 Senior Managing Director  
 Kentucky Certified General  
 Real Property Appraiser #5470

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## Summary of Salient Facts

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### Property Identification

Property Name	River Bluffs Sewer Easements
Property Address	Varioius Streets River Bluff, Oldham County, Kentucky 40059
Latitude & Longitude	38.376456, -85.604602
Tax Parcel Number	
Property Owner	River Bluff Kentucky Farm Inc.

### Site

Zoning	Conservation/Residential District (CO-1)
FEMA Flood Map No.	21185C0090C
Flood Zone	X
Primary Land Area	2.751 acres

### Valuation Opinions

Highest & Best Use - As Vacant	Single-Family Residential
Reasonable Exposure Time	Less than 12 months
Reasonable Marketing Time	Less than 12 months

### Value Indications

Approach to Value	As Is
Sales Comparison	\$103,000
Cost	Not Developed
Income Capitalization	Not Developed

### Value Conclusions

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple in the Easements
Effective Date of Value	May 15, 2019
<b>Value Conclusion</b>	<b>\$103,000</b>
	<b>\$0.86 psf</b>

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions:

- The easements included in this analysis are for the apparent easements for which the appraiser could find evidence as we were not able to locate a recordation of these easements. There could exist the potential for additional easements. If such easements are located, the appraiser reserves the right to revise his estimate of value.

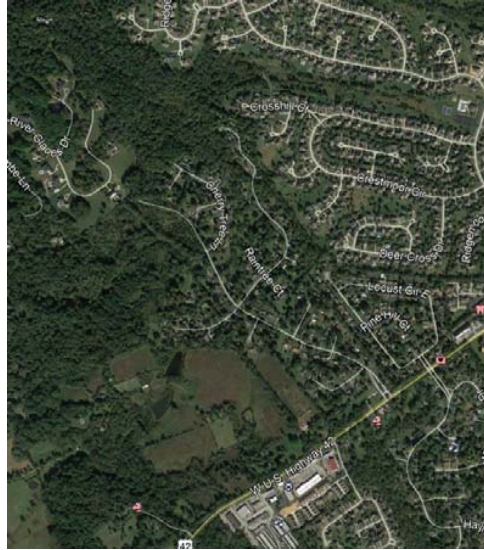
### Hypothetical Conditions:

- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

## Aerial and Front Views

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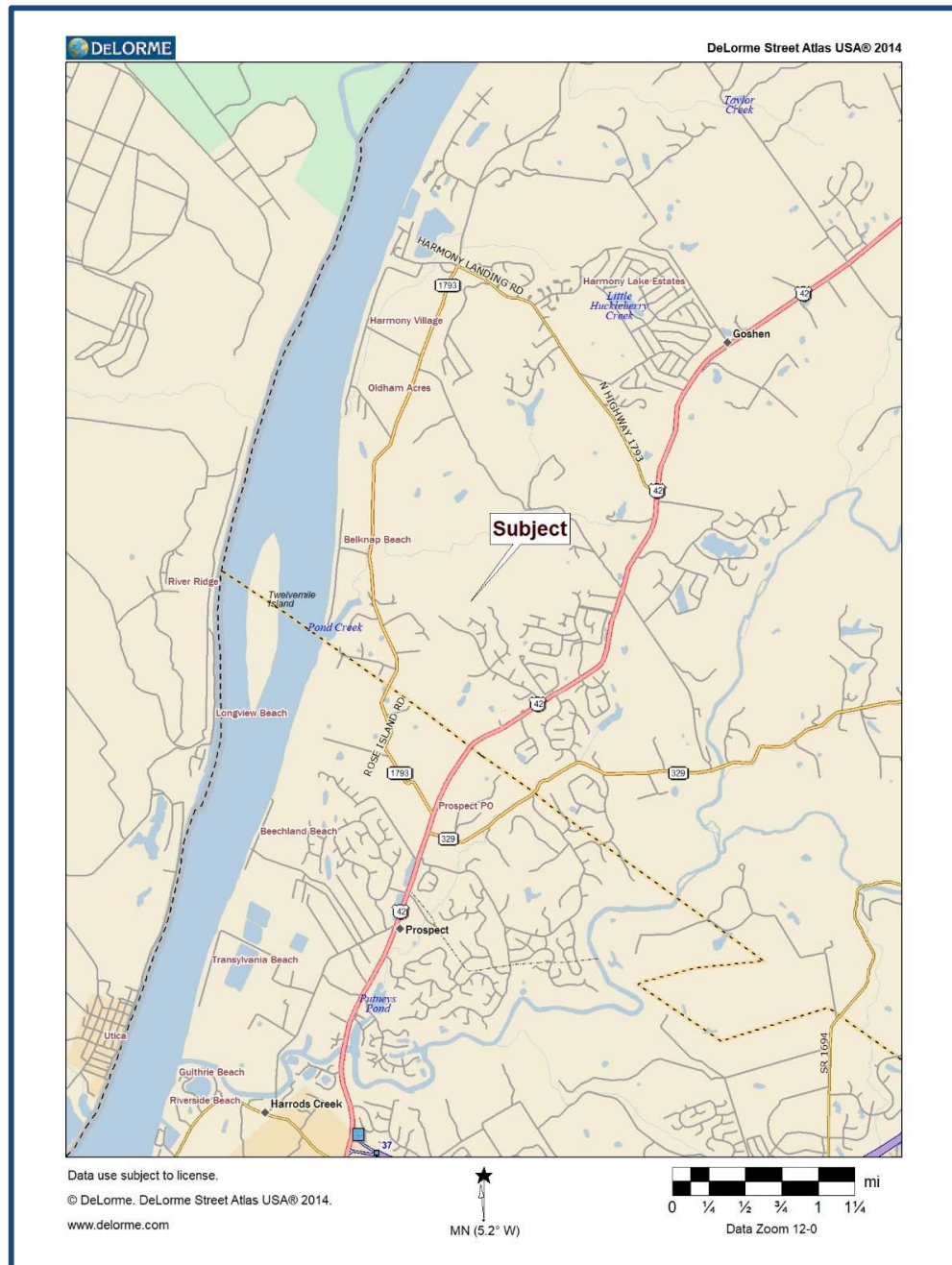
**AERIAL VIEW**



**FRONT VIEW**



# Location Map





# Introduction

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## Client and Intended Users of the Appraisal

The client in this assignment is Central States Water Resource and the intended user of this report is Central States Water Resources and no others.

## Intended Use of the Appraisal

The intended use of this report is regulatory filings and no other use.

## Real Estate Identification

The subject for this site consists of the utility easements for sewer within River Bluff, Kentucky. Said easements measure approximately 11,982.61 Linear Feet and contain an average width of 10 feet.

## Legal Description

Lot 106, Section 3, Oldham County, City of River Bluff, Kentucky

## Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was a property.

## Use of Real Estate as Reflected in this Appraisal

The subject is a subdivision-residential land property.

## Ownership of the Property

According to Public Records, title to the subject property is vested in River Bluff Kentucky Farm Inc..

## History of the Property

Ownership of the subject property has not changed within the past three years.

## Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale.

## Type and Definition of Value

The appraisal problem (the term "Purpose of Appraisal" has been retired from appraisal terminology) is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*

- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.”<sup>1</sup>*

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date(s) of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

### Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Fee Simple in the Easements Interest	May 15, 2019

We completed an appraisal inspection of the subject property on 05-15-2019.

### Date of Report

The date of this report is 05-24-2019, which is the same as the date of the letter of transmittal.

### List of Items Requested but Not Provided

- None

### Assumptions and Conditions of the Appraisal

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions

- The easements included in this analysis are for the apparent easements for which the appraiser could find evidence as we were not able to locate a recordation of these easements. There could exist the potential for additional easements. If such easements are located, the appraiser reserves the right to revise his estimate of value.

#### Hypothetical Conditions

- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

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<sup>1</sup> Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

## Scope of Work

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The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

### Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via public Records.
- Economic Characteristics - Economic characteristics of the subject property were identified via information provided by the client, market surveys, discussions with market participants, and our database, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via an appraisal inspection consisted of exterior observations only as the appraisal is to assume the site is vacant and ready for development.

### Extent to Which the Property Was Inspected

We inspected the subject on 05-15-2019.

### Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type.

### Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

There are four primary methodologies available for the estimation of land value: (1) Sales Comparison, (2) Land Residual Method, (3) Ground Rent Capitalization, and (4) Subdivision Development Method (Discounted Cash Flow). While other methods, such as Extraction and Allocation, are applicable under limited conditions, one or more of these approaches are used in most circumstances to derive an indication of land value.

- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Direct Capitalization: Land Residual Method - The land residual methodology involves estimating the residual net income to the land by deducting from total potential income the

portion attributable to the improvements, assuming development of the site at its highest and best use. The residual income is capitalized at an appropriate rate, resulting in an indication of land value.

- Direct Capitalization: Ground Rent Capitalization – A market derived capitalization rate is applied to the net income resulting from a ground lease. This can represent the leased fee or fee simple interest, depending on whether the income potential is reflective of a lease in place or market rental rates.
- Yield Capitalization: Subdivision Development Method – Also known as Discounted Cash Flow Analysis (DCF), the methodology is most appropriate for land having multiple lot development in the near term as the highest and best use. The current site value is represented by discounting the anticipated cash flow to a present value, taking into consideration all necessary costs of development, maintenance, administration, and sales throughout the absorption period.

All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment, we relied upon the sales comparison approach. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

### Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

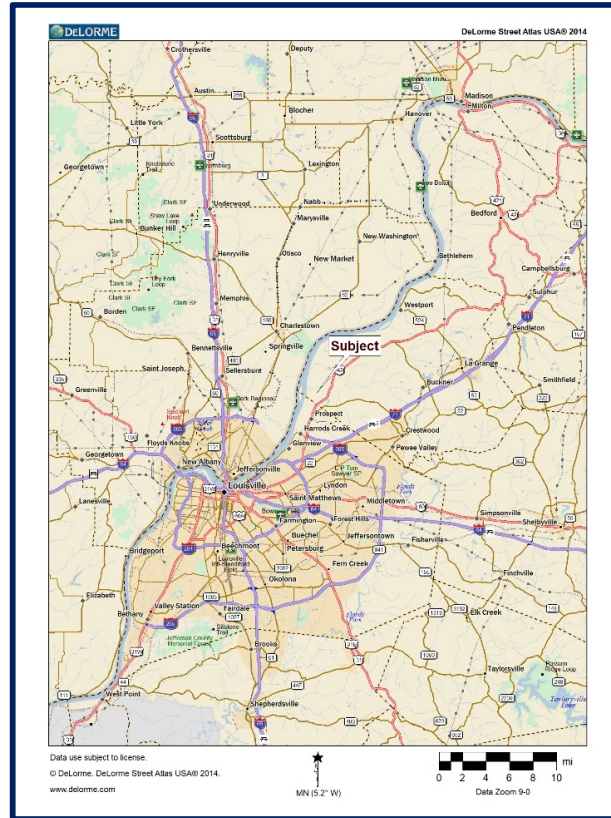
This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a. USPAP gives appraisers flexibility to vary the level of information presented in the report dependent on the intended use and intended users of the appraisal. The appraisal is presented in a Concise format which briefly summarizes the data, reasoning, and analyses used in the appraisal assignment.

### Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

# Regional and Market Area Analysis

## REGIONAL MAP



### Overview

The subject is located in River Bluff, in Oldham County. It is part of the Louisville, KY-IN MSA. The Greater Louisville region is made up of 15 counties surrounding the Greater Louisville and Southern Indiana areas, home to more than 1.4 million people and over 58,000 businesses.

### Population

Population characteristics relative to the subject property are presented in the following table.

#### Population

Area			Annual %	Estimated	Projected	Annual %
	2000	2010	Change			2018 - 23
United States	281,421,906	308,745,538	1.0%	330,088,686	343,954,683	0.8%
Kentucky	4,041,769	4,339,367	0.7%	4,548,018	4,665,793	0.5%
Louisville/Jefferson County	1,121,112	1,235,708	1.0%	1,304,874	1,351,952	0.7%
Oldham County, KY	46,178	60,316	3.1%	67,309	72,082	1.4%
River Bluff City, KY	152	403	16.5%	439	464	1.1%

Source: Site-to-Do-Business (STDB Online)

## Transportation

Greater Louisville is within a day's drive of two-thirds of the U.S. population and, as the home of UPS WorldPort, within a day's flight for packages to almost any global destination.

The highway system in Greater Louisville provides one-day access to well over 66 percent of the major domestic markets via Interstates I-65, I-64, and I-71. In addition, a secondary road network provides convenient ingress and egress to the major interstate highways.

Louisville Muhammad Ali International Airport (SDF) provides dependable service to numerous international and domestic gateways; and for FY 2016 through FY 2020, more than \$127 million in capital and major maintenance projects are programmed. Non-stop service is offered to 31 domestic destinations.

The region has 48 private terminals and 3 public inland ports on the Ohio River: Jefferson Riverport International (Kentucky), Meade County Riverport (Kentucky) and Port of Indiana-Jeffersonville (Indiana).

Greater Louisville is served by three Class I railroads – Canadian Pacific (CP), CSX, and Norfolk Southern (NS) – and multiple regional and shortline railroads. Both CSX and NS railroads provide Louisville with direct rail service to all markets east of the Mississippi River, as well as connecting service to the West Coast. The city is also one of four regional hubs for CSX.

## Employment

The Greater Louisville area has a diverse economy due to its location as a hub for UPS as well as being located in the center of Bourbon country. A breakdown by employment sector is as follows:

### Employment by Industry - Louisville/Jefferson County

Industry	2018 Estimate	Percent of Employment
Agriculture/Mining	4,637	0.70%
Construction	35,773	5.40%
Manufacturing	92,084	13.90%
Wholesale trade	18,549	2.80%
Retail trade	70,222	10.60%
Transportation/Utilities	50,348	7.60%
Information	11,262	1.70%
Finance/Insurance/Real Estate Services	51,010	7.70%
Services	308,049	46.50%
Public Administration	20,537	3.10%
<b>Total</b>	<b>662,472</b>	<b>100.0%</b>

*Source: Site-to-Do-Business (STDB Online)*

## Unemployment

The following table exhibits current and past unemployment rates as obtained from the Bureau of Labor Statistics. Overall, the Region boasts one of the lowest unemployment rates for metropolitan statistical areas in the country at 4.0 percent.

### Unemployment Rates

Area	YE 2011	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	2018 YTD
United States	8.5%	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%	3.7%
Kentucky	8.1%	7.7%	5.5%	5.3%	5.2%	4.4%	4.3%	4.0%
Louisville/Jefferson County	7.3%	6.3%	4.6%	4.3%	4.0%	3.4%	3.5%	4.0%
Oldham County, KY	5.4%	5.1%	3.5%	3.4%	3.1%	2.9%	2.9%	3.5%

Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted

### Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA and county compare favorably to the state and the country.

### Median Household Income

Area	Estimated 2018	Projected 2023	Annual % Change 2018 - 23
United States	\$58,100	\$65,727	2.6%
Kentucky	\$47,571	\$53,381	2.4%
Louisville/Jefferson County	\$55,080	\$62,484	2.7%
Oldham County, KY	\$90,544	\$97,846	1.6%
River Bluff City, KY	\$175,542	\$167,538	-0.9%

Source: Site-to-Do-Business (STDB Online)

## Site Description

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The subject site is located on the west side of Creekview Road via an access road. The characteristics of the site are summarized as follows:

### Site Characteristics

Location:	The west side of Creekview Road via an access road
Gross Land Area:	2.75 Acres or 119,826 SF
Usable Land Area:	2.75 Acres or 119,826 SF
Usable Land %:	100.0%
Shape:	Irregular
Average Depth:	10.00 feet
Topography:	Varies
Drainage:	Adequate
Grade:	At street grade
Utilities:	All are available
Off-Site Improvements:	None
Interior or Corner:	Interior
Signalized Intersection:	No: No traffic signal at, or near, the site
Excess Land:	None
Surplus Land:	None

### Street Frontage / Access

Frontage Road	Primary
Street Name:	Creekview Road, Cherry Tree Lane, River Bluff Road, Raintree Court, Dog Tree Court, Apple Tree Lane, River Bluff Court, Elm Lane and Peach Tree Lane
Street Type:	Residential
Frontage (Linear Ft.):	11,982.61

### Additional Access

Water or Port Access:	No
Rail Access:	No

### Flood Zone Data

Flood Map Panel/Number:	21185C0090C
Flood Map Date:	09-20-2006
Flood Zone:	X

Flood hazard areas identified on the Flood Insurance Rate Map are identified as a Special Flood Hazard Area (SFHA). SFHA are defined as the area that will be inundated by the flood event



having a 1-percent chance of being equaled or exceeded in any given year. The 1-percent annual chance flood is also referred to as the base flood or 100-year flood. SFHAs are labeled as Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone A99, Zone AR, Zone AR/AE, Zone AR/AO, Zone AR/A1-A30, Zone AR/A, Zone V, Zone VE, and Zones V1-V30. Moderate flood hazard areas, labeled Zone B or Zone X (shaded) are also shown on the FIRM, and are the areas between the limits of the base flood and the 0.2-percent-annual-chance (or 500-year) flood. The areas of minimal flood hazard, which are the areas outside the SFHA and higher than the elevation of the 0.2-percent-annual-chance flood, are labeled Zone C or Zone X (unshaded).

Site Area in Flood: 100.00%

### Other Site Conditions

Soil Type: Typical

Environmental Issues: No environmental issues were noted at the time of inspection or disclosed by involved parties that would impact value.

### Adjacent Land Uses

North: Residential

South: Residential

East: Land/ Residential

West: Land

### Site Ratings

Access: Average

Visibility: Average

### Zoning Designation

Zoning Jurisdiction: Oldham County

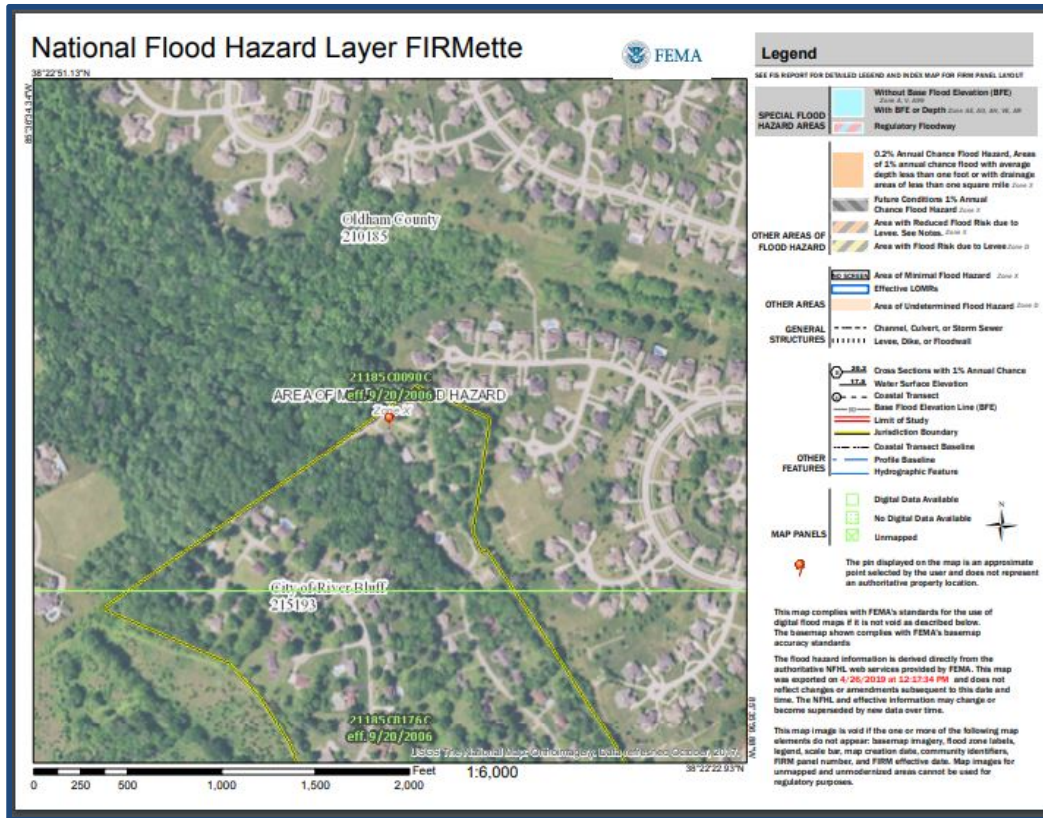
Zoning Classification: CO-1, Conservation/Residential District

General Plan Designation: Conservation and residential

Permitted Uses: Agriculture, community facilities, public parks and recreational, religious institutions, residential, special. utilities

Zoning Comments: The Conservation/Residential District is intended to promote and protect significant natural features, wooded areas, water courses, existing and potential lake sites, other recreational and conservation resources, wildlife habitat, present and future water supplies, and to minimize erosion of soil and the siltation and pollution of streams and lakes.

FLOOD MAP



**ZONING MAP**

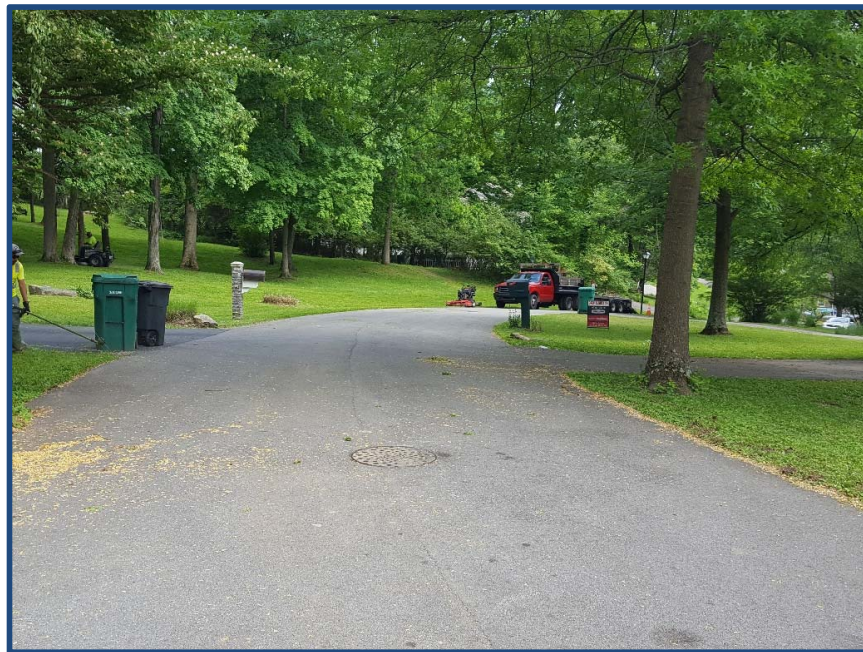


## Subject Photos

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Typical Easement along Street Centerline



Another view along the easements

## Highest and Best Use

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The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

### Analysis of Highest and Best Use As If Vacant

The primary determinants of the highest and best use of the property as if vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

#### Legally Permissible

The subject site is zoned CO-1, Conservation/Residential District which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

#### Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. There are no items of a physical nature that would materially limit appropriate and likely development.

#### Financially Feasible

The probable use of the site for residential subdivision development conforms to the pattern of land use in the market area. A review of published yield, rental and occupancy rates suggest that there is a balanced supply and demand is sufficient to support construction costs and ensure timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is financially feasible.

#### Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for single-family residential use.

#### Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for single-family residential use.

## Land Valuation

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The subject servitudes will be valued herein utilizing only the Sales Comparison Approach to Value. They will be valued based upon a comparison with sales of comparably located sites in the immediate area of the subject sites which are more functionally useable in size and shape. This will give an Across the Fence or ATF value from which the market value of the corridor interest can be determined. This report contains a more specific description of each subject site, the immediate neighborhood of the subject and a description of adjoining land uses and types. It also contains a summary and analysis of the pertinent comparable land sale and listing data used in valuing each site.

### Methodology

Site Value is most often estimated using the sales comparison approach. This approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on the principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

### Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is per usable square foot.

### Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics.

### Comparable Sales Data

To obtain and verify comparable sales of vacant land properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, and a review of our internal database.

We included five sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. It should be noted that since the subject neighborhood is completely built-out, the appraiser has utilized sales of single-family residences. According to interviews with numerous builders, typically 25% of a home's sale price can be allocated to the underlying lot. Based upon this information, the sale prices shown are the amount allocated to the lots based upon comments of local builders.

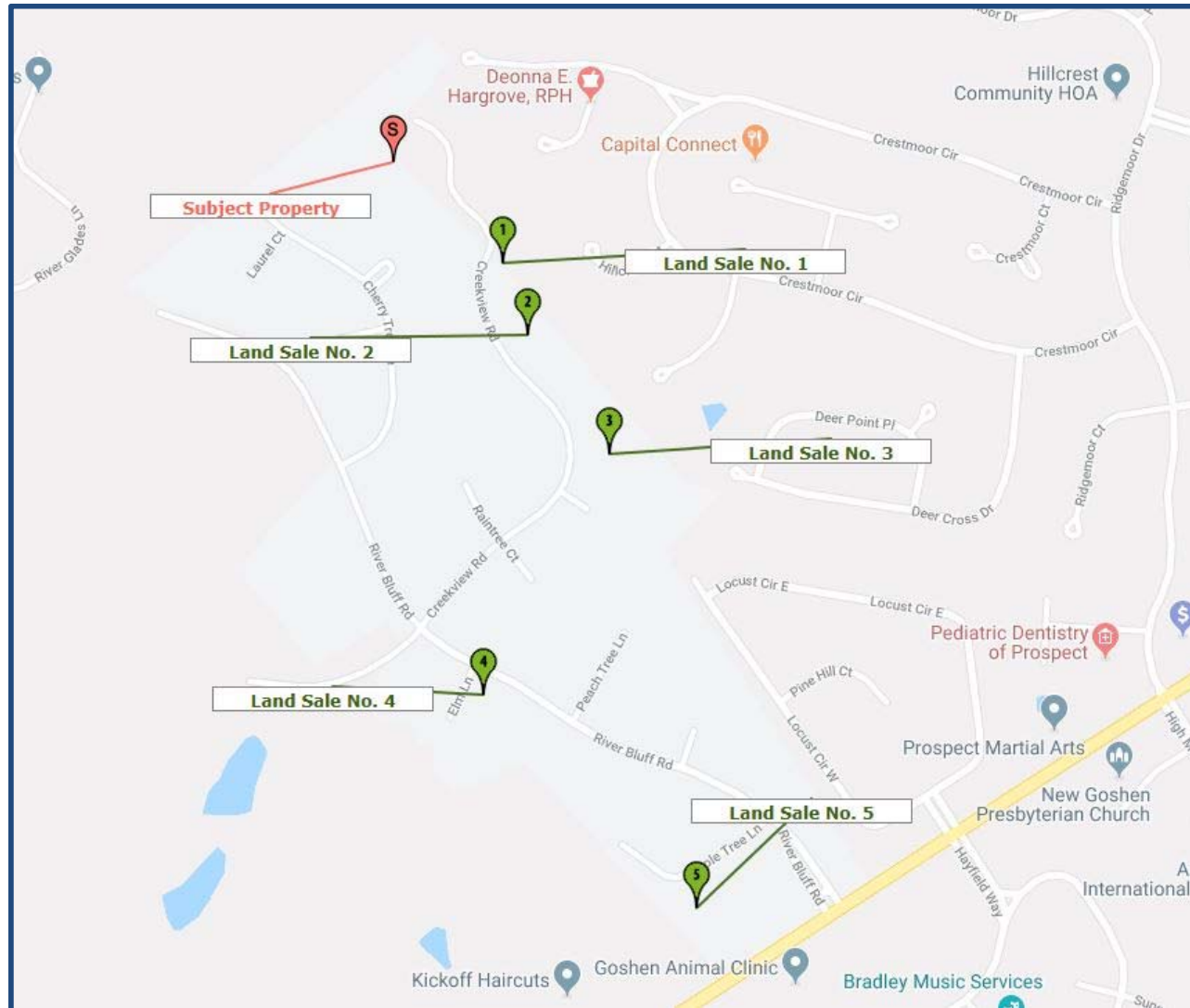
The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject.



**Land Sales Summary**

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Sale ID		1405236	1405240	1405243	1405244	1405250
Sale Status		Closed	Closed	Closed	Closed	Closed
Location	Various Streets	13300 Creekview Road	13308 Creekview Road	13318 Creekview Road	3506 River Bluff Road	13406 Apple Tree Lane
	River Bluff, Kentucky	River Bluff, Kentucky	River Bluff, Kentucky	River Bluff, Kentucky	River Bluff, Kentucky	River Bluff, Kentucky
Tax ID		02-02A-03-66	02-02A-03-68	02-02A-03-73	02-02A-02-42	02-02A-01-4
<b>Sales Data</b>						
Date of Sale	May-19	2/19/2019	1/2/2019	9/21/2018	12/14/2018	11/2/2018
Sales Price		\$335,000	\$326,000	\$278,000	\$315,100	\$260,000
Contributory Value of the Site		\$83,750	\$81,500	\$69,500	\$78,775	\$65,000
Price/Usable Square Foot		\$2.67	\$2.79	\$1.72	\$3.12	\$1.76
Grantor		Daniel W. and Mary Kathleen Dugan	John and Catherine Hughes Oliphant	William J. and Debra R. Carroll	Linda S. Heustis	irvin N. Besser
Grantee		Eric John and Emily Susanne Isbell	Michael H. and Sarah E. Friend	Matthew and Angela Renderman Patrick	Hewett Brown	Bobby J. Roberts
Recording Number		Book 1211/Page 465	Book1209/Page 038	Book 1202/Page 183	Book 1207/Page 556	Book 1204/Page 431
Property Rights Conveyed	Fee Simple in the Easements	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing		Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Conditions of Sale		Typical	Typical	Typical	Typical	Typical
<b>Physical Characteristics</b>						
Usable Land Area (Sq. Ft.)		31,363	29,185	40,511	25,265	37,026
Gross Land Area (Sq. Ft.)		31,363	29,185	40,511	25,265	37,026
Zoning		Residential	Residential	Residential	Residential	Residential
Flood Zone		100% in X	100% in X	100% in X	100% in X	100% in X
Corner Exposure		Interior	Interior	Interior	Interior	Interior
Access/Visibility		Average/Average	Average/Average	Average/Average	Average/Average	Average/Average

**COMPARABLE SALES MAP**





## Land Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment was applied if inferior. A summary of the elements of comparison follows.

Elements of Comparison	
<b>Real Property Rights Conveyed</b>	Adjustments for differences in property rights appraised.
<b>Financing Terms</b>	Comparable properties are adjusted for differences between a transaction's financing terms and those assumed in the valuation of the subject property - e.g. seller financing, loan assumption, non-market terms.
<b>Conditions of Sale</b>	Comparable properties are adjusted for differences in the motivations of either the buyer or a seller in the transaction.
<b>Expenditures After Purchase</b>	Comparable properties can be adjusted for any additional investment required to make the property salable – e. g. costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to remediate environmental contamination and/or costs to occupy or stabilize the property.
<b>Market Conditions</b>	Comparable properties can be adjusted for changes in market conditions because of inflation, deflation, fluctuations in supply and demand, or other factors.
<b>Location</b>	Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject.
<b>Access/Exposure</b>	Adjustments for differences in ease of access, visibility, etc.
<b>Size</b>	The size adjustment addresses variance in the physical size of the comparables and that of the subject, as a larger parcel typically commands a lower price per unit than a smaller parcel.
<b>Shape /Depth</b>	This element address variance in utility due to shape and/or depth.
<b>Corner Exposure</b>	Tracts featuring corner influence typically command higher prices in the market place, as opposed to interior locations.

### Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

### LAND SALES ADJUSTMENT GRID

Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	
Sale ID	1405236	1405240	1405243	1405244	1405250	
Date of Value & Sale	May-19	February-19	January-19	September-18	December-18	November-18
Unadjusted Sales Price	\$335,000	\$326,000	\$278,000	\$315,100	\$260,000	
Unadjusted Contributory Sales Price for Land	\$83,750	\$81,500	\$69,500	\$78,775	\$65,000	
Usable Square Feet	119,826	31,363	29,185	40,511	25,265	
<b>Unadjusted Sales Price per Usable Sq. Ft.</b>	<b>\$2.67</b>	<b>\$2.79</b>	<b>\$1.72</b>	<b>\$3.12</b>	<b>\$1.76</b>	
<b>Transactional Adjustments</b>						
<b>Property Rights Conveyed</b>	<i>Simple in the Easement</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjusted Sales Price	\$2.67	\$2.79	\$1.72	\$3.12	\$1.76	
<b>Financing Terms</b>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	
Adjusted Sales Price	\$2.67	\$2.79	\$1.72	\$3.12	\$1.76	
<b>Conditions of Sale</b>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	
Adjusted Sales Price	\$2.67	\$2.79	\$1.72	\$3.12	\$1.76	
<b>Expenditures after Sale</b>						
Adjusted Sales Price	\$2.67	\$2.79	\$1.72	\$3.12	\$1.76	
<b>Market Conditions Adjustments</b>						
<b>Elapsed Time from Date of Value</b>		<i>0.23 years</i>	<i>0.36 years</i>	<i>0.65 years</i>	<i>0.42 years</i>	<i>0.53 years</i>
Market Trend Through	May-19	-	-	-	-	-
<b>Analyzed Sales Price</b>	<b>\$2.67</b>	<b>\$2.79</b>	<b>\$1.72</b>	<b>\$3.12</b>	<b>\$1.76</b>	
<b>Physical Adjustments</b>						
<b>Location</b>	<i>Various Streets</i>	<i>13300 Creekview Road</i>	<i>13308 Creekview Road</i>	<i>13318 Creekview Road</i>	<i>3506 River Bluff Road</i>	<i>13406 Apple Tree Lane</i>
	<i>River Bluff, Kentucky</i>	<i>River Bluff, Kentucky</i>	<i>River Bluff, Kentucky</i>	<i>River Bluff, Kentucky</i>	<i>River Bluff, Kentucky</i>	<i>River Bluff, Kentucky</i>
Adjustment	-	-	-	-	-	
<b>Size</b>	<i>119,826 sf</i>	<i>31,363 sf</i>	<i>29,185 sf</i>	<i>40,511 sf</i>	<i>25,265 sf</i>	<i>37,026 sf</i>
Adjustment	-20.0%	-21.0%	-16.0%	-23.0%	-18.0%	
<b>Shape/Depth</b>	<i>Irregular</i>					
Adjustment	-	-	-	-	-	
<b>Corner Exposure</b>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>	
Adjustment	-	-	-	-	-	
Net Physical Adjustment	-20.0%	-21.0%	-16.0%	-23.0%	-18.0%	
<b>Adjusted Sales Price per Usable Square Foot</b>	<b>\$2.14</b>	<b>\$2.21</b>	<b>\$1.44</b>	<b>\$2.40</b>	<b>\$1.44</b>	

## Conclusion

From the market data available, we used five land sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted unit prices:

### Land Sale Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sales Price per Usable Square Foot	\$1.72	\$1.72	\$1.44
Maximum Sales Price per Usable Square Foot	\$3.12	\$3.12	\$2.40
Median Sales Price per Usable Square Foot	\$2.67	\$2.67	\$2.14
Mean Sales Price per Usable Square Foot	\$2.41	\$2.41	\$1.92

Based on the adjusted prices and the most comparable sale, a unit value for the subject property is near the middle of the adjusted range, or \$2.15 per usable square foot. Thus, the estimated "Across the Fence Value" of the Fee Simple Interest in the subject servitudes is calculated to be \$258,000.

### Valuation of the Servitude

The use to which the subject servitudes will be put to is for underground water and sewer pipes. As such, little or no surface improvements will be possible, but access across the surface will be allowed. It is my opinion, therefore, that such a servitude will encumber approximately 40% of the ownership rights in the subject properties.

Thus, based upon the assumptions, reasoning and comparable data discussed herein, the estimated "Market Value" of the subject servitudes is calculated as follows:

#### Calculation of Easement Value

Site Area	Unit Value	Market Value of the Fee	Easement Use	Indicated Value of the Easement
119,826 square feet X	\$2.15 psf =	\$258,000	X 40% =	\$103,000

## Valuation Summary

The indicated value and our concluded market value for the subject property are summarized in the following table:

### Value Conclusions

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple in the Easements
Effective Date of Value	May 15, 2019
<b>Value Conclusion</b>	<b>\$103,000</b>
	<b>\$0.86 psf</b>

Land properties such as the subject are typically purchased by Owner/Users.

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions:

- The easements included in this analysis are for the apparent easements for which the appraiser could find evidence as we were not able to locate a recordation of these easements. There could exist the potential for additional easements. If such easements are located, the appraiser reserves the right to revise his estimate of value.

#### Hypothetical Conditions:

- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

#### Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of less than 12 months and less than 12 months, respectively, are considered reasonable and appropriate for the subject property.

## General Assumptions and Limiting Conditions

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This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | VPA of South Louisiana, Inc. will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | VPA of South Louisiana, Inc. is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | VPA of South Louisiana, Inc. and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | VPA of South Louisiana, Inc..

17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.



24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and 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. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

29. The Americans with Disabilities Act (“ADA”) became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an 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 could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | VPA of South Louisiana, Inc. both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | VPA of South Louisiana, Inc. and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against VPA of South Louisiana, Inc. or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | VPA of South Louisiana, Inc. for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | VPA of South Louisiana, Inc. shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | VPA of South Louisiana, Inc.. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | VPA of South Louisiana, Inc. and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | VPA of South Louisiana, Inc. harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | VPA of South Louisiana, Inc. in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by VPA of South Louisiana, Inc.. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.



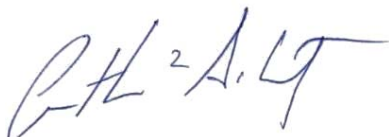
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

## Certification – Arthur L. Schwertz

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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, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. **Arthur L. Schwertz has personally inspected the subject property.**
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Arthur L. Schwertz, MAI  
Senior Managing Director  
Kentucky Certified General  
Real Property Appraiser #5470

## Addenda

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Glossary

Qualifications

- Arthur L. Schwertz, MAI - Senior Managing Director

Information on Valbridge Property Advisors

Office Locations

## Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

### Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

### Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4<sup>th</sup> Ed.)

### Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

### Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

### Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

### Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- 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. (Dictionary)

### Easement

The right to use another's land for a stated purpose. (Dictionary)

### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

### Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)
- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

### Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

### EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

### Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

### Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)



### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

### Exposure Time

- 1) The time a property remains on the market.
- 2) The 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. (Dictionary)

### Extraordinary Assumption

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. (USPAP, 2016-2017 ed.)

### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

### Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

### Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

### Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of*

*the going concern or market value of the total assets of the business.* (Dictionary)

### Gross Building Area (GBA)

- 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

### Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

### Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values, aggregate retail selling price or sum of the retail values.* (Dictionary)

### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

### Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

### Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) 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. (USPAP, 2016-2017 ed.) (Dictionary)

### Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

### Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

### Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

### Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- 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. (Dictionary)

#### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

#### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

#### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

#### Market Value

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- 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.

(Dictionary)

#### 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 time.) (Dictionary)

#### Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

#### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

#### Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e.,  $OER = 1 - NIR$  (Dictionary)

#### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

#### Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

#### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

#### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

### Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property’s market value as of the time that development is expected to be complete. (Dictionary)

### Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property’s market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

### Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of

the type of value with this term is appropriate, e.g., “retrospective market value opinion.” (Dictionary)

### Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

### Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

### Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

### Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

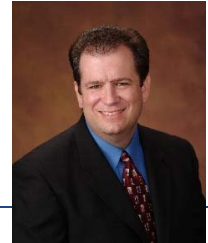
### Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

### Value-in-Use

The value of a property assuming a specific use, which may or may not be the property’s highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Qualifications of Arthur L. Schwertz, MAI  
Senior Managing Director  
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*Independent Valuations for a Variable World*

State Certifications

Certified General in:  
Louisiana  
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Kentucky

Membership/Affiliations

Member: Appraisal Institute – MAI Designation  
Louisiana Chapter President, 2017  
Member: Celebration Church Administrative Team (Corporate Secretary)

Appraisal Institute & Related Courses

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

Publications, Seminars Presented, etc.

“Contract or Effective Rent: Finding the Real Rent”, Appraisal Institute, Baton Rouge, Louisiana, 2016.

“Appraising Commercial and Complex Properties in an Historic Area”, Webinar for the Appraisal Institute, 2015.

“The Unique Appraisal: Case Studies in Appraising Special Purpose Properties”, AI Connect 2014 (Appraisal Institute’s National Meeting), Austin, Texas, 2014.

Schwertz, Arthur L. 2014. “History Lesson”, *Valuation Magazine 2<sup>nd</sup> Quarter, 2014*, 12 – 13.

Huso, Deborah R. 2013. “On the Waterfront”, *Valuation Magazine 2<sup>nd</sup> Quarter, 2013*, 22 – 27. (Contributor)

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Experience

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Appraisal/valuation and consulting assignments include (but not limited to): Single-family, condominium, apartments, vacant land, funeral homes, amphitheatres, live performance theaters, office buildings, hospitals, nursing homes, specialized healthcare, hotels/motels, service stations, retail, industrial plants, warehouses, fractional interest valuations, contaminated properties, special purpose properties (port facilities, nuclear reactor simulator facility, shipyards, etc.), senior residential and healthcare facilities, feasibility studies, market studies, condemnation, construction defects, litigation support, mediations, and review appraisals.

Mr. Schwertz has provided valuation services in a wide variety of complex civil litigation including real estate, land use cases, condemnation, estate matters, property taxation, construction defect, and bankruptcy/creditors matters.

Qualified as an expert witness in Jefferson, Orleans, and St. Tammany Parishes, Dallas County, Texas, United States Court of Federal Claims and the Bankruptcy Court for the Middle District of Louisiana.

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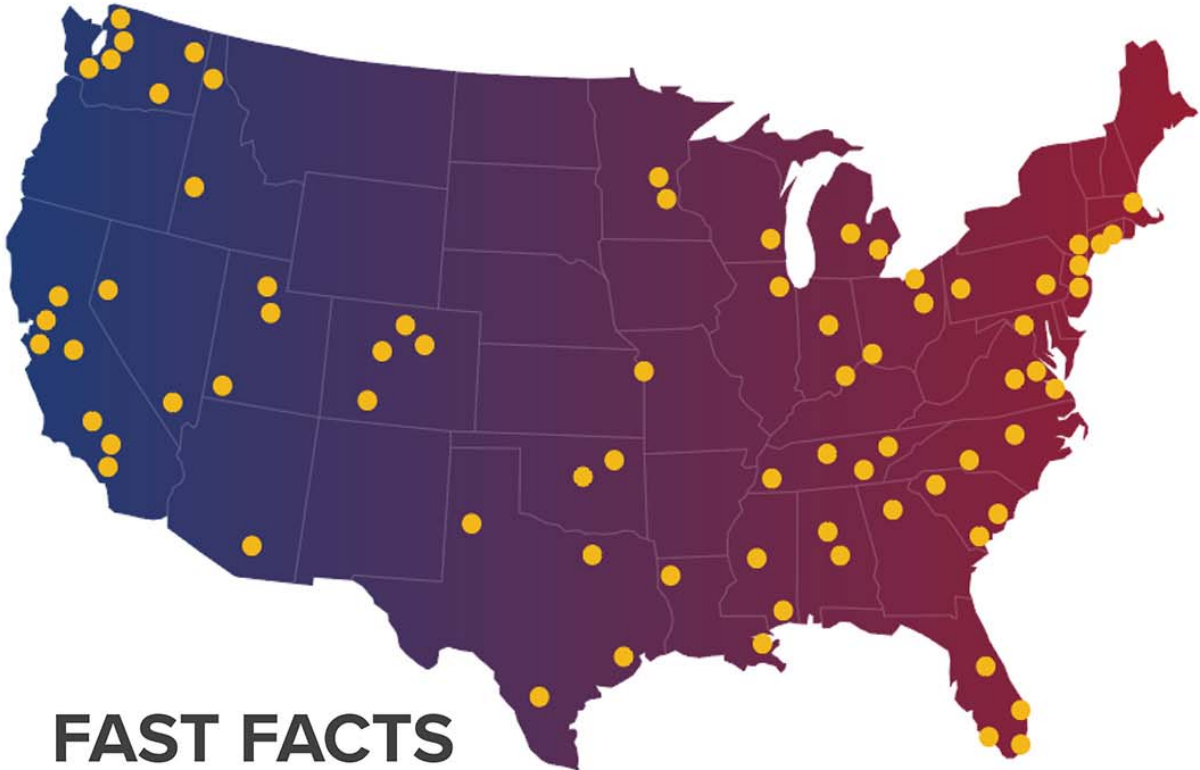
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## FAST FACTS

### COMPANY INFORMATION

- Valbridge is the largest independent national real estate valuation and advisory services firm in North America.
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  - Total number of office locations (70+ across U.S.)
  - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties and residential.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
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- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

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Spring 2019

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Case No. 2022-00432  
Bluegrass Water's Response to SC 2-6  
Exhibit SC 2-6  
Page 95 of 146



**Valbridge**  
PROPERTY ADVISORS

## Concise Appraisal Report

River Bluffs Sewer Utility  
13121 Creekview Road  
River Bluff, Oldham County, Kentucky 40059

Report Date: 05-24-2019



FOR:

Central States Water Resource  
Ms. Sandy Neal  
Regional Director of Utility Acquisitions  
500 Northwest Plaza Drive, Suite 500  
St. Ann, Missouri 63074

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05-24-2019

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Ms. Sandy Neal  
Regional Director of Utility Acquisitions  
Central States Water Resource  
500 Northwest Plaza Drive, Suite 500  
St. Ann, Missouri 63074

RE: Appraisal Report  
River Bluffs Sewer Utility  
13121 Creekview Road  
River Bluff, Oldham County, Kentucky 40059

Dear Ms. Neal:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The subject property, as referenced above, is located on the west side of Creekview Road via an access road and is further identified as Assessor's Parcel Number (APN) 02-02A-03-106. The subject is a 0.83-acre or 36,155-square-foot site. The subject for this site is a 36,155 square foot site which is currently the location of the sewer treatment plant for the community of River Bluff, Kentucky.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The client in this assignment is Central States Water Resource and the intended user of this report is Central States Water Resources and no others. The intended use is for regulatory filings and no other use. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

**Extraordinary Assumptions:**

- None

**Hypothetical Conditions:**

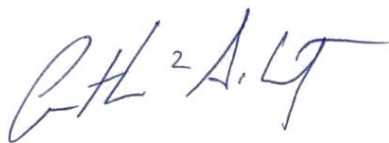
- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

**Value Conclusions**

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	May 15, 2019
<b>Value Conclusion</b>	<b>\$61,000</b>
	<b>\$1.69 psf</b>

Respectfully submitted,  
 Valbridge Property Advisors



Arthur L. Schwertz, MAI  
 Senior Managing Director  
 Kentucky Certified General  
 Real Property Appraiser #5470

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## Summary of Salient Facts

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### Property Identification

Property Name	River Bluffs Sewer Utility
Property Address	13121 Creekview Road River Bluff, Oldham County, Kentucky 40059
Latitude & Longitude	38.376456, -85.604602
Tax Parcel Number	02-02A-03-106
Property Owner	River Bluff Kentucky Farm Inc.

### Site

Zoning	Conservation/Residential District (CO-1)
FEMA Flood Map No.	21185C0090C
Flood Zone	X
Primary Land Area	0.830 acres

### Valuation Opinions

Highest & Best Use - As Vacant	Single-Family Residential
Reasonable Exposure Time	Less than 12 months
Reasonable Marketing Time	Less than 12 months

### Value Indications

Approach to Value	As Is
Sales Comparison	\$61,000
Cost	Not Developed
Income Capitalization	Not Developed

### Value Conclusions

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	May 15, 2019
<b>Value Conclusion</b>	<b>\$61,000</b>
	<b>\$1.69 psf</b>

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions:

- None

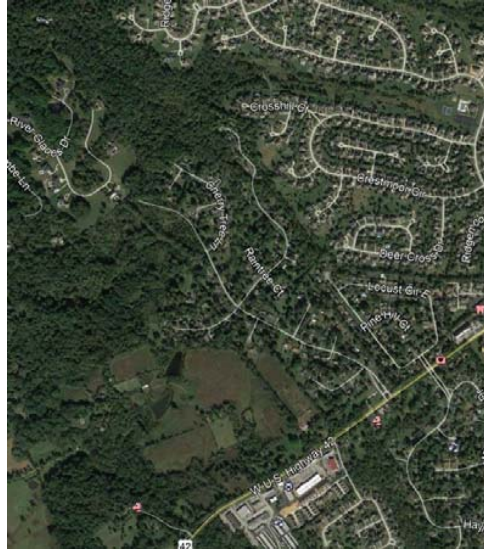
### Hypothetical Conditions:

- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

## Aerial and Front Views

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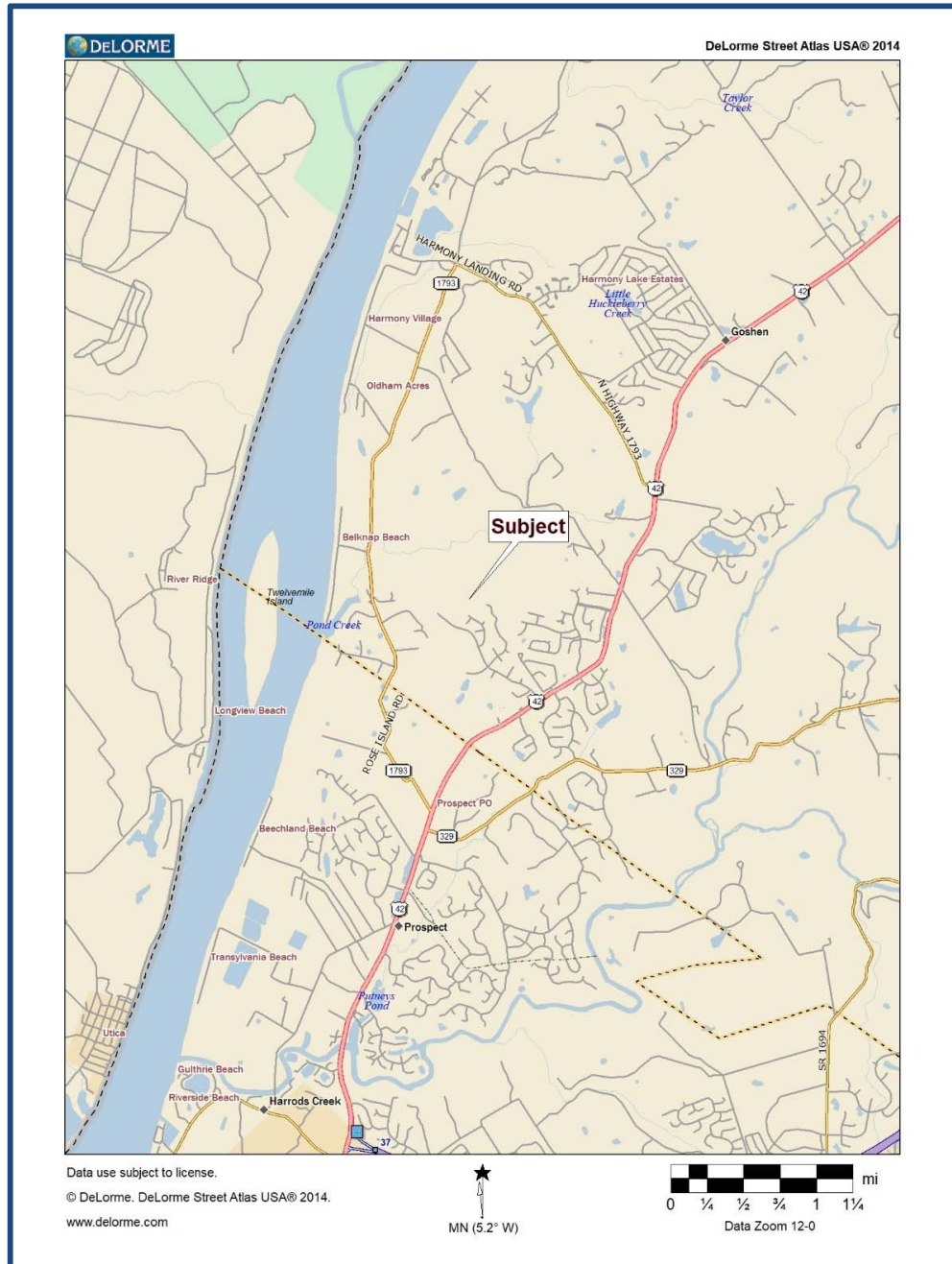
**AERIAL VIEW**



**FRONT VIEW**



# Location Map



## Introduction

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### Client and Intended Users of the Appraisal

The client in this assignment is Central States Water Resource and the intended user of this report is Central States Water Resources and no others.

### Intended Use of the Appraisal

The intended use of this report is regulatory filings and no other use.

### Real Estate Identification

The subject property is located at 13121 Creekview Road, River Bluff, Oldham County, Kentucky 40059. The subject property is further identified by Assessor Parcel Number 02-02A-03-106. The subject for this site is a 36,155 square foot site which is currently the location of the sewer treatment plant for the community of River Bluff, Kentucky.

### Legal Description

Lot 106, Section 3, Oldham County, City of River Bluff, Kentucky

### Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was a residential property.

### Use of Real Estate as Reflected in this Appraisal

The subject is a subdivision-residential land property.

### Ownership of the Property

According to Public Records, title to the subject property is vested in River Bluff Kentucky Farm Inc..

### History of the Property

Ownership of the subject property has not changed within the past three years. When appropriate, we have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

### Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale. However, the appraiser is aware that a purchase agreement is being contemplated but was not provided with any details.

### Type and Definition of Value

The appraisal problem (the term "Purpose of Appraisal" has been retired from appraisal terminology) is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:



- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.”<sup>1</sup>*

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date(s) of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

### Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Fee Simple Interest	May 15, 2019

We completed an appraisal inspection of the subject property on 05-15-2019.

### Date of Report

The date of this report is 05-24-2019, which is the same as the date of the letter of transmittal.

### List of Items Requested but Not Provided

- None

### Assumptions and Conditions of the Appraisal

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions

- None

#### Hypothetical Conditions

- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

<sup>1</sup> Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

## Scope of Work

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The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

### Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via public Records.
- Economic Characteristics - Economic characteristics of the subject property were identified via information provided by the client, market surveys, discussions with market participants, and our database, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via an appraisal inspection consisted of exterior observations only as the appraisal is to assume the site is vacant and ready for development.

### Extent to Which the Property Was Inspected

We inspected the subject on 05-15-2019.

### Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type.

### Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

There are four primary methodologies available for the estimation of land value: (1) Sales Comparison, (2) Land Residual Method, (3) Ground Rent Capitalization, and (4) Subdivision Development Method (Discounted Cash Flow). While other methods, such as Extraction and Allocation, are applicable under limited conditions, one or more of these approaches are used in most circumstances to derive an indication of land value.

- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Direct Capitalization: Land Residual Method - The land residual methodology involves estimating the residual net income to the land by deducting from total potential income the

portion attributable to the improvements, assuming development of the site at its highest and best use. The residual income is capitalized at an appropriate rate, resulting in an indication of land value.

- Direct Capitalization: Ground Rent Capitalization – A market derived capitalization rate is applied to the net income resulting from a ground lease. This can represent the leased fee or fee simple interest, depending on whether the income potential is reflective of a lease in place or market rental rates.
- Yield Capitalization: Subdivision Development Method – Also known as Discounted Cash Flow Analysis (DCF), the methodology is most appropriate for land having multiple lot development in the near term as the highest and best use. The current site value is represented by discounting the anticipated cash flow to a present value, taking into consideration all necessary costs of development, maintenance, administration, and sales throughout the absorption period.

All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment, we relied upon the sales comparison approach. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

### Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

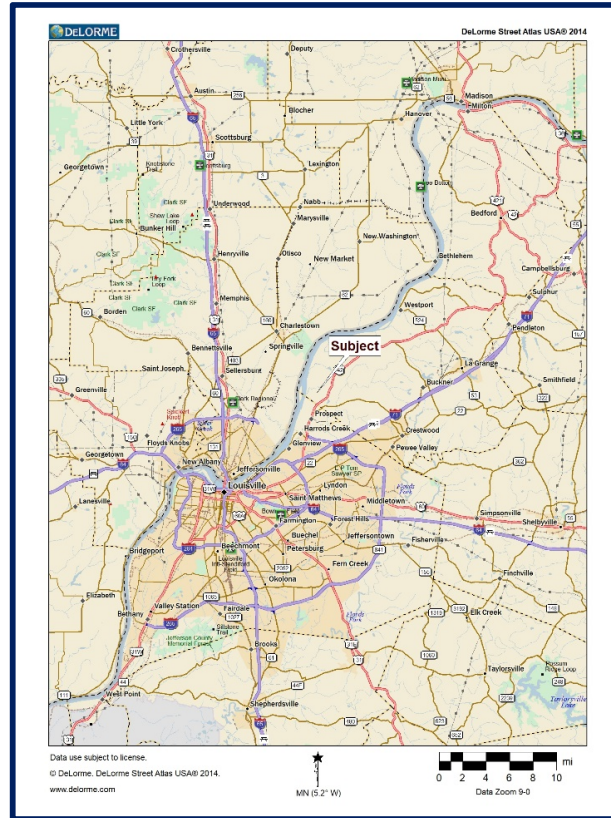
This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a. USPAP gives appraisers flexibility to vary the level of information presented in the report dependent on the intended use and intended users of the appraisal. The appraisal is presented in a Concise format which briefly summarizes the data, reasoning, and analyses used in the appraisal assignment.

### Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

# Regional and Market Area Analysis

## REGIONAL MAP



## Overview

The subject is located in River Bluff, in Oldham County. It is part of the Louisville, KY-IN MSA. The Greater Louisville region is made up of 15 counties surrounding the Greater Louisville and Southern Indiana areas, home to more than 1.4 million people and over 58,000 businesses.

## Population

Population characteristics relative to the subject property are presented in the following table.

### Population

Area			Annual %	Estimated	Projected	Annual %
	2000	2010	Change			2018 - 23
United States	281,421,906	308,745,538	1.0%	330,088,686	343,954,683	0.8%
Kentucky	4,041,769	4,339,367	0.7%	4,548,018	4,665,793	0.5%
Louisville/Jefferson County	1,121,112	1,235,708	1.0%	1,304,874	1,351,952	0.7%
Oldham County, KY	46,178	60,316	3.1%	67,309	72,082	1.4%
River Bluff City, KY	152	403	16.5%	439	464	1.1%

Source: Site-to-Do-Business (STDB Online)

## Transportation

Greater Louisville is within a day's drive of two-thirds of the U.S. population and, as the home of UPS WorldPort, within a day's flight for packages to almost any global destination.

The highway system in Greater Louisville provides one-day access to well over 66 percent of the major domestic markets via Interstates I-65, I-64, and I-71. In addition, a secondary road network provides convenient ingress and egress to the major interstate highways.

Louisville Muhammad Ali International Airport (SDF) provides dependable service to numerous international and domestic gateways; and for FY 2016 through FY 2020, more than \$127 million in capital and major maintenance projects are programmed. Non-stop service is offered to 31 domestic destinations.

The region has 48 private terminals and 3 public inland ports on the Ohio River: Jefferson Riverport International (Kentucky), Meade County Riverport (Kentucky) and Port of Indiana-Jeffersonville (Indiana).

Greater Louisville is served by three Class I railroads – Canadian Pacific (CP), CSX, and Norfolk Southern (NS) – and multiple regional and shortline railroads. Both CSX and NS railroads provide Louisville with direct rail service to all markets east of the Mississippi River, as well as connecting service to the West Coast. The city is also one of four regional hubs for CSX.

## Employment

The Greater Louisville area has a diverse economy due to its location as a hub for UPS as well as being located in the center of Bourbon country. A breakdown by employment sector is as follows:

### Employment by Industry - Louisville/Jefferson County

Industry	2018 Estimate	Percent of Employment
Agriculture/Mining	4,637	0.70%
Construction	35,773	5.40%
Manufacturing	92,084	13.90%
Wholesale trade	18,549	2.80%
Retail trade	70,222	10.60%
Transportation/Utilities	50,348	7.60%
Information	11,262	1.70%
Finance/Insurance/Real Estate Services	51,010	7.70%
Services	308,049	46.50%
Public Administration	20,537	3.10%
<b>Total</b>	<b>662,472</b>	<b>100.0%</b>

*Source: Site-to-Do-Business (STDB Online)*

## Unemployment

The following table exhibits current and past unemployment rates as obtained from the Bureau of Labor Statistics. Overall, the Region boasts one of the lowest unemployment rates for metropolitan statistical areas in the country at 4.0 percent.

### Unemployment Rates

Area	YE 2011	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	2018 YTD
United States	8.5%	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%	3.7%
Kentucky	8.1%	7.7%	5.5%	5.3%	5.2%	4.4%	4.3%	4.0%
Louisville/Jefferson County	7.3%	6.3%	4.6%	4.3%	4.0%	3.4%	3.5%	4.0%
Oldham County, KY	5.4%	5.1%	3.5%	3.4%	3.1%	2.9%	2.9%	3.5%

Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted

### Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA and county compare favorably to the state and the country.

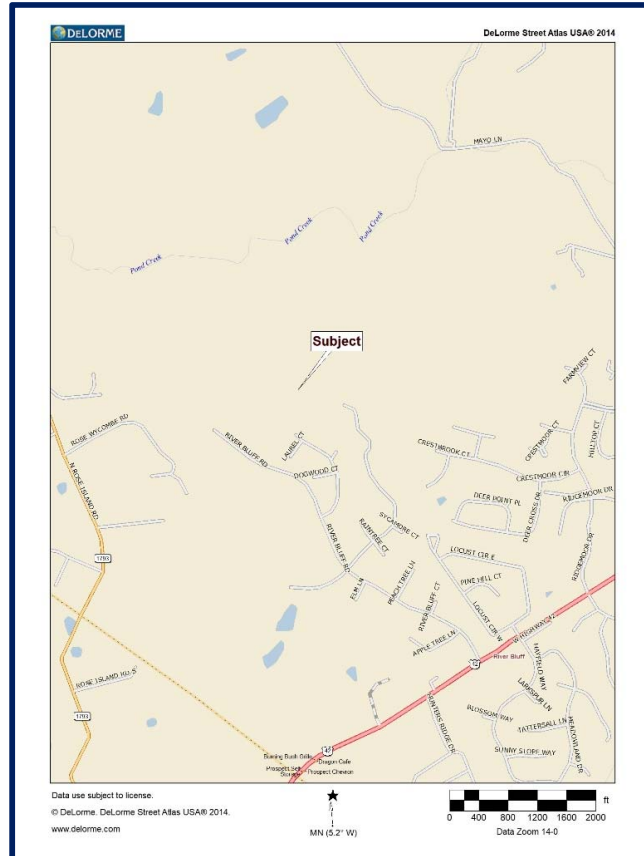
### Median Household Income

Area	Estimated 2018	Projected 2023	Annual % Change 2018 - 23
United States	\$58,100	\$65,727	2.6%
Kentucky	\$47,571	\$53,381	2.4%
Louisville/Jefferson County	\$55,080	\$62,484	2.7%
Oldham County, KY	\$90,544	\$97,846	1.6%
River Bluff City, KY	\$175,542	\$167,538	-0.9%

Source: Site-to-Do-Business (STDB Online)

# City and Neighborhood Analysis

## NEIGHBORHOOD MAP



### Overview

The subject is located in the City of River Bluff in Oldham County. As presented in the table in the previous section, the city's population as of was . **?? City Discussion**

The Louisville area of River Bluff is characterized by **?? add commentary here as necessary**

### Neighborhood Location and Boundaries

The subject neighborhood is located in the section of River Bluff. The area is **?? Location Setting** in nature. The neighborhood is bounded by to the north, to the east, to the south, and to the west.

## Demographics

The following table depicts the area demographics in River Bluff within a one-, three-, and five-mile radius from the subject.

### Neighborhood Demographics

Radius	1 mile	3 miles	5 miles
<b>Population Summary</b>			
2000 Population	1,914	10,997	23,519
2010 Population	3,698	14,058	32,405
2018 Population	4,058	15,007	36,337
2023 Population Estimate	4,325	15,750	38,752
Annual % Change (2018 - 2023)	1.3%	1.0%	1.3%
<b>Housing Unit Summary</b>			
2000 Housing Units	662	4,075	8,994
% Owner Occupied	90.0%	86.8%	85.2%
% Renter Occupied	5.6%	6.1%	8.7%
2010 Housing Units	1,199	5,250	13,024
% Owner Occupied	92.3%	87.0%	81.9%
% Renter Occupied	3.6%	6.0%	10.8%
2018 Housing Units	1,299	5,584	14,342
% Owner Occupied	92.1%	86.0%	81.2%
% Renter Occupied	3.7%	6.5%	12.6%
2023 Housing Units	1,381	5,853	15,218
% Owner Occupied	92.4%	86.3%	81.9%
% Renter Occupied	3.4%	6.1%	12.1%
Annual % Change (2018 - 2023)	1.2%	0.9%	1.2%
<b>Income Summary</b>			
2018 Median Household Income	\$160,775	\$127,276	\$112,408
2023 Median Household Income Estimate	\$155,760	\$129,329	\$116,157
Annual % Change	-0.6%	0.3%	0.7%
2018 Per Capita Income	\$59,585	\$62,090	\$57,617
2023 Per Capita Income Estimate	\$60,193	\$63,767	\$60,065
Annual % Change	0.2%	0.5%	0.8%

Source: Site-to-Do-Business (STDB Online)

## Transportation Access

Within the immediate area of the subject property, transportation access helps define the character of its development. Major travel and commuter routes within the area of the subject property include and . ?? Additional city transportation discussion if needed . Access to the area is considered ?? Rating.



## Neighborhood Land Use

The subject neighborhood is located in an area with primarily ?? type land uses. An approximate breakdown of the development in the area is as follows:

### LAND USES

Developed	?? Enter data%
Built up:	?? Enter data%
Residential:	?? Enter data%
Retail:	?? Enter data%
Office:	?? Enter data%
Industrial:	?? Enter data%
Vacant:	?? Enter data%

## Conclusions

?? Subject Neighborhood Conclusion. Overall, the subject neighborhood is in the stage of its life cycle.

## Site Description

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The subject site is located on the west side of Creekview Road via an access road. The characteristics of the site are summarized as follows:

### Site Characteristics

Location:	The west side of Creekview Road via an access road
Gross Land Area:	0.83 Acres or 36,155 SF
Usable Land Area:	0.83 Acres or 36,155 SF
Usable Land %:	100.0%
Shape:	Irregular
Average Depth:	180.00 feet
Topography:	Varies
Drainage:	Adequate
Grade:	Below street grade
Utilities:	All are available
Off-Site Improvements:	None
Interior or Corner:	Interior
Signalized Intersection:	No: No traffic signal at, or near, the site
Excess Land:	None
Surplus Land:	None

### Street Frontage / Access

Frontage Road	Primary
Street Name:	Creekview Road
Street Type:	Residential
Frontage (Linear Ft.):	40.00

### Additional Access

Water or Port Access:	No
Rail Access:	No

### Flood Zone Data

Flood Map Panel/Number:	21185C0090C
Flood Map Date:	09-20-2006
Flood Zone:	X

Flood hazard areas identified on the Flood Insurance Rate Map are identified as a Special Flood Hazard Area (SFHA). SFHA are defined as the area that will be inundated by the flood event having a 1-percent chance of being equaled or exceeded in any given year. The 1-percent annual chance flood is also referred to

as the base flood or 100-year flood. SFHAs are labeled as Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone A99, Zone AR, Zone AR/AE, Zone AR/AO, Zone AR/A1-A30, Zone AR/A, Zone V, Zone VE, and Zones V1-V30. Moderate flood hazard areas, labeled Zone B or Zone X (shaded) are also shown on the FIRM, and are the areas between the limits of the base flood and the 0.2-percent-annual-chance (or 500-year) flood. The areas of minimal flood hazard, which are the areas outside the SFHA and higher than the elevation of the 0.2-percent-annual-chance flood, are labeled Zone C or Zone X (unshaded).

Site Area in Flood: 100.00%

### Other Site Conditions

Soil Type: Typical

Environmental Issues: No environmental issues were noted at the time of inspection or disclosed by involved parties that would impact value.

### Adjacent Land Uses

North: Residential

South: Residential

East: Land/ Residential

West: Land

### Site Ratings

Access: Average

Visibility: Average

### Zoning Designation

Zoning Jurisdiction: Oldham County

Zoning Classification: CO-1, Conservation/Residential District

General Plan Designation: Conservation and residential

Permitted Uses: Agriculture, community facilities, public parks and recreational, religious institutions, residential, special. utilities

Zoning Comments: The Conservation/Residential District is intended to promote and protect significant natural features, wooded areas, water courses, existing and potential lake sites, other recreational and conservation resources, wildlife habitat, present and future water supplies, and to minimize erosion of soil and the siltation and pollution of streams and lakes.

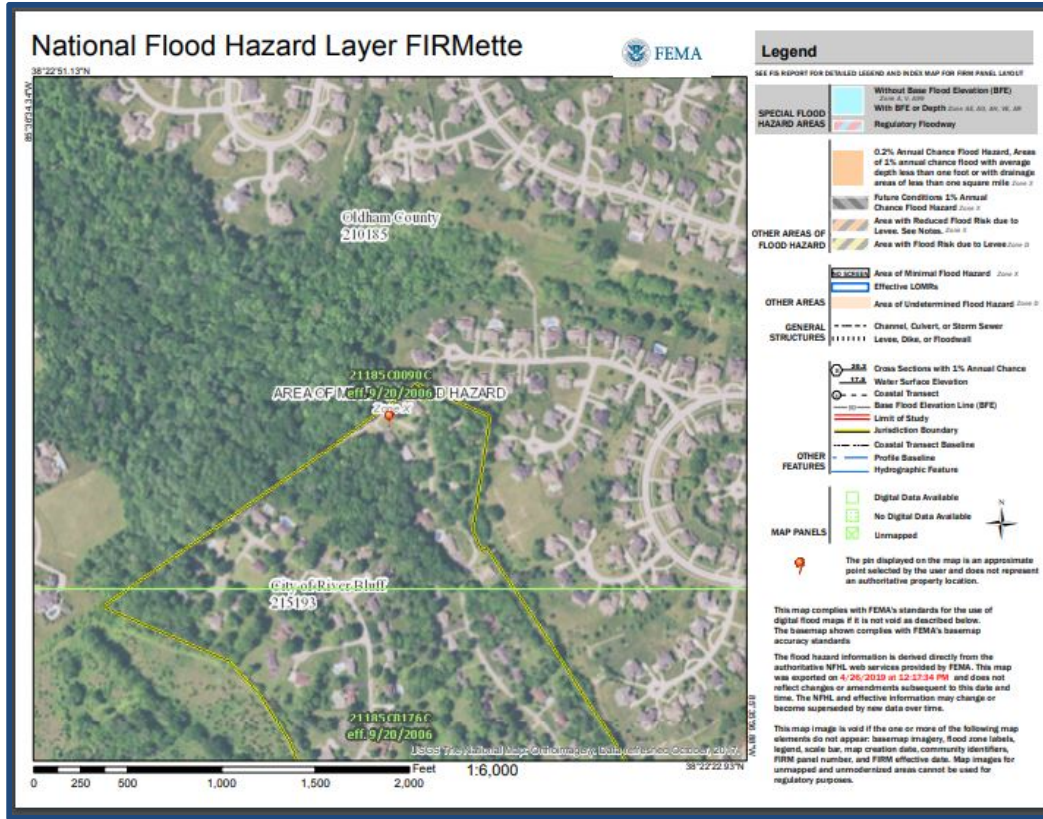
### Analysis/Comments on Site

The site is significantly below grade of Creekview Road.

**TAX/PLAT MAP**



**FLOOD MAP**



**ZONING MAP**



## Subject Photos

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View looking along access drive toward Creekview Road



View facing northwest across subject



View facing southwest across subject



View from Creekview Road along access drive



## Highest and Best Use

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The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

### Analysis of Highest and Best Use As If Vacant

The primary determinants of the highest and best use of the property as if vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

#### Legally Permissible

The subject site is zoned CO-1, Conservation/Residential District which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

#### Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. There are no items of a physical nature that would materially limit appropriate and likely development.

#### Financially Feasible

The probable use of the site for residential subdivision development conforms to the pattern of land use in the market area. A review of published yield, rental and occupancy rates suggest that there is a balanced supply and demand is sufficient to support construction costs and ensure timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is financially feasible.

#### Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for single-family residential use.

#### Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for single-family residential use.

### Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is owner/user.

# Land Valuation

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## Methodology

Site Value is most often estimated using the sales comparison approach. This approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on the principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

## Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is per usable square foot.

## Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics.

## Comparable Sales Data

To obtain and verify comparable sales of vacant land properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, and a review of our internal database.

We included four sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. It should be noted that since the subject neighborhood is completely built-out, the appraiser has utilized sales of single-family residences. According to interviews with numerous builders, typically 25% of a home's sale price can be allocated to the underlying lot. Based upon this information, the sale prices shown are the amount allocated to the lots based upon comments of local builders.

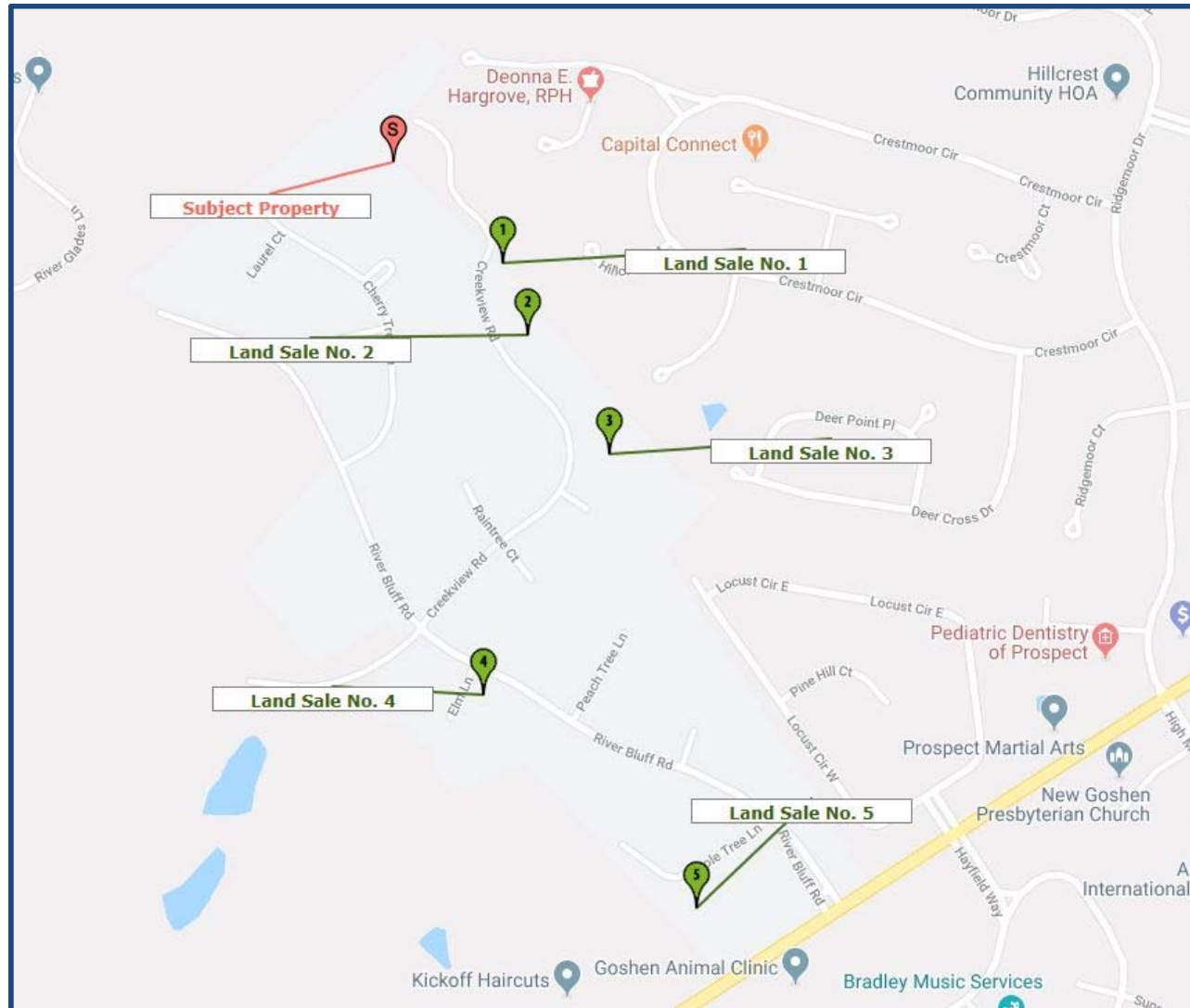
The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject.



**Land Sales Summary**

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Sale ID		1405236	1405240	1405243	1405244	1405250
Sale Status		Closed	Closed	Closed	Closed	Closed
Location	13121 Creekview Road River Bluff, Kentucky	13300 Creekview Road River Bluff, Kentucky	13308 Creekview Road River Bluff, Kentucky	13318 Creekview Road River Bluff, Kentucky	3506 River Bluff Road River Bluff, Kentucky	13406 Apple Tree Lane River Bluff, Kentucky
Tax ID	02-02A-03-106	02-02A-03-66	02-02A-03-68	02-02A-03-73	02-02A-02-42	02-02A-01-4
<b>Sales Data</b>						
Date of Sale	May-19	2/19/2019	1/2/2019	9/21/2018	12/14/2018	11/2/2018
Sales Price		\$335,000	\$326,000	\$278,000	\$315,100	\$260,000
Contributory Sale Price of Lot		\$83,750	\$81,500	\$69,500	\$78,775	\$65,000
Price/Usable Square Foot		\$2.67	\$2.79	\$1.72	\$3.12	\$1.76
Grantor		Daniel W. and Mary Kathleen Dugan	John and Catherine Hughes Oliphant	William J. and Debra R. Carroll	Linda S. Heustis	irvin N. Besser
Grantee		Eric John and Emily Susanne Isbell	Michael H. and Sarah E. Friend	Matthew and Angela Renderman Patrick	Hewett Brown	Bobby J. Roberts
Recording Number		Book 1211/Page 465	Book1209/Page 038	Book 1202/Page 183	Book 1207/Page 556	Book 1204/Page 431
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing		Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Conditions of Sale		Typical	Typical	Typical	Typical	Typical
<b>Physical Characteristics</b>						
Usable Land Area (Sq. Ft.)		31,363	29,185	40,511	25,265	37,026
Gross Land Area (Sq. Ft.)		31,363	29,185	40,511	25,265	37,026
Zoning		Residential	Residential	Residential	Residential	Residential
Flood Zone		100% in X	100% in X	100% in X	100% in X	100% in X
Corner Exposure		Interior	Interior	Interior	Interior	Interior
Access/Visibility		Average/Average	Average/Average	Average/Average	Average/Average	Average/Average

**COMPARABLE SALES MAP**



## Land Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment was applied if inferior. A summary of the elements of comparison follows.

Elements of Comparison	
<b>Real Property Rights Conveyed</b>	Adjustments for differences in property rights appraised.
<b>Financing Terms</b>	Comparable properties are adjusted for differences between a transaction's financing terms and those assumed in the valuation of the subject property - e.g. seller financing, loan assumption, non-market terms.
<b>Conditions of Sale</b>	Comparable properties are adjusted for differences in the motivations of either the buyer or a seller in the transaction.
<b>Expenditures After Purchase</b>	Comparable properties can be adjusted for any additional investment required to make the property salable – e. g. costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to remediate environmental contamination and/or costs to occupy or stabilize the property.
<b>Market Conditions</b>	Comparable properties can be adjusted for changes in market conditions because of inflation, deflation, fluctuations in supply and demand, or other factors.
<b>Location</b>	Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. The subject is located in a ravine behind another residence that fronts Creekview Road, therefore, each of the comparables have been adjusted downward for their superior location.
<b>Size</b>	The size adjustment addresses variance in the physical size of the comparables and that of the subject, as a larger parcel typically commands a lower price per unit than a smaller parcel. Thus, each comparable has been adjusted for its size relative to the size of the subject.
<b>Shape /Depth</b>	This element address variance in utility due to shape and/or depth.
<b>Corner Exposure</b>	Tracts featuring corner influence typically command higher prices in the market place, as opposed to interior locations.

## Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

### LAND SALES ADJUSTMENT GRID

Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	
Sale ID	1405236	1405240	1405243	1405244	1405250	
Date of Value & Sale	May-19	February-19	January-19	September-18	December-18	November-18
Unadjusted Sales Price	\$83,750	\$81,500	\$69,500	\$78,775	\$65,000	
Usable Square Feet	36,155	31,363	29,185	40,511	25,265	37,026
<b>Unadjusted Sales Price per Usable Sq. Ft.</b>	<b>\$2.67</b>	<b>\$2.79</b>	<b>\$1.72</b>	<b>\$3.12</b>	<b>\$1.76</b>	
<b>Transactional Adjustments</b>						
<b>Property Rights Conveyed</b>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	
Adjusted Sales Price	\$2.67	\$2.79	\$1.72	\$3.12	\$1.76	
<b>Financing Terms</b>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	
Adjusted Sales Price	\$2.67	\$2.79	\$1.72	\$3.12	\$1.76	
<b>Conditions of Sale</b>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	
Adjusted Sales Price	\$2.67	\$2.79	\$1.72	\$3.12	\$1.76	
<b>Expenditures after Sale</b>						
Adjusted Sales Price	\$2.67	\$2.79	\$1.72	\$3.12	\$1.76	
<b>Market Conditions Adjustments</b>						
<b>Elapsed Time from Date of Value</b>		<i>0.23 years</i>	<i>0.36 years</i>	<i>0.65 years</i>	<i>0.42 years</i>	<i>0.53 years</i>
Market Trend Through	May-19	-	-	-	-	-
<b>Analyzed Sales Price</b>	<b>\$2.67</b>	<b>\$2.79</b>	<b>\$1.72</b>	<b>\$3.12</b>	<b>\$1.76</b>	
<b>Physical Adjustments</b>						
<b>Location</b>	<i>13121 Creekview Road River Bluff, Kentucky</i>	<i>13300 Creekview Road River Bluff, Kentucky</i>	<i>13308 Creekview Road River Bluff, Kentucky</i>	<i>13318 Creekview Road River Bluff, Kentucky</i>	<i>3506 River Bluff Road River Bluff, Kentucky</i>	<i>13406 Apple Tree Lane River Bluff, Kentucky</i>
Adjustment		-30.0%	-30.0%	-30.0%	-30.0%	-30.0%
<b>Size</b>	<i>36,155 sf</i>	<i>31,363 sf</i>	<i>29,185 sf</i>	<i>40,511 sf</i>	<i>25,265 sf</i>	<i>37,026 sf</i>
Adjustment		-3.0%	-4.0%	1.0%	-6.0%	-
<b>Shape/Depth</b>	<i>Irregular</i>					
Adjustment		-	-	-	-	-
<b>Corner Exposure</b>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>
Adjustment		-	-	-	-	-
Net Physical Adjustment		-33.0%	-34.0%	-29.0%	-36.0%	-30.0%
<b>Adjusted Sales Price per Usable Square Foot</b>	<b>\$1.79</b>	<b>\$1.84</b>	<b>\$1.22</b>	<b>\$2.00</b>	<b>\$1.23</b>	

## Conclusion

From the market data available, we used land sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted unit prices:

### Land Sale Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sales Price per Usable Square Foot	\$1.72	\$1.72	\$1.22
Maximum Sales Price per Usable Square Foot	\$3.12	\$3.12	\$2.00
Median Sales Price per Usable Square Foot	\$2.67	\$2.67	\$1.79
Mean Sales Price per Usable Square Foot	\$2.41	\$2.41	\$1.61

Based on the adjusted prices and the comparable sales, a unit value for the subject property is near the middle of the adjusted range, or \$1.70 per usable square foot. This indicates a market value of \$61,000.

Based on this analysis, the land value indication is summarized as follows:

<b>Land Value Indication</b>				
Reasonable Adjusted Comparable Range				
36,155 square feet	x	\$1.20 psf	=	\$43,386
36,155 square feet	x	\$2.00 psf	=	\$72,310
<b>Market Value Opinion</b>				(Rounded)
36,155 square feet	x	<b>\$1.70 psf</b>	=	<b>\$61,000</b>

## Valuation Summary

The indicated value and our concluded market value for the subject property are summarized in the following table:

### Value Conclusions

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	May 15, 2019
<b>Value Conclusion</b>	<b>\$61,000</b>
	<b>\$1.69 psf</b>

Land properties such as the subject are typically purchased by Owner/Users.

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions:

- None

#### Hypothetical Conditions:

- This report is predicated upon the hypothetical condition that the property is vacant land unencumbered by the existing improvements. In other words, this appraisal is of the underlying land as if vacant and ready for development.

#### Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of less than 12 months and less than 12 months, respectively, are considered reasonable and appropriate for the subject property.



## General Assumptions and Limiting Conditions

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This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | VPA of South Louisiana, Inc. will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | VPA of South Louisiana, Inc. is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | VPA of South Louisiana, Inc. and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | VPA of South Louisiana, Inc..

17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and 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. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

29. The Americans with Disabilities Act (“ADA”) became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an 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 could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | VPA of South Louisiana, Inc. both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | VPA of South Louisiana, Inc. and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against VPA of South Louisiana, Inc. or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | VPA of South Louisiana, Inc. for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | VPA of South Louisiana, Inc. shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | VPA of South Louisiana, Inc.. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | VPA of South Louisiana, Inc. and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | VPA of South Louisiana, Inc. harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | VPA of South Louisiana, Inc. in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by VPA of South Louisiana, Inc.. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.



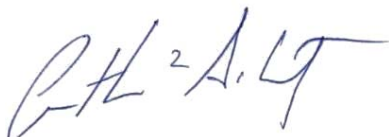
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

## Certification – Arthur L. Schwertz

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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, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. **Arthur L. Schwertz has personally inspected the subject property.**
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Arthur L. Schwertz, MAI  
Senior Managing Director  
Kentucky Certified General  
Real Property Appraiser #5470



## Addenda

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Glossary

Qualifications

- Arthur L. Schwertz, MAI - Senior Managing Director

Information on Valbridge Property Advisors

Office Locations

## Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

### Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

### Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4<sup>th</sup> Ed.)

### Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

### Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

### Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

### Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- 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. (Dictionary)

### Easement

The right to use another's land for a stated purpose. (Dictionary)

### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

### Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)
- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

### Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

### EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

### Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

### Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

### Exposure Time

- 1) The time a property remains on the market.
- 2) The 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. (Dictionary)

### Extraordinary Assumption

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. (USPAP, 2016-2017 ed.)

### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

### Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

### Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

### Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of*

*the going concern or market value of the total assets of the business.* (Dictionary)

### Gross Building Area (GBA)

- 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

### Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

### Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

### Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

### Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) 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. (USPAP, 2016-2017 ed.) (Dictionary)

### Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

### Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

### Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

### Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- 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. (Dictionary)

#### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

#### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

#### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

#### Market Value

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- 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.

(Dictionary)

#### 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 time.) (Dictionary)

#### Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

#### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

#### Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e.,  $OER = 1 - NIR$  (Dictionary)

#### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

#### Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

#### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

#### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

### Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property’s market value as of the time that development is expected to be complete. (Dictionary)

### Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property’s market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

### Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of

the type of value with this term is appropriate, e.g., “retrospective market value opinion.” (Dictionary)

### Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

### Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

### Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

### Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

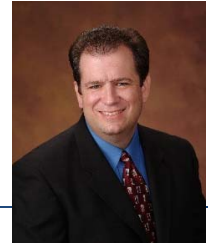
### Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

### Value-in-Use

The value of a property assuming a specific use, which may or may not be the property’s highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

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State Certifications

Certified General in:  
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Membership/Affiliations

Member: Appraisal Institute – MAI Designation  
Louisiana Chapter President, 2017  
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Appraisal Institute & Related Courses

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

Publications, Seminars Presented, etc.

“Contract or Effective Rent: Finding the Real Rent”, Appraisal Institute, Baton Rouge, Louisiana, 2016.

“Appraising Commercial and Complex Properties in an Historic Area”, Webinar for the Appraisal Institute, 2015.

“The Unique Appraisal: Case Studies in Appraising Special Purpose Properties”, AI Connect 2014 (Appraisal Institute’s National Meeting), Austin, Texas, 2014.

Schwertz, Arthur L. 2014. “History Lesson”, *Valuation Magazine 2<sup>nd</sup> Quarter, 2014*, 12 – 13.

Huso, Deborah R. 2013. “On the Waterfront”, *Valuation Magazine 2<sup>nd</sup> Quarter, 2013*, 22 – 27. (Contributor)

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Mr. Schwertz has provided valuation services in a wide variety of complex civil litigation including real estate, land use cases, condemnation, estate matters, property taxation, construction defect, and bankruptcy/creditors matters.

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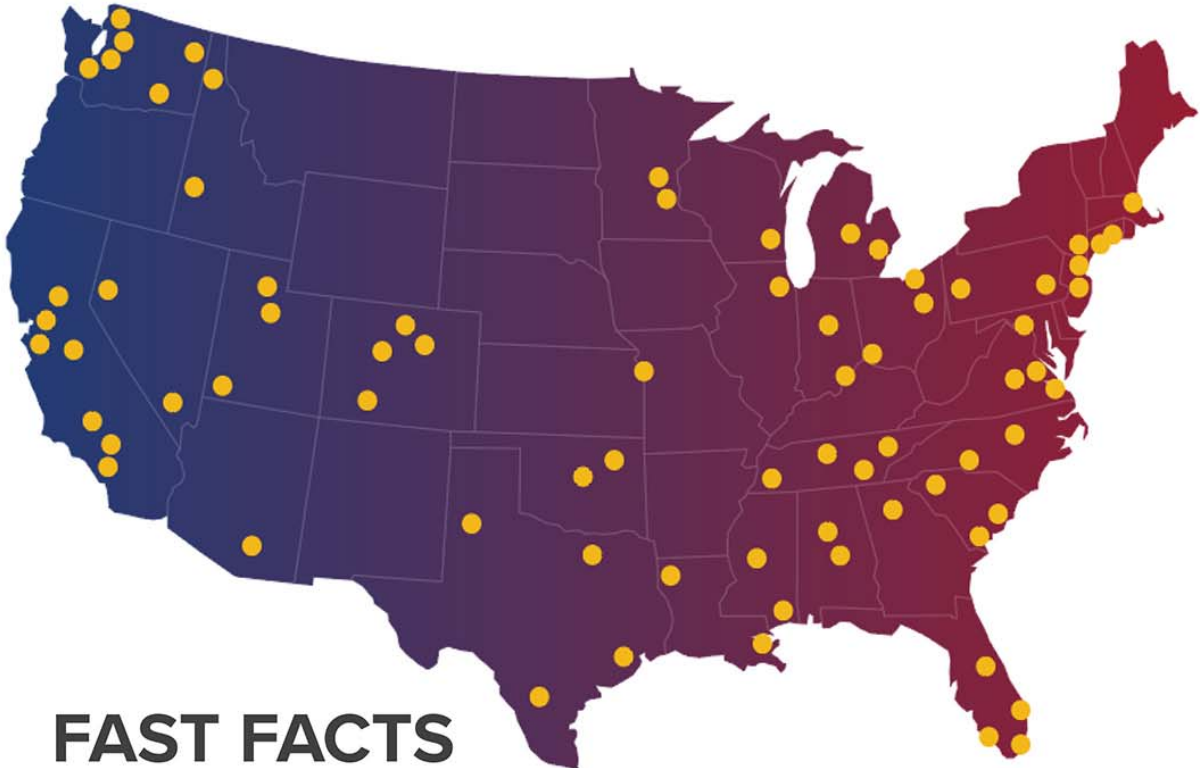
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**Valbridge**  
PROPERTY ADVISORS



## FAST FACTS

### COMPANY INFORMATION

- Valbridge is the largest independent national real estate valuation and advisory services firm in North America.
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Each Valbridge office is independently owned and operated.

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