

**APPRAISAL REPORT OF REAL  
PROPERTY LOCATED AT:**

1020 E Main Street  
Meadow Run Apartments– East Main  
Danville, KY 40422

Effective Date: September 19, 2014

Date of Report: September 24, 2014

**Client:**

**Pleasant Cove Properties LLC**

Mr. Brian Thomas

6618 Clore Lane

Crestwood, KY

FILE #MEADOWRUNEMAIN

**Bluegrass Appraisal & Research, Inc.**

  
P.O. Box 282 ♦ Danville, Kentucky 40423-0282  
Phone 859-236-3283 ♦ Fax 859-236-3283

Appraiser: Kevin M. Caudill, CGRPA #1145

# Bluegrass Appraisal & Research, Inc.

P.O. Box 282 • 215 West Main Street • Danville, KY 40423-0282 • Telephone 859-236-3283 • Fax 859-236-3283

September 24, 2014

Mr. Brian Thomas  
Pleasant Cove Properties, LLC  
6618 Clore Lane  
Crestwood, KY 40014-9097

Dear Brian:

As requested, I have prepared the attached appraisal report for your multi-family residential complex known as 1020 East Main Street in Danville, Kentucky. These are the units you intend to keep and all three appraisal methods were employed.

The purpose of the appraisal is to estimate the "as is", fee simple market value of this property. It is my understanding this appraisal is to be used by you for your general knowledge. I personally inspected the property (appraisal inspection) on September 19, 2014 and have gathered all data I consider necessary to arrive at the value conclusion.

As a result of my investigation and my analysis of the information gathered, I estimate the fee simple, market value of the property as of September 19, 2014 to be:

**NINE HUNDRED THOUSAND DOLLARS**  
**(\$900,000)**

All aspects of the appraisal, to the best of the appraiser's knowledge, have been completed under the guidelines required by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Of course, the appraiser will maintain the confidentiality of all information obtained in the process of completing this appraisal.

Thank you for allowing me to perform this appraisal assignment. Please contact me should any questions arise from this report or if I can be of any further service to you.

Respectfully Submitted:

Kevin M. Caudill  
CGRPA #1145, exp 06/30/15

09/24/14  
Date Signed

## Table of Contents

SUMMARY OF SAILIENT FACTS	1
DESCRIPTION OF REPORT TYPE	2
CLIENT	2
STATED SUBJECT	2
STATEMENT OF OWNERSHIP	3
SALES HISTORY	3
PURPOSE AND INTEREST APPRAISED	3
INTENDED USE AND USER	3
EFFECTIVE DATE OF VALUE AND REPORT DATE	3
DEED	4-5
APPRAISAL REPORT & DEVELOPMENT PROCESS	6-7
IDENTIFICATION OF SUBJECT PROPERTY	8
ZONING	8
TAXES	8
AREA DESCRIPTION	9
AREA MAP	9
NEIGHBORHOOD DESCRIPTION	10
NEIGHBORHOOD MAP	10
SITE DESCRIPTION	11-12
PLAT	11
DESCRIPTION OF IMPROVEMENTS	
BUILDING A	12-13
BUILDING B	14-15
IMPROVEMENT SUMMARY	15
HIGHEST AND BEST USE ANALYSIS	16
<b>APPROACHES TO VALUE &amp; VALUATION RESULTS</b>	
COST APPROACH ANALYSIS	16
LAND SALES COMPARISON ANALYSIS	17
LAND SALES COMPARISON LOCATION MAP	18
LAND VALUATION	19
COST APPROACH CALCULATIONS	19
<b>COST APPROACH ESTIMATE OF VALUE</b>	<b>20</b>
SALES COMPARISON APPROACH DISCUSSION	20
SALES COMPARISON APPROACH GRID	21
COMPARBLE SALES PHOTOS	22-23
SUBJECT/SALES LOCATION MAP	24
<b>SALES COMPARISON APPROACH ESTIMATE OF VALUE</b>	<b>25</b>
INCOME APPROACH DISCUSSION	25
COMPRABLE RENT ANALYSIS	26
GROSS & NET INCOME DISCUSSION	27
NET INCOME CALCULATIONS	28
CAP RATE DISCUSSION	27
BAND OF INVESTMENT SUMMARY	29
CAP RATE & GRM SUMMARY	30
<b>INCOME APPROACH ESTIMATE OF VALUE</b>	<b>27</b>
FINAL RECONCILLIATION	31
<b>FINAL ESTIMATE OF MARKET VALUE</b>	<b>31</b>
PRIOR APPRAISAL DISCLOSURE	32
DEFINITION OF MARKET VALUE	33
GENERAL ASSUMPTIONS AND LIMITING CONDITIONS	34-35
APPRAISER'S CERTIFICATION	36
APPRAISER'S QUALIFICATIONS	38-40

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

RE: 1020 East Main Street  
Meadow Run Apartments- East Main Units  
Danville, KY 40422

Effective Date: September 19, 2014  
Date of Report: September 24, 2014

Value Requested: "As Is" Market Value (Defined Herein)- As of the effective date  
noted.

Client/Intended User: Mr. Brian Thomas- Pleasant Cove Properties, LLC

SITE DATA

Site Size: ~6 acres ✓

Zoning: NC-C, Neighborhood Center Commercial  
Subject Complies as Improved

IMPROVEMENT/DUPLICATION DATA

Gross Building Area: Building A- 10,150  
Building B- 14,040  
Total GBA- 24,190

Condition: Average

Inadequacies: No significant deficiencies- Units are receiving or have received  
Needed updating and improvements.

Current Use: Multi-Family Residential- Current and appraised use

CONCLUSIONS:

**Contracted Sales Price: \$N/A**

Site Value: \$115,000  
Cost Approach Indication: \$900,000  
Sales Comparison Indication: \$850,000  
Income Approach Indication: \$900,000

**Final Market Value Estimate: \$900,000**



**OWNER/SALES HISTORY:**

The subject property is owned by Pleasant Cove Properties LLC by virtue of two ½ interest deeds dated 09/14/2001. Each ½ interest was sold for \$712,500 for a total sales price of \$1,425,000. This sale included the 2 buildings considered in this appraisal report in addition to 2 other similar buildings accessed off of Hill N Dale Dr.

As far as could be determined, this was an “arm length” transaction and would represent a “fair market” price.

No sales or transfers of the property have occurred within the 3 year period immediately preceding this effective date.

**BUYER:**

Subject does not appear to be openly listed for sale. It is the appraiser’s understanding the owners intend to maintain ownership of the two buildings considered in this appraisal.

**PURPOSE AND INTEREST APPRAISED:**

The purpose of this appraisal is to estimate the fee simple, market value of the subject property as defined in later addenda. As these types of buildings typically involve short-term leases, a fee simple value is considered most appropriate.

**INTENDED USE AND USER OF THIS REPORT:**

It is the understanding of the appraiser that this appraisal report is to be used by the client, PLEASANT COVE PROPERTIES LLC, for their general knowledge.

**EFFECTIVE DATE OF VALUE:**

September 19, 2014- This was the date the appraiser met with the property manager and viewed the interior of the units.

**DATE OF THE REPORT:**

September 24, 2014- Delivery is expected on September 26, 2014.

635

635

GENERAL WARRANTY DEED

THIS DEED is made as of September 14, 2001, between TOMMY R. HALL and LINDA R. HALL, his wife (the "Grantors"), having a mailing address of 2101 Rothbury Road, Lexington, Kentucky 40515, and PLEASANT COVE PROPERTIES, LLC, a Kentucky limited liability company ("Grantee"), having a mailing address of 9908 White Blossom Boulevard, Louisville, Jefferson County, Kentucky 40241.

WITNESSETH:

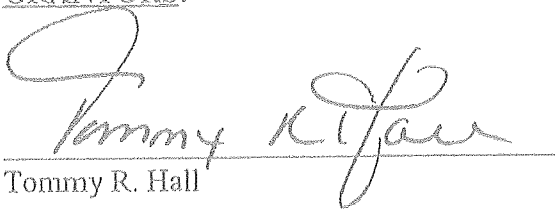
For valuable consideration in the total amount of SEVEN HUNDRED TWELVE THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$712,500.00), the receipt of which is hereby acknowledged, Grantors grant and convey to Grantee, in fee simple and with covenant of GENERAL WARRANTY, an undivided one-half interest in the real property located in Boyle County, Kentucky which is legally described on Exhibit A attached hereto and made a part hereof, together with all improvements thereon and appurtenances thereto.

Grantors further covenant that Grantors are lawfully seized of the estate hereby conveyed, that Grantors have full right and power to convey the same, and that the property conveyed hereby is free from all liens and encumbrances except real estate taxes assessed but not yet due and payable, which have been adjusted between Grantors and Grantee, and all real estate taxes due and payable thereafter, which real estate taxes Grantee hereby assumes and agrees to pay.

PROVIDED, HOWEVER, there is excepted from the foregoing covenants and warranties [i] any easements, restrictions, covenants and stipulations of record affecting the real property described herein, [ii] applicable planning and zoning rules and regulations, and [iii] all tenants in possessions.

IN TESTIMONY WHEREOF, witness the signature of Grantors as of the date first above written.

GRANTORS:

  
Tommy R. Hall

  
Linda R. Hall

*return to preparer*

638

EXHIBIT A

638

TRACT I:

BEGINNING at an iron pin in the north margin of East Main Street, extended the said iron pin being S 13° 49' W 25 feet from iron pin located in the southeast corner of a parcel of real property belonging to the Boyle Block Company; thence with the said north margin of the said East Main Street, Extended S 76° 11' E 155.3 feet to an iron pin; thence S 82° 22' E 75.9 feet to an iron pin; thence S 85° 59' E 56.5 feet to an iron pin; thence S 89° 56' E 171.6 feet to an iron pin; thence S 89° 08' E 10.07 feet to an iron pin; thence N 14° 06' 40" E 533.9 feet to an iron pin; thence N 78° 13' W 470.6 feet to an iron pin; thence S 13° 49' W 578. feet to an iron pin; the point of beginning, and containing six acres, more or less.

TRACT II:

BEGINNING at the northwest corner of property of Boyle Block Company in the east right of way line of Hill-N-Dale Drive to a point of curve; thence with East right of way line of Hill-N-Dale Drive N 13° 49' E 20 feet to a point of curve; thence with the east right of way line of Hill-N-Dale Drive along a curve for a radius of 265.48 feet a distance of 90 feet to an iron pin; thence North with the east right of way line of Hill-N-Dale Drive N 33° 21' E 90.4 feet to a point of curve; thence continuing with the east right of way line of Hill-N-Dale Drive along a curve having a radius of 337.74 feet a distance of 106.7 feet to a point of tangent; thence continuing with the east right of way line of Hill-N-Dale Drive N 15° 15' 20" E a distance of 32.2 feet to an iron pin, corner to property of Gabbard; thence S 86° 2' E with said other property of Gabbard 637.25 feet to a concrete monument and iron pin; thence continuing with other property of Gabbard S 14° 36' 40" W 220.6 feet to an iron pin, corner to other property of Rose Lane, Inc.; thence with property of Rose Lane, Inc. N 78° 13' W 459.13 feet to an iron pin; thence continuing with property of Rose Lane, Inc., S 13° 49' W 203 feet to an iron pin, corner to property of Rose Lane, Inc. and Boyle Block Company; thence with property of Boyle Block Company N 76° 11' W 230 feet to the point of beginning and containing 3.4 acres, more or less.

BEING the same property wherein an undivided 1/2 interest was conveyed to RCH PROPERTIES, LLC, a Kentucky Limited Liability Company, by Deed dated 12-29-98, of record in Deed Book 359, Page 283, in the Office of the County Court Clerk of Boyle County, Kentucky.

AND BEING the same property wherein an undivided 1/2 interest was conveyed to TOMMY R. HALL and LINDA HALL, husband and wife, by Deed dated 8-1-80, of record in Deed Book 230, Page 239, in the Office of the County Court Clerk of Boyle County, Kentucky.



## APPRAISAL DEVELOPMENT AND REPORTING PROCESS (SCOPE):

In preparing this appraisal, the appraiser made a general interior and exterior appraisal inspection of the subject improvements and met with the property manager on the referenced effective date. After this appraisal inspection and consultation, the appraiser began a search and review of data from the subject's area and similar competing areas, on comparable, improved, multi-unit, multi-building residential property sales, vacant land sales, comparable rents and capitalization rates and multipliers.

The Cost Approach can be given little emphasis due to the age of the buildings and the inherent difficulty in estimating accrued depreciation. This approach is included, however, for due diligence. The data for this approach was taken from the appraiser's files. This data pertained to the actual costs of multi-family construction projects in our area. This actual, local, cost data was considered more reliable than that which can be obtained via national cost services.

The subject's accrued depreciation (from all sources) was based on the age-life method and assumes the wasting asset to have a remaining economic life of 25 years and an effective age of 25 years. (Total Economic Life- 50 yrs)

The value of the subject's underlying land was estimated through a review of multi-family vacant lot sales in our area over the past several years. The appraiser utilized the typical, line-item spreadsheet format in this Sales Comparison Approach. Key value influencing characteristics of the subject's site are compared with those of the competing sales. Adjustments are made to reflect any differences and the result is an adjusted value range. The appraiser then selects the most appropriate value within this range and applies it to the subject tract. In this instance, this analysis was performed on a per acre basis.

The summation of these component parts are then combined to yield an estimated market value via the Cost Approach.

The Sales Comparison Approach is based on the principal of substitution. It assumes a buyer would pay no more for the subject property than he would for a similar property, offering similar amenities in a similar area.

As these types of complexes sell infrequently in our area, the appraiser was forced to expand the timeframe from which the comparables could be taken. The appraiser reviewed sales records from his files, fellow appraisers, the local MLS and public records. This review yielded 6 sales which would be considered relatively similar although none were just like the property in question..

Once these sales were selected, they were used in a Sales Comparison Analysis much like the one used to determine the land value. The subject and comparables are placed side-by-side and their characteristics compared. Monetary adjustments are made to reflect any significant differences. Once again, the result is an adjusted value range. In this case, this

analysis is performed on a per square foot and per unit basis. The most appropriate values from within these ranges is then applied to the subject's gross building area and number of rental units. The reconciliation of these two values results in an Improved Sales Comparison Approach market value.

The analysis of comparable sales also yields an Overall Capitalization Rate, and a Gross Rent Multiplier. These rates are then used in the Income Approach to convert the subject's estimated net and gross incomes into value.

As noted, the Income Approach is the method by which net and gross incomes are converted to value via the aforementioned cap rates and multipliers. ( $V=I/R$ )-Cap Rate & ( $V=I \times R$ )- Rental Multiplier.

The Gross Rental Multiplier is the easier variable to find and apply. It requires knowledge of the sales price of the comparable and its GROSS Income. These two components are generally found quickly through published MLS data or through property owner's and/or managers. The GRM is calculated by dividing the property's sales price by its annual gross rents. The selected GRM can then be applied to the estimated gross annual income of the subject to estimate its market value.

Overall capitalization rates are more difficult to determine and apply. As most of these types of complexes are managed by their owners in our area, the expense information needed to determine NET Income is difficult to obtain. These overall capitalization rates, therefore, are based on very limited data. The overall capitalization rate is determined by dividing a properties NET income by its sales price. Again, the selected rate is then applied to the subject's estimated net income to arrive at a market value.

Due to the general lack of data necessary to calculate an overall cap rate, the appraiser also attempts to "build" a cap rate via a Band of Investments Analysis. This analysis "builds" an overall capitalization rate based on the cost of money (return of) and the expected investor returns based on the returns of competing investments (return on). The rate determined by this analysis is applied to the subject's NET income to arrive at market value.

The Gross Income of the subject was based on its current actual rents as these were determined to be market indicative. Expenses were based on information from the client as well as localized sources. (Refer to the Income/Expense Analysis)

The values derived from each of these various multiplier and capitalization methods is then reconciled into a single Income Approach market value estimate.

The final step is the reconciliation of values whereby the values derived from each approach is analyzed. The approach for which there is the best or most appropriate data is given greatest weight and the subject's final estimate of value is rounded accordingly.

**REAL ESTATE APPRAISED:**

40 Unit Residential Complex in 2 Buildings  
1020 East Main Street  
Meadow Run Apartments  
Danville, Boyle County, KY 40422

Tax Assessor's Parcel #D10-001-018

**ZONING:**

Subject is zoned NCC, Neighborhood Center Commercial. The primary use allowed under this zoning is multi-family residential dwellings according to local planning and zoning ordinances. (10/18/2004)

In view of the subject's location, surroundings and current trends, this zoning appears appropriate and no zoning change would be expected in the foreseeable future. The subject is a conforming use.

**TAXES:**

The property is currently assessed for \$1,425,000. This assessment pertains to the subject as purchased. The entire property offered 4 buildings (80 units) and approximately 9.4 acres. For the purposes of this appraisal and the Income Approach, it is assumed ½ of the assessment pertains to the property being appraised. Assuming an assessment of \$712,500 and the current tax rate of \$12.91 per \$1,000 of assessed value, the subject's property tax liability would be ~\$9,200 (rounded).

The subject is considered to be in the city school and taxing district. The subject is not in a special "TIF" or other taxing district and no special assessments are known.

Multi-family property is re-assessed every 4 years. No significant change is anticipated over the holding period analyzed in the Income Approach.

**AREA DATA/DESCRIPTION:**

The client is familiar with the Central Kentucky region of the state. This location within the state would not be a negative marketing factor for the subject. A market area map is included below for reference.

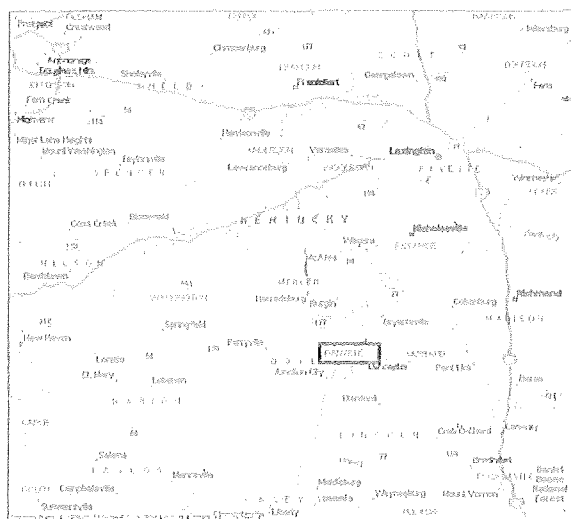
Boyle County has historically fared better than most of its neighboring counties in terms of economic base, median income and resident’s effective purchasing power. The county has attracted several substantial industries through the years and some of these industries have recently expanded to absorb some of the labor force displaced by other industry closings. Roadways through the county are good and include US Hwy 127, US Hwy 150 and US Hwy 68. Interstate 75 is within a 45 minute drive along a recently improved road. These roadways make commuting to and from the area easy. Danville is also considered the economic center/hub of this multi-county area.

Danville is also the home of Centre College, KY School for the Deaf, Herrington Lake and Constitution Square State Historic Site.

The real estate market within the county has stabilized and shows signs of slow improvement. The rental market has rebounded to a degree after a downward demand trend brought about by low interest rates and favorable financing. These factors allowed some renters to participate in the purchase of homes who had not previously qualified. As this aggressive lending has eased, the demand for rental property has begun to increase.

tre College, KY School for the Deaf, Herrington Lake and Constitution Square State Historic Site.

In general, there are no factors known which would suggest the real estate market in the area is currently declining.



**Central KY Area Map**

**NEIGHBORHOOD DATA/DESCRIPTION:**

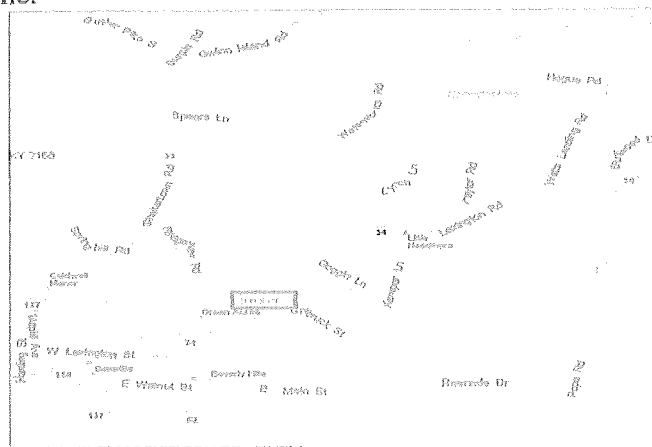
General neighborhood boundaries of the subject's neighborhood are considered to be the area within the city limits of Danville which lie north of Main Street and east of KY Hwy 33 (Third Street).

The subject's "neighborhood" is a mix of commercial, agricultural and high/low-density residential properties. This part of the city is host to some of Danville's most desirable and stable subdivisions. These would include Rolling Meadows, Williamsburg Village, Stonehill, Brentwood and Green Acres. The Danville Country Club is also within the "neighborhood's" boundaries.

Businesses in the immediate area tend to be small to medium sized, owner-operated establishments employing 5-25 people. The exceptions would be the nearby high school and middle school.

The subject's immediate area is a mix of single and multi-family complexes. The End of Main development area was developed as an FHA home neighborhood. It has many 1000-1200 sq.ft. brick ranch homes offering 3 bedroom and 1 bath. This development is also home to other, large, multi-family buildings. Some of these are part of Danville's public housing system. Across the street is a privately owned apartment complex known as Long Run Apartments. The Long Run Apartments offer units in the subject's rental class and would be in demand from a similar tenant. These units are under-going extensive renovation which will enhance the aesthetics of the area and should benefit the subject units.

In general, the location off of Main Street and among other similar buildings would be considered adequate and appropriate for this type of improvement. Occupancy rates would be typical for the area. Fewer rental units of average quality are being offered in the subject's rental class therefore the durability of the property's cash flow is not in question at this time.



**Northeastern Danville**

## SITE DATA/DESCRIPTION:

The subject site lies on the north side of East Main Street just passed its intersection with Hill N Dale Drive. East Main Street terminates at farmland just east of the subject. East Main Street is a well maintained, two-lane city street at this point although a portion of Main Street in the downtown area is a state road (KY Hwy 34).

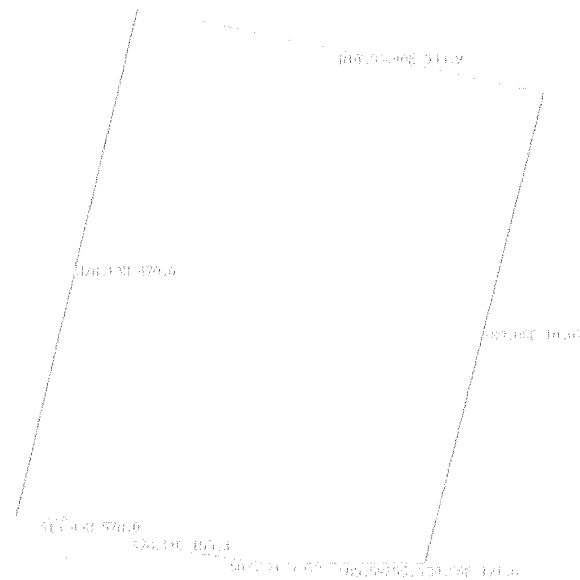
Curbs, gutters and sidewalks do not extend to this portion of the street although street lights have been installed on some utility poles.

The site is generally rolling but does slope downward from north to south and the improvements set at, or just above road grade. Drainage appears positive and no natural site hazards were noted.

Ingress and egress to the property is adequate. The driveway and parking areas which serve the buildings is in need of re-surfacing as part of regular maintenance

An unofficial plot of the legal description deed calls is shown. From this it is apparent the property is irregular in shape but is referred to as a "rectangle". Frontage is adequate and appears to be over 500'. The deed suggests the site contains "six acres more or less" which is in agreement with the plotted calls as shown.

No adverse easement, encroachments or other detrimental conditions are apparent or known. The site conforms to current zoning regulations for this use.



**Utilities:**

The site is served by public electricity, municipal water/sewer, and natural gas. It is assumed these utilities have the typical easements to and through the property.

The subject is not in a flood hazard area as shown on FEMA map 21021C0088C. (07/4/2011)-Zone X

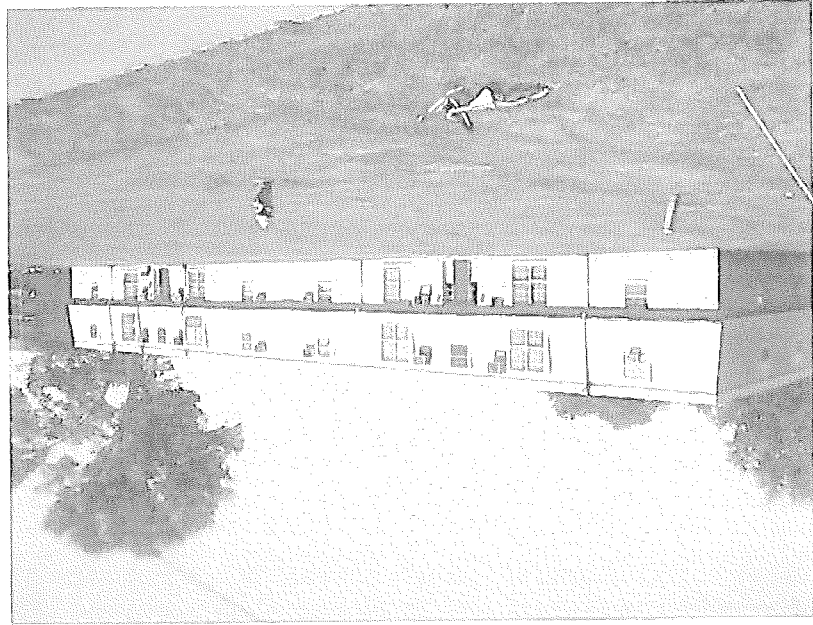
The appraiser is not qualified to detect the existence of any potentially hazardous materials or harmful environmental conditions which might affect the subject that are not readily apparent. The appraiser assumes no detrimental environmental factors exist which would negatively affect the value of the subject property.

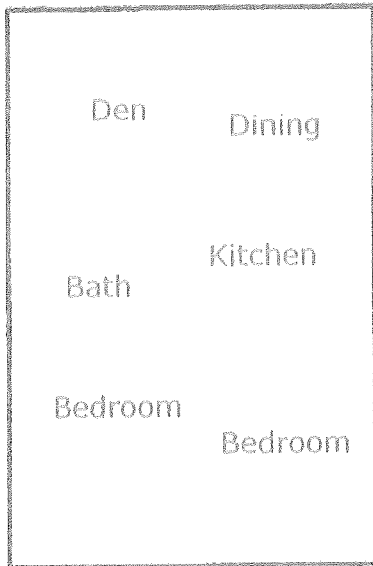
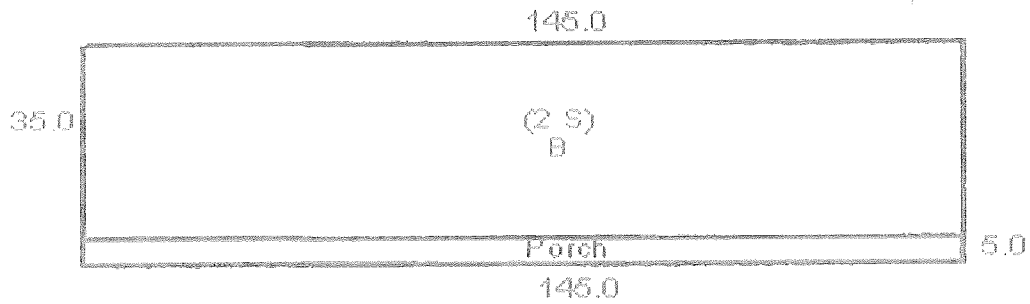
**DESCRIPTION OF IMPROVEMENTS:**

The photos included are the best descriptors of the subject's type, quality and condition.

The subject is a 2 building, 40 unit apartment complex. The furthest building west or Building A offers 16, 2-bedroom, 1-bath units. The building is 2 story, but the units are one-story. Essentially the building offers eight identical units on each floor. The units also offer an eat-in kitchen, and living room. The building itself offers 10,150 sq.ft. of gross building area with approximately 850 sq.ft. of common hallway by which the units are accessed. The units are heated via ceiling cable radiant heat and each has a window unit air conditioner installed through the living room wall.

\*\* The square footages referenced and the drawings contained herein were calculated and prepared by the Boyle County Tax Assessors office. These measurements and drawings are assumed to be accurate.





2 Bedroom Units

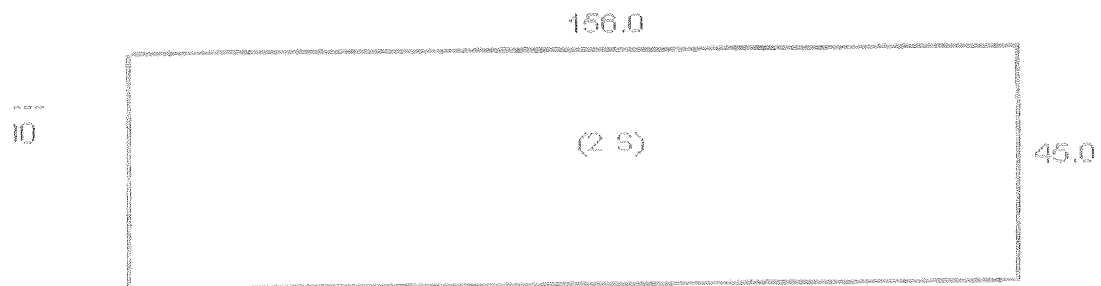


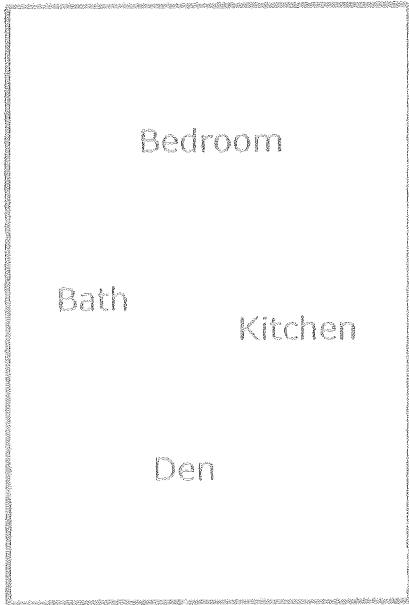
Interior finish is average with amenities and general quality. Floor coverings are carpet and vinyl. Units include range/oven and refrigerator. Woodwork/trim is prefab with pre-hung hollow core doors. Cabinetry also appears to be stock but adequate. The units, in general, display a quality which would be expected in units within its rental range. No inadequacies or super adequacies were noted.



**Building B** is the building furthest to the east on East Main Street. This is also a 2-story building offering 24 one-story flats. These are all identical, 1 bedroom, 1 bath apartments which are accessed by way of exterior doors. Access to the second story units are via a covered deck. This building offers 14,040 sq.ft. of gross building area. This building houses the complex's laundry area, but has no common hallways. This building is also heated by a ceiling cable radiant system and also has built-in window unit air conditioners.

\*\* The square footages referenced and the drawings contained herein were calculated and prepared by the Boyle County Tax Assessors office. These measurements and drawings are assumed to be accurate.





1 Bedroom Units



The interior finishes of these units is similar to those of Building A

**Improvement Summary:**

BUILDING	Number of Units	Building Stories	Unit Stories	Room Count	Gross Bldg Area	Parking
A	16	2	1	4-2-1.0	10,150	Open
B	24	2	1	3-1-1.0	14,040	Open
<b>Total</b>	<b>40</b>				<b>24,190</b>	

Public records suggests these buildings were constructed in 1975. The exteriors are a combination of brick veneer and some type of non-masonry veneer over a wooden frame. The buildings appear to have composition shingle roofs which may be approaching the end of their useful lives. Unlike most complexes in our area, the subject buildings sit on a concrete block crawl space rather than concrete slabs.

The buildings appeared to be in average condition. Updating of the units is currently taking place. The exterior of Building A is in need of some cosmetic maintenance. The appraiser is not a building inspector, but he saw no signs of structural inadequacies or failure.

Functionally the complex is similar to many others in the area. Externally, the presence of the adjacent public housing complex would likely not have a great effect on the marketability of the buildings or units. This public housing complex is well maintained and does not differ in appearance from other apartment buildings in this area.

#### **HIGHEST AND BEST USE:**

Highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property such that the use is physically possible, approximately supported, financially feasible, and results in the highest value.

Highest and Best Use (As though vacant and available): As noted, the subject is in an NCC Zone which is appropriate for the current improvements. Much of the surrounding land also carries this zoning which essentially allows for multi-family residential use as well as small scale commercial development. As the area is primarily used for multi-family residential purposes, and as traffic levels would be inadequate for most commercial uses, the Highest and Best Use of the land as though vacant would be for Multi-Family Residential Use.

Highest and Best Use (As improved): No alternative use would justify the removal of the existing improvements. These improvements have adequate remaining economic life and the location has proven to be a viable locale with stable occupancy. The subject's Highest and Best Use (as improved) would then be the current use which is high density residential use. The subject will then be appraised assuming this use.

#### **APPROACHES TO VALUE & VALUE CONCLUSIONS:**

##### **COST APPROACH:**

The Cost Approach is based on the assumption that no prudent buyer would pay more for a building than that amount which he could build a similar building with equal utility.

The first step in the Cost Approach process is to estimate the value of the subject's underlying land, assuming it to be vacant and available for development.

To estimate the land value, the appraiser performed a Sales Comparison Analysis much as he would with improved property. A line-item, grid format is utilized and key characteristics of the subject's site are compared with those of other sites with similar zoning. Due to the size of the tract, the analysis was performed on a per acre basis.

As these tracts sell infrequently it was necessary to use data from sales which occurred some time ago, were from other areas, and which may have required substantial adjustments. These sales do offer some supportable evidence of the subject land tract's value range.

# SALES COMPARISON GRID- LAND VALUE ANALYSIS (ASSUMED VACANT)

Subject	Sale 1		Sale 2		Sale 3		Sale 4		Sale 5	
	Address	Lot 1 Bluegrass Chase	Lot 2, Phz 3, War Admiral	Demville 5 Mi	Lot 3, Phz 3, War Admiral	Demville 5 Mi	Lot 4, Phz 3, War Admiral	Demville 2 Mi	Stanford Rd- KSD Village	Demville 2 Mi
Proximity	East Main St	Demville 5 Mi	Demville 5 Mi	Demville 5 Mi	Demville 5 Mi	Demville 5 Mi	Demville 5 Mi	Demville 2 Mi	Demville 2 Mi	
Sales Price	\$105,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$210,000.00	\$210,000.00	
Acreage	2.230	0.690	0.290	0.290	0.290	0.290	0.290	14.007	14.007	
\$/Acre	\$47,065	\$40,590	\$96,552	\$96,552	\$96,552	\$96,552	\$96,552	\$14,993	\$14,993	
<b>ADJUSTMENTS</b>										
Date of Sale	09/09	08/05	02/03	05/03	12/97	12/97	12/97	12/97	12/97	
Source	Files, Plat	Files, Plat	Files, Plat	Appsr, Pub Rec	Appsr, Pub Rec	Appsr, Pub Rec	Appsr, Pub Rec	Appsr, Pub Rec	Appsr, Pub Rec	
Site Size in Acres	2.230	0.690	0.290	0.290	0.290	0.290	0.290	14.007	14.007	
Location	Suburb/Avg.	Superior	Superior	Superior	Superior	Superior	Superior	Suburb/Avg.	Suburb/Avg.	
Improvements	Assumed	Vacant	Vacant	Vacant	Vacant	Vacant	Vacant	Vacant	Vacant	
Frontage	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate	
Zoning	Equal	Equal	Equal	Equal	Equal	Equal	Equal	Equal	Equal	
Financing Concessions	None Known	None Known	None Known	None Known	None Known	None Known	None Known	None Known	None Known	
TOTAL NET ADJUSTMENTS/Ac	(\$28,251)	(\$24,348)	(\$77,241)	(\$77,241)	(\$77,241)	(\$77,241)	(\$77,241)	(\$77,241)	(\$77,241)	
ADJUSTED SALES PRICE/Ac	\$18,834	\$16,232	\$19,310	\$19,310	\$19,310	\$19,310	\$19,310	\$20,240	\$20,240	
<b>Adjusted Mean Value Per Acre: \$18,785</b>										

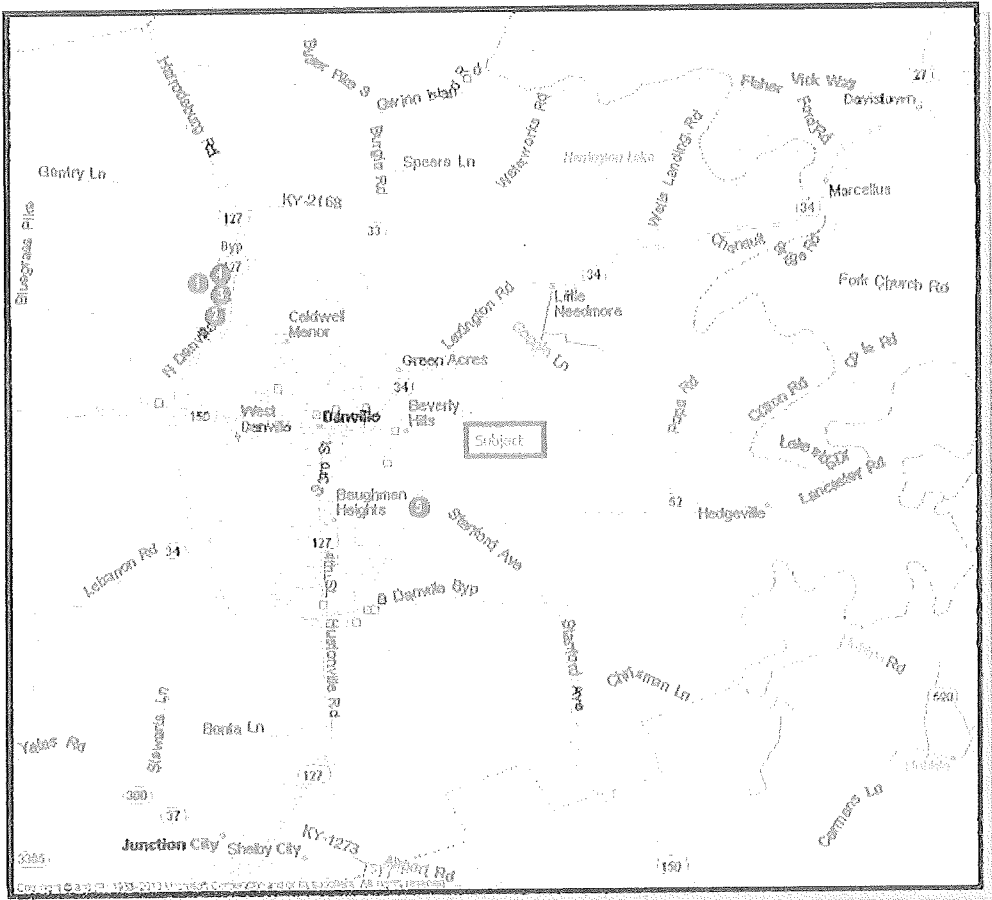
**COMMENTS:**

Few multi-family vacant lot sales occur in our area. They are typically developed by their owner and do not sell as individual lots. The sales above therefore go back several years, but were considered the best available. The location of the first 4 comparables is considered superior to that of the subject as they are located in a popular multi-family area near shopping, schools and the By-Pass. Sale 5 is a larger tract, but its location is similar to that of the subject. Adjustments generally based on matched pair analysis as well as the appraiser's knowledge of this market. Although large adjustments were necessary, the adjusted, per acre value range indicated is very tight.

Within this tight per acre value range a central tendency is evident. The analysis above gives great support to a per acre value of \$19,000. With this per acre estimate, the subject's underlying land value could then be said to have a value of:

6.050	x	\$19,000	=	\$114,950
				<b>Rounded to: \$115,000</b>

# Land Sales Location Map



Based on a review of available land sales, the value of the total land tract on which the complex sets (assumed vacant and available) was estimated to be \$115,000. This spreadsheet analysis is found on the following page.

### COST APPROACH

Meadow Run Apts- East Main			
	SQUARE FOOTAGE	\$/SQ.FT.	ESTIMATED COST NEW
2 Buildings- 2 Story	24,190	\$56.00	\$1,354,640
40 Units Total- Building Area			

OTHER FEATURES: \$100,000

TOTAL ESTIMATED COST NEW \$1,454,640

ESTIMATED DEPRECIATION %: 50% \$727,320

COST NEW LESS DEPRECIATION: \$727,320

ADD SITE IMPROVEMENT VALUE: \$50,000

Parking Areas etc

ADD ESTIMATED LAND VALUE: \$115,000

ESTIMATED MARKET VALUE VIA THE COST APPROACH: \$892,320

ROUNDED TO: \$900,000

**COMMENTS:**

Cost data obtained from the appraisers files regarding area multi-family housing construction projects. Depreciation from all sources was based on the age life method and assumes a remaining economic life of the wasting assets of 25 years and an effective age of 25 years. Total economic life is therefore 50 years. The subject's underlying land value was brought forward from the previous analysis.

Depreciation %= Effective Age/Total Economic Life, or 25/50= 50%.

MEADOWRUNEMAIN- COST

### **COST APPROACH ESTIMATE OF VALUE:**

Based on the analysis above, the subject's Cost based estimate of market value is rounded to:

**NINE HUNDRED THOUSAND DOLLARS  
(\$900,000)**

### **SALES COMPARISON APPROACH:**

The Improved Sales Comparison Approach assumes no buyer would pay more for any one property than he would for the same property offering the same amenities in the same location. In order to perform this analysis an appraiser would have to compare the subject property to replica properties which had sold in the same vicinity. As this is usually not possible, the appraiser must then review the available sales data, chose the sales which are most comparable to the subject and adjust these comparable sales for any key differences between the sale and the subject.

These adjustments are monetary estimates of how the typical buyer would react to these differences. If the subject offers a feature not offered by the comparable sales, the feature is then "added" to that sale in order to make the two properties equal. Consequently if the subject lacks a feature offered by the comparable sale, that feature is then "deducted" from that sale. Again, these additions and deductions are estimates of the market's reaction in terms of dollars. These monetary adjustments can be based on matched pair analysis, depreciated cost estimates, the appraiser's knowledge of the local market in general and/or other methods which are general accepted and can be supported.

The following page illustrates such a Sales Comparison Approach. The subject and the comparable sales are placed side-by-side and the key characteristics of the subject are compared with those of the chosen sales. Adjustments are then made to reflect the differences and the resulting adjusted, value range is then analyzed. This analysis generally results in the appraiser choosing the per square foot or unit value which best reflects the subject's value and applying that figure to the improvements gross building area and units.

In this case the subject was compared to six other multi-family property sales which occurred over the past 4+ years. These complexes offer from 4 to 24 units. As no sales were found which were just like the subject, some adjustments were necessary. All sales were judged to come from areas having similar underlying land and locational values. All but 1 were equal as to effective age. The primary adjustment needed was necessary for four of the sales and related to the overall condition of the buildings and units. Sales 2, 4, 5, & 6 had all received significant building and unit renovation prior to their sales. A negative adjustment was then needed to make them equal to the subject.

Subject	Sale 1		Sale 2		Sale 3		Sale 4		Sale 5		Sale 6																
	Address	Price	Address	Price	Address	Price	Address	Price	Address	Price	Address	Price															
1000 E Main St Denville			426 Patricia Place Denville	\$135,000.00	820 E Main St Denville	\$100,000.00	404 Patricia Place Denville	\$205,000.00	940 High St Denville	\$68,000.00	25 Holiday Dr Denville	\$775,000.00															
Proximity			3.3 MI		2 Blocks		3.3 MI		2.8 MI		2.8 MI																
Sale Price	\$19,36	\$19,36	\$135,000.00	\$26,31	\$100,000.00	\$26,94	\$205,000.00	\$26,92	\$68,000.00	\$68,18	\$775,000.00	\$93,70															
GRM	5.36	5.36	6.43	5.88	5.88	6.70	6.90	6.90	7.18	7.18	7.18	7.18															
ACTUAL GROSS INCOME ADJUSTMENTS																											
Date of Sale	08/11	08/11	04/10	04/10	04/10	04/10	04/10	08/13	08/13	08/11	08/11	08/11															
Source	Apprais, Comp, Rptd	Apprais, Comp, Rptd	Ext View, Files	Ext View, Files	Ext View, Files	Ext View, Files	Ext View, Files	Ext View, Files	Ext View, Files	Ext View, Files	Ext View, Files	Ext View, Files															
Site	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average															
Location	Brk/Fr/Avg	Brk/Fr/Avg	Vinyl/Avg	Vinyl/Avg	Vinyl/Avg	Vinyl/Avg	Vinyl/Avg	Vinyl/Avg	Vinyl/Avg	Vinyl/Avg	Vinyl/Avg	Vinyl/Avg															
Constr Quality	E25+	E25+	Superior	Superior	Superior	Superior	Superior	Superior	Superior	Superior	Superior	Superior															
Age	4848	4848	4	4	4	4	6	6	4	4	24	24															
Gross Building Area	24150	24150	40	40	40	40	40	40	40	40	40	40															
# Units	40	40	4	4	4	4	6	6	4	4	24	24															
Other Imp	CS Parking	CS Parking	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar															
Financing Concessions	N/A	N/A	None Known	None Known	None Known	None Known	None Known	None Known	None Known	None Known	None Known	None Known															
TOTAL NET ADJUSTMENTS - PER SQ. FT.	\$0.00	\$0.00	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)															
ADJUSTED SALES PRICE PER SQ. FT.	\$19.36	\$19.36	\$16.31	\$16.31	\$16.31	\$16.31	\$16.31	\$16.31	\$16.31	\$16.31	\$16.31	\$16.31															
ADJUSTED SALES PRICE UNIT	\$22,600	\$22,600	\$20,920	\$20,920	\$20,920	\$20,920	\$20,920	\$20,920	\$20,920	\$20,920	\$20,920	\$20,920															
COMMENTS:	<p>Sales above are a good sampling of 4+ unit complexes which sold within the past ~3 years. These buildings are all in locations considered similar to the subject. Some of these units were more thoroughly renovated prior to their sale. In most cases, this was the only adjustment necessary. Otherwise, the quality of material, construction and amenities are comparable. The rents received by these complexes also falls within a fairly narrow range. From this analysis, three units of comparable measure can be found.</p> <p>The first in the value per square foot. This measure can suggest a general value for the subject but unless all of the units have a similar room count, size etc, this measure is somewhat subjective. The second measure is value per unit. Again, unless all of the other factors of the comparable is the same, this unit of comparison is also somewhat subjective. Typically the most useful measure gained from the Sales Comparison Approach in these instances is the Gross Rent Multiplier. This is calculated by dividing the property's value price by its annual gross rents. This Multiplier and its considerations will be discussed in the Income Approach portion of this report. Based on the analysis above, the subjective measures of value per square foot of building area and per unit suggest a reasonably narrow value range. Due to the number of units involved most weight was given to the value suggested by Sale 5.</p> <p>The appraiser therefore assigned \$23,000/sq.ft. &amp; \$23/ft. calculating to values of:</p> <table border="1"> <tr> <td>24,150 sq.ft.</td> <td>X</td> <td>\$23</td> <td>=</td> <td>\$554,750</td> </tr> <tr> <td>40 Units</td> <td>X</td> <td>\$23,000</td> <td>=</td> <td>\$920,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Reconciled to: \$850,000</td> </tr> </table>												24,150 sq.ft.	X	\$23	=	\$554,750	40 Units	X	\$23,000	=	\$920,000					Reconciled to: \$850,000
24,150 sq.ft.	X	\$23	=	\$554,750																							
40 Units	X	\$23,000	=	\$920,000																							
				Reconciled to: \$850,000																							

MeadowRunBlair-SCA

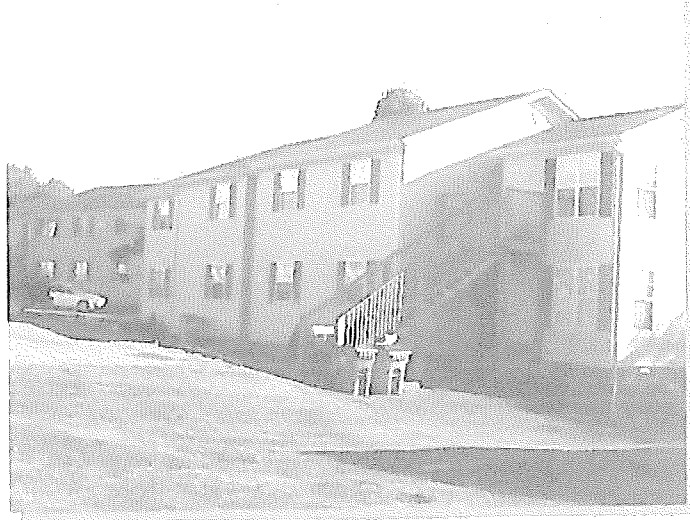


Comparable  
Sales  
Photographs

Sale 1  
518  
Longview Dr  
Danville



Sale 2  
426  
Patrician Pl  
Danville



Sale 3  
820  
E Main St  
Danville



Comparable  
Sales  
Photographs

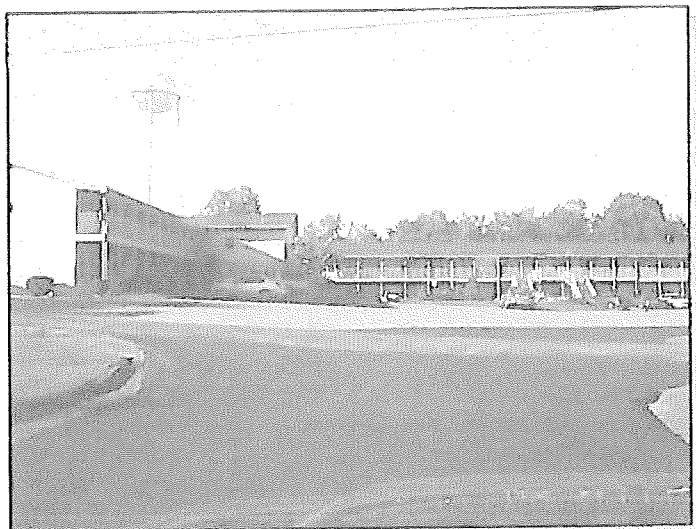
Sale 4  
404  
Patrician Pl  
Danville



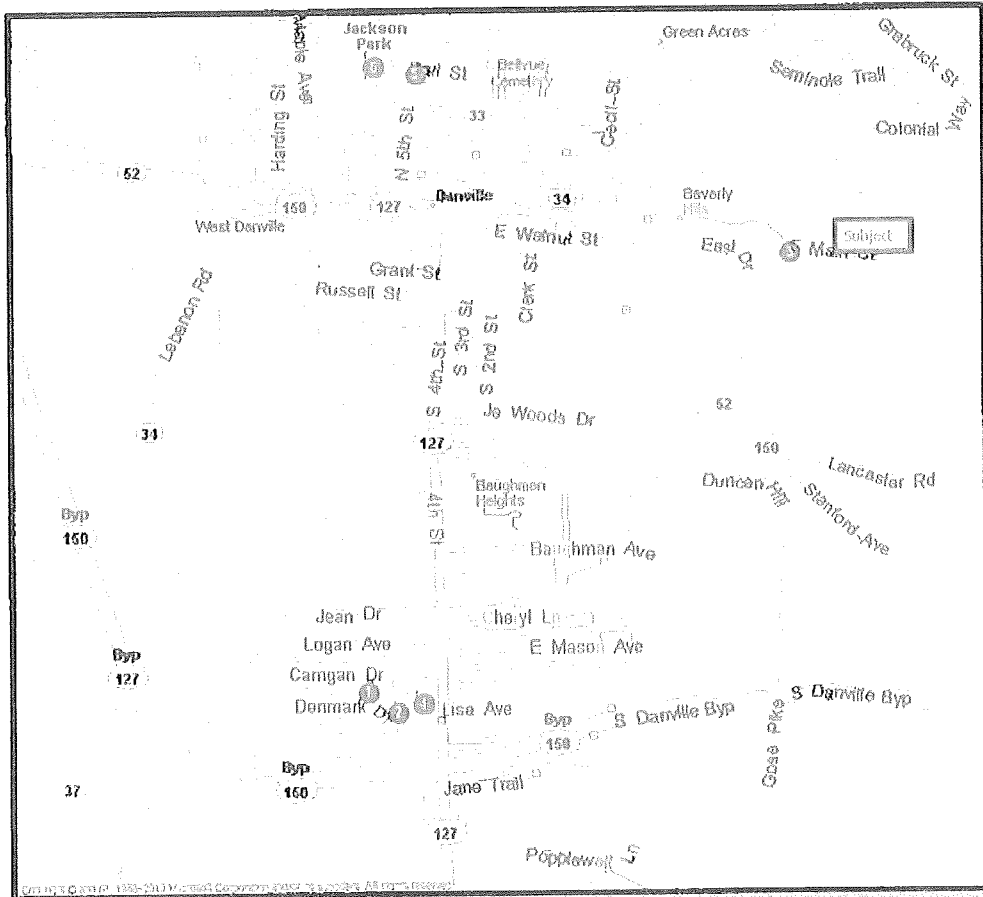
Sale 5  
649  
High St  
Danville



Sale 6  
25  
Holladay Dr  
Danville



# Subject/Sales Location Map



After all adjustments were made, the resulting per square foot and per unit value range established for the subject was \$15.16 to 26.94 (per sq.ft.) and \$14,341 to \$25,000 (per unit) The appraiser felt Sale 6 was the best value indicator for the subject as it offered 24 units. The other comparable sales offered 4 to 6 units. The adjusted per square foot price of Sale 6 was \$25.70 and its per unit value was \$23,247 as adjusted. These were then rounded to \$25 and \$23,000 respectively.

Applying those amounts to the subject yields the following results:

$$\$25 \times 24,190 = \$604,750$$

$$\$23,000 \times 40 = \$920,000$$

The value suggested by the per unit calculation is given slightly more emphasis. In the Sales Comparison Approach analysis, the adjusted, per unit sales price of the comparable sales tends to be more consistent with fewer outlying values. This suggests to the appraiser this is the more reliable unit of measure. The overall value of the subject property via the Sales Comparison Approach is then rounded to:

**EIGHT HUNDRED, FIFTY THOUSAND DOLLARS**  
**(\$850,000)**

The sales used in the improved Sales Comparison Approach also yield a range of Gross Rent Multipliers for application in the Income Approach.

#### **INCOME APPROACH:**

The Income Approach is based on the assumption that value is related to the rental/lease income the real estate is expected earn. Or, value is created by the expectations of benefits to be derived in the future. In this approach, the anticipated annual net income of the subject (Before Debt Service) is processed to produce an indication of value.

Income is converted into value through capitalization in which net income is divided by a capitalization rate ( $V=I/R$ ). Factors such as risk, time, interest on capital, and recapture of depreciation are considered in selecting the capitalization rate.

The best source of an overall capitalization rate is from sales of similar buildings where net income information is available. The net income of the sold property is divided by its sales price to yield a capitalization rate. ( $R=I/V$ ) In the absence of this, the appraiser can attempt to "build" a capitalization rate through a band of investment analysis.

The Band of Investment analysis attempts to base a capitalization rate on the cost of money and the opportunity cost of money. (A return on and of the investment).

Another method of converting income into value which is typically reserved for residential property is the Gross Rental Multiplier method. As noted, the GRM is

## Rental Analysis- Meadow Run @ East Main

	Number of Units	Monthly Rent/Unit	Comments Room Count
411-417 Longview Dr	4	\$375	Similar to Subject 4-2-1
448 Patrician Place	4	\$375	Similar to Subject 4-2-1
301 N Hill N Dale Dr	92	\$460	Average per unit rent Offer 2, 3 & 4 BR units
920 E Main St	4	\$425	Subject's Area 4-2-1
101-103 Lisa Ave	2	\$435	Duplex 4-2-1
188 Hartland	2	\$485	Townhouse Style 4-2-1.5- No Cv Prkng
1017 Nokomis Dr	4	\$450	Over/Under 4-Plex 4-2-1- No Cvr'd Prkng
436-444 Sea Biscuit Dr	5	\$520	Townhouse Style 4-2-1.5- No Cv Prkng

### COMMENTS:

Rental units above are from various areas of the city and offer a variety of amenities. The first four of these rental comparables are most similar to the subject in terms of location, quality and/or amenities.

The subject's current rents for the 2 bedroom units of \$395 appears to be well positioned based on this analysis. The appraiser could find no data regarding 1 bedroom units in these types of complexes, but it would stand to reason they would be less than the 2 bedroom units. In the absence of other or contrary data, the subject's current 1 bedroom rents of \$325 per month is reasonable.

In general terms, the subject's currently achieved rents are within the parameters established above. The subject's current rents would therefore be considered to be MARKET rents.

MARKETRENTANALYSIS-ENDDOMAIN

calculated by dividing the sales price of a property by its gross annual income. ( $R=V/I$ )  
Once a rate has been selected, the subject's gross income can be converted to value via  
( $V=R*I$ )

Rates from all methods were developed in this report. The data for the Income Approach is generally more limited, therefore using multiple methods and rates allows for a more reliable consensus value.

#### GROSS AND NET INCOME DEVELOPMENT:

The subject's gross income was calculated by comparing the subject's actual rents with those of similar units in the area. After such a review it was determined the current rents are, in fact, market indicative. This then suggested a Potential Gross Income of \$169,440.

From this amount was taken a typical vacancy and collection loss percentage of 10%. This rate was both requested by the client and is typical of our area. This rate is near the mid-point of the area's 5%-15% range. This results in an Effective Gross Income of \$152,496. No other income sources such as laundry/parking/transportation were noted. The total Potential Income of the Real Property was then the \$152,496 amount.

Expenses were taken from information provided by the client along with other localized sources. Expenses totaled 40.63% of Potential Gross Income which is at the upper end of local market tolerances. The subject's Estimated Net Operating Income then totaled \$83,646 which was rounded to \$83,650.

*\*\*\*\*\*Net Income Summary Follows\*\*\*\*\**

#### INCOME APPROACH VALUE CONCLUSION:

The following pages illustrate how the subject's net and gross incomes were converted to value via a variety of methods and rates. The page immediately following the Net Income Summary are analyses of direct capitalization and rental multiplier conversions. Following that is a Band of Investments analysis in which a cap rate is "built" based on buyer/investor expectations.

These three conversion methods suggest a relatively tight range with one method suggesting a value at the mid-point of the other two. Based then on the data displayed and the methods employed, the subject's market value via the Income Approach is rounded to:

**NINE HUNDRED THOUSAND DOLLARS**  
**(\$900,000)**

## NET INCOME SUMMARY

Meadow Run @ East Main

### Income:

Unit	Units	\$/Mo/Unit	Gross Inc.	Rounded
Building 1- 2BR Units	16	\$395.00	\$75,840	\$75,840
Building 2- 1BR Units	24	\$325.00	\$93,600	\$93,600
Estimated Potential Gross Income				\$169,440
Less Vacancy & Collection Loss		10.00%		\$16,944
Effective Gross Income				\$152,496
Other Income				\$0
Total Potential Income of Real Property				\$152,496

### Expenses: Per Owners & Local Market Area

Property Taxes	\$9,200	Estimate
Insurance	\$6,800	
Maintenance/Reserves	\$11,500	
Administrative/Management	\$15,250	
Utilities	\$18,000	
Other Operating Expenses	\$8,100	
Other	\$0	
Other	\$0	
<b>Total Estimated Expenses</b>	<b>\$68,850</b>	
		<b>40.63%</b>
<b>Estimated Net Operating Income</b>		<b>\$83,646</b>
<b>Rounded to: \$83,650</b>		

Gross income is based on full occupancy at the current rental rates. Based on the prior analysis, the current rents were deemed MARKET rents.

The effective gross income of the property assumed a vacancy and collection loss of 10% which is well within the area's typical 5-15%.

Expenses were taken from owner provided materials. Some of these expense estimates were modified to reflect the local market. The 40.63% expense to PGI ratio is at the high end for our area and reflects the fact the units are in need of some updating and the sheer number of units involved.

The analysis above estimates the subject property's Net Operating Income to be \$83,650. Rounded

# Band of Investment Summary

Meadow Run Apartments- East Main St, Danville, KY

**Item:**

**Return of Investment:**

$$0.75 \text{ Loan to Value} \times 0.0908 \text{ Mortgage Constant} = 0.0681$$

**Return on Investment:**

$$0.25 \text{ Equity Investment} \times 0.1000 \text{ Equity Yield Potential} = 0.0250$$

<b>Indicated Capitalization Rate</b>	<b>0.0931</b>
--------------------------------------	---------------

<b>Market Value Indication:</b>					
\$83,650	Estimated Net	*/*	0.0931	Cap Rate	= \$898,496
	Income				
				<b>Rounded To:</b>	<b>\$900,000</b>

**TERM- 20 YRS      RATE 6.5%      LTV RATIO 75%**

Mortgage Constant Based on the Assumptions Above Which Were Taken From the Local Lending Market and Local Investors.

**Income Approach Reconcilliation:**

The appraiser considered three methods of converting the subject's income into value. The first was an overall capitalization rate application. This rate is acheived by dividing a property's NET income by its sales price. (R=I/V) This overall cap rate convered the subject's NET income into a value of, \$800,000.

The second method was the Gross Rental Multiplier application. This multiplier is found by dividing a property's sales price by its GROSS income (R=V/I) This method, then, converted the subject's GROSS income into a value of, \$1,000,000.

And finally, the appraiser "built" a capitalization rate via a Band of Investments analysis. As noted, this method assumes a typical investor would require a return OF and a return ON his investment. The resulting capitalization rate noted above is 9.31 and converts the subject's estimated NET income to a value of, \$900,000. This value falls to the middle of the range established and is considered an appropriate reconcilliation of all data considered. The subject's estimated value via the Income Approach is then rounded to:

NINE HUNDRED THOUSAND DOLLARS  
\$900,000



## Capitalization Rate Analysis- Meadow Run @ E Main

Property Address		Sale Date	NOI	Sales Price	Cap Rate
243 E Main	Danville	12/11	\$12,960	\$95,000	0.136
220/225 Pearson	Harrodsburg	05/12	\$24,620	\$160,000	0.154
25 Holliday Drive	Danville	03/11	\$81,259	\$775,000	0.105

Mean Overall Cap Rate: 0.132

Based on a review of this limited data, it is the appraiser's belief, due to planned enhancements, the subject's cap rate would fall towards the bottom of the range, or 0.105.

Based on the subject's estimated Net Operating Income of \$83,650, its value can be calculated to be:  $\$83,650 / 0.105$  Equals Value of: \$796,667  
Rounded to: \$800,000

## Rental Multiplier Analysis- Apartments

Refer to the Sales Comparison Analysis for the Gross Rent Multiplier information. You will note this approach suggest a range in GRM's from 5.36 to 7.18 with a mean value of 6.17. The predominant value appears to be +-6.00. Using this multiplier, the subject's gross income can be converted to a value of:

\$169,440 x 6.00 Equals Value of: \$1,016,640  
Rounded to: \$1,000,000

These results will be reconciled with those of the Band of Investments Analysis in order to estimate a final market value for the subject via the Income Approach.

**RECONCILIATION OF VALUE INDICATIONS:**

<b>COST APPROACH</b>	<b>\$900,000</b>
<b>SALES COMPARISON</b>	<b>\$850,000</b>
<b>INCOME APPROACH</b>	<b>\$900,000</b>

Each of the approaches included have their shortcomings. The Income and Sales Comparison Approaches are somewhat limited by the lack of data. The Income Approach's lack of data concerns developing a persuasive overall capitalization rate and rental multiplier, and the Band of Investments cap rate is based on some subjective information and assumptions.

The Improved Sales Comparison Analysis lacks a comparable sales pool of property offering the same or similar number of units as the subject

The Cost Approach is rendered suspect due to the age of the improvements and the inherent difficulty in estimating accrued depreciation.

In this case, however, the three approaches suggest the same general value. Therefore, while significant data may be lacking, the fact all approach suggest a similar value gives the results added credibility.

Based then on all analysis, with equal weight being given to all approaches, the subject's fee simple, market value as of the effective date is rounded to:

**NINE HUNDRED THOUSAND DOLLARS  
(\$900,000)**

**INDICATED EXPOSURE TIME:**

Exposure time estimated at 30-36 months, with similar marketing time.

**ASSUMPTIONS AND LIMITING CONDITIONS:**

This Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(c) of USPAP for such a report. As such, it includes summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Some supporting documentation concerning the data, reasoning and analysis may be retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

**CONTINGENCIES:**


The value estimate stated is an "as is" market value estimate and is not based on any atypical assumptions or contingencies. It does assume typical occupancy and management. Please note the appraiser is not a building inspector or engineer. All structural and mechanical components are believed to be fit, with adequate remaining economic life. No overt signs of any issues with same were noted during the appraiser's viewing of the property.

Additional general certifications are listed along with other limiting conditions on later addenda.

**PRIOR APPRAISAL DISCLOSURE:**

The appraiser has performed no appraisal or other services on the property which is the subject of this appraisal report, within the 3 year period immediately preceding the acceptance of this appraisal assignment.

Respectfully Submitted:

  
Kevin M. Caudill  
CGRPA #1145, 6/30/015

09/24/14  
Date Signed

## STATEMENT OF REPORT TYPE

**THIS APPRAISAL REPORT IS INTENDED TO COMPLY WITH THE REPORTING REQUIREMENTS SET FORTH UNDER STANDARDS RULE 2-2 OF THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE FOR SUCH AN APPRAISAL REPORT. AS SUCH IT PRESENTS SUMMARY DISCUSSIONS OF THE DATA, REASONING AND ANALYSIS THAT WERE USED IN THE APPRAISAL PROCESS TO DEVELOP THE APPRAISER'S ESTIMATE OF MARKET VALUE. SOME OF THE SUPPORTING DOCUMENTATION CONCERNING THE DATA, REASONING AND ANALYSIS MAY BE RETAINED IN THE APPRAISER'S FILES. THIS REPORT MEETS THE SPECIFIC NEEDS FOR THIS CLIENT, IN THIS INSTANCE.**

### **DEFINITION OF MARKET VALUE:**

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

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised and each is acting in what he considers as his own best interest;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of U.S. dollars or in terms of financial arrangement comparable thereto; and
- (5) the price represents the normal consideration for the property sold unaffected by special or correlative financing or sales concessions granted by anyone associated with the sale.

SOURCE: FIRREA- 1989

## **GENERAL ASSUMPTIONS & LIMITING CONDITIONS**

No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated within this report.

The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.

Responsible ownership and competent property management are assumed unless otherwise stated within this report.

The information furnished by others or from outside sources is assumed to be reliable. No warranty, however, is given for its accuracy.

Any plot plans, sketches or other visual aids included in this report are for the sole purposes of assisting the reader in visualizing the subject property.

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

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated within this report.

It is assumed that all applicable zoning and use regulations and restriction have been or will be complied with, unless a nonconformity has been stated, defined and considered in this appraisal report.

It is assumed that all required licenses, 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 estimates contained in this report are based.

It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

The appraiser made an interior and exterior appraisal inspection of the subject improvements. The appraiser is not a qualified building inspector, contractor or engineer. Obvious conditions are accounted for and mentioned herein as they might affect market value and marketability. No warranties of the appraised are given or implied.

Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in compliance with the requirements of the Americans with Disabilities Act.

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

The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with the proper written qualification and only in its entirety.

Neither all nor part of the contents of this report, particularly any conclusions as to value, the appraiser's identity or his firm, shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraiser.

## CERTIFICATION

I certify, that to the best of my knowledge and belief, the reported analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Foundation.

This appraisal report has been prepared for the exclusive benefit of **Brian Thomas and Pleasant Cove Properties, LLC**. It may not be used or relied upon by any other party. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his risk.

The undersigned appraiser also certifies to the following, unless otherwise noted in the report:

1. To the best of the appraiser's knowledge, the statements of fact contained in this appraisal report are true and correct.
2. The reported analysis, opinions and conclusions are limited only by the reported assumptions, contingencies and limiting conditions and are the appraiser's unbiased professional analysis, opinions and conclusions.
3. I have no present or contemplated interest in the property which is the subject of this report and I have no personal interest or bias with respect to the parties involved.
4. My compensation was not contingent on an action or event resulting from the analysis, opinions or conclusions in, or the use of, this report.
5. No authorization is given for the out-of-context quoting from or partial reprinting of this appraisal report. Furthermore, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without their prior written consent of the appraiser signing this report.
6. No one else provided significant professional assistance to the person signing this report.
7. This appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
8. The undersigned appraiser personally performed the appraisal inspection.



Kevin M. Caudill  
CRRPA #1145, Kentucky



Date

# **Appraiser's Qualifications**



# RESUME

Kevin M. Caudill

President, Bluegrass Appraisal and Research, Inc.

P.O. Box 282

215 West Main Street

Danville, Kentucky 40423-0282

(859) 236-3283 work

(859) 583-3954 cell

**EDUCATIONAL:** B.A., Business Administration, Eastern Kentucky University 1984

**BACKGROUND** Major areas of emphasis included economics and marketing.

**SPECIFIC  
APPRAISAL  
EDUCATION:**

- American Institute of Real Estate Appraisers, Course 8-1
- Fundamentals of Real Property Practice.-1988
- American Institute of Real Estate Appraisers, Course SPP, Standards of Professional Practice.- 1989
- International Association of Assessing Officers, Course 1, Fundamentals of Real Property Appraisal.- 1990
- International Association of Assessing Officers, Course 2, Income Approach to Value- 1990
- KY Revenue Cabinet, Department of Property Taxation- 1990 Course 7, Commercial and Industrial Real Property Appraisal.
- Academic Systems Institute, Course 408A,- 1990
- Commercial and Industrial Environmental Screening- 1993
- Federal Laws and the Real Estate Appraiser, KREEF- 1993
- Construction Inspection, Appraisal Institute- 1995
- Regression Analysis Seminar- 1996
- 2000, 2001, & 2002, 2003 USPAP Seminar- KREAB
- 2003 Current Issues in Small Commercial Property Appraising
- New Fannie Mae Forms Workshop/Seminar- 2006
- USPAP Update as required (2yr)- 2010, 2012, 2014**
- 15 Hour USPAP Course, Badger & Assoc- 2007
- KREAB Current Issues Seminar- 2008
- KREAB Supervisor/Trainee Seminar- 2009
- Appraisal of Odd/Special Use Properties- McKissock- 2009
- Site Inspection & Market Analysis Issues- 2010
- How to Analyze & Value Income Property- 2011
- Appraising Apartment Buildings- 2011
- Mold & Pollution Appraisal Issues- 2012
- Minimizing Liability- 2012
- Site & Land Valuation- 2013
- Appraising FHA Today- 2013
- Manufactured Housing Appraisal- 2014

# Current Certification

2014-2015

*Kentucky Real Estate Appraisers Board*  
2014-15

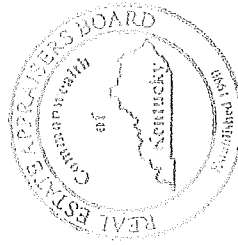
Certified General Real Property Appraiser  
Certificate License No 001145

Hereby grants a

Kevin Caudill  
Bluegrass Appr. & Research, Inc.  
P.O. Box 282  
Danville, KY 40423

To

who has complied with the provisions of Chapter 324A of the Kentucky Revised Statutes IN WITNESS  
WHEREOF, we have caused the official seal to be affixed and attested for the year shown above.



Harold G. Brantley, Chair  
Sam E. Blackburn, Vice Chair  
G. Herbert Fritchett  
Terry J. Mayfield  
Thomas W. Oliver

*Harold G. Brantley*

Control No 40288

June 30, 2015

THIS CERTIFICATE EXPIRES