Integra Realty Resources
Memphis

Appraisal of Real Property

Former Cotton Gin
Industrial Property
4655 Tennessee Highway 54 East
Covington, Tipton County, Tennessee 38019
Client Reference: 19-002897-01-1

Prepared For:
Regions Bank

Effective Date of the Appraisal:
December 12, 2019

Report Format:
Appraisal Report

IRR - Memphis
File Number: 143-2019-0641

Former Cotton Gin
4655 Tennessee Highway 54 East
Covington, Tennessee

Integra Realty Resources
Memphis

1661 International Drive
Suite 330
Memphis, TN 38120

T 901.322.1701
F 901.767.4918
www.irr.com

December 16, 2019

Ms. Lekesia Lilly
Regions Bank
201 Milan Parkway
Birmingham, AL 35211

SUBJECT: Market Value Appraisal
Former Cotton Gin
4655 Tennessee Highway 54 East
Covington, Tipton County, Tennessee 38019
Client Reference: 19-002897-01-1
IRR - Memphis File No. 143-2019-0641

Dear Ms. Lilly:

Integra Realty Resources – Memphis is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property. The client for the assignment is Regions Bank, and the intended use is for loan underwriting purposes.

The subject is a vacant former cotton gin containing 10,087 square feet of gross building area. A material shed and an office building are also located on-site and are included in the gross building area. A material canopy shelter is also located on the property but is not included in the gross building area. The improvements were constructed in 1942 and are 100% vacant as of the effective appraisal date. The site area is 4.20 acres or 182,952 square feet.

The 2019 real estate taxes of $1,552 have not been paid.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of Regions Bank. The appraisal is also prepared in accordance with the appraisal regulations issued in connection with the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report.

We were not granted access to the interior of the buildings located on site, therefore we performed an exterior inspection only.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	December 12, 2019	$260,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective data regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were not given access to the interior of the buildings. For the purposes of this analysis, we assume the condition of the interior is consistent with the exterior, with the machinery and equipment being in working order. If this is found to be incorrect, we reserve the right to revise the appraisal, accordingly.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

Integra Realty Resources - Memphis

J. Walter Allen, MAI, FRICS
Certified General Real Estate Appraiser
Tennessee Certificate # CG-329
Telephone: 901.322.1700
Email: wallen@irr.com

Mark M. Goforth
Registered Trainee
Tennessee Certificate # 4702
Telephone: 901.322.1706, ext. 233
Email: mgoforth@irr.com

Table of Contents

Summary of Salient Facts and Conclusions 1

Quality Assurance 2

General Information 3
Identification of Subject 3
Sale History 3
Pending Transactions 3
Purpose of the Appraisal 3
Definition of Market Value 4
Definition of As Is Market Value 4
Definition of Property Rights Appraised 4
Intended Use and User 4
Applicable Requirements 5
Report Format 5
Prior Services 5
Scope of Work 5

Economic Analysis 8
Tipton County Area Analysis 8
Surrounding Area Analysis 16
Commercial Real Estate Market Analysis 19
Industrial Market Analysis - Nationwide 30
Industrial Market Analysis – Local Area 34

Property Analysis 40
Land Description and Analysis 40
Improvements Description and Analysis 47
Real Estate Taxes 54
Highest and Best Use 55

Valuation 57
Valuation Methodology 57
Land Valuation 58
Adjustment Factors 62
Analysis and Adjustment of Sales 62
Land Value Conclusion 65
Cost Approach 66
Replacement Cost 66
Depreciation 67
Value Indication 70
Reconciliation and Conclusion of Value 71
Final Opinion of Value 71
Exposure Time 72
Marketing Time 72

Certification 73

Assumptions and Limiting Conditions 75

Addenda
A. Appraiser Qualifications
B. Definitions
C. Financials and Property Information
D. Comparable Data
Land Sales
E. Engagement Letter

Summary of Salient Facts and Conclusions

Property Name	Former Cotton Gin
Address	4655 Tennessee Highway 54 East Covington, Tipton County, Tennessee 38019
Property Type	Industrial - Cotton Gin/Office
Owner of Record	William Aaron Glass and James Todd McIntyre
Tax ID	043 04000 000, 043 04100 000 and 043 04303 000
Land Area - Total	4.20 acres; 182,952 SF
Gross Building Area	10,087 SF
Year Built; Year Renovated	1942; NA
Zoning Designation	C-1, Rural Commercial District
Highest and Best Use - As if Vacant	Industrial use
Highest and Best Use - As Improved	Hold for future industrial use
Exposure Time; Marketing Period	18-24 months; 18-24 months
Effective Date of the Appraisal	December 12, 2019
Date of the Report	December 16, 2019
Property Interest Appraised	Fee Simple
Market Value Indications	
Cost Approach	$260,000
Sales Comparison Approach	Not Used
Income Capitalization Approach	Not Used
Market Value Conclusion	$260,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Regions Bank may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective data regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were not given access to the interior of the buildings. For the purposes of this analysis, we assume the condition of the interior is consistent with the exterior, with the machinery and equipment being in working order. If this is found to be incorrect, we reserve the right to revise the appraisal, accordingly.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

Quality Assurance

Delivering superior value is a top priority at IRR and we place a premium on feedback from our valued clients. By learning more about your experience with IRR, we will be better able to serve your needs – to enhance our products, service offerings, and client communications.

Attached is a short survey applicable to this appraisal report and the service that you received. Please take a few minutes to share your experience of IRR with us. Your feedback will be reviewed by our Quality Control team. If you desire a follow-up telephone call, please provide your contact information and a member of our Quality Control team will contact you.

Access the online survey here: quality.irr.com.

Thank you in advance for assisting us with this important endeavor. Please feel free to contact your Local Office using the contact information provided within the letter of transmittal or our Quality Control team at quality@irr.com, with any questions or suggestions you may have.

General Information

Identification of Subject

The subject is a vacant former cotton gin containing 10,087 square feet of gross building area. A material shed and an office building are also located on-site and are included in the gross building area. A material canopy shelter is also located on the property but is not included in the gross building area. The improvements were constructed in 1942 and are 100% vacant as of the effective appraisal date. The site area is 4.20 acres or 182,952 square feet. A legal description of the property is in the addenda.

Property Identification	
Property Name	Former Cotton Gin
Address	4655 Tennessee Highway 54 East Covington, Tennessee 38019
Tax ID	043 04000 000, 043 04100 000 and 043 04303 000
Owner of Record	William Aaron Glass and James Todd McIntyre
Census Tract Number	47-167-0409.00

Sale History

The most recent closed sale of the subject is summarized as follows:

Sale Date	August 18, 2010
Seller	Gift Gin Company, Inc.
Buyer	William Aaron Glass and James Todd McIntyre
Sale Price	$350,000
Recording Instrument Number	140430; Plat Book 1485, Page 850

To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period.

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property as of the effective date of the appraisal, December 12, 2019. The date of the report is December 16, 2019. The appraisal is valid only as of the stated effective date or dates.

Definition of Market Value

Market value is defined as:

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

- 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 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 sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of As Is Market Value

As is market value is defined as, "The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date."

(*Source*: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015); *also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77471)*

Definition of Property Rights Appraised

Fee simple estate is defined as, "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."

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The intended use of the appraisal is for loan underwriting purposes. The client and intended user is Regions Bank. The appraisal is not intended for any other use or user. No party or parties other than Regions Bank may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal requirements of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), revised April 9, 2018;
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;
- Appraisal guidelines of Regions Bank.

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

1. We observed the subject site by a physical inspection and analyzed aerial, topography and flood maps. We did not attempt to detect any environmental hazards at the subject, nor did we conduct any off-site research into potential environmental hazards which might impact the subject. Finally, no research into pending legal proceedings (such as planned condemnation for public-right-of-way, etc.) was undertaken by the appraisers;

2. We toured the subject's surrounding environment and attempted to identify and consider those characteristics that may have a legal, economic or physical impact on the subject. However, unless otherwise noted in this appraisal, we did not conduct any research into non-observable neighborhood issues such as environmental contamination, pending public condemnation issues, etc.;

3. We physically observed the micro and/or macro market environments with respect to physical and economic factors relevant to the valuation process; expanded this knowledge through interviews with regional and/or local market participants, available published data and other various resources;

4. We conducted regional and/or local research with respect to applicable tax data, zoning requirements, flood zone status, demographics, and comparable listing, sale and lease information;

5. We analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value;

6. We correlated and reconciled the results into a reasonable and defensible value conclusion, as defined herein; and

7. We estimated a reasonable exposure time and marketing time associated with the value estimate presented.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Applicable	Utilized
Sales Comparison Approach	Not Applicable	Not Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

The **cost approach** is the most reliable valuation method for the subject due to the following:

- There is sufficient data to develop reliable estimates of land value and replacement cost of the improvements.
- This approach is typically most relevant for properties for which sales and rental data is limited.

The **sales comparison approach** is not applicable to the subject because:

- There is limited sales data for the subject property type, and adjustments to the data would be relatively subjective.

The **income approach** is not applicable to the subject considering the following:

- There is not an active rental market for similar properties that would permit us to develop a reliable estimate of the property's income generating potential.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

J. Walter Allen, MAI, FRICS, has not conducted an inspection of the property. Mark M. Goforth conducted an exterior inspection on December 12, 2019.

Economic Analysis

Tipton County Area Analysis

Tipton County is located in western Tennessee. It is 458 square miles in size and has a population density of 134 persons per square mile. Tipton County is part of the Memphis, TN-MS-AR Metropolitan Statistical Area, hereinafter called the Memphis MSA, as defined by the U.S. Office of Management and Budget.

Population

Tipton County has an estimated 2019 population of 61,375, which represents an average annual 0.1% increase over the 2010 census of 61,081. Tipton County added an average of 33 residents per year over the 2010-2019 period, but its annual growth rate lagged the State of Tennessee rate of 0.8%.

Looking forward, Tipton County's population is projected to increase at a 0.3% annual rate from 2019-2024, equivalent to the addition of an average of 213 residents per year. Tipton County's growth rate is expected to lag that of Tennessee, which is projected to be 0.8%.

Population Trends

	Population			Compound Ann. % Chng	
	2010 Census	2019 Estimate	2024 Projection	2010 - 2019	2019 - 2024
Tipton County	61,081	61,375	62,438	0.1%	0.3%
Memphis MSA	1,324,829	1,351,871	1,378,657	0.2%	0.4%
Tennessee	6,346,105	6,802,074	7,082,931	0.8%	0.8%

Source: Environics Analytics

Employment

Total employment in Tipton County is currently estimated at 11,086 jobs. Between year-end 2008 and the present, there was little or no net change in the number of jobs over the entire period. There were seven years in which employment grew and three years in which it declined. Although Tipton County's employment rose over the last decade, it underperformed Tennessee, which experienced an increase in employment of 11.6% or 312,392 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Tipton County unemployment rate has been consistently higher than that of Tennessee, with an average unemployment rate of 8.2% in comparison to a 6.9% rate for Tennessee. A higher unemployment rate is a negative indicator.

Recent data shows that the Tipton County unemployment rate is 3.6% in comparison to a 3.4% rate for Tennessee, a negative sign that is consistent with the fact that Tipton County has underperformed Tennessee in the rate of job growth over the past two years.

Employment Trends

	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
Year	Tipton County	% Change	Tennessee	% Change	Tipton County	Tennessee
2008	11,070		2,693,214		7.9%	6.6%
2009	10,243	-7.5%	2,570,826	-4.5%	12.4%	10.5%
2010	9,734	-5.0%	2,599,223	1.1%	11.4%	9.7%
2011	10,094	3.7%	2,655,071	2.1%	10.3%	9.0%
2012	10,418	3.2%	2,709,344	2.0%	8.9%	7.8%
2013	10,515	0.9%	2,756,231	1.7%	9.5%	7.8%
2014	10,670	1.5%	2,820,092	2.3%	8.3%	6.6%
2015	10,777	1.0%	2,896,573	2.7%	7.1%	5.6%
2016	11,027	2.3%	2,946,981	1.7%	5.7%	4.7%
2017	11,128	0.9%	2,985,547	1.3%	4.4%	3.8%
2018*	11,086	-0.4%	3,005,606	0.7%	4.2%	3.5%
Overall Change 2008-2018	16	0.1%	312,392	11.6%		
Avg Unemp. Rate 2008-2018					8.2%	6.9%
Unemployment Rate - October 2019					3.6%	3.4%

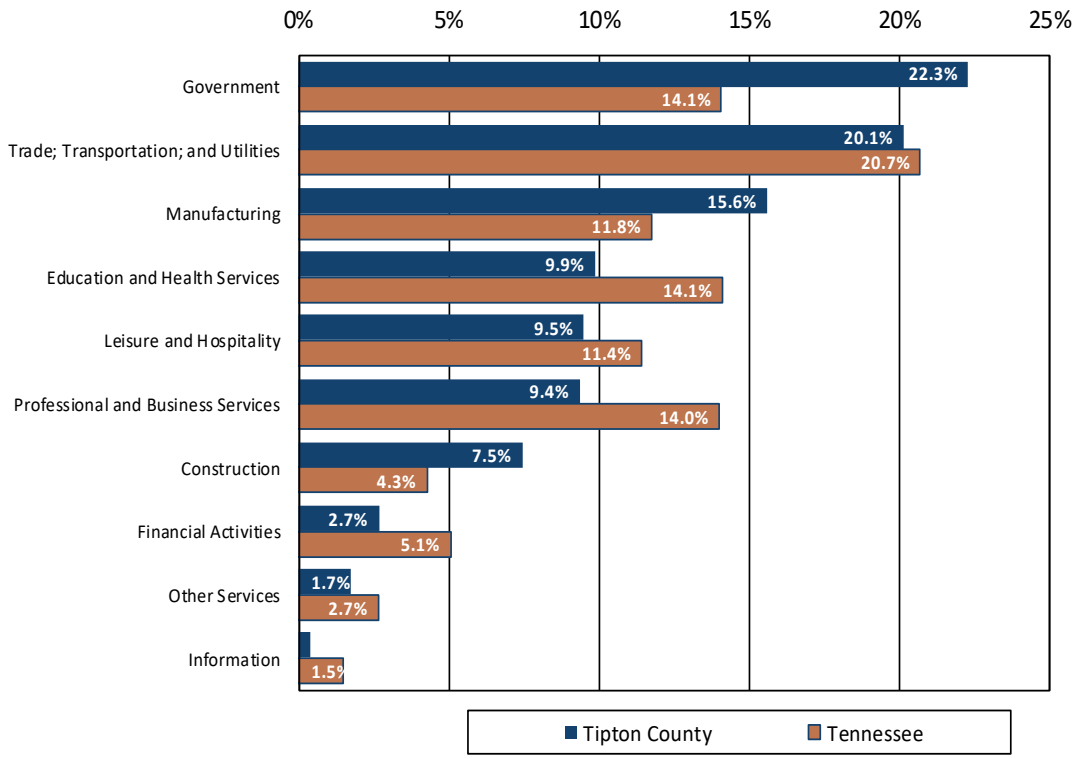
*Total employment data is as of September 2018; unemployment rate data reflects the average of 12 months of 2018.

Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Employment Sectors

The composition of the Tipton County job market is depicted in the following chart, along with that of Tennessee. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Tipton County jobs in each category.

Employment Sectors - 2018



Source: Bureau of Labor Statistics and Economy.com

Tipton County has greater concentrations than Tennessee in the following employment sectors:

1. Government, representing 22.3% of Tipton County payroll employment compared to 14.1% for Tennessee as a whole. This sector includes employment in local, state, and federal government agencies.
2. Manufacturing, representing 15.6% of Tipton County payroll employment compared to 11.8% for Tennessee as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.
3. Construction, representing 7.5% of Tipton County payroll employment compared to 4.3% for Tennessee as a whole. This sector includes construction of buildings, roads, and utility systems.
4. Natural Resources & Mining, representing 0.9% of Tipton County payroll employment compared to 0.4% for Tennessee as a whole. Agriculture, mining, quarrying, and oil and gas extraction are included in this sector.

Tipton County is underrepresented in the following sectors:

1. Trade; Transportation; and Utilities, representing 20.1% of Tipton County payroll employment compared to 20.7% for Tennessee as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Education and Health Services, representing 9.9% of Tipton County payroll employment compared to 14.1% for Tennessee as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
3. Leisure and Hospitality, representing 9.5% of Tipton County payroll employment compared to 11.4% for Tennessee as a whole. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
4. Professional and Business Services, representing 9.4% of Tipton County payroll employment compared to 14.0% for Tennessee as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.

Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area. Although GDP figures are not available at the county level, data reported for the Memphis MSA is considered meaningful when compared to the nation overall, as Tipton County is part of the MSA and subject to its influence.

Economic growth, as measured by annual changes in GDP, has been considerably lower in the Memphis MSA than the United States overall during the past eight years. The Memphis MSA has declined at a 0.0% average annual rate while the United States has grown at a 2.1% rate. As the national economy improves, the Memphis MSA continues to underperform the United States. GDP for the Memphis MSA rose by 0.4% in 2017 while the United States GDP rose by 2.2%.

The Memphis MSA has a per capita GDP of $46,029, which is 17% less than the United States GDP of $55,418. This means that Memphis MSA industries and employers are adding relatively less value to the economy than their counterparts in the United States overall.

Gross Domestic Product

Year	($ Mil) Memphis MSA	% Change	($ Mil) United States	% Change
2010	62,202		15,598,753	
2011	61,666	-0.9%	15,840,664	1.6%
2012	61,703	0.1%	16,197,007	2.2%
2013	61,116	-1.0%	16,495,369	1.8%
2014	60,758	-0.6%	16,899,831	2.5%
2015	61,268	0.8%	17,386,700	2.9%
2016	61,837	0.9%	17,659,187	1.6%
2017	62,059	0.4%	18,050,693	2.2%
Compound % Chg (2010-2017)		0.0%		2.1%
GDP Per Capita 2017	$46,029		$55,418	

Source: Bureau of Economic Analysis and Economy.com; data released September 2018. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2009 dollars.

Household Income

Tipton County is more affluent than Tennessee. Median household income for Tipton County is $62,769, which is 19.7% greater than the corresponding figure for Tennessee.

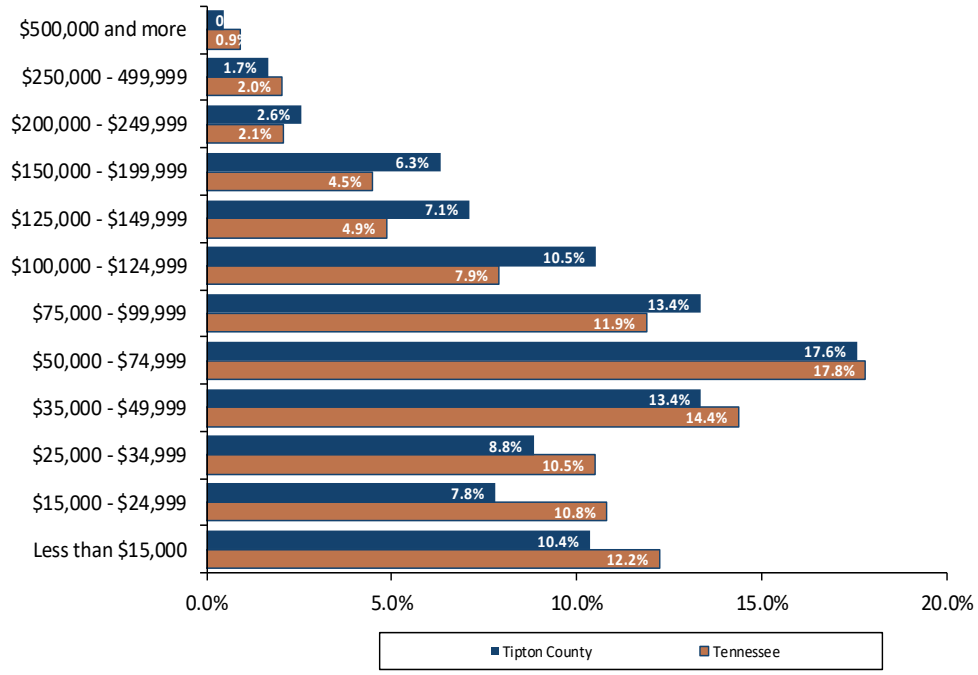
Median Household Income - 2019

	Median
Tipton County	$62,769
Tennessee	$52,435
Comparison of Tipton County to Tennessee	+ 19.7%

Source: Environics Analytics

The following chart shows the distribution of households across twelve income levels. Tipton County has a greater concentration of households in the higher income levels than Tennessee. Specifically, 42% of Tipton County households are at the $75,000 or greater levels in household income as compared to 34% of Tennessee households. A lesser concentration of households is apparent in the lower income levels, as 27% of Tipton County households are below the $35,000 level in household income versus 34% of Tennessee households.

Household Income Distribution - 2019

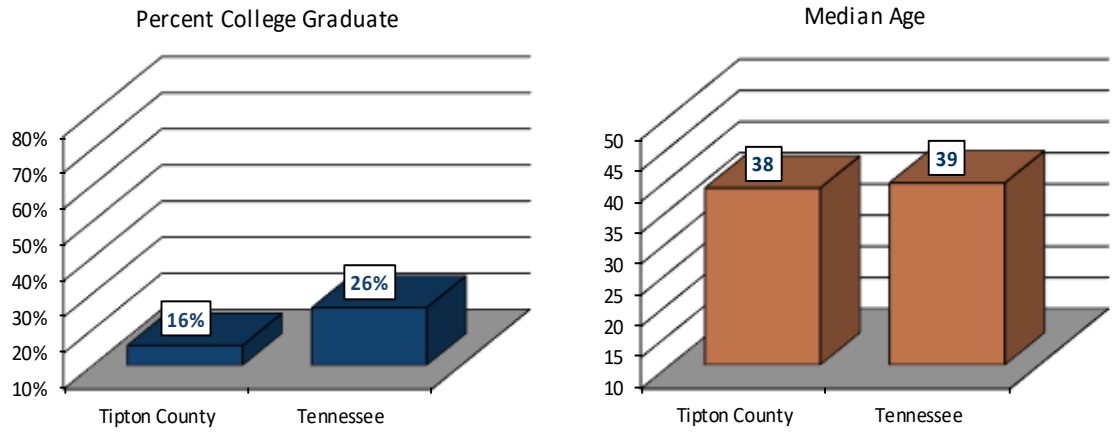


Source: Environics Analytics

Education and Age

Residents of Tipton County have a lower level of educational attainment than those of Tennessee. An estimated 16% of Tipton County residents are college graduates with four-year degrees, versus 26% of Tennessee residents. People in Tipton County are slightly younger than their Tennessee counterparts. The median age for Tipton County is 38 years, while the median age for Tennessee is 39 years.

Education & Age - 2019



Source: Environics Analytics

Conclusion

The Tipton County economy will benefit from a stable to slightly growing population base and a higher level of median household income. Although Tipton County experienced little or no change in the number of jobs over the past decade, it had a consistently higher unemployment rate than Tennessee during this time, which is a negative indicator. We anticipate that the Tipton County economy will continue to stabilize.

Area Map

Paragould
Dyersburg
Trenton
Milan
Milan Arsenal
Leachville
Blytheville
Manila
Chickasaw National Wildlife Refuge
Halls
Lake City
Humboldt
Alamo
Ripley
Lower Hatchie Natl Wildlife Refuge
Lepanto
Brownsville
Jackson
Covington
Marked Tree
Millington
Whiteville
Earle
Somerville
Bolivar
Marion
Bartlett
West Memphis
Memphis
Germantown
Collierville
bing
Earthstar Geographics SIO © 2019 Microsoft Corporation © 2019 HERE

Surrounding Area Analysis

Location

The subject is located in the eastern area of Covington.

Access and Linkages

Primary highway access to the area is via U.S. Highway 51. Secondary access is provided by Tennessee State Highway 54/59. Public transportation is not provided and the primary mode of transportation in the area is the automobile.

Demographic Factors

Surrounding Area Demographics

2019 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	Tipton County	Memphis MSA	Tennessee
Population 2010	138	1,196	7,051	61,081	1,324,829	6,346,105
Population 2019	132	1,156	6,792	61,375	1,351,871	6,802,074
Population 2024	131	1,158	6,797	62,438	1,378,657	7,082,931
Compound % Change 2010-2019	-0.5%	-0.4%	-0.4%	0.1%	0.2%	0.8%
Compound % Change 2019-2024	-0.2%	0.0%	0.0%	0.3%	0.4%	0.8%
Households 2010	53	458	2,703	21,617	494,602	2,493,552
Households 2019	52	455	2,649	21,731	505,196	2,674,857
Households 2024	52	460	2,667	22,103	515,308	2,786,769
Compound % Change 2010-2019	-0.2%	-0.1%	-0.2%	0.1%	0.2%	0.8%
Compound % Change 2019-2024	0.0%	0.2%	0.1%	0.3%	0.4%	0.8%
Median Household Income 2019	$46,813	$54,327	$44,152	$62,769	$52,907	$52,435
Average Household Size	2.5	2.5	2.5	2.8	2.6	2.5
College Graduate %	12%	13%	14%	16%	27%	26%
Median Age	45	43	39	38	37	39
Owner Occupied %	83%	76%	61%	75%	64%	68%
Renter Occupied %	17%	24%	39%	25%	36%	32%
Median Owner Occupied Housing Value	$133,927	$137,303	$126,605	$161,372	$159,378	$173,231
Median Year Structure Built	1982	1982	1979	1990	1981	1984
Average Travel Time to Work in Minutes	30	29	27	36	27	27

Source: Environics Analytics

As shown above, the current population within a 3-mile radius of the subject is 1,156, and the average household size is 2.5. Population in the area has declined since the 2010 census, but the trend is projected to be flat over the next five years. This differs from the population of Tipton County, which is projected to grow, as discussed previously.

Median household income is $54,327, which is lower than the household income for Tipton County. Residents within a 3-mile radius have a lower level of educational attainment than those of Tipton County, while median owner occupied home values are considerably lower.

Land Use

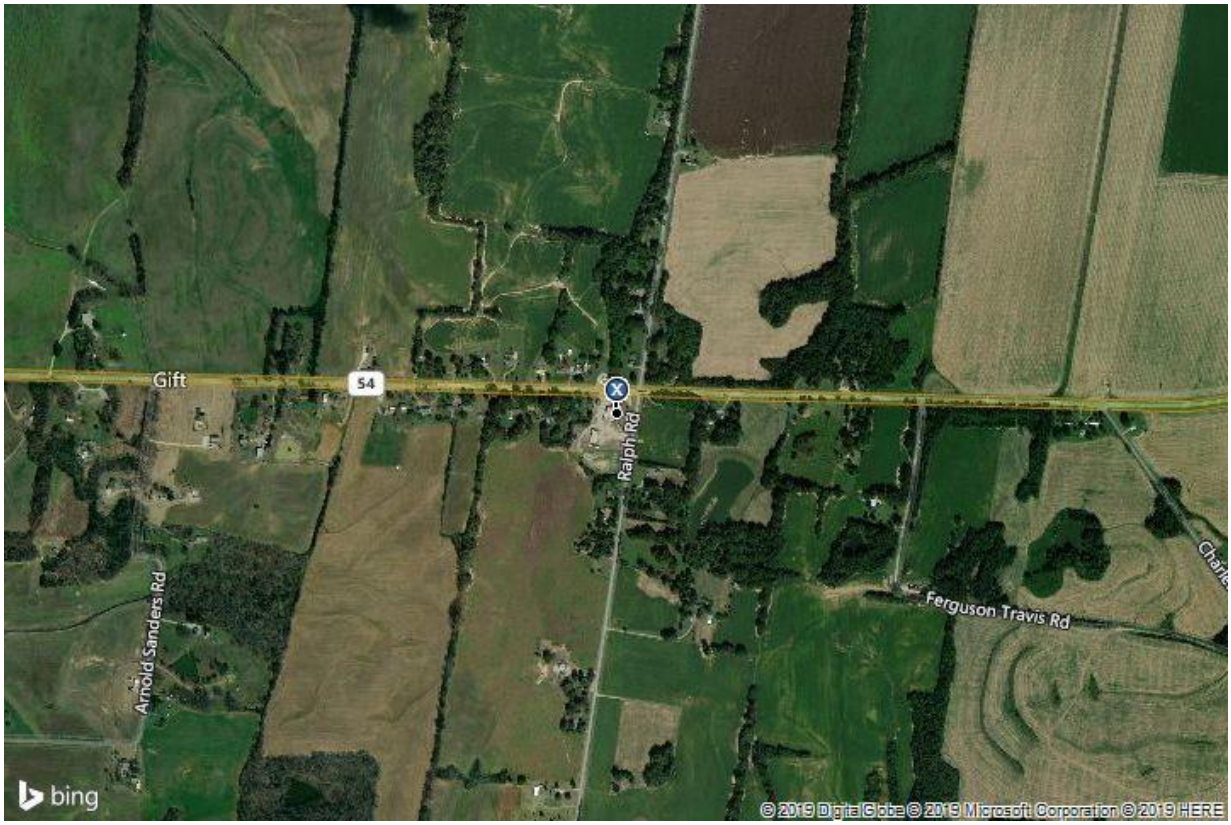
In the immediate vicinity of the subject, predominant land uses are commercial along United States Highway 51, with residential and vacant/agricultural land surrounding. Other land use characteristics are summarized as follows:

Surrounding Area Land Uses	
Character of Area	Small Town / Non-metro
Predominant Age of Improvements	25-50 years
Predominant Quality and Condition	Average
Approximate Percent Developed	50%
Infrastructure/Planning	Average
Predominant Location of Undeveloped Land	South and East
Prevailing Direction of Growth	South and East (limited growth in area)

Outlook and Conclusions

The area is in the static stage of its life cycle. Recent development activity has been primarily limited to the Wal-Mart Supercenter, Home Depot and surrounding strip retail centers. We anticipate that property values will remain stable in the near future.

Surrounding Area Map



Commercial Real Estate Market Analysis

Spurred by the stimulus of the 2017 tax cut legislation and a spectacularly generous Federal Budget with $779 billion in deficit spending, up 17% from the prior year, the U.S. economy roared forward in Q2 and Q3.

Real GDP was up 4.2% and 3.5% in those quarters, respectively. Job gains for the 12 months ending November 2018 were 2,443,000, or 1.7%, the best performance since 2015 and early 2016. As a result, small business confidence hit record levels during the year (according to the National Federation of Independent Business and CNN), with consumer confidence hitting an 18-year high in The Conference Board's widely followed survey.

Things feel ebullient. The best advice: enjoy it while it lasts. The times, they are a-changing.

The consensus judgment of the 50 economists participating in the Blue Chip Economic Indicators survey calls for immediate moderation as 2018 turns into 2019. The short-term bump stemming from the tax cuts—largely devoted to improved corporate profits (a good thing), without much pass-through into wages or business fixed-investment (not so good)—flattens out next year, bringing growth back to 2.6% in the consensus forecast.

2019 growth is expected to flatten at 2.6%.

There are wild cards putting even that slower growth at risk. Trade, for example, is an ambiguous factor where tariff policy could act as a significant brake on growth. The housing outlook, none-too-robust up to now, is seeing some downward revision in the current Blue Chip projections. Rising rates contribute to the warier perspective. And the surging stock market of 2017 gave way to a saw-tooth pattern in 2018, with the major indexes giving back all gains since January 1st as of mid-December.

Let's take a closer look at these factors before considering risks and opportunities for real estate in the year ahead.

INTEGRA REALTY RESOURCES

3 ECONOMIC INDICATORS

JOBS

In November 2018, hit a 12-month high at 1.7%

GDP

Soared in Q2 and Q3, but could flatten to 2.6% in 2019

MARKETS

Volatility is the name of the game, with a saw-tooth pattern of gains and losses

VIEWPOINT 2019 | 7

HOUSING

Production and costs cause a ripple effect

The National Association of Realtors' (NAR) tracking of existing home sales showed transactions declining for six consecutive months, before ticking up in October 2018. Even so, October sales were down 5.1% from the same month in 2017. Prices continued to trend upward, though, rising 3.8% YOY. Unsold inventory stood at 1.85 million homes, an increase of 50,000 from a year ago, and NAR indicated that the increased pool of homes on the market would be likely to slow price growth.

For the foreseeable future, home ownership looks to remain down around 64%.

First-time homebuyers, in particular, face continued affordability challenges, and even a small rise in mortgage rates impacts such buyers on the financial margin.

Housing starts in October 2018 totaled 1,263,000 units, down 6.0% from the prior year. Softening was greatest in the Western region (down 17.2%). And after an extended boom in the multifamily sector, national apartment starts dropped by the same 17.2%, compared with a decline of just 0.6% in single-family production.

Factors affecting housing production and cost have been briefly summarized as labor, lumber, and land by those in the homebuilding industry. Wall Street analysts issued downgrades for some major homebuilder stocks during Q4 2018, citing declining permit data and macro-economic headwinds. Homeownership looks to remain down in the 64% area in the foreseeable future.

Why is this important beyond the housing sector itself? Housing's connection to many other economic sectors, including building materials, warehousing, transportation of goods, and such consumer sectors as furniture and appliance sales give it a key multiplier effect—both on the upside and the downside. Although the crisis of a decade ago was extreme, studies indicate that nine of the last eleven recessions, dating back to 1949, were signaled by weakening in the housing sector. This clearly bears watching in 2019.

CAPITAL MARKETS

Mixed signals point to a slowdown

Capital abundance remains the norm at the end of 2018, looking forward into 2019. But volatility has been dominating market movements in equities and in commodities, and there is increasing concern that the conditions which have supported growth in past years may shift downward in 2019 or, at the latest, in 2020. The S&P 500 stock index, for instance, swung between 2,532 and 2,940 in the 52 weeks ending November 30, 2018, but posted a net gain of just 0.6% YTD, at 2,759 as of the end of November. By December 14th, that figure had dropped 6% to 2,595, near the year's low point. Likewise, crude oil prices fluctuated between $49.32 and $76.69 per barrel, but by mid-December were near the bottom of the range at $51.32—not a great number for states like Texas, Oklahoma, and North Dakota.

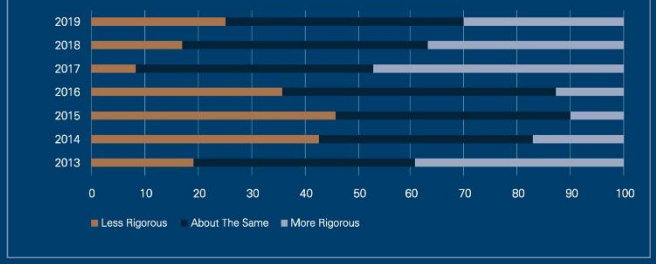
Real estate capital markets, too, report an ample supply of capital for both equity and debt. In fact, the 2019 survey for Emerging Trends in Real Estate points to some worrisome imbalances. Some 62% of that publication's survey respondents labeled equity investment capital oversupplied for 2019, and 44% characterized debt capital for acquisitions the same way. Underwriting standards for both equity and debt were reported weakening in the face of the large volume of funds seeking investment.

For some time now, income-producing property has been considered "priced to perfection," and yet capitalization rates for all property types (with the exception of hotels) have drifted downward for the past five years. Against this backdrop, investors including international buyers and private equity funds, have increasingly scoured the market for higher yields, expanding up the risk curve in investment styles (value-add and opportunistic deals, versus core), in geography (secondary and tertiary markets versus primary cities), and niche products (data centers, medical office, senior housing, and self-storage versus "plain vanilla" commercial/residential structures).

This is typical end-of-cycle behavior, and demands consideration of the question: "Are investors being paid for the risks they are assuming?"

Uncertainty and volatility could spell a downturn in 2019.

DEBT UNDERWRITING STANDARDS FORECAST FOR THE UNITED STATES

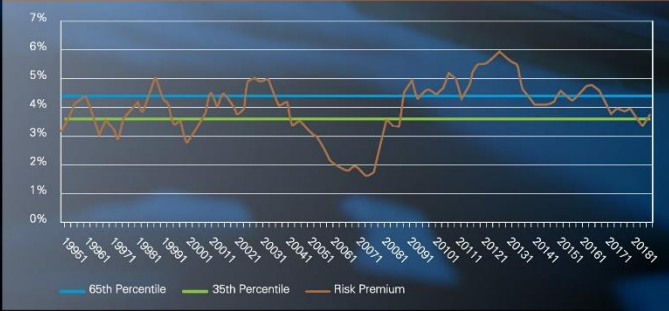


INTEREST RATES AND RISK PRICING

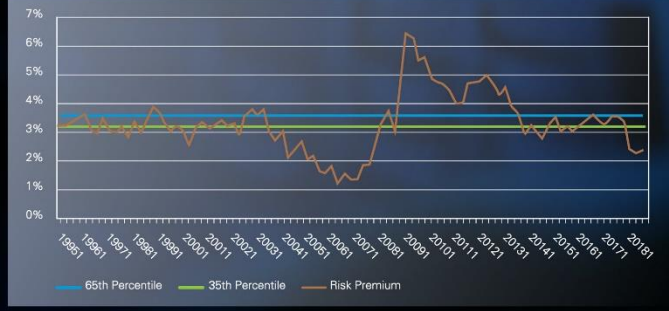
The lines are leading into risky territory

Risk pricing involves comparing rates of return to a "risk-free" rate, usually the U.S. Treasury rate for similar maturities. The accompanying graphs show the "spread" in capitalization rates and mortgage rates, benchmarked against the 7-year Treasury note yield-to-maturity. Cap rates are as reported by the CCIM Investment Trends Quarterly prior to 2001, and from Real Capital Analytics thereafter. Mortgage rates are drawn from the American Council of Life Insurers database.

RISK PREMIUM IN CAP RATE – ALL ASSETS



RISK PREMIUM IN MORTGAGE – ALL ASSETS



10 | VIEWPOINT 2019

Data are quarterly observations from Q1 1995 to Q3 2018. The blue horizontal line represents the 65th percentile of the data over that span, and the green line marks the 35th percentile. Data above the blue line may be interpreted as yields providing stronger-than-normal risk-adjusted returns. Data below the green line suggest that risk is not being adequately compensated. The run-up to the Global Financial Crisis can be discerned in the lengthy period of sub-par risk premiums that began in 2004, and the liquidity crunch is described by the 2009 – 2013 period where risk premiums stayed above the 65th percentile level.

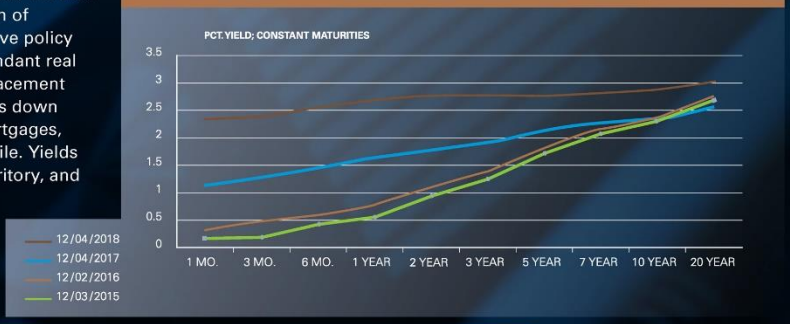
After a prolonged period during which both cap rates and mortgage rates fluctuated at or above the 65th percentile, a combination of tightening Federal Reserve policy and the pressure of abundant real estate capital seeking placement has driven risk premiums down to—or in the case of mortgages, below—the 35th percentile. Yields are therefore in risky territory, and that is worrisome.

Spread compression on the debt side creates a particular cause for concern, as both the life company lenders and the larger banking sector are likely to act to close those spreads in 2019. Lenders will continue to pursue origination volume but raise prices for loans. All things being equal, that could initiate upward pressure on cap rates.

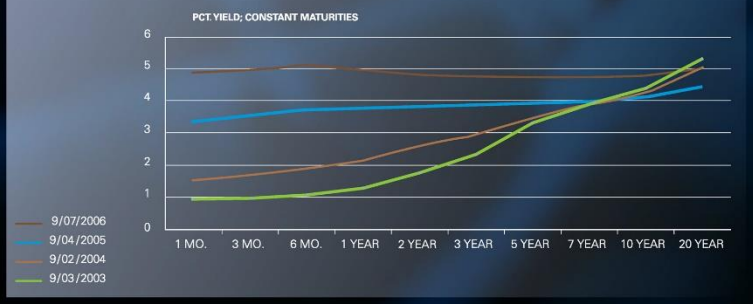
We've heard that story before in this economic expansion, but cap rates remained fairly elastic in relation to Fed policy. That was clearly rational while risk premiums were bouncing along the green line of the Risk Premium graphs. Real estate yields were generously above the risk-free rate and did not need to move *pari passu* with Treasuries. That is no longer the case, and it is reasonable to anticipate a closer relationship of moves in market rates following further Fed moves to push rates upward. Both equity and debt investors retain painful memories of the collapse of a decade ago, and are unlikely to want a repeat of that debacle.

So the pattern of a yield curve that is flattening as it rises is alarming parallel to the trend in the Treasury market that occurred between 2003 and 2006. History, they say, doesn't repeat itself, but it rhymes.

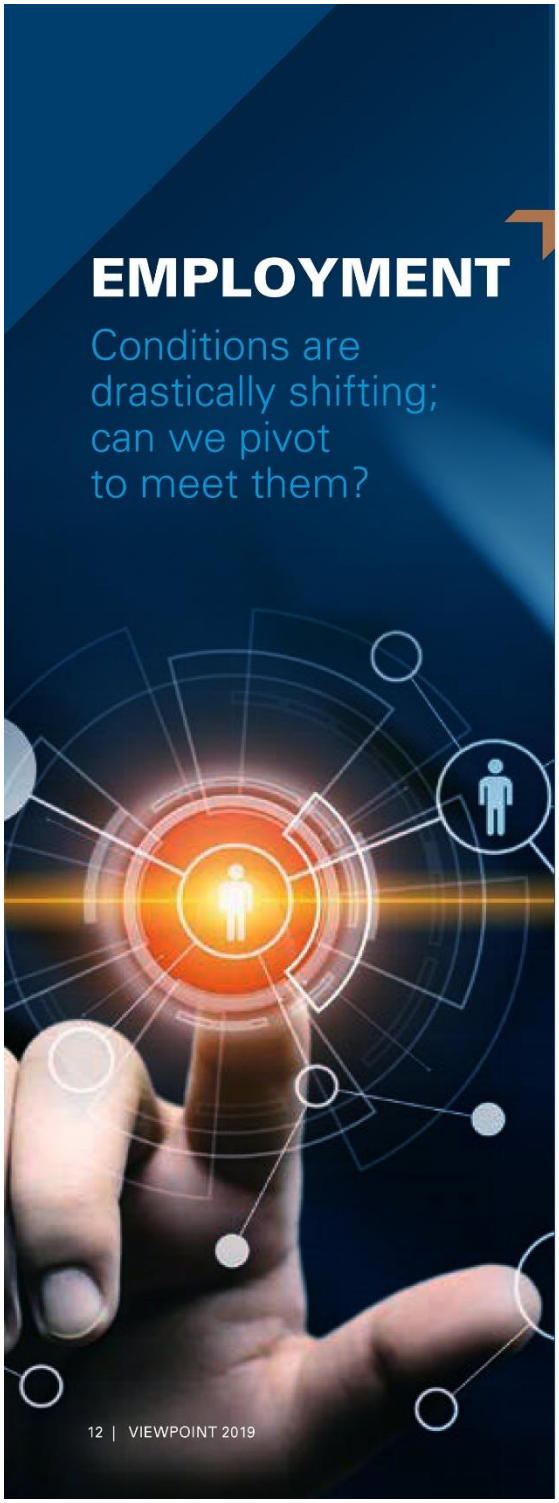
TREASURY YIELD CURVE TO MATURITY SHIFT 2015-2018 (IN PERCENT)



TREASURY YIELD CURVE PRIOR TO GREAT RECESSION (IN PERCENT)



Even with a lot of post-recession and recovery maneuvering, yields are still in risky territory.



One of the most popular reactions to unusual or unexpected economic performance is the expectation of a "reversion to the mean." That's shorthand for returning to the trendline, and trends are calculated by regression equations based upon long-range history. The effect is to smooth out the peaks and valleys that normally occur month-to-month or quarter-to-quarter over the economic cycle. This is the bedrock math of forecasting models, a key to their reliability under normal circumstances.

Since emerging from the Global Financial Crisis, the norm or trendline for job growth in the U.S. economy has been 211,000 jobs per month. Individual months have sometimes been substantially higher or lower, but over the past five years or so that average has prevailed, and most projections are heavily influenced by that figure. So too are the expectations of many commentators and, to the degree they think about it, most business people. That level of job growth is what we have come to think of as normal.

No wonder, then, that the Consumer Confidence Index hit 137.9 in October, its highest point in nearly 20 years, since the dot-com bubble. The historical pattern since 1980 has been that this Index peaks one to four quarters prior to a recession. Few on Wall Street or in Washington like to mention this timing phenomenon.

Although most economists participating in the Blue Chip survey recognize that the very low unemployment rate, now below 4%, will probably slow job growth in the immediate future, conventional models are not anticipating any dramatic deviation from the mean. Job projections issuing from such models tend to look very smooth, as most of those who have relied on them to anticipate real estate demand well recognize.

No less a figure than Alan Greenspan, in a retrospective essay entitled "Never Saw It Coming," noted that in 2007 virtually all the most sophisticated forecasts—from the Fed to the IMF to the World Bank, as well as such private powerhouses as JP Morgan Chase and Goldman Sachs—failed to call the inflection point of the Bear Stearns and Lehman Brothers collapses, the chaos that ensued, and the profound recession that gripped

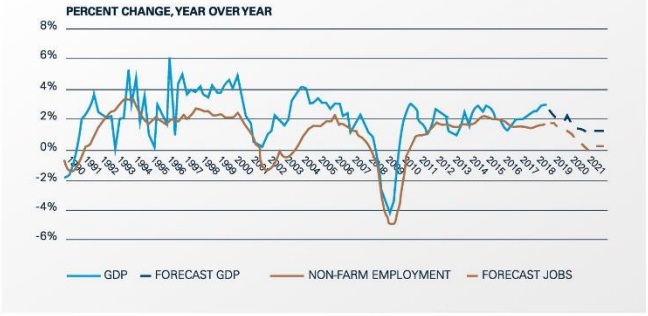
America and the world. Models structured to anticipate regression-to-the-mean are ill-suited for planning in an era of disruption.

Another kind of economic shift is even harder to frame in conventional forecasts. That shift is a "change of state," where conditions that prevailed during the period when historical data used by the model no longer provide the context for the projection period. It strongly appears that the coming decade presents a vastly different arena for job generation, and that the 2020s will see a labor market unlike any America has experienced since World War II. To say we are unprepared for this is, to put it mildly, an understatement.

The Congressional Budget Office, the non-partisan agency charged with researching and evaluating the context for Federal decision-making, has issued a ten-year projection that describes a "change of state" economy that will startle many. This is publicly available, and the basic elements of its outlook contain many commonly understood variables. Such factors as the changing demographic balance of generations, the impact of technologies, the pervasive and still potent influence of globalization, and the consequences of a more restrictive approach to immigration all weigh in the balance.

In the CBO's calculations, the interaction of those forces presents a huge challenge to America's job growth through 2028. Here are the stunning bottom line figures. From 2019 to 2023, average monthly job growth will be a mere 67,000. The following five years, moreover, are expected to be weaker still, with average monthly job change of 61,000. Unemployment ticks up modestly under these conditions but remains below 5%.

ECONOMIC DECELERATION IMMEDIATELY AHEAD ACCORDING TO CBO BASE FORECAST

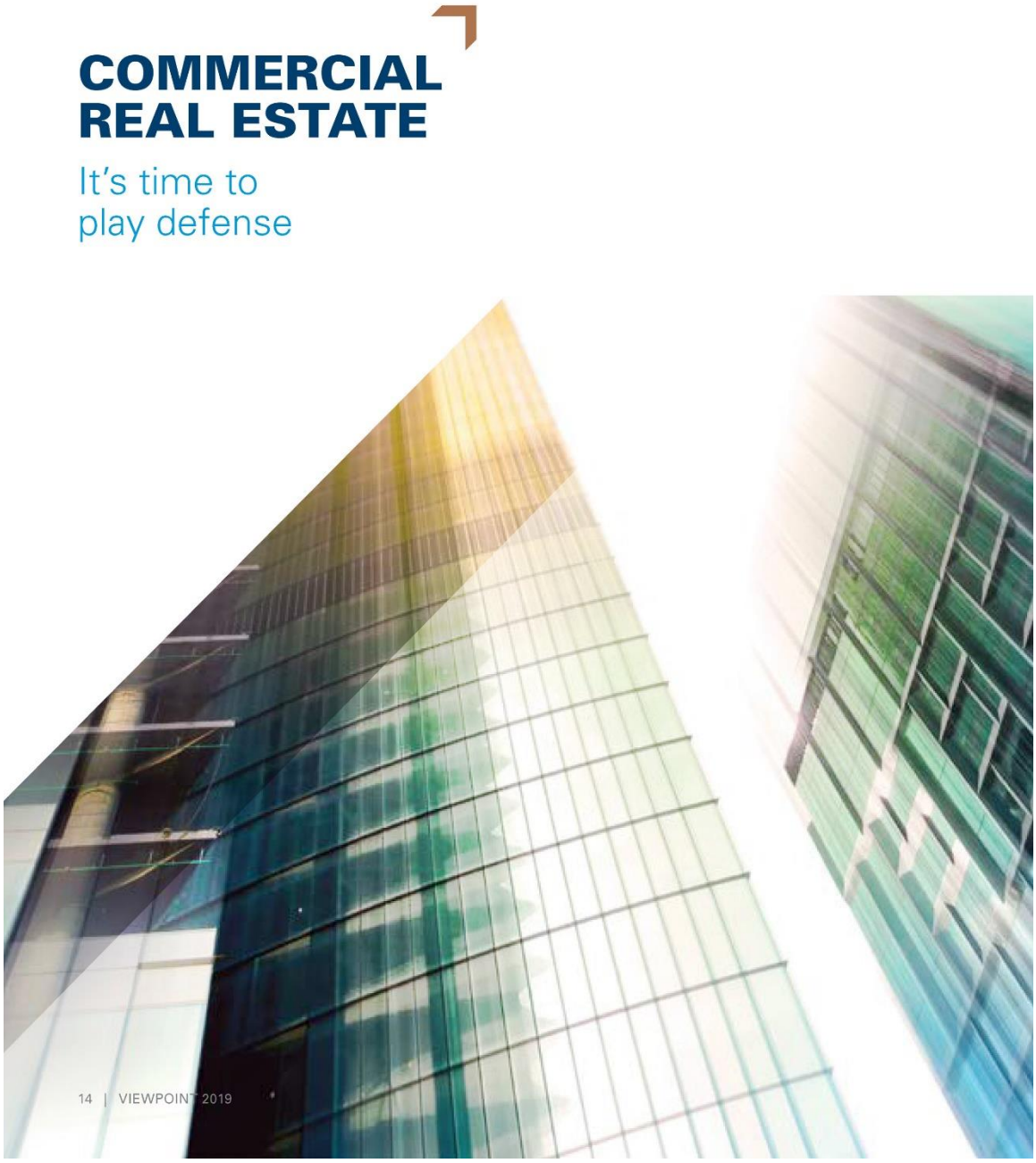


> From 2019 to 2023, average monthly job growth will remain at a pallid 67,000, dipping even lower in the five years that follow.

The issue is labor insufficiency, married to increasing technological substitution for human inputs. But technology can't make up for a two-thirds slowdown in job growth.

The consequence is a deceleration of the economy roughly in line with the Blue Chip projection in 2019, but then CBO envisions a period from 2020 to 2028 when annual GDP growth never exceeds 2%. It is not just real estate demand—commercial and residential—that will turn sluggish under such a scenario. Consumer spending, business investment, and corporate earnings face dramatic challenges as well (not to mention the "quants" running the economic models at major financial institutions).

If this outlook seems too dire, it is well to remember that the economy does not run like an easily predictable machine. Key choices could substantially alter the labor outlook toward the upside. The long-discussed and badly needed infrastructure initiative stalled in Washington would make a big difference. A recognition of the economic benefit of immigration at the one-million or higher level annually would address the supply side of the growth issue. A commitment to elevating the skill level of the underemployed would drive productivity per worker higher, providing considerable pop to GDP. Time, however, is running short to implement such policy measures if the U.S. wants to avoid the job market stumbling badly come 2020.



Former Cotton Gin

All things considered, the good feelings of 2018 will likely be carrying over into early 2019, but real estate will be taking a cue from the stock market in being increasingly sensitive to bad news.

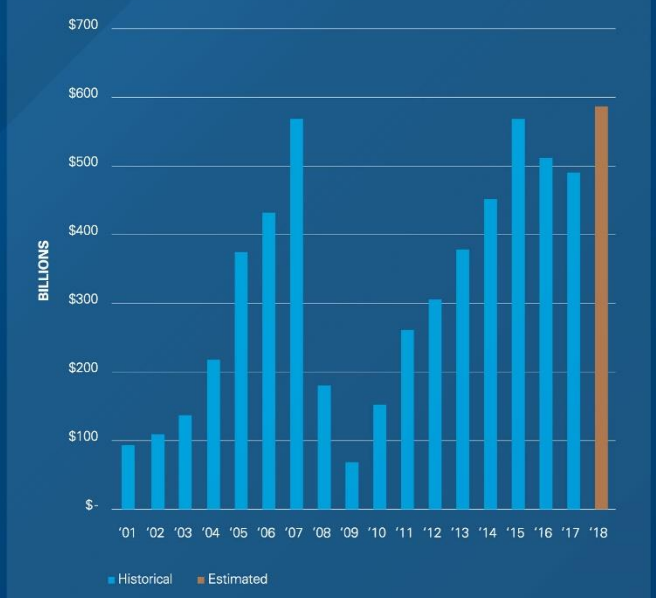
Risk aversion should increase as it becomes apparent that the very strong GDP growth of mid-2018 was a temporary phenomenon. If real estate investors and developers become aware of outlooks like the CBO's (and Wall Street analysts will undoubtedly begin factoring that into their earnings expectations, raising awareness in the media), user demand projections for offices, apartments, and other income-producing property will need to be scaled back.

Geopolitical factors are already rippling through U.S. regional economies. The Farm Belt has been struggling with the tariff dispute. Declining energy prices help SUV drivers, truckers, and the airlines alike, but hurt the Oil Patch and the national economy, now that America is one of the world's largest petroleum producers. America's transition from a manufacturing economy toward services continues, and the late 2018 announcement by General Motors of 14,000 layoffs is unlikely to be the last such headline.

Commercial real estate strategy will therefore be more defensively oriented. Tenant retention will become key, and expenditures on CapEx and on TI allowances will grow on property budgets. Investors will key more on current income than prospective appreciation, and this too presages upward pressure on cap rates. Investment "dry powder" may, to a large extent, stay on the sidelines, more because of greater selectivity on the part of fund managers than because of a dearth of product. Transaction volume, which ticked up in 2018 after two years of decline, may retreat again, especially if lassitude in the stock market reduces the "denominator effect" for institutional capital.

To be sure, none of this is a certainty. Surprises to the upside remain possible. But no one in the real estate business is putting his or her reputation forward as a Pollyanna. Smart money now is careful money. Behavioral economics has provided convincing evidence that the pain of loss is a more powerful motivator than the prospect of gain. Or as football coaches have long preached, "it is defense that wins championships."

2018 TRANSACTION VOLUME SEEING NEW RECORD AFTER TWO DOWN YEARS



Retail

Is the 2017 Tax Cut and Jobs Act a nice gift from Uncle Sam or lump of coal? Consumer confidence soared in 2018, but retail properties are already walking a knife's edge in many markets and have little room for any surprises to the downside.

Office

The respected NCREIF Performance Report featured notable strength in the office sector, based upon its bellwether portfolio of 1,244 assets valued at $213 billion. Occupancy was reported at the highest level since the Great Recession, rents are rising up to 3% annually, and income is best in the West.

Multifamily

The apartment sector has been a standout performer since 2012, despite a somewhat sluggish 2018. Still, capital is flooding into apartments, and we're seeing secondary and tertiary markets being targeted for apartment investment. The U.S. economy is expected to weaken in 2019 – 2020: will capital still flow?

Industrial

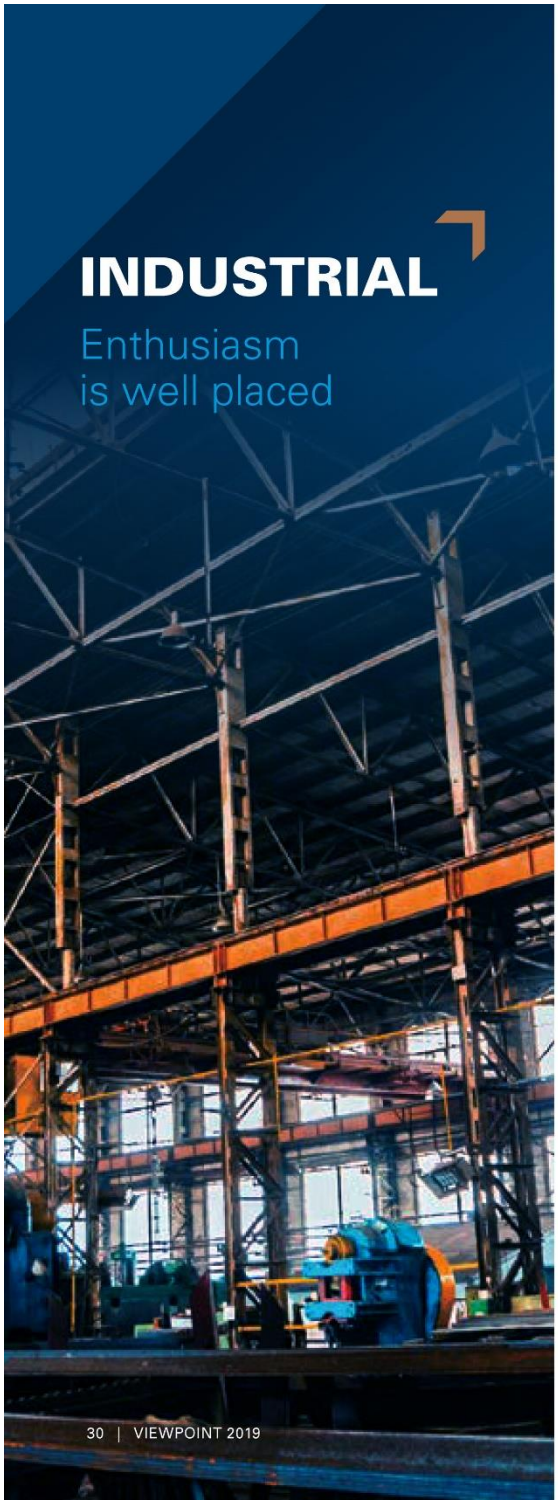
The story of industrial property can be summarized in two words: alignment and re-alignment. Outperforming office and multifamily, globalization and e-commerce are driving demand. Re-alignment is propping formerly moribund urban properties, taking advantage of logistics and distribution trends. Watch trade and tariff issues—sensitivity could ratchet down demand.

Hospitality

The hospitality industry has been enjoying terrific demand growth from all its key drivers: business travel, trade show and conference attendance, and tourism. As spoilers, disruptors like AirBnB and TripAdvisor could pale in comparison to a recession. The best hoteliers will be carefully adjusting to shifts in an increasingly uncertain 2019 economy.

16 | VIEWPOINT 2019

Industrial Market Analysis - Nationwide



Once, the term Industrial Real Estate conjured images of America's manufacturing might. It still connotes the power of the U.S. economy, but with 70% of GDP generated by personal consumption expenditures, that power is now epitomized by the nation's dense network of warehousing, distribution, logistics, and R&D/Flex properties. A generation ago, investors regarded industrial property as a boring backwater, the real estate equivalent of a corporate bond producing reliable cash flow but having all the excitement of its tilt-up concrete walls. Today, industrials are the essential organs of the e-commerce revolution, the very embodiment of 21st century globalization and economic disruption

TRANSACTION VOLUME

For the 12 months ending Q3 2018, industrial transaction volume monitored by Real Capital Analytics was $82.9 billion, running 13.9% ahead of the previous year. With October opening the Q4 with $12.2 billion in deals, 2018 was on track for a new record for this property type.

By October 31 YTD, warehouse/distribution purchases had pushed to $59.8 billion, with 5,207 properties changing hands. R&D/Flex assets registered a strong $17.0 billion, on 1,680 deals. There were no big surprises in the preferred locations: Chicago ($5.6 billion), Dallas ($4.0 billion), Los Angeles ($3.8 billion), the Inland Empire ($3.3 billion), and Atlanta ($3.1 billion) led the list.

Investors' appetites were no doubt whetted by the strong fundamentals of the national industrial market. Occupancy is running at about 95% in the huge 14.7 billion square-foot inventory tracked by Newmark Knight Frank. Rents are up 8.4% from a year ago, and construction volume is expanding inventory at a moderate 1.7% pace. Several warehouse markets are anticipated by IRR to enjoy 5% or higher rent increases in 2019, including Cleveland, Houston, Northern New Jersey, New York, and Seattle. So the user markets and investor markets are well aligned heading into 2019.

2018 was a record-setting year, with more than $82.9 billion in deals.

Former Cotton Gin

All regions of the country have posted YOY transaction gains as of Q3. The South is seeing the fastest growth, at 29.5%, followed by the Central states (15.3%), the West (11.9%), and then the East (6.6%).

The upward trajectory of e-commerce is expected to continue, fueling both user and investor demand both for regional distribution and last-mile break-bulk facilities. Investors are taking an optimistic view of the R&D/Flex market, where the risk premium has dropped to 4.5% in IRR's estimation, down 66 basis points from a year ago. That optimism is in sync with expectations of 5% or higher rent growth in Las Vegas, Northern New Jersey, Houston, and Cleveland.

TOP MARKETS BY INDUSTRIAL TRANSACTION VOLUME BASED ON YOY PERCENTAGE CHANGE

Bulls (Top 10)

2018 Rank	City	YOY Change	Total 4Q17-3Q18	Vol. Rank*
1	Richmond/Norfolk	182.7%	$630.0 M	34
2	San Francisco	123.9%	$1,147.6 M	21
3	Austin	88.5%	$721.2 M	31
4	Columbus	76.6%	$1,390.7 M	18
5	Minneapolis	76.5%	$1,141.6 M	22
6	Salt Lake City	71.4%	$617.1 M	36
7	Memphis	71.0%	$739.8 M	30
8	Phoenix	67.6%	$2,094.0 M	8
9	Orlando	60.0%	$916.0 M	26
10	Jacksonville	59.4%	$493.2 M	40

Bears (Bottom 10)

2018 Rank	City	YOY Change	Total 4Q17-3Q18	Vol. Rank*
43	San Jose	-32.6%	$2,070.4 M	9
44	Palm Beach	-32.7%	$175.6 M	46
45	St Louis	-33.1%	$535.8 M	38
46	San Antonio	-42.5%	$271.1 M	45
47	Las Vegas	-43.1%	$965.4 M	24
48	Raleigh/Durham	-44.3%	$304.1 M	44
49	Birmingham (AL)	-45.5%	$48.9 M	52
50	Stamford	-54.0%	$90.6 M	50
51	DC	-59.3%	$1,594.5 M	15
52	Westchester	-87.1%	$167.8 M	47

* Volume Ranking is based on the overall transaction volume among 52 markets nationally

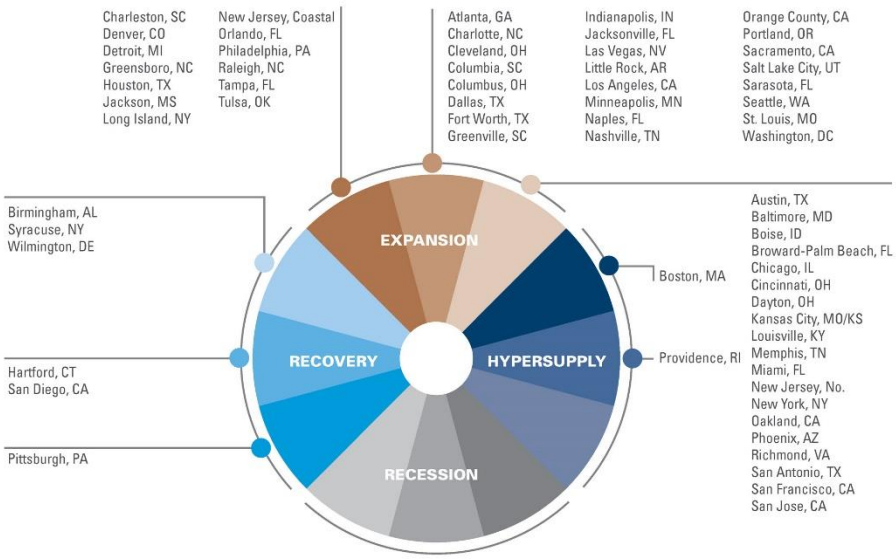
Two specific risks require mention, though. The first is any potential disruption in global supply and distribution chains stemming from a tightening tariff policy on the part of the U.S. The second is the industrial sector's exposure to the business cycle. If the late 2018 volatility in the equities markets is an anticipation of a turbulent 2019 economy, leaning toward recession, industrials will be one of the first property types to feel the pinch.

Nearly every U.S. metro market is in the "Expansion" phase.

MARKET CYCLE

Unsurprisingly, given the Industrial sector's long run of success, IRR sees almost all metro markets in the Expansion phase of the real estate cycle. The exception is in the East, where only 54% are rated in Expansion. By contrast, every Central region market is considered in Expansion. Some few markets in the South (Birmingham) and the West (San Diego) are rated in Recovery. Boston and Providence have tipped into hypersupply.

INDUSTRIAL MARKET CYCLE



EXPANSION	HYPERSUPPLY	RECESSION	RECOVERY
Decreasing Vacancy Rates	Increasing Vacancy Rates	Increasing Vacancy Rates	Decreasing Vacancy Rates
Moderate/High New Construction	Moderate/High New Construction	Moderate/Low New Construction	Low New Construction
High Absorption	Low/Negative Absorption	Low Absorption	Moderate Absorption
Moderate/High Employment Growth	Moderate/Low Employment Growth	Low/Negative Employment Growth	Low/Moderate Employment Growth
Med/High Rental Rate Growth	Med/Low Rental Rate Growth	Low/Neg Rental Rate Growth	Neg/Low Rental Rate Growth

The base case for 2019 is that most markets will remain in balance. Only two metros have what might be considered "yellow flag" levels of vacancy (above 8%): Baltimore and Charleston. So even in the case of a slowdown, virtually all markets should at least maintain rental stability in the near term. This, in fact, is one of the attractive features of this property type, especially with the long-term net lease structure that maintains cash flow under most circumstances. While no real estate is inoculated against cyclical downturns, industrials have traditionally played an important defensive role in asset portfolios.

And, of course, further surprises to the upside should not be casually dismissed.

CAP RATES & VALUES

IRR places late 2018 warehouse cap rates at a 6.68% average, virtually identical to the year-prior level. There is, however, a wide gap between the top markets of Seattle and Orange County (4.5%) and Los Angeles (4.8%), and such markets as Dayton and Little Rock (8.8%) and Providence (9.3%) with thin investment and exceptionally high required yields.

R&D/Flex cap rates are higher on average, at 7.5% nationally. As with warehouses, the upper tier of markets have significantly more compressed cap rates—Orange County (4.7%), Los Angeles (5.75%), New York and San Diego (6.0% apiece). It is clear location still matters.

Looking forward, IRR's consensus calls for value increases in 88% of US industrial markets in 2019. Clearly, industrials are seen to have considerable momentum entering the year. Institutions, in particular, are impressed with industrials standing alone in provided double-digit annual returns through Q3, 14.1% as reported by NCREIF. No one wants to be a Pollyanna, but enthusiasm for this property type has a lot of data on its side.

Look for momentum, with value increases in 88% of U.S. industrial markets.

REGIONAL RATES COMPARISON - INDUSTRIAL

	CAP RATE	DISCOUNT RATE	MARKET RENT ($/UNIT)	VACANCY RATE	4Q '17 - 4Q '18 CAP RATE D
SOUTH REGION					
Flex Industrial	7.78%	8.66%	$9.18	7.54%	▲ 7 bps
Industrial	6.94%	8.03%	$5.28	6.93%	▼ - 5 bps
EAST REGION					
Flex Industrial	7.58%	8.63%	$10.43	9.27%	▲ 18 bps
Industrial	6.67%	7.92%	$6.70	7.43%	▲ 20 bps
CENTRAL REGION					
Flex Industrial	8.01%	8.96%	$7.83	8.98%	▲ 0 bps
Industrial	7.18%	8.24%	$4.44	6.92%	▼ - 12 bps
WEST REGION					
Flex Industrial	6.52%	7.89%	$12.97	8.09%	▼ - 5 bps
Industrial	5.82%	7.14%	$7.87	5.66%	▼ - 8 bps
NATIONAL AVERAGES/SPREADS					
Flex Industrial	7.50%	8.54%	$10.03	8.26%	▲ 6 bps
Industrial	6.68%	7.85%	$5.99	6.75%	▲ - 1 bps

Former Cotton Gin

Industrial Market Analysis – Local Area

Metro Area Overview

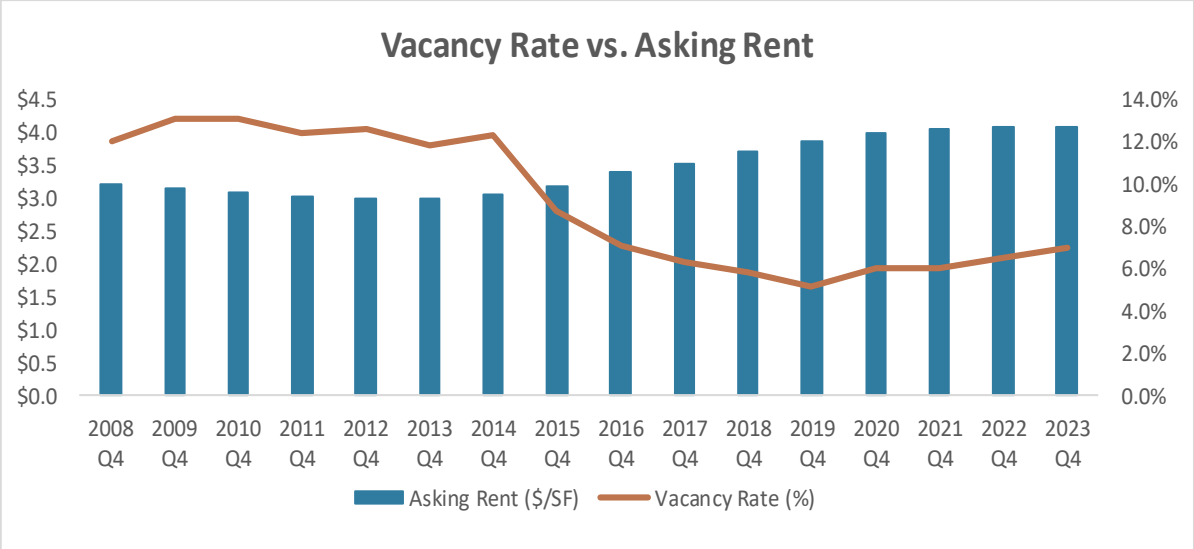
The subject is located in the Memphis - TN metro area as defined by CoStar. Trended supply and demand statistics, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the ensuing table.

All Industrial Memphis - TN Metro Trends

Period	Stock	Demand	Vacancy	Net Completions 12 Months	Under Construction Stock	Net Absorption 12 Months	Asking Rent	Rent Growth 12 Month	Cap Rate
2008 Q4	247,985,997	217,970,200	12.10%	3,034,712	581,244	3,154,188	$3.22	0.00%	9.00%
2009 Q4	248,338,080	215,824,800	13.09%	352,083	587,905	-2,145,362	$3.17	-1.41%	9.51%
2010 Q4	248,750,678	216,201,900	13.08%	412,598	1,949,962	377,040	$3.11	-1.96%	9.22%
2011 Q4	249,523,176	218,398,600	12.47%	772,498	312,029	2,196,704	$3.02	-2.80%	9.06%
2012 Q4	250,972,625	219,137,800	12.68%	1,449,449	2,514,892	739,256	$3.02	-0.22%	8.88%
2013 Q4	254,059,681	224,005,200	11.83%	3,087,056	4,114,977	4,867,443	$2.99	-0.90%	8.69%
2014 Q4	257,019,886	225,282,100	12.35%	2,960,205	2,553,241	1,276,874	$3.08	3.01%	8.51%
2015 Q4	258,532,553	235,954,500	8.73%	1,512,667	2,107,434	10,169,797	$3.19	3.71%	8.21%
2016 Q4	261,873,482	243,232,900	7.12%	3,340,929	4,467,221	7,278,401	$3.41	6.67%	8.04%
2017 Q4	267,443,623	250,500,600	6.34%	5,570,141	5,571,795	7,267,655	$3.54	3.96%	8.07%
2018 Q4	273,806,821	257,839,300	5.83%	6,363,198	1,697,609	7,338,698	$3.73	5.44%	8.10%
2019 Q4	275,345,473	261,096,600	5.17%	1,538,652	0	3,257,383	$3.89	4.12%	8.05%
2020 Q4	282,743,839	265,646,300	6.05%	7,398,366	0	4,551,313	$4.01	3.15%	7.94%
2021 Q4	287,657,056	270,378,900	6.01%	4,913,217	0	4,735,411	$4.07	1.60%	7.99%
2022 Q4	293,839,854	274,692,400	6.52%	6,182,798	0	4,312,679	$4.10	0.57%	8.17%
2023 Q4	299,612,937	278,514,600	7.04%	5,773,083	0	3,821,318	$4.09	-0.08%	8.24%

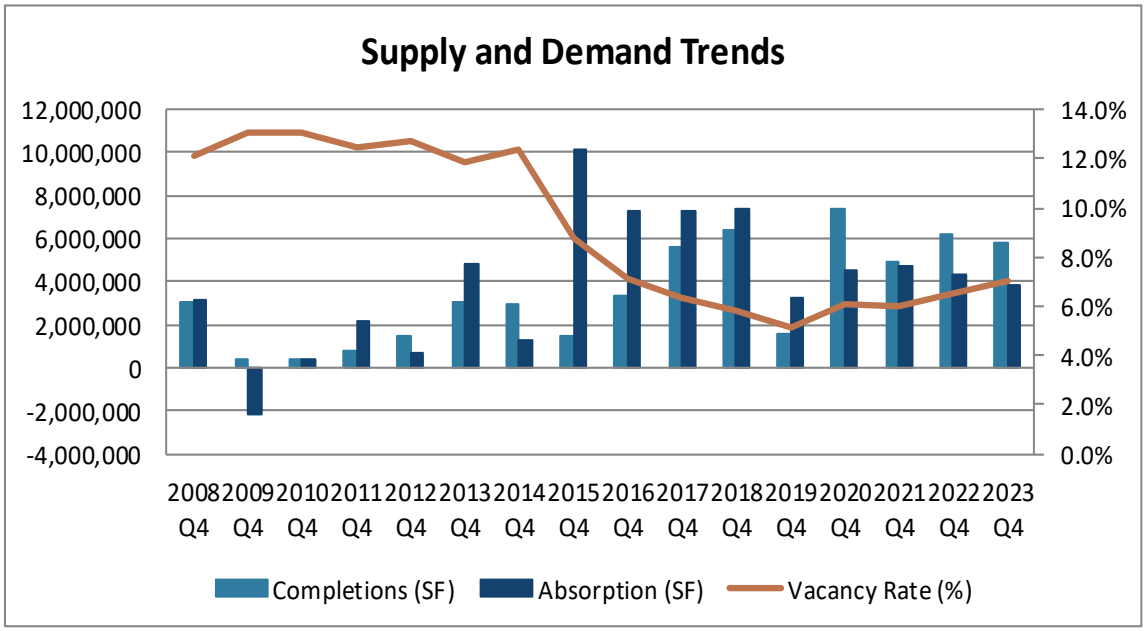
Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

Memphis - TN Metro Trends and Forecasts



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The current vacancy rate in the metro area is 5.83%; the vacancy rate has decreased by 129 bps from 2016 Q4.
- Two-year Base Case forecasts project a 6.05% vacancy rate in the metro area, representing an increase of 22 bps by 2020 Q4.
- Asking rent averages $3.73/SF in the metro area, and values have increased by 9.50% from 2016 Q4.
- Two-year Base Case forecasts project a $4.01/SF asking rent in the metro area, representing an increase of 7.40% by 2020 Q4.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The total stock (SF) has increased by 4.56% from 2016 Q4, while the demand has increased by 6.01%.
- Between 2013 Q4 and 2018 Q4, net completions in the metro area has averaged 3,805,699 SF annually, and reached a peak of 6,363,198 SF in 2018 Q4.
- Between 2013 Q4 and 2018 Q4, absorption figures in the metro area have averaged 6,366,478 SF annually, and reached a peak of 10,169,797 SF in 2015 Q4.

Submarket Overview

The subject is located in the Tipton County submarket as defined by CoStar. Trended supply and demand statistics, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the following table.

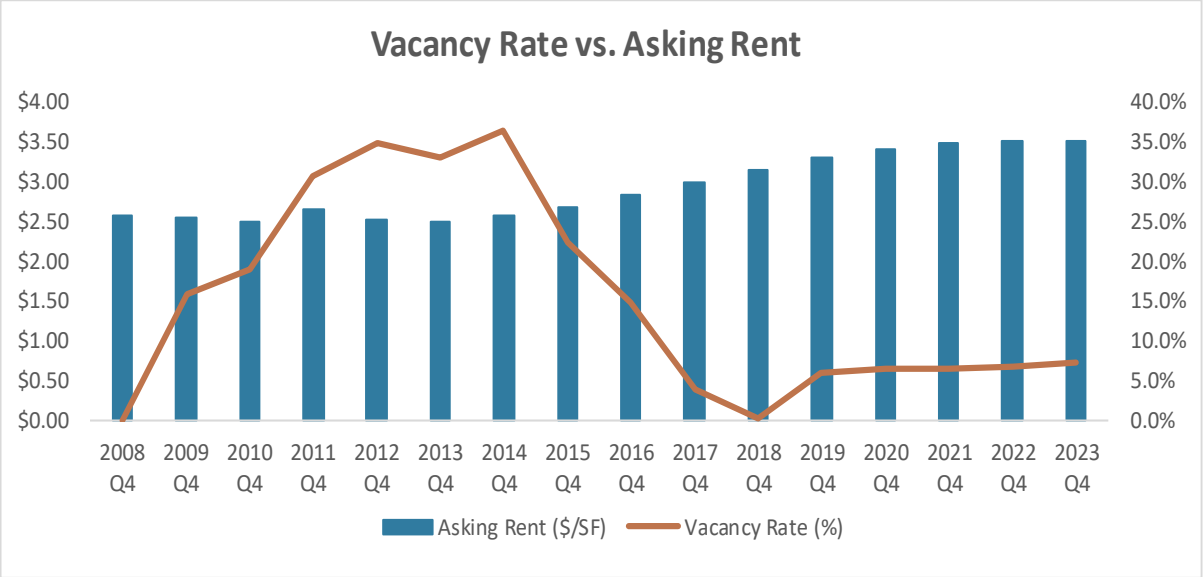
All Industrial Tipton County Submarket Trends

Period	Stock	Demand	Vacancy	Net Completions 12 Months	Under Construction Stock	Net Absorption 12 Months	Asking Rent	Rent Growth 12 Month	Cap Rate
2008 Q4	5,423,820	5,423,300	0.01%	7,729	0	7,229	$2.58	-0.04%	9.35%
2009 Q4	5,423,820	4,565,000	15.83%	0	0	-858,361	$2.56	-0.95%	9.89%
2010 Q4	5,423,820	4,398,800	18.90%	0	5,000	-166,205	$2.51	-2.00%	9.66%
2011 Q4	5,428,820	3,755,700	30.82%	5,000	0	-643,088	$2.67	6.27%	9.37%
2012 Q4	5,428,820	3,526,900	35.03%	0	0	-228,749	$2.54	-4.79%	9.13%
2013 Q4	5,426,937	3,630,500	33.10%	-1,883	0	103,537	$2.51	-1.20%	8.97%
2014 Q4	5,426,937	3,440,300	36.61%	0	0	-190,160	$2.58	2.98%	8.70%
2015 Q4	5,426,937	4,217,600	22.28%	0	0	777,278	$2.68	3.90%	8.34%
2016 Q4	5,426,937	4,627,800	14.72%	0	0	410,274	$2.83	5.58%	8.12%
2017 Q4	5,426,937	5,219,300	3.83%	0	0	591,491	$2.98	5.31%	8.09%
2018 Q4	5,426,937	5,410,300	0.31%	0	0	191,000	$3.16	6.00%	7.97%
2019 Q4	5,426,937	5,105,200	5.93%	0	0	-305,154	$3.31	4.60%	7.92%
2020 Q4	5,426,937	5,080,100	6.39%	0	0	-25,115	$3.43	3.54%	7.81%
2021 Q4	5,426,937	5,080,300	6.39%	0	0	254	$3.49	1.79%	7.86%
2022 Q4	5,426,937	5,055,600	6.84%	0	0	-24,681	$3.51	0.72%	8.04%
2023 Q4	5,426,937	5,028,700	7.34%	0	0	-26,954	$3.51	0.02%	8.11%

Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

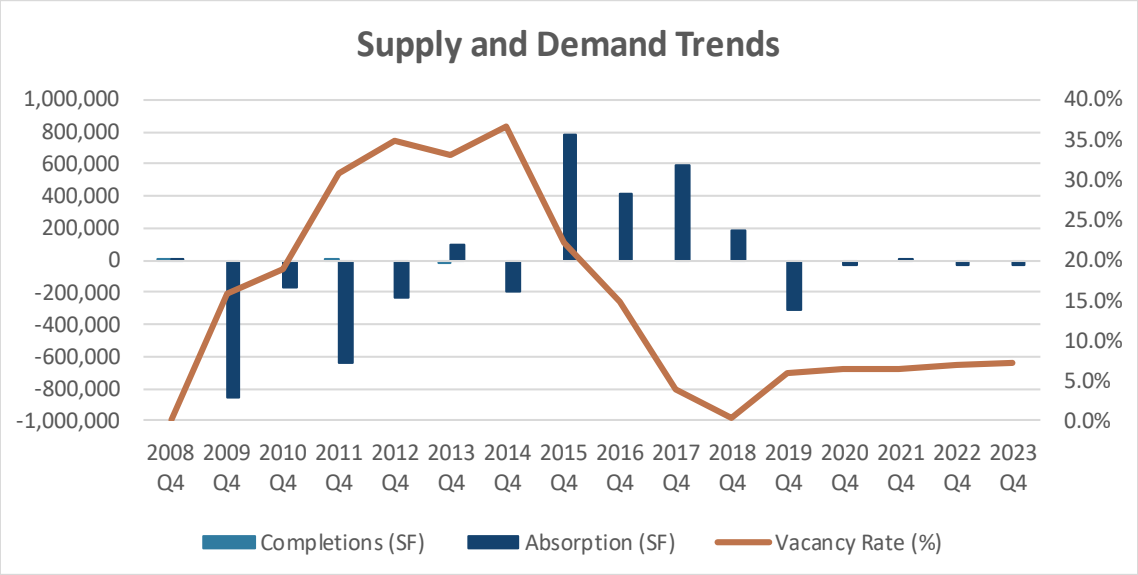
- The Tipton County submarket comprises 2.0% of the metro building stock and 2.1% of the metro building demand.
- The vacancy rate in the Tipton County submarket is .31%, which is less than the metro area's average of 5.83%.
- Tipton County market rate is $3.16/SF which is less than the metro area's average rate of $3.73/SF.

Tipton County Submarket Trends and Forecasts



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

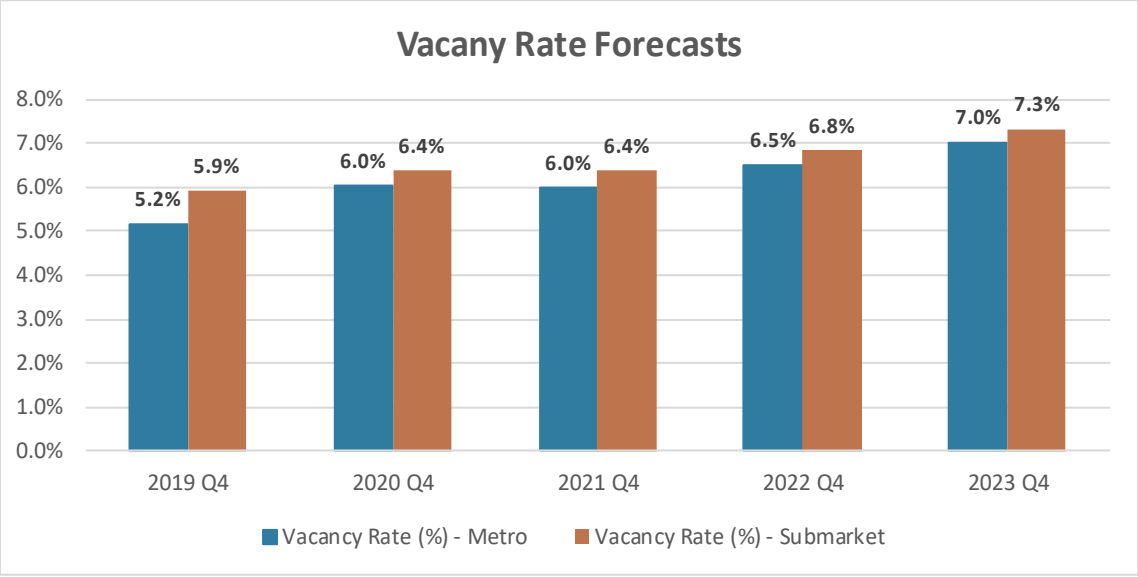
- The current vacancy rate in the submarket area is 0.31%; the vacancy rate has decreased by 1,442 bps from 2016 Q4.
- Two-year Base Case forecasts project a 6.39% vacancy rate in the submarket area, representing an increase of 609 bps by 2020 Q4.
- Asking rent averages $3.16/SF in the submarket area, and values have increased by 11.76% from 2016 Q4.
- Two-year Base Case forecasts project a $3.43/SF asking rent in the submarket area, representing an increase of 8.22% by 2020 Q4.



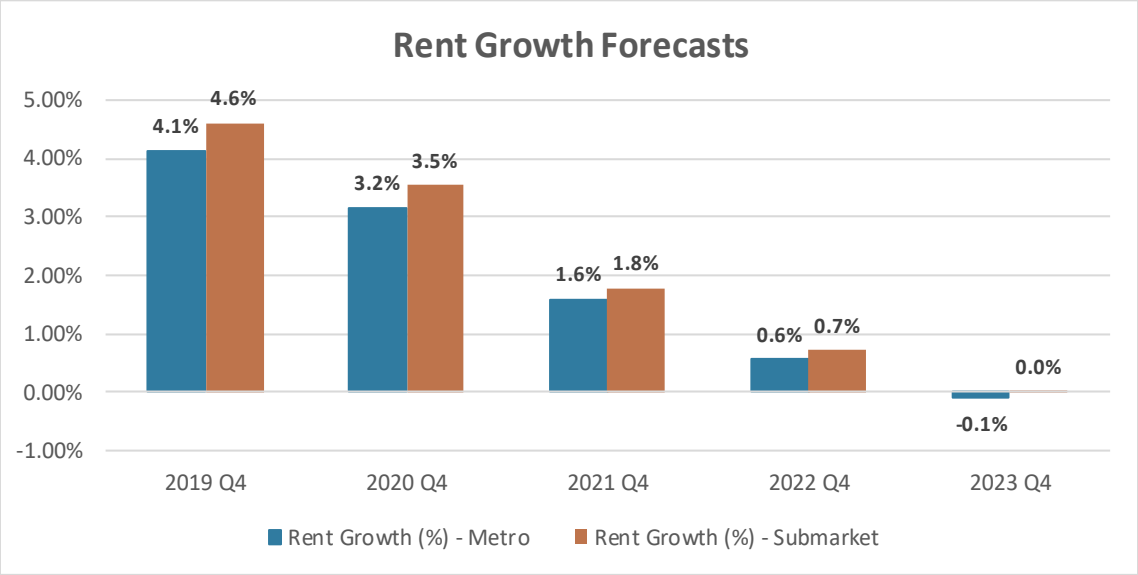
Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The total stock is 5,426,937 SF and the total demand is 5,410,300 SF.
- There has not been positive net completions in the submarket area between 2013 Q4 and 2018 Q4.
- Between 2013 Q4 and 2018 Q4, absorption figures in the submarket area have averaged 313,903 SF annually, and reached a peak of 777,278 SF in 2015 Q4.

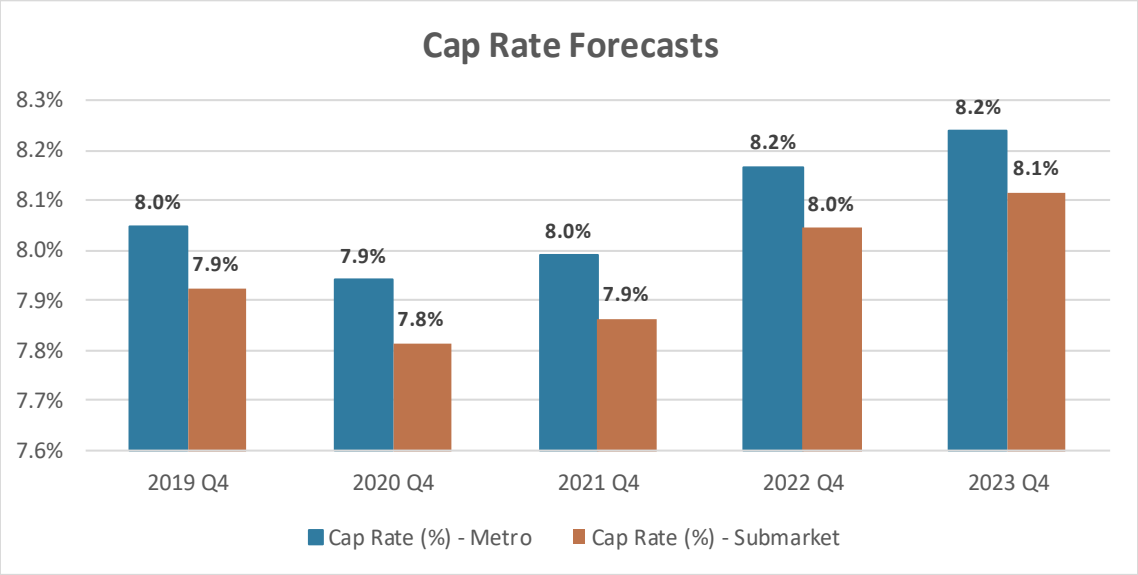
Industrial Market Forecast Comparisons



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

Industrial Market Outlook and Conclusions

Based on the key metro area and submarket, construction outlook, and the performance of competing properties, IRR expects the mix of property fundamentals and economic conditions in the Memphis - TN metro area to have a neutral impact on the subject property's performance in the near-term.

Property Analysis

Land Description and Analysis

Active Map Link

Land Description	
Land Area	4.20 acres; 182,952 SF
Source of Land Area	Public Records
Primary Street Frontage	4655 Tennessee Highway 54 East - 390 feet
Shape	Irregular
Corner	Yes
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	None reported or observed
Ground Stability	No problems reported or observed
Flood Area Panel Number	47075C0200D
Date	April 16, 2008
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No
Zoning; Other Regulations	
Zoning Jurisdiction	Tipton County
Zoning Designation	C-1
Description	Rural Commercial District
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	None
Permitted Uses	Agriculturally oriented commercial, educational institutions, utility facilities necessary for the provision of public services including Wireless Communication Towers, Churches, Governmental buildings and community centers, medical facilities, individual retail stores, service stations, food marts, automobile repair establishments, customary home occupations, solar energy devices, livestock sales centers and feed lots, travel trailer park, kennel or animal hospital, light/small scale manufacturing, cemeteries and day care centers.
Minimum Lot Area	Commercial - 20,000 square feet w/ public water; 1-acre without public water
Minimum Street Frontage (Feet)	Not regulated
Minimum Lot Width (Feet)	Not regulated
Minimum Lot Depth (Feet)	Not regulated
Minimum Setbacks (Feet)	Front(Arterial Roads) - 50 feet, (All Other Road) - 30 feet; Side - 15 feet; Rear - 30 feet
Maximum Building Height	Four (4) stories
Maximum Site Coverage	0.6
Parking Requirement	No less than one (1) space for each two (2) employees during maximum production, minimum of five (5) spaces for any establishment. For maintaining space for the sale of products at retail shall be one (1) space per 300 square feet of floor area.

Utilities	
Service	Provider
Water	First Utility District of Tipton County
Sewer	Private
Electricity	Southwest Tennessee Electric
Natural Gas	First Utility District of Tipton County
Local Phone	AT&T

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance with zoning is required.

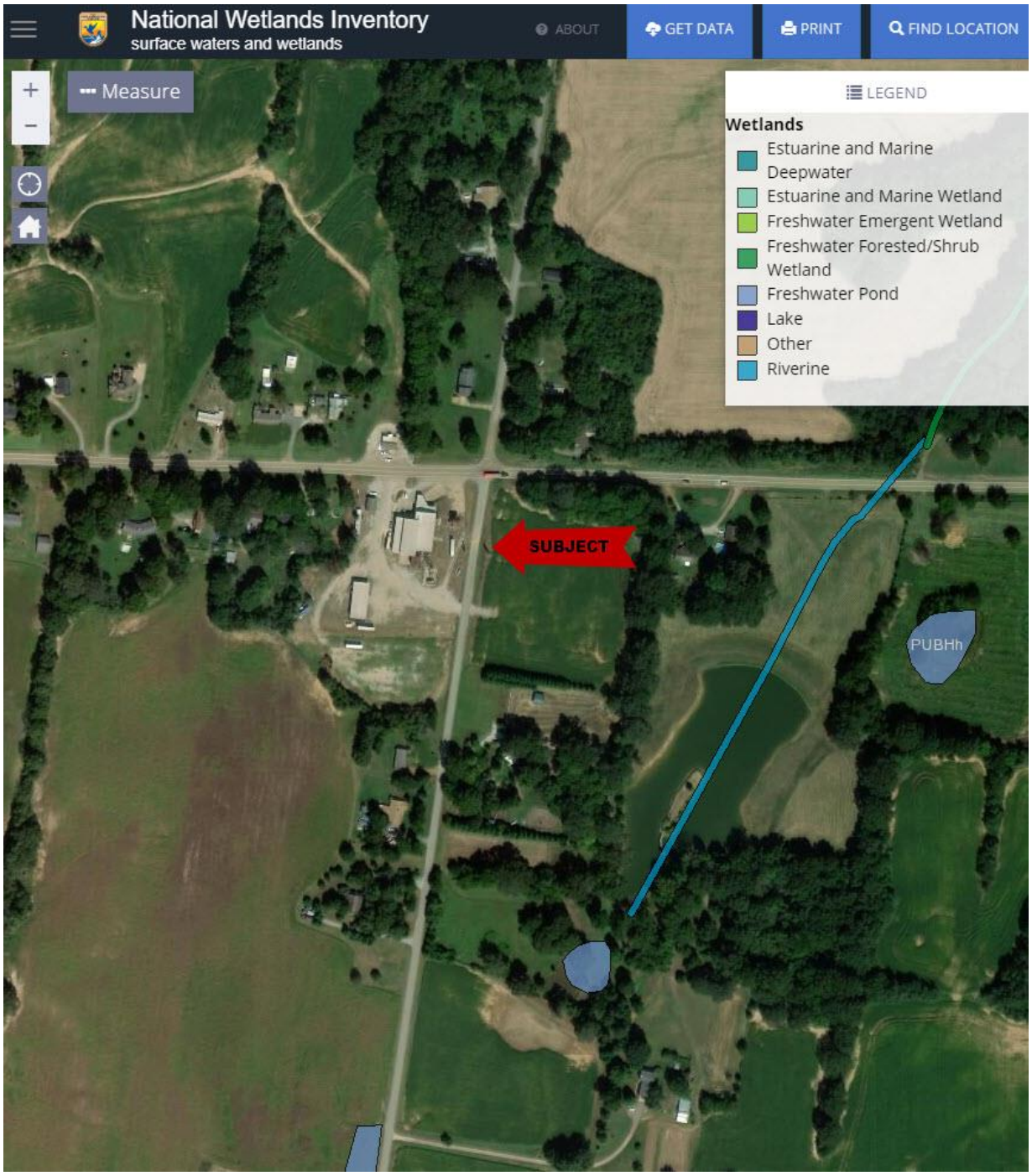
Zoning Map

Layer List
Utility Districts
Zoning
FAR
R-1
R-2
R-3
C-1
C-2
C-3
I-1
I-2
City - Atoka; City - Brighton; City - Burlison; City - Covington; City - Garland; City - Gilt Edge; City - Mason; City - Munford
PR - Atoka
25.03
17.01
9 AC
FAR
19
2 AC
21
1.5 AC
24
23.02
22
Locust Bluff Rd
18.01
23.03
25.01
3.79 ACc
16.05
1 AC
16.01
1 AC
16.06
1.5 AC
16.03
16.02
1 AC
18.03
23
23.01
C-1
Highway 54 E
46.02
1 AC
46.01
1.43 AC
SUBJECT
1 AC
41
C-1
Raioh Rd
39
2 ACc
46.04
6 AC
42
43.03
40
40.01
5.93 AC
38.02
24.81 AC
45
6 AC
44
42.01
1.07 AC
43.01
1.20 AC
43.02
40.02
43.04
4.15 AC
43.05
43.06
3.68 AC
39.01
FAR
FAR

Flood Map

ArcGIS
FEMA's National Flood Hazard Layer
Modify Map
Details
Basemap
Share
Print
Measure
Bookmarks
4655 TN-54, Covington, TN, 38019
Legend
NFHL
FIRM Panels
River Mile Markers
Cross-Sections
Base Flood Elevations
Flood Hazard Boundaries
Limit Lines
SFHA / Flood Zone Boundary
Other Boundaries
Flood Hazard Zones
1% Annual Chance Flood Hazard
Regulatory Floodway
Special Floodway
Area of Undetermined Flood Hazard
0.2% Annual Chance Flood Hazard
Future Conditions 1% Annual Chance Flood Hazard
Area with Reduced Risk Due to Levee
SUBJECT
PANEL 47075C0200D eff. 4/16/2008
PANEL 47167C0190F eff. 12/19/2006
AREA OF MINIMAL FLOOD HAZARD Zone X
PANEL 47097C0475D eff. 9/28/2007
PANEL 47167C0195F eff. 12/19/2006

Wetlands Map



Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage		
Street	4655 Tennessee Highway 54 East	Ralph Road
Frontage Feet	390	425
Paving	Asphalt	Asphalt
Curbs	Open Ditch	Open Ditch
Sidewalks	None	None
Lanes	2 way, 1 lane each way	2 way, 1 lane each way
Direction of Traffic	East/West	North/South
Condition	Average	Average
Traffic Levels	Low	Low
Signals/Traffic Control	None	Stop sign
Access/Curb Cuts	Two (2)	One (1)
Visibility	Average	Average

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

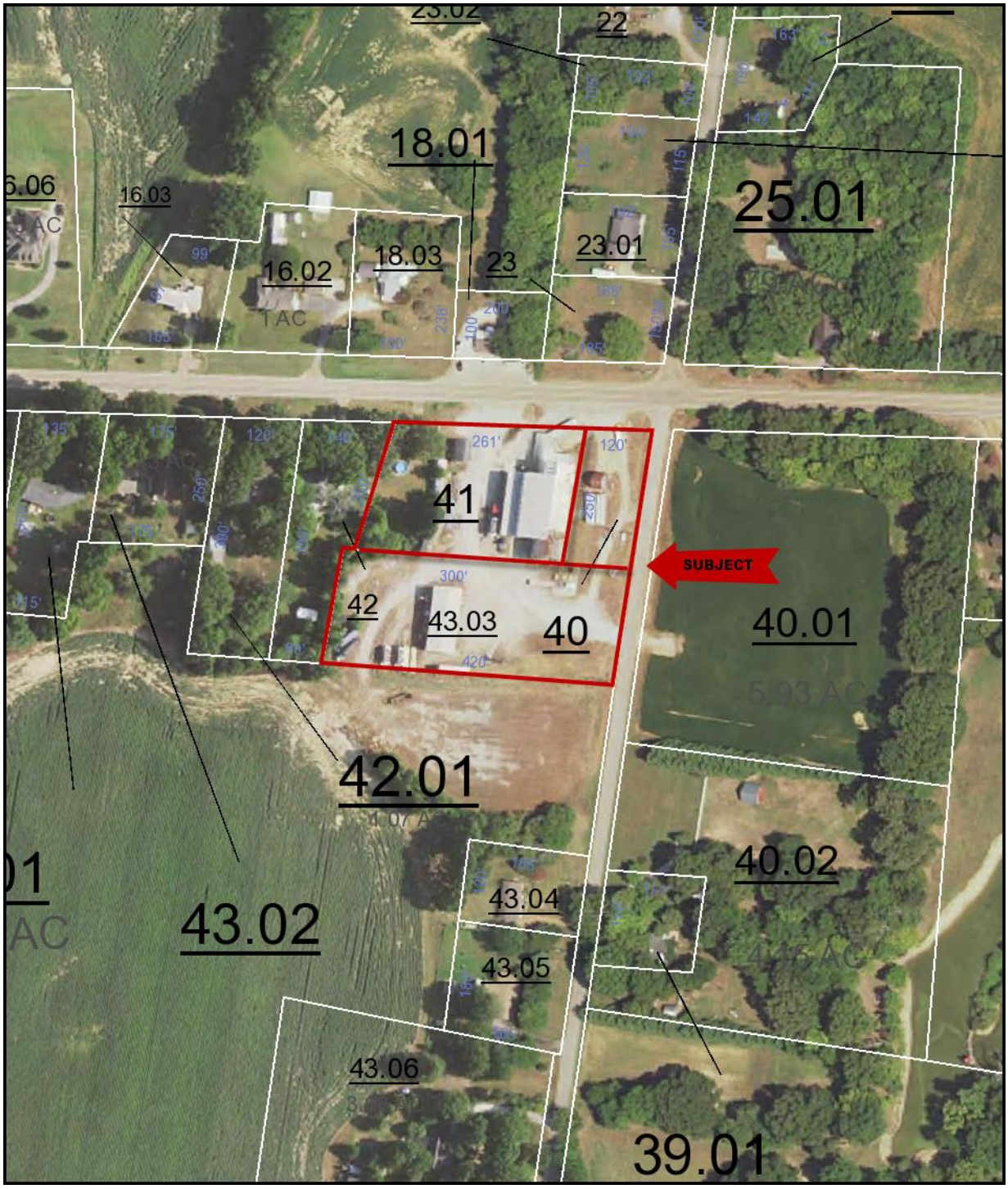
Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

Conclusion of Land Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. We are not aware of any other particular restrictions on development.

Tax Map


22
18.01
25.01
16.03
16.02
18.03
23
23.01
41
SUBJECT
42
43.03
40
40.01
42.01
43.02
40.02
43.04
43.05
43.06
39.01

Improvements Description and Analysis

The subject is a vacant former cotton gin containing 10,087 square feet of gross building area. A material shed and an office building are also located on-site and are included in the gross building area. A material canopy shelter is also located on the property but is not included in the gross building area. The improvements were constructed in 1942 and are 100% vacant as of the effective appraisal date. The site area is 4.20 acres or 182,952 square feet.

Improvements Description

	Overall Property			
Name of Property	Former Cotton Gin	Cotton Gin	Utility Shed	Office Building
General Property Type	Industrial	Industrial	Industrial	Office
Property Sub Type	Cotton Gin/Office	Cotton Gin	Industrial Shed	Office Building
Competitive Property Class	C	C	C	C
Occupancy Type	Owner Occupied	Owner Occupied	Owner Occupied	Owner Occupied
Number of Buildings	3	1	1	1
Stories	1	1	1	1
Construction Class	S	S	S	D
Construction Type	Steel	Steel	Metal	Wood frame
Construction Quality	Average	Average	Average	Average
Condition	Fair	Fair	Fair	Fair
Gross Building Area (SF)	10,087	8,482	780	825
Percent Office Space	9%	0%	0%	100%
Land Area (SF)	182,952			
Floor Area Ratio (GBA/Land SF)	0.06			
Building Area Source	Inspection	Inspection	Inspection	Inspection
Year Built	1942	1942	1942	1942
Year Renovated	NA	NA	NA	NA
Actual Age (Yrs.)	77	77	77	77
Estimated Effective Age (Yrs.)	40	40	30	35
Estimated Economic Life (Yrs.)	50	50	35	50
Remaining Economic Life (Yrs.)	10	10	5	15
Number of Parking Spaces	30 (gravel)			
Source of Parking Count	Inspection			
Parking Type	On-site			

Construction Details			
	Cotton Gin	Utility Shed	Office Building
Foundation	Concrete slab	Concrete slab	Concrete slab
Structural Frame	Structural steel	Steel beam	Wood frame
Exterior Walls	Metal	Metal	Wood siding
Roof	Metal	Metal	Shingle
Clear Height in Feet	26 feet (exterior)	26 feet (exterior)	10 feet (exterior)
Dock Height Loading Doors	1	0	NA
Drive-in Doors	2	0	NA
HVAC	None	None	Central

Improvements Analysis

Occupancy Status

The property is 100% vacant as of the effective date.

Quality and Condition

The quality and condition of the subject is considered to be inferior to that of competing properties.

Functional Utility

The improvements appear to be adequately suited to their current use, and there do not appear to be any significant items of functional obsolescence.

ADA Compliance

Based on our inspection and information provided, we are not aware of any ADA issues. However, we are not expert in ADA matters, and further study by an appropriately qualified professional would be recommended to assess ADA compliance.

Hazardous Substances

An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. No hazardous substances were observed during our inspection of the improvements; however, we are not qualified to detect such substances. Unless otherwise stated, we assume no hazardous conditions exist on or near the subject.

Personal Property

Personal property items necessary for the continued operation of the property include multiple farm implements and two (2) mobile homes. These items do not make a material contribution to market value and are not included in the appraisal. As discussed previously, we were not given access to the interior of the building. All structures, gin machinery, motors, presses, and other equipment and machinery used in the operation of a gin are categorized as FF&E and are not included in our analysis.

Conclusion of Improvements Analysis

In comparison to other competitive properties in the region, the subject improvements are rated as follows:

Improvements Ratings	
Visibility/Exposure	Average
Design and Appearance	Below Average
Age/Condition	Below Average
Loading Docks	Average
Clear ceiling heights	Above Average

Overall, the quality, condition, and functional utility of the improvements are below average for their age and location.

View of Ralph Road (North)
(Photo Taken on December 12, 2019)

View of Site
(Photo Taken on December 12, 2019)

View of Building Exterior
(Photo Taken on December 12, 2019)

View of Building Exterior
(Photo Taken on December 12, 2019)

View of Building Exterior
(Photo Taken on December 12, 2019)

View of Building Exterior
(Photo Taken on December 12, 2019)

View of Building Exterior
(Photo Taken on December 12, 2019)

View of Building Exterior
(Photo Taken on December 12, 2019)

View of Office Building Exterior
(Photo Taken on December 12, 2019)

View of Office Building Exterior
(Photo Taken on December 12, 2019)

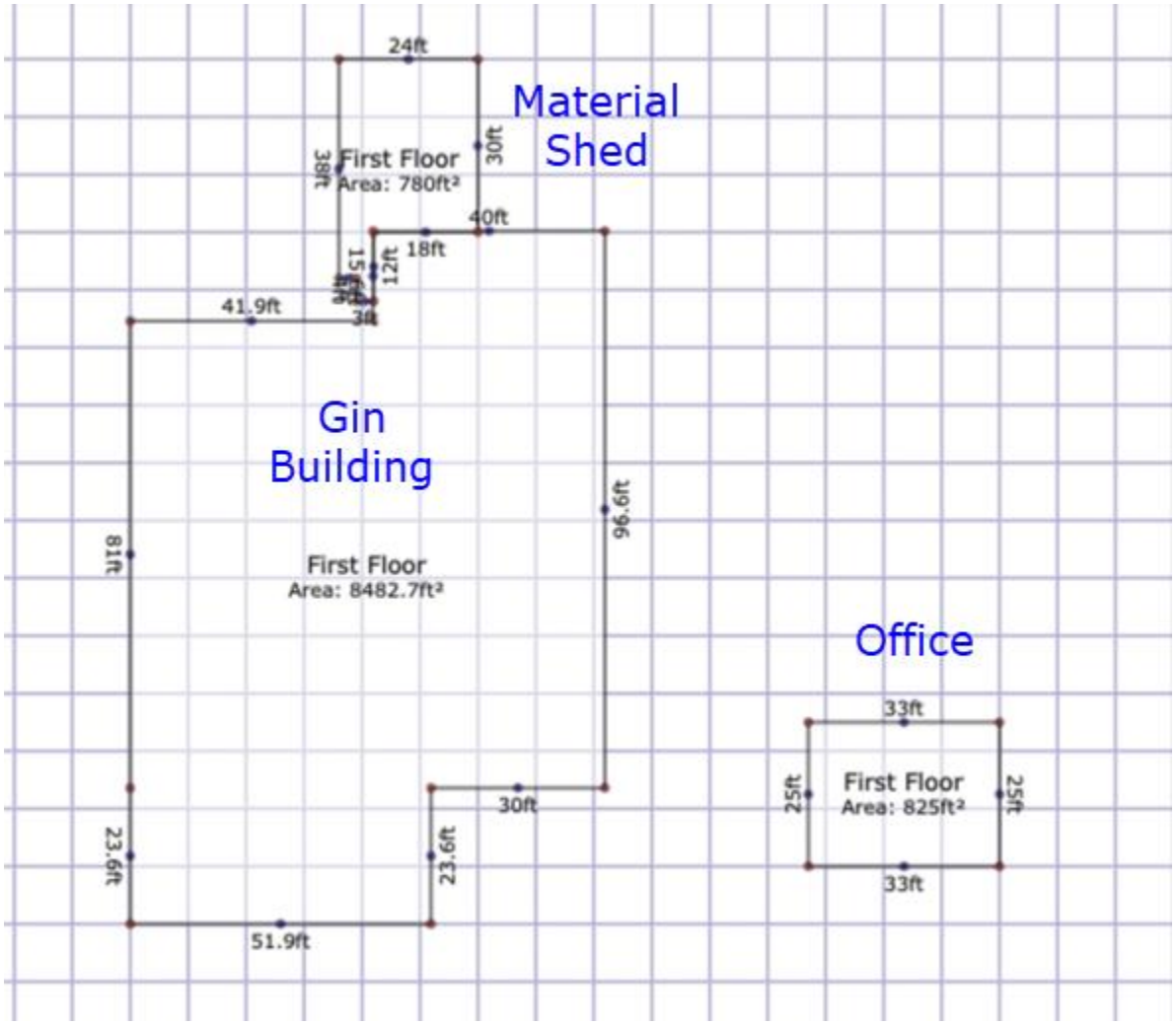
View of Office Building Exterior
(Photo Taken on December 12, 2019)

View of Material Canopy
(Photo Taken on December 12, 2019)

View of Vacant Mobile Home
(Photo Taken on December 12, 2019)

View of Vacant Mobile Home
(Photo Taken on December 12, 2019)

Building Layout



Real Estate Taxes

Real estate tax assessments are administered by the Tipton County Tax Assessor's office and are estimated by jurisdiction on a county basis for the subject. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The real estate taxes for an individual property may be determined by dividing the assessed value for a property by 100, then multiplying the estimate by the composite rate. The assessed values are based upon the current conversion assessment rate of 40% of Assessor's market value. **The current year real estate taxes have not been paid.**

Real estate taxes and assessments for the current tax year are shown in the following table.

Taxes and Assessments - 2019

	Assessed Value			Taxes and Assessments		
					Ad Valorem	
Tax ID	Land	Improvements	Total	Tax Rate	Taxes	Total
043 04000 000	$3,520	$0	$3,520	2.420000%	$85	$85
043 04100 000	$5,600	$48,110	$53,710	2.420000%	$1,300	$1,300
043 04303 000	$6,040	$840	$6,880	2.420000%	$166	$166
	$15,160	$48,950	$64,110		$1,551	$1,551

Assessor's Market Value

Tax ID	Land	Improvements	Total
043 04000 000	$8,800	$0	$8,800
043 04100 000	$14,000	$121,700	$135,700
043 04303 000	$15,100	$2,100	$17,200
	$37,900	$123,800	$161,700

Based on the concluded market value of the subject, the assessed value appears low.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

As If Vacant

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

Legally Permissible

The site is zoned C-1, Rural Commercial District. Permitted uses include agriculturally oriented commercial, educational institutions, utility facilities necessary for the provision of public services including Wireless Communication Towers, Churches, Governmental buildings and community centers, medical facilities, individual retail stores, service stations, food marts, automobile repair establishments, customary home occupations, solar energy devices, livestock sales centers and feed lots, travel trailer park, kennel or animal hospital, light/small scale manufacturing, cemeteries and day care centers.. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, only an industrial use is given further consideration in determining highest and best use of the site, as though vacant.

Financially Feasible

Based on our analysis of the market, there is currently limited demand for an industrial use in the subject's area. It appears that a newly developed industrial use on the site would not have a value commensurate with its cost; thus an industrial use is not considered to be financially feasible at the current time. However, given anticipated population and employment growth in the subject's area, we expect rents and improved property values to increase to a level at which an industrial use would be financially feasible in the future.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than an industrial use. Accordingly, it is our opinion that an industrial use, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

Conclusion

Holding the property for future development of an industrial use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

As Improved

The subject site is developed with a owner occupied industrial property consisting of 10,087 square feet of gross building area, which is consistent with the highest and best use of the site as if it were vacant.

Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the value of the existing improved property exceeds the value of the site, as if vacant. For these reasons, continued industrial use is concluded to be maximally productive and the highest and best use of the property as improved.

Most Probable Buyer

Considering the size and characteristics of the property and its owner occupancy, the likely buyer is an owner-user.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Applicable	Utilized
Sales Comparison Approach	Not Applicable	Not Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

Land Valuation

To develop an opinion of the subject's land value, as if vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties. Our sales research focused on transactions within the following parameters:

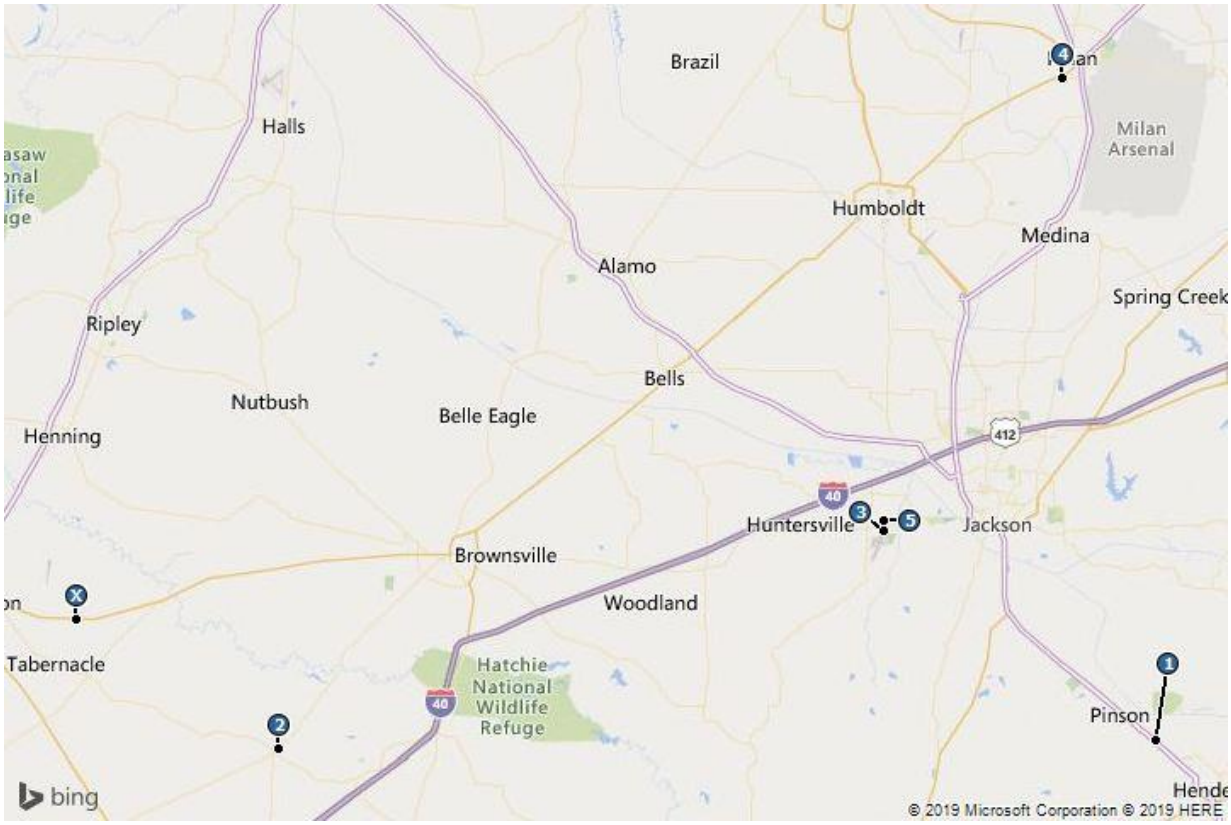
- Location: West Tennessee
- Size: < 10 Acres
- Use: Commercial
- Transaction Date: 2017 - Present

For this analysis, we use price per square foot as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following table:

Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	$/SF Land
1	Land - 3.650 Acres 2975 Old Jackson Road Henderson Chester County TN	Sep-18 Closed	$75,000	159,000 3.65	Heavy Industrial District	$0.47
	Comments: The median household income for a 1 mile radius is $54,582, for a 3 mile radius is $53,390 and for a 5 mile radius is $49,008. The average daily traffic count in front of the property along United States Highway 45 is 16,966. The average daily traffic count in front of the property along Old Jackson Road is 1,096.					
2	Dollar General 25 1st Street East Stanton Haywood County TN	May-18 Closed	$75,000	87,120 2.00	Highway Business Commercial	$0.86
	Comments: The site was purchased for the construction of a Dollar General retail building. The median household income for a 1 mile radius is $28,234, for a 3 mile radius is $29,548 and for a 5 mile radius is $33,322. The average daily traffic count in front of the property along United States Highway 70 (1st Street East) is 1,774.					
3	Proposed Office Warehouse 64 & 50 Compass Drive Jackson Madison County TN	Oct-18 Closed	$50,000	87,120 2.00	Light Industrial District	$0.57
	Comments: The site was purchased for the construction of an industrial office/warehouse. The median household income for a 1 mile radius is $43,088, for a 3 mile radius is $43,054 and for a 5 mile radius is $37,092. There is not an average daily traffic count available for Compass Drive. However, there is a minimal amount of daily traffic that					
4	Commercial Land - 0.9 Acres West Van Hook Street Milan Gibson County TN	Dec-17 Closed	$25,000	39,204 0.90	Retail Business	$0.64
	Comments: The median household income for a 1 mile radius is $35,245, for a 3 mile radius is $40,304 and for a 5 mile radius is $43,232. The average daily traffic count in front of the property along West Van Hook Street is 5,222.					
5	Vacant Land - 4.0 Acres Fiberglass Road Jackson Madison County TN	Sep-16 Closed	$76,000	174,240 4.00	Central Business District	$0.44
	Comments: The site was purchased by an adjacent property owner for assemblage purposes, however it appears to be at market with no excess motivation noted. The median household income for a 1 mile radius is $35,468, for a 3 mile radius is $36,590 and for a 5 mile radius is $39,700. There is not an average daily traffic count available for Fiberglass Road. However, there is a minimal amount of daily traffic that passes in front of the property.					
	Subject Former Cotton Gin Covington, TN			182,952 4.20	Rural Commercial District	

Comparable Land Sales Map



Sale 1
Land - 3.650 Acres

Sale 2
Dollar General

Sale 3
Proposed Office Warehouse

Sale 4
Commercial Land - 0.9 Acres

Sale 5
Vacant Land - 4.0 Acres

Adjustment Factors

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factors	
Effective Sale Price	Accounts for atypical economics of a transaction, such as demolition cost, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on sale price; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Inverse relationship that often exists between parcel size and unit value.
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.

Market Conditions

When considering market conditions, we note that the sales took place from September 2016 to October 2018, and that market conditions generally have been stable over this period through the effective date of value.

Analysis and Adjustment of Sales

Our analysis of the comparable sales is described in the following paragraphs.

Land Sale 1 is a 3.65 acre, or 159,000 square foot, parcel located at 2975 Old Jackson Road, Henderson, Chester County, TN. The property sold in September 2018 for $75,000, or $0.47 per square foot. Downward adjustments are indicated for location (5%) and access/exposure (10%). Overall, a downward adjustment is indicated.

Land Sale 2 is a 2.00 acre, or 87,120 square foot, parcel located at 25 1st Street East, Stanton, Haywood County, TN. The property sold in May 2018 for $75,000, or $0.86 per square foot. A downward adjustment of 5% is indicated for size.

Land Sale 3 is a 2.00 acre, or 87,120 square foot, parcel located at 64 & 50 Compass Drive, Jackson, Madison County, TN. The property sold in October 2018 for $50,000, or $0.57 per square foot. Downward adjustments are indicated for location (5%) and size (5%). Overall, a downward adjustment is indicated.

Land Sale 4 is a 0.90 acre, or 39,204 square foot, parcel located at West Van Hook Street, Milan, Gibson County, TN. The property sold in December 2017 for $25,000, or $0.64 per square foot. Downward adjustments are indicated for access/exposure (5%) and size (10%). Overall, a downward adjustment is indicated.

Land Sale 5 is a 4.00 acre, or 174,240 square foot, parcel located at Fiberglass Road, Jackson, Madison County, TN. The property sold in September 2016 for $76,000, or $0.44 per square foot. A downward adjustment of 5% is indicated for location.

The following table summarizes the adjustments we make to the comparable sales.

Land Sales Adjustment Grid

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	Former Cotton Gin	Land - 3.650 Acres	Dollar General	Proposed Office Warehouse	Commercial Land - 0.9 Acres	Vacant Land - 4.0 Acres
Address	4655 Tennessee Highway 54 East	2975 Old Jackson Road	25 1st Street East	64 & 50 Compass Drive	West Van Hook Street	Fiberglass Road
City	Covington	Henderson	Stanton	Jackson	Milan	Jackson
County	Tipton	Chester	Haywood	Madison	Gibson	Madison
State	Tennessee	TN	TN	TN	TN	TN
Sale Date		Sep-18	May-18	Oct-18	Dec-17	Sep-16
Sale Status		Closed	Closed	Closed	Closed	Closed
Sale Price		$75,000	$75,000	$50,000	$25,000	$76,000
Other Adjustment		$0	$0	$0	$0	$0
Price Adjustment		–	–	–	–	–
Description of Adjustment						
Effective Sale Price		$75,000	$75,000	$50,000	$25,000	$76,000
Square Feet	182,952	159,000	87,120	87,120	39,204	174,240
Flood Zone Designation	X	X	X	X	X	X
Zoning Code	C-1	M-2	B-2	I-2	B-2	B-3
Traffic Count	1,337	16,966	1,774	NA - Minimal	5,222	NA - Minimal
Database ID		2266040	1983817	2192551	2165210	1478548
Price per Square Foot		**$0.47**	**$0.86**	**$0.57**	**$0.64**	**$0.44**
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		–	–	–	–	–
Financing Terms		Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller
% Adjustment		–	–	–	–	–
Conditions of Sale						
% Adjustment		–	–	–	–	–
Market Conditions	12/12/2019	Sep-18	May-18	Oct-18	Dec-17	Sep-16
Annual % Adjustment		–	–	–	–	–
Cumulative Adjusted Price		**$0.47**	**$0.86**	**$0.57**	**$0.64**	**$0.44**
Location		-5%	–	-5%	–	-5%
Access/Exposure		-10%	–	–	-5%	–
Size		–	-5%	-5%	-10%	–
Shape and Topography		–	–	–	–	–
Zoning		–	–	–	–	–
Entitlements		–	–	–	–	–
Flood Zone		–	–	–	–	–
Net $ Adjustment		-$0.07	-$0.04	-$0.06	-$0.10	-$0.02
Net % Adjustment		-15%	-5%	-10%	-15%	-5%
Final Adjusted Price		**$0.40**	**$0.82**	**$0.52**	**$0.54**	**$0.41**
Overall Adjustment		-15%	-5%	-10%	-15%	-5%

Range of Adjusted Prices	**$0.40 - $0.82**
Average	**$0.54**
Indicated Value	**$0.70**

Land Value Conclusion

Prior to adjustments, the sales reflect a range of $0.44 - $0.86 per square foot. After adjustment, the range is narrowed to $0.40 - $0.82 per square foot, with an average of $0.54 per square foot. To arrive at an indication of value, we place primary emphasis on sales 2 and 4 due to their rural locations.

Based on the preceding analysis, we reach a land value conclusion as follows:

Land Value Conclusion	
Indicated Value per Square Foot	$0.70
Subject Square Feet	182,952
Indicated Value	$128,066
Rounded	$130,000

Cost Approach

The steps taken to apply the cost approach are:

- Develop an opinion of the value of the land as though vacant and available to be developed to its highest and best use, as of the effective date of the appraisal;
- Estimate the replacement cost new of the existing improvements under current market conditions;
- Estimate depreciation from all causes and deduct this estimate from replacement cost new to arrive at depreciated replacement cost of the improvements; and
- Add land value to the depreciated replacement cost of the improvements to arrive at a market value indication for the property overall.

Replacement Cost

Replacement cost is the estimated cost to construct, at current prices as of a specified date, a substitute for a building or other improvement, using modern materials and current standards, design, and layout. Estimates of replacement cost for the purpose of developing a market value opinion include three components: direct costs, indirect costs (also known as soft costs) and entrepreneurial incentive.

Direct Costs

Direct costs are expenditures for labor, materials, equipment and contractor's overhead and profit. We use Marshall Valuation Service (MVS) as the basis of our direct cost estimate. In addition to direct costs, MVS includes certain indirect costs such as architectural and engineering fees, and interest on building loan funds during construction.

Indirect Costs

MVS does not include all of the indirect costs that are appropriate in a replacement cost estimate. Therefore, we add an allowance for the following indirect costs that are not contained within MVS: taxes and carrying costs on land during construction; legal and accounting fees; and marketing and finance costs prior to stabilization. We estimate that a 5% allowance for additional indirect costs is appropriate.

Entrepreneurial Incentive

Entrepreneurial incentive is the financial reward that a developer would expect to receive in addition to recovering all direct and indirect costs. This is the expected compensation that would be necessary to motivate a developer to undertake the project. Entrepreneurial incentive for similar properties typically ranges from 5% to 10%. An estimate of 10% is applied to the total replacement costs used in this analysis.

Replacement Cost New

The following tables show our replacement cost estimates for the subject building improvements and site improvements.

Replacement Cost Estimate							
Building Improvements							
Bldg Name	*MVS Building Type*	*MVS Class*	*Quality*	*Quantity*	*Unit*	*Unit Cost*	*Cost New*
Cotton Gin	Cotton Gin	S	Average	8,482	SF	$55.00	$466,510
Utility Shed	Material Storage Shed	S	Average	780	SF	$9.91	$7,730
Office	Shed Office Structure	D	Average	825	SF	$42.01	$34,658
Subtotal - Replacement Cost New							$508,898
Plus: Indirect Cost						5%	$25,445
Subtotal							$534,343
Plus: Entrepreneurial Incentive						10%	$53,434
Total Replacement Cost New							$587,777
Site Improvements							
Item			*Quality*	*Quantity*	*Unit*	*Unit Cost*	*Cost New*
Material Storage Canopy			Average	1	Per Unit	$13,095.00	$13,095
Subtotal - Replacement Cost New							$13,095
Plus: Indirect Cost						5%	$655
Subtotal							$13,750
Plus: Entrepreneurial Incentive						10%	$1,375
Total Replacement Cost New							$15,125
Overall Property							
Building Improvements							$508,898
Site Improvements							$13,095
Subtotal - Replacement Cost New							$521,993
Plus: Indirect Cost						5%	$26,100
Subtotal							$548,093
Plus: Entrepreneurial Incentive						10%	$54,809
Total Replacement Cost New							$602,902

Source: Marshall Valuation Service except for Indirect Costs and Entrepreneurial Incentive, which are appraiser's estimates.

For comparison purposes, the following table shows replacement cost plus land value in relation to the concluded market value.

Replacement Cost vs. Market Value		
	Including Entrepreneurial Incentive	Excluding Entrepreneurial Incentive
Replacement Cost New	$602,902	$548,093
Land Value	$130,000	$130,000
Replacement Cost New Including Land Value	$732,902	$678,093
Rounded	$730,000	$680,000
Market Value Conclusion	$260,000	$260,000
Market Value as % of RCN Including Land Value	36%	38%

Depreciation

Depreciation is the difference between the replacement cost new of the improvements and their contribution to overall property value on the effective date of the appraisal. There are three major causes of depreciation:

1. Physical deterioration - The loss in value due to the wear and tear that begins when a building is completed and placed into service. Physical deterioration can be curable (referred to as deferred maintenance) or incurable.
2. Functional obsolescence - The loss in value due to changes in market tastes and standards. Similar to physical deterioration, functional obsolescence can be curable or incurable .
3. External obsolescence - The loss in value due to negative external influences. These influences can be temporary or permanent and are generally incurable by the owner, landlord or tenant.

There are three principal methods of estimating depreciation: the market extraction method, the economic age-life method, and the breakdown method. The economic age-life method is used in this analysis.

Economic Age-Life Method

In the economic age-life method, depreciation is estimated by dividing the effective age of the improvements by their total economic life. This method results in a lump sum estimate for all depreciation, including the loss in value from all physical, functional and external obsolescence.

Modified Economic Age-Life Method

In some cases, it is appropriate to withhold certain forms of depreciation and address these items separately. This is referred to as the modified economic age-life method.

Deferred Maintenance - Prior to applying the ratio from the economic age-life method, deferred maintenance is deducted. Deferred maintenance is addressed in the Improvements Description and Analysis section of this report.

Functional Obsolescence - A deduction for functional obsolescence is intentionally withheld from the preceding effective age/total economic life ratio.

External Obsolescence - A deduction for external obsolescence is intentionally withheld from the preceding effective age/total economic life ratio.

Final Estimate of Depreciation

Our estimate of depreciation and calculation of depreciated replacement cost are shown in the following tables.

Estimate of Depreciation		
Building Improvements		
Replacement Cost New		$587,777
Less: Deferred Maintenance		$0
Remaining Cost		$587,777
Depreciation: Economic Age-Life Method	79.4%	-$466,729
Total Depreciation		-$466,729
Depreciated Replacement Cost		$121,048
Site Improvements		
Replacement Cost New		$15,125
Less: Deferred Maintenance		$0
Remaining Cost		$15,125
Depreciation: Economic Age-Life Method	50.0%	-$7,562
Total Depreciation		-$7,562
Depreciated Replacement Cost		$7,562
Overall Property		
Replacement Cost New		$602,902
Deferred Maintenance		$0
Remaining Cost		$602,902
Depreciation: Economic Age-Life Method		-$474,291
Total Depreciation		-$474,291
Depreciated Replacement Cost		$128,611
Rounded:		$130,000

Depreciation Worksheet - Building Improvements

Bldg #	Bldg Name	Effective Age (Yrs)	Economic Life (Yrs)	S/L Deprec. %	Replacement Cost New	% of Overall RCN	Wtd. Avg. S/L Deprec.	Wtd. Avg. Other Deprec.
1	Cotton Gin	40	50	80.0%	$538,819	91.7%	73.3%	0.0%
2	Utility Shed	30	35	85.7%	$8,928	1.5%	1.3%	0.0%
3	Office	35	50	70.0%	$40,030	6.8%	4.8%	0.0%
Total					$587,777	100.0%	79.4%	0.0%

Depreciation Worksheet - Site Improvements

Site Imp #	Item	Effect Age (Yrs)	Life Expect (Yrs)	S/L Deprec %	Replacement Cost New	% of Overall RCN	Wtd. Avg. S/L Deprec.	Wtd. Avg. Depr. Override
1	Material Storage Canopy	25	50	50.0%	$15,125	100.0%	50.0%	0.0%
Total					$15,125	100.0%	50.0%	0.0%

Value Indication

By combining our land value conclusion with the depreciated replacement cost of the improvements, we arrive at a value indication by the cost approach as shown in the following table.

Value Indication by Cost Approach	
Depreciated Replacement Cost	$130,000
Land Value	$130,000
Indicated Property Value	$260,000
Rounded	$260,000

Reconciliation and Conclusion of Value

Reconciliation involves the weighting of alternative value indications, based on the judged reliability and applicability of each approach to value, to arrive at a final value conclusion. Reconciliation is required because different value indications result from the use of multiple approaches and within the application of a single approach. The values indicated by our analyses are as follows:

Summary of Value Indications	
Cost Approach	$260,000
Sales Comparison Approach	Not Used
Income Capitalization Approach	Not Used
Reconciled	$260,000

Cost Approach

The cost approach is most reliable for newer properties that have no significant amount of accrued depreciation.

Sales Comparison Approach

The sales comparison approach is most reliable in an active market when an adequate quantity and quality of comparable sales data are available. In addition, it is typically the most relevant method for owner-user properties, because it directly considers the prices of alternative properties with similar utility for which potential buyers would be competing. The sales comparison approach is not utilized in this analysis because there is limited sales data for the subject property type, and adjustments to the data would be relatively subjective

Income Capitalization Approach

The income capitalization approach is usually given greatest weight when evaluating investment properties. The value indication from the income capitalization approach is supported by market data regarding income, expenses and required rates of return. The income approach is not applicable to the subject considering there is not an active rental market for similar properties that would permit us to develop a reliable estimate of the property's income generating potential.

Final Opinion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	December 12, 2019	$260,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective data regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were not given access to the interior of the buildings. For the purposes of this analysis, we assume the condition of the interior is consistent with the exterior, with the machinery and equipment being in working order. If this is found to be incorrect, we reserve the right to revise the appraisal, accordingly.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local industrial market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 18-24 months.

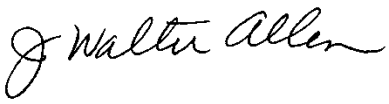
Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 18-24 months.

Certification

We certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. J. Walter Allen, MAI, FRICS, has not made a personal inspection of the property that is the subject of this report. Mark M. Goforth has personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, J. Walter Allen, MAI, FRICS, has completed the continuing education program for Designated Members of the Appraisal Institute.



J. Walter Allen, MAI, FRICS
Certified General Real Estate Appraiser
Tennessee Certificate # CG-329

Mark M. Goforth
Registered Trainee
Tennessee Certificate # 4702

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.

9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.

10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.

12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.

14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.

16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Memphis, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra Realty Resources – Memphis is not a building or environmental inspector. Integra Memphis does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – Memphis, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective data regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were not given access to the interior of the buildings. For the purposes of this analysis, we assume the condition of the interior is consistent with the exterior, with the machinery and equipment being in working order. If this is found to be incorrect, we reserve the right to revise the appraisal, accordingly.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

Addendum A

Appraiser Qualifications

J. Walter Allen, MAI, FRICS

Integra Realty Resources
Memphis

1661 International Drive
Suite 330
Memphis, TN 38120

T 901.322.1700
F 901.767.4918

irr.com

Experience

Senior Managing Director for INTEGRA REALTY RESOURCES - MEMPHIS. Actively engaged in real estate valuation and consulting since 1979. Extensive experience in the valuation of regional malls, community/neighborhood shopping centers, power centers, office buildings-CBD and suburban, warehouse/distribution, multi-family (including CBD condominium development), parking garages, hotels and motels, vacant land and special purpose properties. Clients served include life insurance companies and pension fund advisors, banks and financial institutions, conduits, developers and investors, law firms, business/industry and government, and mortgage bankers. Valuations have been performed for condemnation purposes, estate, financing, equity participation and due diligence support. Experience is concentrated in major urban properties including office buildings, industrial buildings, apartments, senior housing, shopping centers, health facilities, property tax appeals, equity participation, due diligence, condemnation, right-of-way acquisitions, and litigation support.

Professional Activities & Affiliations

National Association of Realtors, January 1985
Lambda Alpha Land Economics Fraternity, January 2000
Board of Director: Memphis Area Association of Realtors, September 2009
Board of Director: Integra Realty Resources, September 2009
Member: Urban Land Institute
Appraisal Institute, Member (MAI) Appraisal Institute, July 1987
Royal Institute of Chartered Surveyors, Fellow (FRICS) Member, June 2012
Royal Institute of Chartered Surveyors, Member (MRICS) Member, December 2007

Licenses

Arkansas, Certified General Real Estate Appraiser, CG0471, Expires February 2020
Mississippi, Certified General Real Estate Appraiser, GA-648, Expires September 2021
Tennessee, Certified General Real Estate Appraiser, CG-329, Expires December 2021

Education

B.A. Degree, University of Memphis, 1973. Successfully completed numerous real estate and valuation courses and seminars sponsored by the Appraisal Institute, accredited universities and others.

Qualified Before Courts & Administrative Bodies

Qualified as an expert witness in U.S. Federal Bankruptcy Court, West Tennessee and North Mississippi Districts; Court of Common Pleas in Shelby County, TN; Boards of Assessment Appeals in Shelby County, TN

Miscellaneous

Instructor; Real Estate Principles and Income Capitalization; University of Memphis
Author, A National Review of Uniformity in Ad Valorem Tax Valuation of Billboard Property, International Association of Assessing Officers/International Property Tax Institute, November 2010
Presenter, Eminent Domain From Start to Finish, November 2013; Advanced Eminent

J. Walter Allen, MAI, FRICS

Miscellaneous (Cont'd)

Domain and Valuation; December 2015; National Business Institute

Integra Realty Resources
Memphis

1661 International Drive
Suite 330
Memphis, TN 38120

T 901.322.1700
F 901.767.4918

irr.com

State of Tennessee

TENNESSEE REAL ESTATE APPRAISER COMMISSION
CERTIFIED GENERAL REAL ESTATE APPRAISER
JAMISON W ALLEN

This is to certify that all requirements of the State of Tennessee have been met.

ID NUMBER: 329
LIC STATUS: ACTIVE
EXPIRATION DATE: December 12, 2021

IN-1313
DEPARTMENT OF
COMMERCE AND INSURANCE

Mark M. Goforth

Experience

Real Estate Analyst for INTEGRA REALTY RESOURCES - MEMPHIS. Actively engaged in real estate appraisal and consulting since 2010. Valuation experience is concentrated in major urban and suburban investment properties and includes low to high rise urban and suburban office buildings, retail properties, multifamily residential (including CBD condominium development), agricultural tracts (farms, recreation and co-op facilities) and vacant land for various uses.

Professional Activities & Affiliations

Appraisal Institute, Associate Member Appraisal Institute, January 2012
American Society of Farm Managers and Rural Appraisers, Mid-South Chapter, Associate Member, January 2014

Licenses

Tennessee, Registered Trainee, 4702, Expires August 2021

Education

Bachelor of Science in Interdisciplinary Studies/Business, Mississippi State University, 2010

Successfully completed numerous real estate and valuation courses and seminars sponsored by the Appraisal Institute, accredited universities and others.

mgoforth@irr.com - 901.322.1706 x233

Integra Realty Resources
Memphis

1661 International Drive
Suite 330
Memphis, TN 38120

T 901.322.1706
F 901.767.4918

irr.com

State of Tennessee

TENNESSEE REAL ESTATE APPRAISER COMMISSION
REGISTERED TRAINEE
MARK MILTON GOFORTH

This is to certify that all requirements of the State of Tennessee have been met.

ID NUMBER: 4702
LIC STATUS: ACTIVE
EXPIRATION DATE: August 31, 2021

IN-1313
DEPARTMENT OF
COMMERCE AND INSURANCE

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com

Addendum B

Definitions

Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

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.

Class of Industrial Property
For the purposes of comparison, industrial properties are grouped into three classes. These classes represent a subjective quality rating of properties, which indicates the competitive ability of each property to attract similar types of tenants. The differences between these classifications vary by market, and Class B and C properties are generally classified relative to Class A properties.

Class A properties represent the highest quality properties in a market. They have the best locations and the best access for industrial use. Construction tends to be new and of good quality, and maintenance standards are high. Building and site designs are functional. As a result, Class A properties attract the highest quality tenants and also command the highest rents.

Class B properties are a step down in quality from Class A properties. Class B buildings tend to be somewhat older, less functional, and less well maintained. Sometimes they are in less desirable locations. Class B properties command rents in the average range for the area.

Class C properties fall into the lowest classification. These properties are older and often in need of renovation. Locations may be inferior, and building and site designs exhibit functional obsolescence and lower standards of maintenance. Class C properties command rents that are below average for the area.

(Source: Integra Realty Resources)

Deferred Maintenance
Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.

Depreciation
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.

Discounted Cash Flow (DCF) Analysis
The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams

and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

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

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date
1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entrepreneurial Incentive
The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

Entrepreneurial Profit
1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new

development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Excess Land; Surplus Land

Excess Land: Land that is not needed to serve or support the existing improvement. 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.

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.

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; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

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.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

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.

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. (ISV)

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)

Industrial Property Classifications

Distribution Warehouse: High cube single-story structures with clear ceiling heights of at least 22 feet but more commonly 24 feet to allow three stacking heights of seven feet each. Some distribution buildings now have clear ceiling heights as high as 40 feet or more due to the introduction of robotic computer systems, which allow very narrow aisles and high stacking. In general, column spacing is wider than that in office warehouse buildings and office build-out is minimal, generally 10% or less.

Flex: Buildings designed with warehouse capabilities such as dock-high or drive-in loading doors and clear ceiling heights of 14 to 16 feet. However, they are termed flex based on their broad range of office finish and their single-story exterior office appearance. The level of office finish typically ranges from 30% to 70% and suites can be divided into relatively small units. Research & Development (R&D) buildings are similar to flex warehouse construction but with higher percentages of office finish, often up to 90%.

Manufacturing: Buildings intended to provide space in which to transform, fabricate, or assemble physical resources into physical products/goods for sale. These buildings can vary greatly in design, with low clear ceiling heights of 12 feet, to very high clear ceiling heights of 30 feet or more, according to specific industry needs.

Office Warehouse: Generally single-story buildings with clear ceiling heights ranging from about 16 feet to 21 feet. The level of office finish is shaped by the needs of individual tenants, the general uses within the market area, and the availability of parking. The level of office finish typically ranges from 10% to 20%. Suites are typically larger than flex warehouse space. These buildings usually have drive-in bays, dock height bays, or a combination thereof and are used for light manufacturing, services, and small-scale distribution businesses.

(Source: Integra Realty Resources)

Investment Value

1. 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.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

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.

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.

Lease Type

Full Service Lease or 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.

Full Service + Tenant Electric Lease or Gross + Tenant Electric Lease: A lease in which the tenant pays electric charges for its space but in other respects is a full service or gross lease as defined above. Tenant electric is often abbreviated as "TE". *(Source: Integra Realty Resources)*

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.

***Net Lease*:** A general term for a lease in which the tenant pays all or most of the operating and fixed expenses of a property. Whenever the term net lease is used, an analyst should identify the specific expense responsibilities of the tenant and owner. *(Source: Integra Realty Resources)*

***Triple Net Lease*:** 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, net net net, or fully net lease.

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.

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

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.

7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

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.

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

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

- 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 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 sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value
A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed,

under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Rentable Area (RA)
For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.

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.

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 the deficiencies, superadequacies, and obsolescence of the subject building.

Stabilized Income

1. An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy.
2. The forecast of the subject property's yearly average income (or average-equivalent income) expected for the economic life of the subject property.
3. Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.

Stabilized Occupancy

1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand.
2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

Addendum C

Financials and Property Information

Pick Up
Regions Bank

THIS INSTRUMENT PREPARED BY:
David E. Owen
Attorney at Law
P.O. Box 1016
Covington, TN 38019

QUITCLAIM DEED

Claudia M. Peeler, Register
Tipton County Tennessee
Instrument #: 188020
Rec #: 135406 Recorded
Rec'd: 20.00 8/20/2015 at 3:00 PM
State: 0.00 in Record Book
Clerk: 0.00 1662
Other: 2.00 Pgs 735-738
Total: 22.00

For the consideration of TEN AND NO/100 DOLLARS cash to us paid and for other good and valuable considerations, the receipt of which is this day acknowledged by it, **Hatchie Gin Company, a Tennessee Partnership Composed of William A. Glass and James Todd McIntyre,** do hereby transfer and forever quitclaim unto**, William Aaron Glass and James Todd McIntyre,** in and to the following described real estate lying and being in Tipton County, Tennessee, and thus described:

Tract # 1: Beginning at a stake in the northeast corner of the original 2.27 acre lot conveyed by Ralph to Winford at Book 152, Page 102, of the Register's Office of said County and of which this lot is a part, it being also the northwest corner of the Winford & Son 1 acre tract; thence with the east line of the original lot south 1 1/2 degrees east 3.74 chains to a stake, the southeast corner of the original lot; thence with the south line of the same south 89 1/2 degrees west 114 feet to a stake in said south line; thence north 1 1/2 degrees west 3.74 chains to a stake in the road, from which east 9 feet to a red oak; thence with the road and the north line of the original tract north 89 1/2 degrees east 114 feet to the beginning.

Tract # 2: Beginning at the southwest corner of the original lot purchased by H.V. Winford from E.S. Bringle, Trustee, and of which this lot or parcel of land is a part and being likewise the southeast corner of V. W. Bringie's gin lot; thence east along the south line of said Winford lot 80 feet to a stake; thence north and parallel with the west line of the said Winford lot 3 chains and 33 links to a stake in the road, the same being in the north line of said Winford lot; thence west with the north line of said Winford lot 80 feet to a stake, the same being the northwest corner of said original lot; thence south along the west line of said original lot, the same being the east line of said gin lot 3 chains and 33 links to the point of beginning.

Together with all buildings, structures, gin machinery, motors, presses, and other equipment and machinery used in the operation of a gin on the above described real estate.

Tract # 3: Beginning at a stake on the north end (northeast) comer of the original tract and on the corner of Yarbrough and Pinner; thence west 3 chains to a stake; thence north 3 chains and 33 links to a stake; thence east 3 chains to a stake in the road; thence south with the road to the beginning, containing 1 acre more or less, said lot being generally bounded as follows: on the north by Highway 54; on the south by the lands of Ralph; on the east by the Gift and Tabernacle Road; and on the west by the V.W. Bringle Gin lot.

But there is excepted out of the above and not conveyed hereby a strip 80 feet wide along the west side thereof conveyed to V.W. Bringle by Deed at Book 164, Page 559 of the Register's Office of said County to which reference is here made.

Tract # 4: Beginning at a stake in the center of the Tabernacle-

Locust Bluff road at the southeast corner of the Strickland (formerly Howard) tract; thence in a westerly direction with the south lines of Strickland Store house lot and the Gift Gin Company lot 300 feet more or less to the southeast corner of Charlie Owen lot; thence south and parallel with the Tabernacle-Locust Bluff road 145 feet to a stake; thence east and parallel with the south line of Gift Gin Company lot and the Strickland Storehouse lot 300 feet more or less to a stake in the center of the Tabernacle-Locust Bluff road; thence north with the center of said road 145 feet to the beginning,

Tract # 5: Beginning at a stake in the center of Tabernacle blacktop road at the southeast comer of the L.D. Ralph, Jr. one acre lot, thence with south line of L.D. Ralph, Jr. lot west 300 feet to the southwest corner of same; thence north with west line of L.D. Ralph, Jr. lot 145 feet to the northwest corner of L.D. Ralph, Jr. lot in the south line of C.C. Owen, Sr. lot; thence west with the south line of Owen lot 65 feet to a stake in same; thence south and parallel with west line of L.D. Ralph, Jr. lot, 180 feet to a stake; thence east and parallel with south line of C.C. Owen, Sr. lot and L.D. Ralph, Jr. lot 365 feet to a stake in center of Tabernacle blacktop road; thence with center of said road north 35 feet to the beginning, containing 1/2 acre more or less.

Tract # 6: Beginning at a stake in the center of Highway 54 at the northeast corner of the original lot, of which this is a part, thence south with the east line of said original lot 246.84 feet to a stake, its southeast corner; thence west with the south line of said original lot 46 feet to a stake; thence north and parallel with the east line of said original lot 246.84 feet to a stake in the center of Highway 54; thence east with the center of said Highway 46 feet to the point of beginning.

Tract # 7: Beginning at a stake in the southwest corner of the Charlie C. Owen lot and the southeast corner of the Armstrong lot; thence east with the south line of the Charlie C. Owen lot 300 feet to a stake, corner of Thad Glenn lot; thence south with the west line of the Thad Glenn lot 180 feet to a stake his southwest corner; thence west and parallel with the south line of the Charlie C. Owen lot 300 feet to a stake; thence north and parallel with the west line of the Thad Glenn lot 180 feet to the beginning.

Included in the above described Tract # 7 but to the expressly excluded there from is the following prior conveyance to Charlie C. Owen and wife, Ruth F. Owen by Warranty Deed of Thaddeus Glenn and wife, Frances C. Glenn dated May 5, 1975 and recorded in Book 370, Page 395, in the Register's Office of Tipton County, Tennessee, and better described as follows:

Beginning at a stake in the southwest corner of the present Charlie C. Owen lot and the southeast corner of the Armstrong lot, being also the northwest corner of the lot this day conveyed to us by L. D. Ralph, Sr. and wife, thence east with the south line of the Charlie C. Owen lot, 200 feet to a stake; thence south and parallel with the west line of the L.D. Ralph, Sr. lot this day conveyed to us, of which this lot is a part, 180 feet to a stake in the south line of same; thence west with the south line of the said lot 200 feet to a stake at its southwest corner; thence north with the west line of said lot 180 feet to the point of beginning.

Being the same property conveyed to Hatchie Gin Company by deed recorded in Book 1485, Page 850 of the Tipton County Register's Office.

Map 043, Parcels 040.00; 040.01 & 043.03

This instrument dated this, the 20 day of August, 2015.

Hatchie Gin Company

BY: William Aaron Glass

Title: Owner

BY: James Todd McIntyre

Title: Owner

William Aaron Glass
William Aaron Glass

James Todd McIntyre
James Todd McIntyre

STATE OF TENNESSEE
COUNTY OF TIPTON

Personally appeared before me, **William A. Glass,** with whom I am personally acquainted, (or proved to me on the basis of satisfactory evidence) and who acknowledged that he executed the within instrument for the purposes therein contained and who further acknowledged that he is a partner of the maker or a constituent of the maker and is authorized by the maker or a constituent, the constituent being authorized by the maker, to execute this instrument on behalf of the maker.

Witness my hand, at office, this 20 day of August, 2015.

Judy Roten
Notary Public

JUDY ROTEN
STATE OF TENNESSEE NOTARY PUBLIC
TIPTON COUNTY

My Commission Expires:

1-26-2019

STATE OF TENNESSEE
COUNTY OF TIPTON

Personally appeared before me, **James Todd McIntyre,** with whom I am personally acquainted, (or proved to me on the basis of satisfactory evidence) and who acknowledged that he executed the within instrument for the purposes therein contained and who further acknowledged that he is a partner of the maker or a constituent of the maker and is authorized by the maker or a constituent, the constituent being authorized by the maker, to execute this instrument on behalf of the maker.

Witness my hand, at office, this 20 day of August, 2015.

Judy Roten
Notary Public

JUDY ROTEN
STATE OF TENNESSEE NOTARY PUBLIC
TIPTON COUNTY

My Commission Expires:

1-26-2019

State of Tennessee
County of Tipton

Personally appeared before me, **William Aaron Glass**, with whom I am personally acquainted, (or proved to me on the basis of satisfactory evidence) and who acknowledged that he executed the within instrument for the purposes therein contained.

Witness my hand, at office, this the 20 day of August 2015.

Judy Roten
Notary Public

JUDY ROTEN STATE OF TENNESSEE NOTARY PUBLIC TIPTON COUNTY

My commission expires:
1-26-2019

State of Tennessee
County of Tipton

Personally appeared before me, **James Todd McIntyre**, with whom I am personally acquainted, (or proved to me on the basis of satisfactory evidence) and who acknowledged that he executed the within instrument for the purposes therein contained.

Witness my hand, at office, this the 20 day of August 2015.

Judy Roten
Notary Public

JUDY ROTEN STATE OF TENNESSEE NOTARY PUBLIC TIPTON COUNTY

My commission expires:
1-26-2019

STATE OF TENNESSEE, COUNTY OF TIPTON

I, or we, hereby swear or affirm that the actual consideration for this transfer is **$0.00**.

Affiant

Sworn to and subscribed before me on this, the 20 day of August, 2015.

Judy Roten
Notary Public

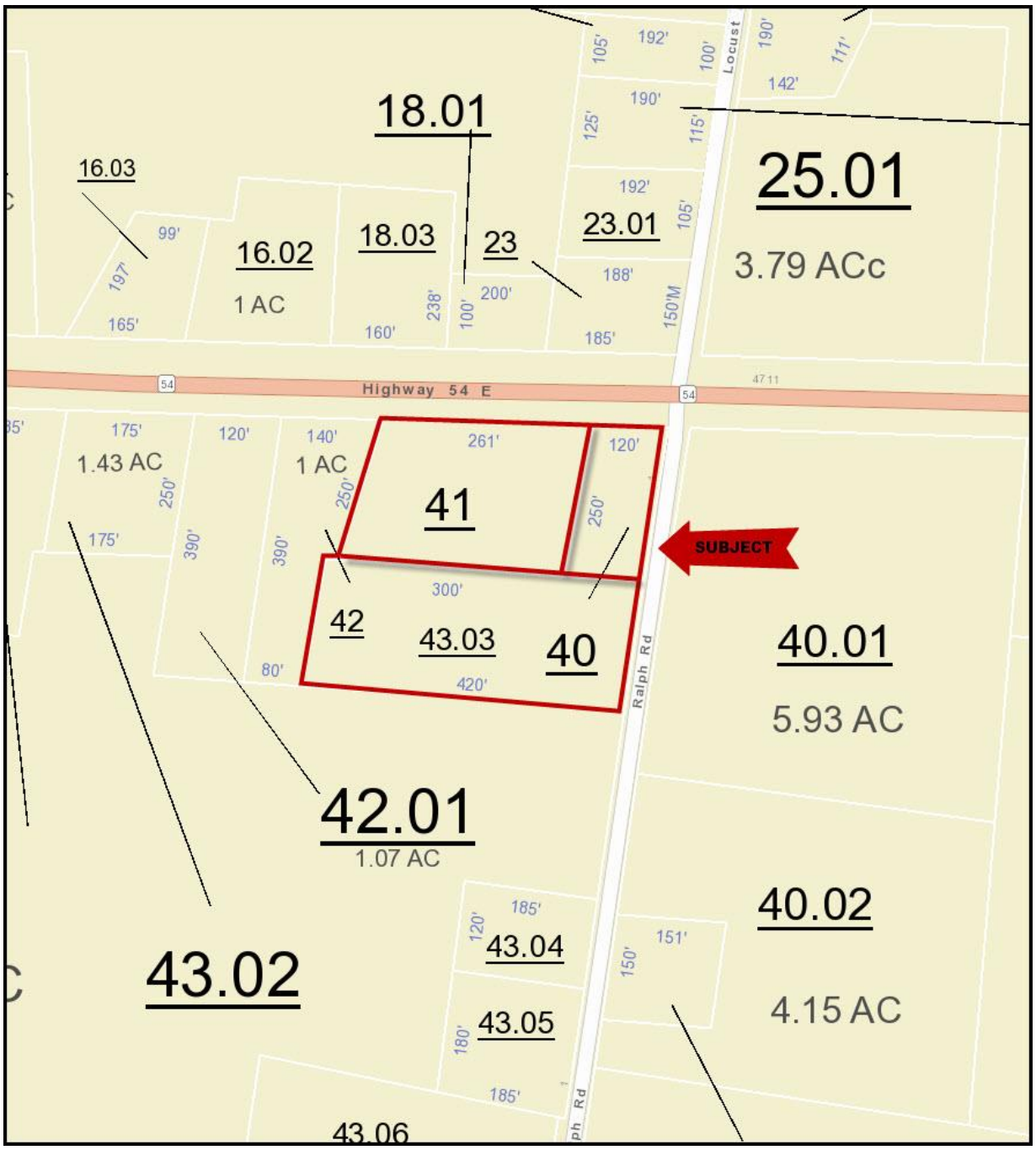
JUDY ROTEN STATE OF TENNESSEE NOTARY PUBLIC TIPTON COUNTY

My commission expires:
1-26-2019

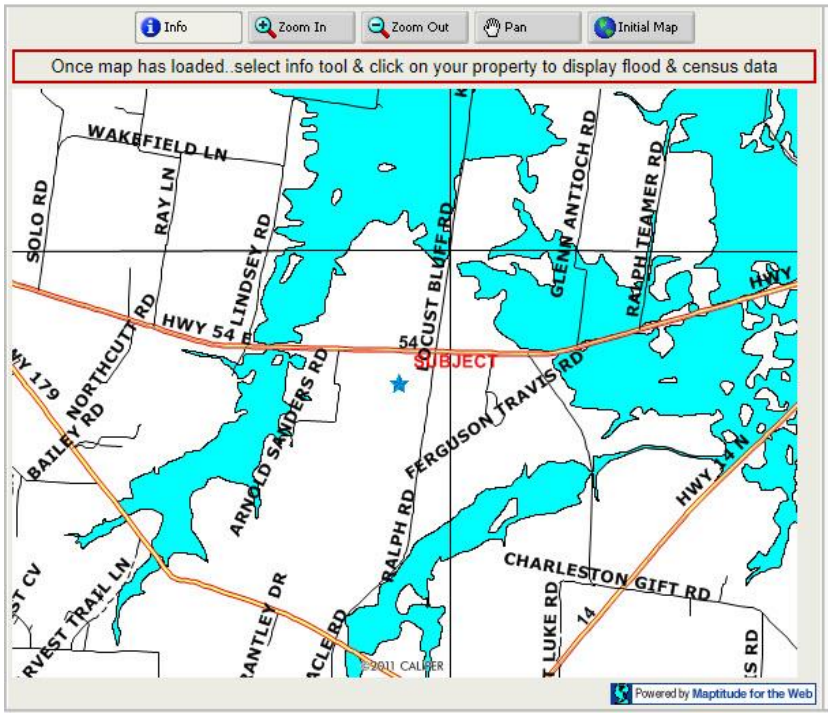
Name and address of the property owner and person responsible for the payment of taxes:

William Aaron Glass et ux: 762 TERRY LANE South, Covington, TN 38019

This instrument was prepared without the benefit of a title examination.
Any reporting to the IRS is the responsibility of the Grantors and Grantees herein.


18.01
16.03
16.02
1 AC
18.03
23
23.01
25.01
3.79 ACc
Locust
Highway 54 E
54
1.43 AC
1 AC
41
42
43.03
40
SUBJECT
Ralph Rd
40.01
5.93 AC
42.01
1.07 AC
40.02
4.15 AC
43.02
43.04
43.05
43.06

Address:	City:	State:	ZIP Code:	
				Find Property



PROPERTY INFORMATION

FLOOD DATA:

COMMUNITY: 470340

PANEL: 0190F

ZONE: X

DATE: 20061219
Year/Month/Day

CENSUS DATA:

TRACT : 409

NAME: 47167040900

POPULATION: 1640

MEDIAN AGE: 42.5

HOUSING UNITS: 683

UNITS OCCUPIED: 613

UNITS VACANT: 70

Addendum D

Comparable Data

Land Sales

Land Sale Profile

Sale No. 1

Location & Property Identification

Property Name:	Land - 3.650 Acres
Sub-Property Type:	Commercial, Industrial
Address:	2975 Old Jackson Road
City/State/Zip:	Henderson, TN 38340
County:	Chester
Market Orientation:	Suburban
Property Location:	Northeast corner of Old Jackson Road and United States Highway 45, South of Record Drive and North of North Pisgah Road
IRR Event ID:	2266040

Sale Information

Sale Price:	$75,000
Effective Sale Price:	$75,000
Sale Date:	09/14/2018
Sale Status:	Closed
$/Acre(Gross):	$20,547
$/Land SF(Gross):	$0.47
$/Acre(Usable):	$20,547
$/Land SF(Usable):	$0.47
Grantor/Seller:	City of Henderson, TN
Grantee/Buyer:	Adkisson Properties, LLC
Assemblage:	No
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	437 / 4662
Verified By:	Kaitlyn Grant
Verification Date:	08/22/2019
Confirmation Source:	Appraiser / Courthouse Records
Verification Type:	Confirmed-Other

Sale Analysis

Current Use at T.O.S.:	Vacant Land

Improvement and Site Data

MSA:	Jackson, TN
Legal/Tax/Parcel ID:	28-10.18
Acres(Usable/Gross):	3.65/3.65
Land-SF(Usable/Gross):	159,000/159,000
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Gently Sloping
Corner Lot:	Yes
Frontage Feet:	809
Frontage Desc.:	See Comments
Frontage Type:	2 way, 1 lane each way
Traffic Control at Entry:	Stop sign
Traffic Flow:	Moderate
Traffic Count:	16966
AccessibilityRating:	Average
Visibility Rating:	Average
Excess/Surplus Land:	No
Zoning Code:	M-2
Zoning Desc.:	Heavy Industrial District

Land Sale Profile

Sale No. 1

Improvement and Site Data (Cont'd)

Easements:	No
Environmental Issues:	No
Flood Plain:	No
Flood Zone:	Outside 500-year floodplain
Flood Zone Designation:	X
Comm. Panel No.:	47023C0105E
Date:	05/04/2009
Utilities:	Electricity, Water Public, Sewer, Telephone
Source of Land Info.:	Public Records

Comments

The median household income for a 1 mile radius is $54,582, for a 3 mile radius is $53,390 and for a 5 mile radius is $49,008. The average daily traffic count in front of the property along United States Highway 45 is 16,966. The average daily traffic count in front of the property along Old Jackson Road is 1,096.

The site fronts for a distance of 300 feet along Old Jackson Road and fronts for a distance of 509 feet along United States Highway 45. The site lies slightly below roadway elevation, is slightly sloping but is considered 100% usable. Although the site has frontage along Highway 45 North, access is restricted, but there is a median crossing at the intersection.

Land Sale Profile

Sale No. 2

Location & Property Identification

Property Name:	Dollar General
Sub-Property Type:	Commercial, Retail
Address:	25 1st Street East
City/State/Zip:	Stanton, TN 38069
County:	Haywood
Market Orientation:	Rural
Property Location:	Northern ROW Line of United States Highway 70 (1st Street East), Northeast of its intersection with West Main Street
IRR Event ID:	1983817

Sale Information

Sale Price:	$75,000
Effective Sale Price:	$75,000
Sale Date:	05/14/2018
Recording Date:	05/16/2018
Contract Date:	12/05/2017
Sale Status:	Closed
$/Acre(Gross):	$37,500
$/Land SF(Gross):	$0.86
$/Acre(Usable):	$37,500
$/Land SF(Usable):	$0.86
Grantor/Seller:	James R. Rich and Patricia Rich
Grantee/Buyer:	Susan Cox
Assemblage:	No
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	163 / 197
Verified By:	Jackson Grantham Hogue
Verification Date:	05/25/2018
Confirmation Source:	Grantee / Courthouse Records
Verification Type:	Confirmed-Buyer

Sale Analysis

Current Use at T.O.S.:	Vacant Land
Proposed Use Change:	Yes
Proposed Use Desc.:	Retail Building - Dollar General

Improvement and Site Data

Legal/Tax/Parcel ID:	119N C 001.00 (part of)
Acres(Usable/Gross):	2.00/2.00
Land-SF(Usable/Gross):	87,120/87,120
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	No
Frontage Feet:	264
Frontage Desc.:	U.S. Hwy 70 W
Frontage Type:	2 way, 1 lane each way
Traffic Control at Entry:	None
Traffic Flow:	Low
Traffic Count:	1774

Land Sale Profile

Sale No. 2

Improvement and Site Data (Cont'd)

AccessibilityRating:	Average
Visibility Rating:	Average
Excess/Surplus Land:	No
Zoning Code:	B-2
Zoning Desc.:	Highway Business Commercial
Easements:	No
Environmental Issues:	No
Flood Plain:	No
Flood Zone:	Outside 500-year floodplain
Flood Zone Designation:	X
Comm. Panel No.:	47075C0310D
Date:	04/16/2008
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Source of Land Info.:	Public Records

Comments

The site was purchased for the construction of a Dollar General retail building. The median household income for a 1 mile radius is $28,234, for a 3 mile radius is $29,548 and for a 5 mile radius is $33,322. The average daily traffic count in front of the property along United States Highway 70 (1st Street East) is 1,774.

The central portion of the site appears to be located in designated wetlands PUBHh.

Land Sale Profile

Sale No. 3

Location & Property Identification

Property Name:	Proposed Office Warehouse
Sub-Property Type:	Commercial, Industrial
Address:	64 & 50 Compass Drive
City/State/Zip:	Jackson, TN 38301
County:	Madison
Market Orientation:	Suburban
Property Location:	Eastern ROW line of Compass Drive, North of Technology Center Drive, South of Airways Boulevard and West of Anglin Lane
IRR Event ID:	2192551

Sale Information

Sale Price:	$50,000
Effective Sale Price:	$50,000
Sale Date:	10/22/2018
Recording Date:	10/25/2018
Listing Price:	$90,000
Sale Status:	Closed
$/Acre(Gross):	$25,000
$/Land SF(Gross):	$0.57
$/Acre(Usable):	$25,000
$/Land SF(Usable):	$0.57
Grantor/Seller:	Carol Genevieve Burkhead
Grantee/Buyer:	Nelson Sign Co. LLC
Assemblage:	No
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Exposure Time:	4 (months)
Financing:	Cash to seller
Terms of Sale:	Arm's Length - Motivated Seller
Document Type:	Deed
Recording No.:	D748 / 754

Verified By:	Kaitlyn Grant
Verification Date:	11/13/2018
Confirmation Source:	Seller Broker / Courthouse Records
Verification Type:	Confirmed-Seller Broker

Sale Analysis

Current Use at T.O.S.:	Vacant Land
Proposed Use Change:	Yes
Proposed Use Desc.:	Office Warehouse

Improvement and Site Data

MSA:	Jackson, TN
Legal/Tax/Parcel ID:	076 048.07 and 076 048.08
Acres(Usable/Gross):	2.00/2.00
Land-SF(Usable/Gross):	87,120/87,120
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	No
Frontage Feet:	342
Frontage Desc.:	Compass Dr
Frontage Type:	2 way, 1 lane each way
Traffic Control at Entry:	None
Traffic Flow:	Low

Proposed Office Warehouse

Land Sale Profile

Sale No. 3

Improvement and Site Data (Cont'd)

AccessibilityRating:	Average
Visibility Rating:	Average
Excess/Surplus Land:	No
Zoning Code:	I-2
Zoning Desc.:	Light Industrial District
Easements:	Yes
Easements Desc.:	See Comments
Environmental Issues:	No
Flood Plain:	No
Flood Zone:	Outside of 500-year floodplain
Flood Zone Designation:	X
Comm. Panel No.:	47113C0260E
Date:	08/03/2009
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Source of Land Info.:	Public Records

Comments

The site was purchased for the construction of an industrial office/warehouse. The median household income for a 1 mile radius is $43,088, for a 3 mile radius is $43,054 and for a 5 mile radius is $37,092. There is not an average daily traffic count available for Compass Drive. However, there is a minimal amount of daily traffic that passes in front of the property.

According to Warranty Deed recorded in Book D748, Page 755 of Madison County public records, the property is burdened by a FAA Avigation easement. The easement runs along the eastern portion of the site. No vertical improvements can be constructed east of the easement but can be used for parking and green space.

Land Sale Profile

Sale No. 4

Location & Property Identification

Property Name:	Commercial Land - 0.9 Acres
Sub-Property Type:	Commercial
Address:	West Van Hook Street
City/State/Zip:	Milan, TN 38358
County:	Gibson
Market Orientation:	Small Town - Non Metro
Property Location:	Northern ROW Line of West Van Hook Street, East of Garmany Street, South of Anderson Street, and West of Cantrell Street
IRR Event ID:	2165210

Sale Information

Sale Price:	$25,000
Effective Sale Price:	$25,000
Sale Date:	12/14/2017
Recording Date:	12/15/2017
Listing Price:	$50,000
Sale Status:	Closed
$/Acre(Gross):	$27,778
$/Land SF(Gross):	$0.64
$/Acre(Usable):	$27,778
$/Land SF(Usable):	$0.64
Grantor/Seller:	Curtis and Jonnie Thompson
Grantee/Buyer:	Donnie W. Knott
Assemblage:	No
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Exposure Time:	20 (months)
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	1021 / 1722
Verified By:	John R. Praytor, MAI
Verification Date:	11/29/2018
Confirmation Source:	Appraiser / Courthouse Records
Verification Type:	Confirmed-Other

Sale Analysis

Current Use at T.O.S.:	Vacant Commercial Land

Improvement and Site Data

Legal/Tax/Parcel ID:	140J-C-040.00
Acres(Usable/Gross):	0.90/0.90
Land-SF(Usable/Gross):	39,204/39,204
Usable/Gross Ratio:	1.00
Shape:	Irregular
Topography:	Level
Corner Lot:	No
Frontage Feet:	226
Frontage Desc.:	W Van Hook St
Frontage Type:	2 way, 1 lane each way
Traffic Control at Entry:	None
Traffic Flow:	Low
Traffic Count:	5222
AccessibilityRating:	Average
Visibility Rating:	Average
Excess/Surplus Land:	No

Land Sale Profile

Sale No. 4

Improvement and Site Data (Cont'd)

Zoning Code:	B-2
Zoning Desc.:	Retail Business
Easements:	No
Environmental Issues:	No
Flood Plain:	No
Flood Zone:	Outside 500-year floodplain
Flood Zone Designation:	X
Comm. Panel No.:	47053C0320D
Date:	11/05/2008
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Source of Land Info.:	Public Records

Comments

The median household income for a 1 mile radius is $35,245, for a 3 mile radius is $40,304 and for a 5 mile radius is $43,232. The average daily traffic count in front of the property along West Van Hook Street is 5,222.

Land Sale Profile

Sale No. 5

Location & Property Identification

Property Name:	Vacant Land - 4.0 Acres
Sub-Property Type:	Commercial
Address:	Fiberglass Road
City/State/Zip:	Jackson, TN 38301
County:	Madison
Market Orientation:	Suburban
Property Location:	Eastern ROW Line of Fiberglass Road, West of Anglin Lane, North of Airways Boulevard and South Lower Brownsville Road
IRR Event ID:	1478548

Sale Information

Sale Price:	$76,000
Effective Sale Price:	$76,000
Sale Date:	09/02/2016
Recording Date:	09/02/2016
Sale Status:	Closed
$/Acre(Gross):	$19,000
$/Land SF(Gross):	$0.44
$/Acre(Usable):	$19,000
$/Land SF(Usable):	$0.44
Grantor/Seller:	Hinson Auction & Real Estate, Inc.
Grantee/Buyer:	Ford Farms
Assemblage:	Yes
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	736 / 365
Verified By:	Kaitlyn Grant
Verification Date:	04/29/2019
Confirmation Source:	Appraiser / Courthouse Records
Verification Type:	Confirmed-Other

Sale Analysis

Current Use at T.O.S.:	Vacant Land

Improvement and Site Data

MSA:	Jackson, TN
Legal/Tax/Parcel ID:	76-44.04 (Part of Parcel)
Acres(Usable/Gross):	4.00/4.00
Land-SF(Usable/Gross):	174,240/174,240
Usable/Gross Ratio:	1.00
Shape:	Irregular
Topography:	Level
Corner Lot:	No
Frontage Feet:	142
Frontage Desc.:	Fiberglass Rd
Frontage Type:	2 way, 1 lane each way
Traffic Control at Entry:	None
Traffic Flow:	Low
AccessibilityRating:	Average
Visibility Rating:	Average
Excess/Surplus Land:	No

Improvement and Site Data (Cont'd)

Zoning Code:	B-3
Zoning Desc.:	Central Business District
Easements:	No
Environmental Issues:	No
Flood Plain:	No
Flood Zone:	Outside 500-year floodplain
Flood Zone Designation:	X
Comm. Panel No.:	47113C0260E
Date:	08/03/2009
Utilities:	Electricity, Water Public, Gas, Telephone
Utilities Desc.:	Public Water / No Public Sewer
Source of Land Info.:	Public Records

Comments

The site was purchased by an adjacent property owner for assemblage purposes, however it appears to be at market with no excess motivation noted. The median household income for a 1 mile radius is $35,468, for a 3 mile radius is $36,590 and for a 5 mile radius is $39,700. There is not an average daily traffic count available for Fiberglass Road. However, there is a minimal amount of daily traffic that passes in front of the property.

Addendum E

Engagement Letter

REGIONS

November 29, 2019

J Walter W. Allen
1661 International Drive, Suite 330
Memphis, TN 38120

Dear J Walter Allen,

This letter will serve as REGION's engagement of your services to perform an appraisal on the property location listed on page 2 of this letter, Request for Proposal (RFP) Award Summary page. The specifics of the engagement including the agreed upon fee and delivery date are also included on the RFP Summary Page.

As confirmation of your acceptance of this assignment under the terms specified in this letter, please return a signed copy of this engagement letter to us and include a copy in the addenda to the report. Signing of this engagement letter indicates that your report will comply with the most current USPAP and all guidelines specified. Please note: all single family residential must be completed on the most current FNMA URAR form and comply with FNMA Guidelines. Also, by signing this engagement letter you understand that REGIONS is the client and that you are prohibited from appraising this property for the next six months without the express written permission of the undersigned or the Chief Appraiser of Regions Bank. Such permission will not be unreasonably withheld.

The appraisal must comply with the Uniform Standards of Professional Appraisal Practice, Title XI of "FIRREA" and the Regions Appraisal Guidelines. Failure to comply with any of the above requirements may result in rejection of the appraisal. In addition, payment of the fee is subject to a review of the appraisal for compliance with the above mentioned requirements. Should you experience any delays in the performance of this appraisal please notify us, in writing via fax or e-mail, no less than five days prior to the due date.

Please note that a $100 per day fine will be imposed for reports not delivered as promised or without prior, one weeks' notice of delay.

Please make sure the following items are included in every report as indicated:

(1) Final Report - with all required signatures (no "draft" versions)
(2) Invoice file - Properly completed invoice addressed to Regions Bank. When prompted, remember to input 1) Invoice Number, 2) Total Invoice Amount, 3) Short Description, 4) Invoice Date
(3) Other Files - Signed copy of engagmeent letter located in addenda
(3) Other Files - Appraisal checklist located in addenda (if required)
(3) Other Files - Copy of appropriate state certifications in addenda

When uploading your .pdf files into RIMSCentral, please submit three (3) separate uploads. The documents to be included in each separate upload are referenced by the (#) listed above.

For additional general appraiser requirements, please see Vendor Reference Document, Engagement Letter Terms & Conditions.

Sincerely,

This document was created 11-29-2019 by Lekesia Lilly for **REGIONS** Bank. The user's identity has been verified and authenticated by RIMS through a secure login. The original version of this document is retained in RIMS.

Accepted: J. Walter Allen

Date: 11/29/2019

v.1.31640

REGIONS

Request for Proposal (RFP) Award Summary

RIMS Project #:	19-002897-01-01
Fee:	$2500
Due Date:	December 13, 2019
Property Location:	4655 Highway 54 E, Covington, TN 38019
Property Type:	Agricultural - Other
Property Contact(s):	James McIntyre, Borrower Phone: 901-294-2406
Report Type:	Appraisal Report
Format:	Narrative

Valuation Scenarios:

Premise	Qualifier	Interest
Market Value	As-Is	Fee Simple

Appraisal Scope

Intended Use:	Use - Loan Underwriting
Intended User:	User - Regions Bank
Inspection Requirement:	Inspect - All
Approaches to Value:	Approach - Best
Market Analysis Level:	Level A

Comments: The scope of work includes the development of the most applicable approaches as defined in the Request for Proposal (RFP). The report summarizes significant data and analysis in support of the assignment results with an emphasis on critical data, analysis, and conclusions. Estimate the "As Is" market value per FIRREA and USPAP guidelines. Should you not be able to complete the appraisal by the requested date, please provide a best available due date.

Cotton Gin facility including gin building, office, scale building and several sheds. We need real estate value "as is" using the most applicable approach, likely the cost approach.

If you cannot bid on this project, please enter a "zero" in the bid amount & "no bid" in the comments section (you can explain if you want) so that we know you received but declined to bid.

If you cannot meet the delivery date but want to bid, please provide an alternate delivery date & bid amount for our consideration!

If you are awarded this project, as a "best practice", we expect you to make your initial contact with the borrower within 1-2 business days of award. If documentation is required from the borrower, follow up with an email and be sure to copy the REVS team so that we can assist in obtaining the required documentation.

NOTE: Appraisals that are delivered after the contracted delivery date are subject to a $100 per day late penalty.

Prior project # 10-004110-01 in 7/10.

NOTE: Appraisals that are delivered after the contracted delivery date are subject to a $100 per day late penalty.

REGIONS Contact Info:

Job Manager	Lekesia Lilly	Account Officer	Rick Baker
Phone:	205-420-4834	Phone:	901-684-6087
Email:	lekesia.lilly@regions.com	Email:	rick.baker@regions.com

Any changes in the scope of this assignment, appraisal fees, or due date extensions, etc. must be authorized in

v.1.31640

REGIONS

writing by the Job Manager.

The appraisal reports (0) must be addressed and sent to the client at the address shown below. In addition, an electronic copy of the report MUST be uploaded onto the RIMS Central website. Any questions pertaining to this assignment should be addressed with REGIONS first.

AFTER REPORT HAVE BEEN *REVIEWED AND APPROVED*, SEND REPORTS AND INVOICES TO:

REVS VM Team
201 Milan Parkway
Mail Code ALBH70321A
Birmingham, AL 35211

Telephone #205-420-4834

v.1.31640