



APPRAISAL

NEW TRAPPE LANDING FARM

**28534 GRANVILLE LANE
TALBOT COUNTY, MARYLAND 21673**

THE GREENLEE GROUP, INC.

APPRAISAL

**NEW TRAPPE LANDING FARM
28534 GRANVILLE LANE
TRAPPE, TALBOT COUNTY, MARYLAND 21673**

EFFECTIVE DATE:

JULY 16, 2017

PREPARED FOR:

ESTATE OF ANN CHEAVENS MOODY
C/O ANN KARWACKI GOODMAN
PARKER GOODMAN GORDON & HAMMOCK, LLC
129 N. WASHINGTON STREET, P.O. BOX 1209
EASTON, MARYLAND 21601

PREPARED BY:

ROBERT H. GREENLEE
THE GREENLEE GROUP, INC.
19 BAY STREET, SUITE 1
EASTON, MARYLAND 21601

THE GREENLEE GROUP, INC.
ASSET MANAGEMENT, VALUATION & ECONOMIC CONSULTING

December 1, 2017

Estate of Ann Cheavens Moody
c/o Ann Karwacki Goodman
Parker Goodman Gordon & Hammock, LLC
129 N. Washington Street, P.O. Box 1209
Easton, Maryland 21601

**Re: 28534 Granville Lane
Trappe, Talbot County, Maryland 21673**

Dear Ms. Goodman:

At the request of the Personal Representatives of the Estate of Ann Cheavens Moody, we have prepared a complete appraisal of the above referenced property and developed an opinion of market value. We communicate the results of the appraisal process in the attached summary report, of which this letter is part, developed in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) as set forth by the Appraisal Foundation and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The effective date of this appraisal is July 16, 2017, the date of death.

The intended use of the appraisal is in support of estate valuation. As such, intended users of this report could include the Estate of Ann Cheavens Moody, professionals and trustees involved in the estate planning, the Registrar of Wills, and ultimately the Internal Revenue Service.

Presentations of pertinent facts and data as well as our conclusions of value are contained in the body of the attached appraisal report. Value is based on our application of the sales comparison approach.

There are no extraordinary assumptions or special conditions affecting our opinion of value, but please note that this appraisal is subject to the "Underlying Assumptions and Limiting Conditions" as set forth in the accompanying report.

As a result of our investigations, after considering pertinent facts and circumstances related to this valuation, bearing in mind the definition of value presented in the report, and the purpose of the appraisal, it is our opinion that the current market value of the fee simple interest in the subject property, as of July 16, 2017, was:

**TWO MILLION TWO HUNDRED THOUSAND DOLLARS
(\$2,200,000)**

Less sale price of Parcel 128 of \$330,000

Further, if offered for sale with the intent to sell at the concluded value, it is our opinion that the most likely marketing period for the subject property would be approximately nine to twelve months, and we find that this would be consistent with the experience of similar property in the marketplace. Accordingly, as we look into the future, this report necessarily incorporates numerous estimates and assumptions regarding general and local business and economic conditions, the absence of material changes in the competitive environment, and other matters. However, some estimates or assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved could vary from our estimates, and the variations may be material.

We appreciate this opportunity to be of service. Should you desire any additional information or clarification of any of the points discussed in the attached report, please do not hesitate to contact us.

Sincerely,

THE GREENLEE GROUP, INC.

A handwritten signature in black ink, appearing to read "R. Greenlee", is written over a light gray rectangular background.

Robert H. Greenlee, President
Certified General Real Estate Appraiser
State of Maryland License No.: 04-1768

RHG/pc
Attached Appraisal Report
And Other Enclosures

APPRAISAL SUMMARY AND VALUE CONCLUSIONS

PROPERTY IDENTIFICATION:

Tax Map – farm and residence	Map 54, Grid 22, Parcel 127
Account No	#03-148629
Deed Reference	Liber 771, Folio 131

Tax Map – waterfront lot	Map 54, Grid 21, Parcel 128
Account No	#03-148637
Deed Reference	Liber 920, Folio 799

SOLD

PLAT REFERENCE: 73 / 25

PROPERTY LOCATION: 28534 Granville Lane
Trappe, Talbot County, Maryland 21673

EFFECTIVE DATE OF APPRAISAL: July 16, 2017

PROPERTY RIGHTS APPRAISED: Fee simple

GROSS LAND AREA: ~~116.41 acres~~ **108.84 acres**

GROSS BUILDING AREA: 7,494 square feet

ZONING: RC – Resource Conservation, which is a Critical Areas zoning designation, and WRC – Western Resource Conservation

HIGHEST AND BEST USE: The highest and best use of the subject property is as it is currently improved as a high end waterfront estate, a single waterfront farm, using the waterfront lot to control the cove.

CURRENT USE: The property is currently put to its highest and best use.

VALUE INDICATIONS:

Sales Comparison Approach:	\$2,200,000
Income Capitalization Approach:	N/A
Cost Approach:	N/A

RECONCILED OPINION OF VALUE: \$2,200,000

Less sale price of Parcel 128 of \$330,000

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DEN



SITTING ROOM



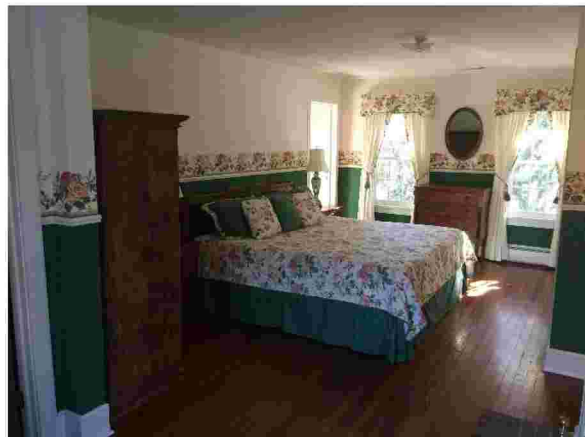
ATTIC MECHANICALS



BASEMENT MECHANICALS



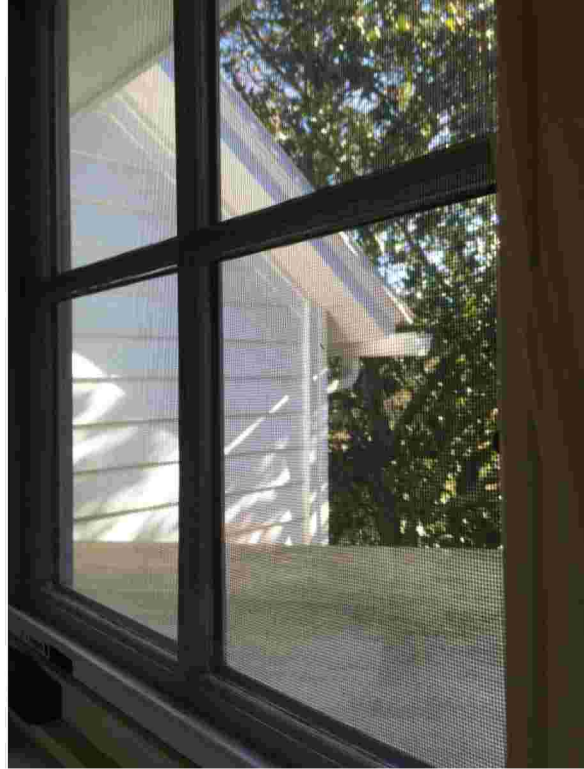
MASTER BEDROOM



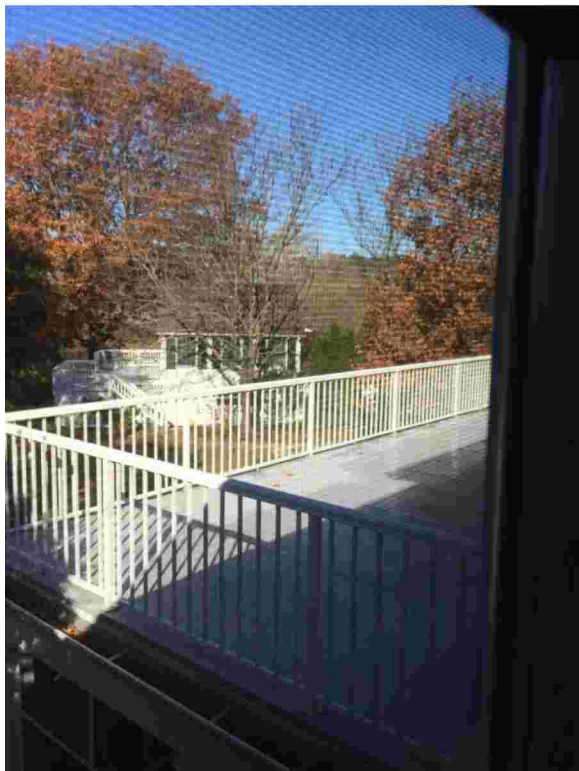
OTHER REPRESENTATIVE BEDROOM



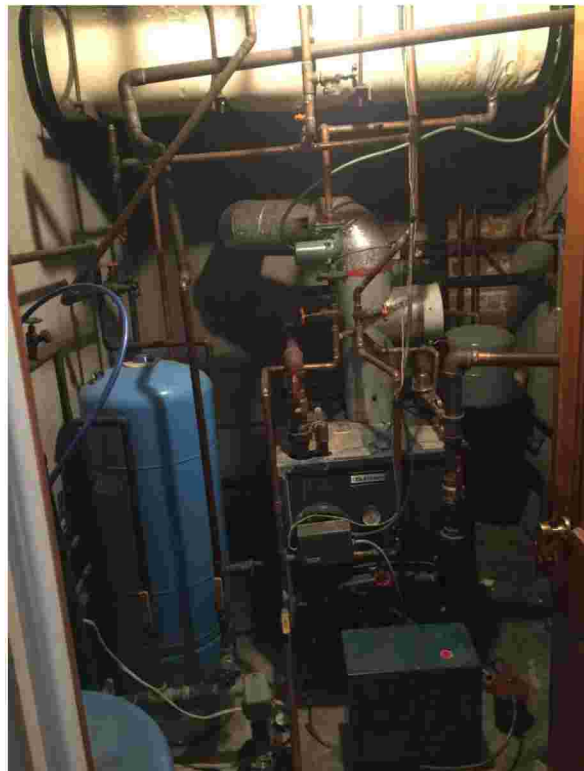
SHARED BATHROOM



JOINING OF ORIGINAL AND ADDITION



DECK



MECHANICALS CLOSET



FOYER



GAME ROOM



LIVING ROOM



KITCHEN



EAST FAÇADE



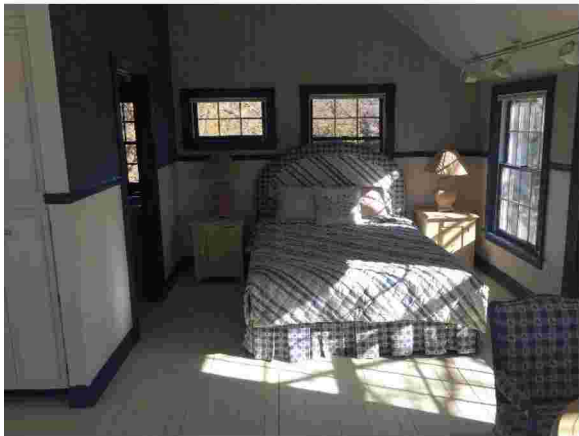
WATERSIDE



TWO-CAR GARAGE



GARAGE APARTMENT



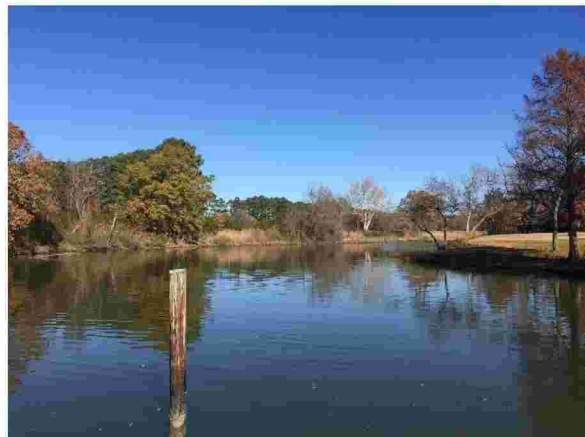
APARTMENT INTERIOR



ROADSIDE FENCING



DOCK AND CREEK VIEW



COVE VIEW, WATERFRONT LOT ON LEFT

INTRODUCTION

Identification of the Subject Property

The subject of this appraisal is located at 28534 Granville Lane in Talbot County, Maryland 21673. The property is known as *New Trappe Landing Farm*, and is located at the headwater of LaTrappe Creek. It includes the estate house and various farm / estate related dependencies totaling 7,494 square feet. The main house is in excellent condition; the remaining dependencies reflect varying conditions – from good to fair to poor. ~~Together with a 7.57 acre waterfront lot on the north side of the creek, that allows control of the cove on which the property sits, the farm measures 116.41 acres~~ **108.84 acres**

The farm is identified on Tax Map 54, Grid 22, Parcel 127 under account #03-148629 ~~and the lot is found on Tax Map 54, Grid 21, Parcel 128 under account #03-148637.~~

The farm is also identified on Plat ___ as Parcel 2, and the waterfront lot as Parcel 1.

Ownership and History of the Subject Property

As recorded in Liber 771, Folio 131, the farm was purchased by Ann C. Moody on January 27, 1994 from A.S., Jr. and Judith E. McGaughan for a consideration of \$639,100.

The waterfront lot was also purchased by Ann C. Moody, in this case from Hans J. and Ellen M. Hjelde on February 25, 1999 for a consideration of \$213,000; this transaction is recorded in Liber 920, folio 799. **SOLD**

At the time of acquisition, the property was improved with a farm house originally built in 1860. There was an extensive renovation in 1995 and a 2,000 square foot addition completed in 2000.

Covenants and Restrictions

On December 22nd, 1986, Nancy G. Hutchinson sold to the McGaughans the 108.84 acres of Parcel 2 and the right to use the then present road, and when complete, what is now Granville Lane for a consideration of \$575,000. On the same day, Hutchinson sold to Bobby Van Fossan for \$929,000 Parcels 1 and 3 and Lots 9, 10, 11, 12, 13 and 14 and the 50 foot wide private road coming in from Trappe Landing Road. These lands are shown in “Plat Showing Revision of Dividing Creek Place Subdivision Third Election District Talbot County, Maryland” dated November 1986. The Van Fossan deed references a declaration of covenants restrictions and easements of Dividing Creek, which are found in the McGaughan deed with respect to the uses, restrictions, reservations, conditions and covenants therein. The Van Fossan deed of trust refers to 179.6 acres of land, more or less, known as Dividing Creek Subdivision. This would have been the total land area, including Parcel 2, even though it was never under Van Fossan’s ownership, of the original subdivision.

Per these deeds, the subject property is limited to residential and agricultural purposes, as are the other lots and parcels mentioned. Further the subject may not be further subdivided. With a permitted zoning density of one lot per twenty acres, the nine lots and parcels depicted on the plat consume all development rights associated with the 179.6 acres of the subdivision. Further

restrictions reflect that no hunting or shooting shall be permitted on Parcel 1, which is the waterfront parcel across the creek, Parcel 3, which is across the road, and Lot 14, which is adjacent. On the subject Parcel 2, there is a 100 yard No Hunting buffer along the entire common boundary with Parcel 1, Lot 14, and the 50 foot wide Private Road separating the subject from Parcel 3.

Contracts/Listings

The farm is currently listed for sale at an asking price of \$2,195,000. This excludes the waterfront lot on the other side of the cove.

Purpose and Intended Use of the Appraisal

The purpose of this report is to develop an opinion of current market value for the subject property “as-is” as of the effective date of July 16, 2017.

The intended use of the appraisal is in support of estate valuation. As such, intended users of this report could include the Estate of Ann Cheavens Moody, professionals and trustees involved in the estate planning, the Registrar of Wills, and ultimately the Internal Revenue Service.

Date of Appraisal

The property was inspected by Robert H. Greenlee on November 24, 2017 in the company of Stephen Moody. Mrs. Moody died on July 16, 2017; this is the effective date of the “as is” opinion of value. The date of this report is December 1, 2017.

Property Rights Appraised

The property rights under appraisal for the subject property include the fee simple ownership of the farm.

Easements & Encroachments

During the course of our research, we discovered no encumbrances that would impact the utility and marketability of the subject. The property is subject to typical utility easements for installation of telephone and electric power. These easements are typical of improved residential properties. We are not aware of any other easements or encroachments which negatively impact the value of the subject property.

Scope of Appraisal

In conducting this appraisal, the following scope of work was required. Unless otherwise noted, primary data was developed through independent investigation and analysis. Various secondary data sources were also used; those that are not specifically listed below are identified throughout the report.

- Thorough inspection of the subject site and buildings on November 24, 2017;
- Analysis of the market area, focusing on current market conditions and trends that affect the value of the subject property. Evaluation of all pertinent economic and

demographic information, as well as information pertaining to residential, development and housing trends and patterns;

- Study of the area's residential market characteristics based on an inspection of comparable property. Review of all pertinent transactional data. Inspection of each of the comparable properties, verifying transactions with either the seller, the buyer, or a knowledgeable third party.
- Analysis of zoning regulations, tax assessment, and other germane government and regulatory issues. Research in public offices, namely Land Records, Planning and Zoning, and Taxes and Assessment;
- Analysis of the most likely marketing time for the subject property;
- Interviews with real estate brokers and investors in the market area; and
- Development of the sales comparison approach as it relates to developing an opinion of market value for the fee simple estate, based on the data collected and investigations made as described in this report.

Competency Statement

Based on the firm's experience appraising residential property in the Mid-Shore region, and given the scope of the assignment outlined above, the appraisers readily satisfy the requirements of the Competency Provision of USPAP.

Definitions

The following definition is taken from *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

Market Value

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

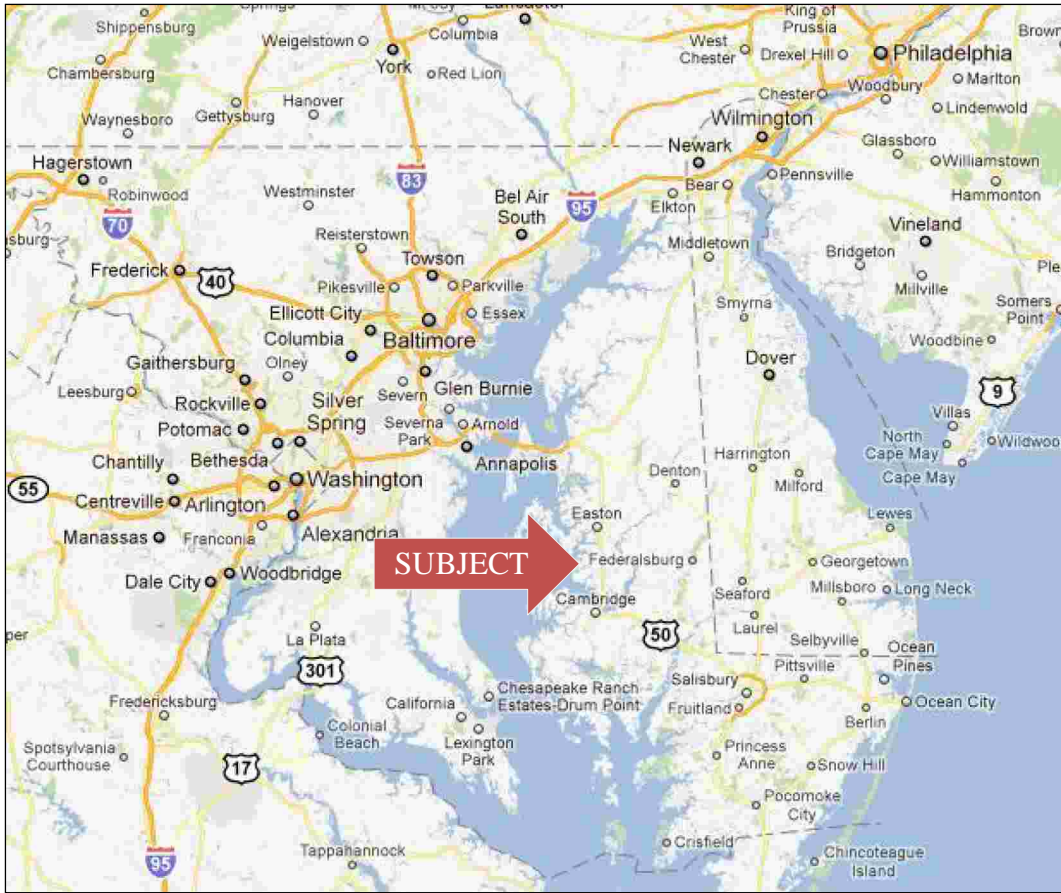
1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial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

5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

Assumptions and Limiting Conditions

The complete list of assumptions and limiting conditions that underlie this report are found at the end of the report.

MARKET AND PROPERTY ANALYSIS



REGIONAL LOCATION

Regional Market Analysis

The subject property is located 45 miles south of the Interstate 95 corridor in Talbot County, Maryland. Talbot County is located in the central portion of the Eastern Shore and is bound by Dorchester County to the south, Caroline County to the east, Queen Anne's County to the north, and the Chesapeake Bay to the west.

Geographically, the county is characterized by flat to gently rolling land areas and over 600 miles of waterfront on the Bay and four of its major tributaries: the Wye River, the Miles River, the Tred Avon River and the Choptank River. Over 75% of the 279 square miles of the county land is arable. Talbot County is predominantly rural in character, with approximately 80% of the total population clustered around the town of Easton in the center of the county. Easton is the county's commercial and industrial center and the County Seat. Easton is also the financial, legal, and cultural center for the Mid-Shore area.

Historically, the county economy has been based on agriculture and seafood processing. In the mid-1950's, following the completion of the first span of the Chesapeake Bay Bridge, the economic base began to diversify to include manufacturing, service, and tourism. In the past two

decades, real estate and real estate development have become the principal drivers of the local economy, providing broad support to all construction trades and related professionals.

Transportation centrality is also important to the county economy. In terms of highway systems, Talbot County is well served and well connected. The Chesapeake Bay Bridge connects Maryland's eastern and western shores. The bridge allowed for the continuation of U.S. Route 50/301, which now crosses Kent Island in Queen Anne's County, then turns 90° and Route 50 extends in a north-south direction though Talbot County and into the city of Cambridge, where it turns again to the east until it reaches the Atlantic beaches. After the split, Route 301 continues north towards Wilmington and Philadelphia, and intersects with U.S. Route 13. Route 13 runs in a north-south direction on the east side of the Delmarva Peninsula, intersects Route 50 in Salisbury, and continues south to the Chesapeake Bay Bridge-Tunnel. As such, it is estimated that approximately one-third of the nation's population lies within a day's drive of the Eastern Shore.

HIGHWAY DISTANCE FROM EASTON (in miles)

Baltimore, MD	59
New York, NY	217
Philadelphia, PA	117
Pittsburgh, PA	277
Richmond, VA	179
Washington, DC	73

The following exhibits are presented to summarize the economic and demographic characteristics of the market area.

According to the *Brief Economic Facts*, produced by the Maryland Department of Economic and Employment Development, historical population numbers within the subject area are as follows. The 2010 figures are those provided by the US Census Bureau.

POPULATION			
YEAR	TALBOT COUNTY	UPPER SHORE*	MARYLAND
1980	25,604	156,495	4,216,933
1990	30,549	177,009	4,780,753
1995	32,325	188,000	5,034,600
2000	33,812	199,406	5,296,486
2005	35,683	207,300	5,610,500
2010	37,782	224,771	5,773,552
2020**	39,800	261,100	6,276,300

*Caroline, Cecil, Dorchester, Kent and Talbot counties

**Projections

SELECTED POPULATION ESTIMATES

TOWN	2010	2000	1990	CHANGE	CAG*
Easton	15,945	11,708	9,372	70.1%	3.14%
Oxford	651	771	699	-6.9%	-1.68%
St. Michael's	1,029	1,301	1,193	-13.7%	-2.32%
Trappe	1,077	1,146	974	10.6%	-0.62%

* CAG = Compound Annual Growth between 2000 and 2010

The population density of the Eastern Shore is considerably less than the Western Shore. In fact, while the Eastern Shore counties make up approximately one fifth of the state's land area, the region comprises only 5 1/2 percent of the population.

Perhaps the most important issue related to population is the number of retirees in the county. This is critical in terms of understanding the implications for residential demand. Over 23 percent of the county's population is over the age of 65 and 29.4 percent of the population is between the ages of 45 and 64. The county's senior population is nearly double the rate seen statewide. For Maryland as a whole, 12.2 percent of the state's population is 65 or older. The median age is 47.3 years, which is almost ten years older than Maryland's median age of 37.7 years. Talbot's median age of 47.3 years is closely followed by 47.4 in Worcester County, 41.3 in Kent County and 43.3 in Dorchester County.

EFFECTIVE BUYING INCOME

Distribution	County	Maryland	U.S.
Under \$25,000	17.0%	15.4%	23.8%
\$25,000 - \$49,999	21.9	19.9	24.9
\$50,000 - \$74,999	19.5	18.3	18.7
\$75,000 - \$99,999	16.6	14.2	12.2
\$100,000 - \$149,999	14.5	17.3	12.1
\$150,000 - \$199,999	3.9	7.8	4.2
\$200,000 and Over	6.5	7.0	4.1
Median Household	\$62,058	\$69,695	\$51,369
Average Household	\$88,964	\$90,500	\$70,404
Per Capita	\$39,315	\$34,384	\$27,100
[Source: US Census Bureau, 2007-2009]			

Employment

LABOR AVAILABILITY ^{3,4,5} (BY PLACE OF RESIDENCE)		
Civilian Labor Force (2010 avg.)	County	Labor Mkt. Area*
Total civilian labor force	18,385	51,074
Employment	16,953	46,356
Unemployment	1,432	4,718
Unemployment rate	7.8%	9.2%
Residents commuting outside the county to work (2007-2009)	Number	Percent
	4,807	27.8%
Employment in selected occupations (2007-2009)		
Management, professional and related	6,435	36.6%
Service	2,742	15.6%
Sales and office	4,490	25.5%
Production, transp. and material moving	1,655	9.4%

* Talbot, Caroline and Dorchester counties

MAJOR EMPLOYERS ^{6,7} (2010)		
Employer	Product/Service	Employment
Shore Health System	Medical services	2,040
Quality Health Strategies	Health care improvement	600
Allen Family Foods	Poultry processing	530
Shore Bancshares	Financial holding company	320
William Hill Manor	Nursing care	300
Walmart	Consumer goods	215
Genesis HealthCare / The Pines	Nursing care	186
Global Strategies Group	Troop support systems	150
Celeste Contract Packaging	Pharmaceutical packaging	136
Chesapeake Publishing	Newspaper publishing	135
Giant Food	Groceries	135
Lowe's	Home improvement prods.	130
United Parcel Service (UPS)	Mail and package delivery	127
Acme Markets	Groceries	120
McDonald's	Restaurants	119
Inn at Perry Cabin	Hotel, restaurant	100
YMCA of Talbot County	Recreation, sports centers	100
Wildlife International	Environmental testing	95
CareFirst	Health insurance	88
Pro Temps Staffing Solutions	Temporary staffing services	84
Sea Watch International	Shellfish processing	80
L-3 Unmanned Systems	Unmanned aircraft vehicles	76
Celeste Industries	Airline amenities, chemicals and lotions	70
Delmarva Orthopedic Clinic	Medical services	70
Target	Consumer goods	70

Excludes post offices, state and local governments; includes higher education

EMPLOYMENT ⁴ (2009, BY PLACE OF WORK)				
Industry	Estab-lishments	Annual Avg. Empl.	Emp. %	Avg. Wkly. Wage
Federal government	21	265	1.5	\$1,012
State government	6	200	1.1	690
Local government	19	1,449	8.0	822
Private sector	1,674	16,279	89.5	676
Natl. resources and mining	19	76	0.4	584
Construction	237	991	5.4	770
Manufacturing	40	1,194	6.6	643
Trade, transp. and util.	352	3,343	18.4	535
Information	21	332	1.8	726
Financial activities	163	821	4.5	1,046
Prof. and business svcs.	269	2,441	13.4	861
Educ. and health services	175	3,624	19.9	848
Leisure and hospitality	165	2,475	13.6	342
Other services	233	982	5.4	521
Total	1,720	18,193	100.0	692

Includes civilian employment only

Businesses by Employment Size Class (2nd Q 2010)				
No. of employees	0-9	10-49	50-99	100+
No. of businesses	1,282	297	42	18

HOURLY WAGE RATES ⁴ (2010)			
Selected Occupations	Median	Entry	Experienced
Accountants	\$30.25	\$21.00	\$36.50
Bookkeeping/accounting clerks	16.50	11.75	19.25
Computer support specialists	18.75	14.00	24.25
Computer systems analysts	38.75	24.75	46.75
Customer service representatives	13.50	10.25	16.75
Electronic engineering technicians	25.00	18.00	29.25
Freight, stock and material movers, hand	12.00	9.00	13.50
Industrial truck operators	14.25	12.00	15.00
Inspectors, testers, sorters	18.25	12.25	21.75
Machinists	16.00	11.25	18.25
Maintenance workers, machinery	18.25	14.50	21.00
Mixing and blending machine operators	16.25	11.75	19.50
Network administrators	35.00	24.50	40.25
Packers and packagers, hand	9.50	7.75	10.75
Secretaries	13.75	10.25	15.75
Shipping/receiving clerks	12.00	10.00	14.50
Team assemblers	11.50	9.50	14.00

Wages are an estimate of what workers might expect to receive on the Upper Eastern Shore (Caroline, Dorchester, Kent, Queen Anne's and Talbot counties) and may vary by industry, employer and locality

Transportation Systems

Surrounded by Annapolis and Baltimore in Maryland, Washington, DC, Philadelphia and Pittsburgh in Pennsylvania, Wilmington, Delaware, and Richmond and Norfolk in Virginia, this

area's regional access is provided by Interstates 95, 70, and 83. Additionally, as noted, the Delmarva Peninsula is served by U.S. Routes 50, 13, and 113.

Route 50 is the primary transportation route through the county, and is integral to the county economy. According to the Maryland Department of Transportation, the average daily traffic on Route 50/301 at the Bay Bridge varies importantly by season, with summertime traffic much higher (935,000 cars per month) than wintertime traffic (488,000 cars per month), and summer weekends causing major traffic congestion.

Also important to the local economy, and a significant amenity to owners of high-end residential real estate, is the Easton/Newman Airport. This publicly-owned general aviation airport, open for public use seven days a week, is one of the top three busiest general aviation airports in the state. The airport generates substantial corporate activity and is frequently cited as an important consideration in the site selection process. According to the Maryland Aviation Administration, Department of Transportation, the annual 160,000 take-offs and landings of general aviation aircraft at the facility provide employment for 140 people at 20 different companies on-site and generate \$91 million in revenue for the area.

The airport has two asphalt runways. The southwest-northeast primary runway is 5,500 feet long and 100 feet wide, and can reportedly accommodate all but the largest jet aircraft flying today. The northwest-southeast runway is 4,003 feet long and 100 feet wide. A \$2.6 million airport improvement construction project was completed in 2007. This followed the installation of an \$1 million instrument landing system (ILS) in 2004, which permits instrument flights in bad weather. The airport is current with respect to design safety criteria associated with the FAA Runway Safety Area, which it accomplished in 2014. Collectively, these initiatives generated increased numbers of take-offs and landings, and even greater levels of economic impact.

Utilities

Electrical utility service along with water, sewer, natural gas, cable TV and internet service with custom design capabilities is provided to residents of Easton through the Easton Utility Company. County residents are served by Delmarva Power and the Choptank Electric Cooperative, Inc. Natural gas service is available in some areas and is supplied by the Eastern Shore Natural Gas Company and Chesapeake Utilities; commercial gas is available in the form of propane and is available through a variety of vendors. There are municipal water and sewer systems located in Easton, Oxford, St. Michaels, and Trappe and Tilghman. The local telecommunications supplier is Verizon.

Residential Development

A potential highest and best use for the subject could involve the creation of up to eight residential lots. While, many waterfront farms in Talbot County have been subdivided over the years, and values of waterfront acreage reflect this potential, more recently, given economic conditions, this has not been the case. Nonetheless, in this section of the report, we are obliged to present an analysis of residential development land.

Development land transacts along a spectrum – from raw land – to land with some approvals / entitlements – to fully approved (platted), but unimproved – to improved with varying levels of

infrastructure – to finished lots. At each stage, there is identifiable risk and reward, and until recently, fairly predictable pricing levels associated with each transaction point. In evaluating comparable sales, it is absolutely critical to understand the status of a property in terms of this spectrum.

Almost all residential land transactions prior to the most recent recession were contingent, non-recourse “term” deals; almost no one paid all cash on a short settlement. Contracts frequently preceded settlement by two to three years, as property went through the entitlement process. Sellers and buyers both had to be sophisticated enough to craft win-win deals over a long term transaction horizon.

This is an exceedingly rare case today. Maybe, if sellers are not under duress, and have the patience to work with a developer on a contingent, non-recourse “term” contract, there can be opportunity to realize higher value. These are for exceptional locations, because it seems in almost every market, there is at least one project that is still chugging (limping) along – Gibson’s Grant on Kent Farm and Easton Village in Easton are two examples – though both are served by public utilities.

Today, most residential land transactions still involve a lender, frequently in an auction setting. The sales prices indicated in such transactions reflect current “market value”. Market value is still based on highest and best use and still reflects all conditions that market participants expect in the current environment. However, there is so little certainty in the market today, and such a vast range of expectations for market participants, it is nearly impossible to interpret market value based on the transactions available.

Very few buyers today are developers. Most who are buying assets from the banks are builders, buying finished or at least fully entitled lots; and most of these lot purchases involve a single family detached product, not – typically – a townhouse or condominium product. Buyers are investors and speculators, with the strategy of land-banking the property until there is a stronger market for residential development land. We do not believe residential development land is sold to a developer/builder without a severe discount in pricing, which tends to push value towards the lower end of the spectrum. We also do not believe such transactions are accomplished quickly (unless auctioned); a minimum marketing period of nine to twelve months is probably the reality in the current marketplace.

Finally, in the current environment, politics has become as much an unknown variable as the widely publicized state of the housing market, which is in turn a function of inventory, financing, employment, speculation, ability to sell existing homes, retirement and second home considerations, etc. In Talbot County, however, while there is a limited quantity of developable land (zoned, perhaps with utilities, and consistent with the Comprehensive Plan), the politics and therefore the likelihood of entitlement are very uncertain.

Health Care Industry

One of the reasons the Mid-Shore is so popular for retirees and second home owners is the strength of the regional medical systems. Shore Health System was formed in 1996 through the affiliation of two community hospitals that have served their communities for over a century -

The Memorial Hospital at Easton, located in Talbot County, and Dorchester General Hospital, located in the city of Cambridge in Dorchester County. Today, Shore Health System is a regional, not-for-profit network of inpatient and outpatient services with facilities in Talbot, Dorchester, Caroline and Queen Anne's counties. In Easton, the majority of the service providers are located along the Idlewild Avenue and Dutchman's Lane corridors.

On July 1, 2006, Shore Health System merged with the University of Maryland Medical System (UMMS) to enhance clinical programs and facilities, and to facilitate physician recruitment. As a member of UMMS, and through partnerships with the University of Maryland Medical Center and the University of Maryland School of Medicine, Shore Health System is bringing world class medical care to residents of Maryland's Mid-Shore and the Delmarva Peninsula. With over 1,900 employees, a medical staff consisting of over 200 attending, consulting and associate staff members, and a corps of over 500 volunteers, Shore Health System possesses the talent, technology and services to meet the healthcare needs of the more than 100,000 people who live in the Mid-Shore region.

The Memorial Hospital at Easton currently has 140 licensed beds. The hospital's primary service area includes Caroline, Dorchester, and Talbot counties; its secondary service area includes Queen Anne's and Kent counties. Hospital services span a broad range of primary and secondary inpatient acute care services, including acute rehabilitation; medical and surgical; obstetrical/gynecological; pediatrics; oncology; renal; neuroscience; and critical care. Memorial Hospital earned designation as a primary stroke center from the Maryland Institute for Emergency Medical Services System in 2007. That same year, the hospital opened a new 40,000 SF Emergency Pavilion designed to accommodate 60,000 visits a year.

Shore Health Systems, in a collaborative effort with UMMS, completed a 24-hour freestanding emergency center located in Queen Anne's county in October 2011. Shore Health System operates the facility as an emergency center of Memorial Hospital at Easton. Located on a 15-acre site, not yet built out, this is a 15,000 SF facility with eleven treatment rooms and on-site imaging and laboratory services.

Looking to the future, the system's strategic plan envisions expanding services and facilities to address the Eastern Shore's growing need for healthcare services into the next century. Importantly, Shore Health Systems is now in the planning stages of a \$250 million medical complex proposed for a 257-acre site on Route 50 north of the Easton airport. Plans call for the building of an 187-bed hospital as the anchor of the campus, which is envisioned to service the entire Upper Shore Region. While delivery *could be* five to ten years hence, it is very likely that medical office and other health care uses will gravitate to the project. Should this all come to pass, and it is much too early to draw any conclusions in this regard, there will no doubt be a positive impact on real estate values in the Easton area.

Market Conclusion

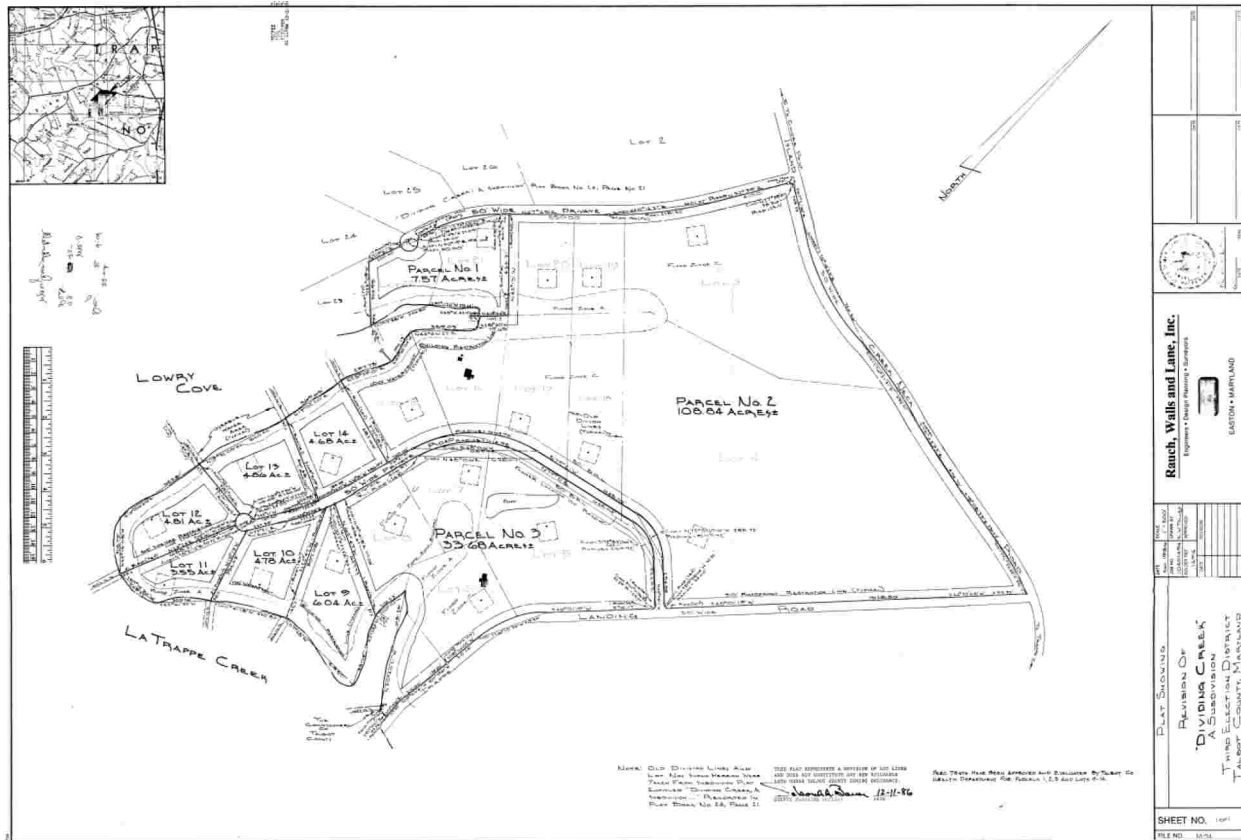
In Talbot County, while there has not yet been any meaningful improvement in general economic conditions since the depths of the current recession, we believe the economy is holding its own. It most certainly is not strong, but there is a solid employment base and relatively low unemployment. The local area has benefitted from various economic development initiatives

that have fairly recently become an increasingly important priority for town and county officials and residents alike. We also benefit from the huge economic engine that is this nation's capitol and the financial stability of the region's strong retirement population.

Today, to the extent value reflects what the market will pay, values are well below peak levels. We believe, however, that the prices of the last decade did not reflect true value, certainly they did not reflect values based on sound fundamental analysis. As a result, it is our opinion that values in the short term will not return to – or rise to – pre-recession levels.

Finally, while there are continuing mixed signals, and while the recession has caused an interruption in certain positive trend lines, the county has experienced increases in most major economic indicators over the past decade, and continues to experience increases in commercial, retail, and residential development. Even given the state of the national economy and real estate markets, these positive economic trends are anticipated to continue, which generally bodes well for the area real estate industry. Accordingly, to the degree that the subject's future value is a function of the economic health of the surrounding area, it is our assessment that the property under analysis does not appear to be at any external regional risk.

Site Analysis



Address: 28534 Granville Lane
Trappe, Talbot County, Maryland

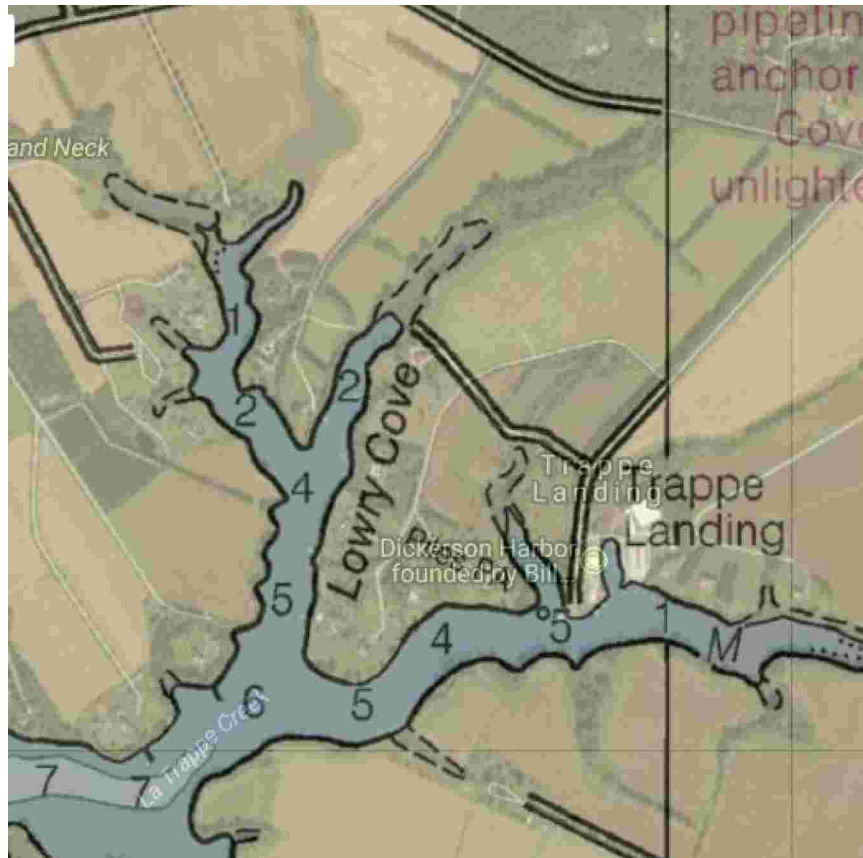
Location: Highly desirable waterfront estate area of Talbot County, bordered by LaTrappe Creek.

Access and Roadways: Access is via Island Creek Road. The farm is served by a network of driveway, farm roads, and walking paths.

Gross Area: The property is a **108.84** acre farm, ~~including a 7.57 acre waterfront lot on the north side of the creek.~~

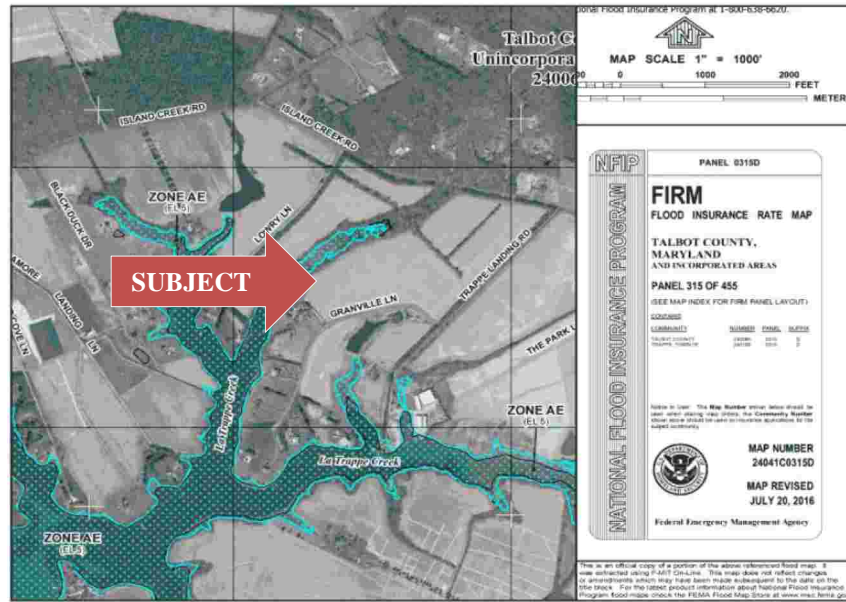
Shape/Dimensions: Irregular.

Waterfrontage: The farm is reported to have 700 feet of water frontage on LaTrappe Creek. The estate house faces northwest and enjoys a long creek view. The shoreline is largely natural with some well maintained rip-rap. Water depth at the dock at MLW is approximately 2-4 feet.



NOAA NAUTICAL CHART

- Zoning: Rural Conservation (RC), one of the three districts within the Critical Area, and Western Resource Conservation (WRC).
- Utilities: Private well and septic. Public electricity and telephone.
- Topography: High level ground, gently rolling towards the natural and marshy waterfront along the creek.
- Landscaping: There are many attractive mature and specimen plantings, free-standing and in carefully designed beds, befitting a property of this stature, along with an attractive and coordinated tree cover.
- Storm Water & Drainage: The site appears to be adequately drained. Storm water management is accomplished naturally, based on the natural slope and contour of the land.
- Flood Hazard Zone: The subject farm is shown on flood hazard map 24041C03145D, effective on July 20, 2016.



FLOOD HAZARD MAP

According to the map, the subject property is located in Zones C and AE (elevation 5). The latter is a flood hazard zone. Zone B includes areas between limits of the 100-year flood and the 500-year flood; or certain areas subject to 100-year flooding with average depths less than one foot or where the contributing drainage area is less than one square mile; or areas protected by levees from the base flooding. Zone A includes areas of 100-year flood; base flood elevations and flood hazard factors have been determined, in this case, to be five feet. The “el.” references shown on the flood map above represent the building height requirement associated with each location.

Critical Area:

The majority of the subject is located within the Critical Area. The Critical Area encompasses all waters of and lands under the Chesapeake Bay and its tributaries to the head of the tide, all tidal wetlands, and all land and water areas within 1,000 feet of the landward boundary of heads of tides and tidal wetlands.

Hazardous Waste:

The determination of the existence of hazardous materials is beyond the scope of this appraisal. The value stated herein assumes the properties to be free of toxic materials, however, only a qualified environmental expert can determine the actual existence of such materials. Based on our physical inspection of the properties, they display no outwardly apparent indications of the presence of hazardous materials.

Environmental:

There are no environmental issues that we have been made aware of, and no discernible indication of environmental contamination

was observed during our inspection of the site. However, we are not qualified to detect such contamination, and were not engaged to do so, and, if desired, recommend that the client retain an expert in this field. If further analysis reveals the existence of any environmental hazards, the opinion of value contained herein will be rendered null and void.

Development Potential: 1 per 20 zoning, plus three more in the WRC zoning district, could potentially allow development of up to eight interior lots. The stand-alone waterfront lot could also be developed.

Adjacent Uses: The subject is surrounded by other high-end waterfront residential, waterfront farms and estates. The broader neighborhood consists of scattered single family homes, agricultural land uses, and woodland on sites ranging from 1-100+ acres. Architectural improvements vary and sites are both inland and waterfront.

Improvements Analysis

This analysis of the improvements is based on the November 24, 2017 inspection.

Estate House: Built in 1860 and renovated in 1995, the original farm house contains kitchen, den with fireplace, sitting room and mudroom on the first floor with three bedrooms and two full bathrooms (one shared) on the second level. It is frame with wood siding, built on footers with crawl space, and a shingled roof.

In 2000, a 2,000 square foot masonry addition was constructed and thoughtfully joined to the original farmhouse. This building was built over a full basement, and also has a shingled roof.

With respect to the floor plan, the front entrance in the center of the addition leads into a foyer, flanked to the left by a game room with fireplace and to the right by a living room also with fireplace. On the far right side of the living room is a formal dining room and connection to the older parts of the house. To the left at the top of the stairs is an office/study; to the right is the ensuite master bedroom.

Both old and new are connected by screened in porch on the ground level and a deck on the upper level.

The estate house is in overall very good condition, and as noted, is constructed of generally high quality materials. Physical depreciation includes only that which would be expected given the age/life of the structures. The house is carefully maintained and

there is minimal, if any, curable, or deferred maintenance, to be considered. Nor is there any functional or external depreciation.

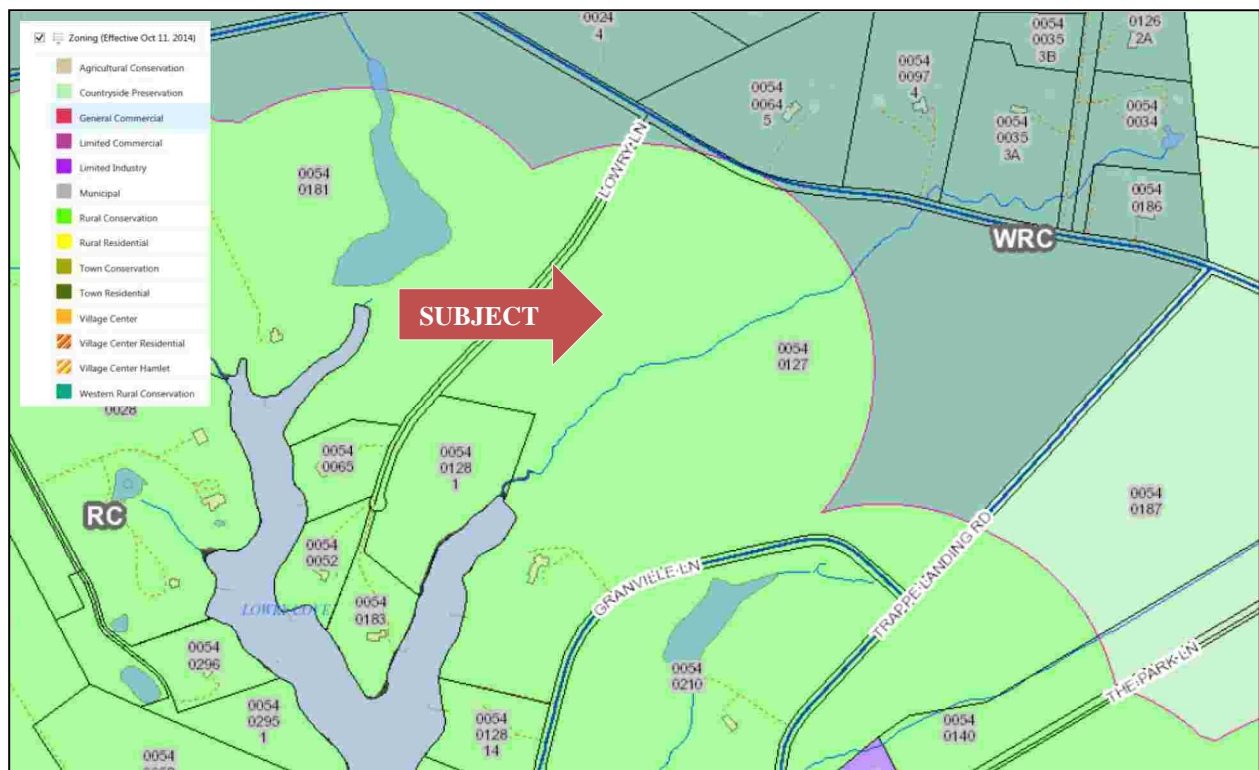
Amenities:

- Four foot wide dock
- Garage apartment with galley kitchen and waterfront deck
- Historic smoke house
- Two-car garage
- Roadside fencing

Regulatory Analysis

The farm is largely located within the Critical Area. A Critical Area Law was passed by the Maryland General Assembly in 1984 because of concern about the decline of certain natural resources of the Chesapeake Bay. Its purpose is to foster more sensitive development activity in the shoreline areas of the Chesapeake Bay so as to minimize damage to water quality and natural habitat in the bay and its tributaries.

The Critical Area encompasses all waters of and lands under the Chesapeake Bay and its tributaries to the head of the tide, all tidal wetlands, and all land and water areas within 1,000 feet of the landward boundary of heads of tides and tidal wetlands. As there are reportedly over 6,000 miles of shoreline in Talbot County, clearly the Critical Area Protection Program has significant implications for the county.



PERTINENT SECTION OF COUNTY ZONING MAP

Rural Conservation (RC)

The RC district, which is specific to the Critical Area, is characterized by natural environments (wetlands, forests, or abandoned fields) and resource development activities (agriculture, forestry, fisheries, or aquaculture). The purpose of this district is to conserve the irreplaceable agricultural, forested, and natural environmental character of the County. Through this district, the County's agricultural activities are preserved, encouraged, and protected. Agricultural activities are the primary uses in this district.

Development activities are intended to be in the form of large lots or clustered lots outside of Habitat Protection Areas, without public water or sewer service. The base density of dwelling units in the Rural Conservation District is one dwelling unit per twenty acres.

General development standards in the RC district include:

- [1] Conserve, protect, and enhance the overall ecological values of the Critical Area, its biological productivity and its diversity;
- [2] Provide adequate protection of breeding, feeding, and wintering habitats for those wildlife populations that require the Chesapeake Bay, its tributaries or coastal habitats in order to sustain populations of those species;
- [3] Conserve the land and water resource base that is necessary to maintain and support land uses such as agriculture, forestry, fisheries activities, and aquaculture; and
- [4] Conserve the existing developed woodlands and forest for the water quality benefits that they provide.

Permitted Uses

The following uses are permitted in the RC zoning district:

- Single-family dwellings (detached and duplexes)
- Small group homes
- Agriculture
- Poultry and hog houses
- Treated septage land application and sludge application
- Shared facilities for sewerage collection, treatment and disposal
- Timber harvesting and sawmills
- Conservation areas
- Aquaculture
- Fish and game hatcheries
- Parks and playgrounds
- Day care (8 or fewer clients)
- Cemeteries
- Golf courses and country clubs (not in RC)
- Emergency and (essential) utility services
- Vehicle and boat parking and storage
- Recycling collection

The RC zoning district also permits other uses which are granted on a special exception basis.

Critical Area lands are further delineated into one of three classes. The subject site is located in a Resource Conservation Area (RCA). The three are described as follows:

Intensely Developed Area (IDA)

Intensely Developed Areas are areas where residential, commercial, industrial, and institutional land uses predominate, and where there is little or no natural habitat. Residential density is at least four dwelling units per acre. No expansion of intense development is to take place within the Critical Area. All further Intense Development will be directed outside of the Critical Area, or within existing Intense Development Areas, keeping in mind the goal of safeguarding the environment, and in particular, the surface and groundwater qualities of the Chesapeake Bay area.

Limited Development Area (LDA)

Sections of the Critical Area which are currently developed in low or moderate intensity uses, but which also contain natural plant and wildlife habitat, are classified as Limited Development Areas (LDA's). Residential densities range from one DU per five acres up to four DU's per acre.

Resource Conservation Area (RCA)

The balance of the Critical Area is comprised of RCA's. These areas are characterized by natural environments such as wetlands or forests, or by resource utilization activities such as agriculture or surface mining. As noted, according to the Critical Areas Map, the entire subject property lies within the RCA.

According to the Talbot County Zoning Code, the following regulations apply to development within a RCA.

1. Residential uses shall not exceed an overall density of one dwelling unit (DU) per 20 acres.
2. In calculating the allowable residential development density for a parcel within a RCA, the area of any private tidal wetlands located on the property may be included, however, the actual development density on the upland portion of the parcel may not exceed one DU per eight acres.

As noted, RCA's are chiefly designated for forestry, agriculture, fisheries activities, and habitat protection. The County program, however, provides opportunities for establishing higher development densities in LDA's and RCA's, where consistent with local zoning, by means of a growth allocation process. All proposed projects are ranked, and the proposals that receive growth allocation are those that do the most to protect the Critical Area and its resources.

Western Rural Conservation District – WRC (Non-Critical only)

The WRC district is characterized by rural agricultural and low density residential uses. This district protects the ecological, scenic and economic value of rural areas in the western part of Talbot County. Because this district contains a high proportion of sensitive natural areas, development is limited to low-density residential uses with design guidelines to protect natural resources and limited highway access. Agricultural activities are preserved, encouraged and

protected. The base density in the WRC District is one dwelling unit per 20 acres plus three additional dwelling units.

Development in this district shall:

- Maintain and, wherever possible, improve the quality of runoff that enter the Chesapeake Bay or its tributary streams;
- Conserve and protect agricultural lands and uses;
- Protect environmentally sensitive lands from nonagricultural forms of development;
- Preserve Talbot County’s rural character through conservation of open space and agricultural lands.

WRC Setbacks and Requirements

Minimum Lot Size: 1.0 acre

Minimum Setbacks:

Perimeter Setbacks: 50 ft.

Lots 2 acres or larger:

Front: 50 ft.

Side: 50 ft.

Rear: 50 ft.

Lots at least 1 but less than 2 acres:

Front: 50 ft.

Side: 15 ft.

Rear: 25 ft.

Minimum Lot Width:

Lots 2 acres or larger: 200 ft.

Lots at least 1 but less than 2 acres: 100 ft.

Soil Perc Tests

This section of the report addresses the potential development of any additional structures on the subject property. For properties proposed for development in the County, not to be served by public sewer systems, it is necessary to determine the suitability of the soils for a private septic system. The most significant part of this determination process involves Soil Perc Tests or Percolation Testing. In Talbot County, and in most other Eastern Shore counties, these tests are only performed in January and February of each year – the “wet season” – the time at which the water tables are at their highest possible levels.

The Talbot County Office of Environmental Health administers the “On-Site Sewage Disposal System Program”. The program responsibilities include the following:

- conducting soil/site evaluations on properties to determine suitability for the installation of an on-site sewage disposal system;
- conducting inspections during installation of an on-site sewage disposal system to ensure the septic contractor followed proper installation practices;
- reviewing proposals submitted by licensed septic contractors for repair/replacement of existing on-site sewage disposal systems;
- annual licensure of all septic contractors who install septic systems in Talbot County;
- annual licensure of all septage haulers who service septic tanks and or portable toilets in Talbot County;
- review and approve building permit applications for all landowners in the unincorporated areas of Talbot County that wish to build/remodel/renovate a structure on their property;
- review proposed subdivision plats on all properties within Talbot County before securing Health Officer approval;

The following procedures to be used in preparing a site for wet season soil evaluation for individual on-site wastewater disposal are excerpted from the Office of Environmental Health:

- *The applicant must secure the services of a soil consultant to prepare the site for evaluation by this office.*
- *The applicant or their agent must submit a completed application packet. The submittal must include an application for soil/site evaluation for individual wastewater disposal, required fees as stipulated in the Consultant Guidelines, current deed of the property and the soil consultant's site evaluation report.*
- *The applicant or their agent must file the completed application packet prior to January 15th of the calendar year of the wet season testing period. Any application packet received after the January 15th deadline will not be ensured that a wet season evaluation will be completed during the wet season testing period of the calendar year in which it was applied.*
- *When the soil/site evaluation has been completed, a copy of the application will be forwarded to the property owner outlining the results (Approval or Disapproval).*
- *This office will contact each applicant to advise as to the beginning of the wet season testing period. Please be advised that the wet season testing period in Talbot County is determined by the height of the seasonal ground water table, which is affected by rain or snow events. Lack of rainfall (drought conditions) may shorten or eliminate the wet season testing period.*

Assessment Data and Real Estate Tax Analysis

Property assessment is carried out by the State of Maryland. Each property's full cash value is reassessed every three years; any value increase is pro-rated over a three-year phase-in period. The phase-in value is achieved in a three-step calculation by deducting the base year full cash value (FCV) from the current year FCV. This total is then divided by three and added back to the base year FCV each year.

The 2016-17 tax rate for Talbot County properties is \$0.678 per \$100 of assessed Full Cash Value, and is broken down as follows:

Talbot County \$0.536 / \$100 + State of Maryland \$0.112 / \$100 = Total \$0.678 / \$100

The subject property is listed under the ownership of Ann Cheavens Moody. The property was last assessed in January 2015. The current tax assessment data and tax burden are shown to be:

TAX MAP 54							PREFERENTIAL	TOTAL
PARCEL	ACCT. #	OWNERSHIP	ACREAGE	LAND	IMPROVEMEN	TOTAL	LAND	ASSESSMENT
127	03-148629	Moody, Ann C.	108.84	\$750,700	\$598,400	\$1,349,100	\$0	\$1,349,100
128	03-148637	Moody, Ann C.	7.57	\$3,700	\$0	\$3,700	\$0	\$3,700
				\$754,400	\$598,400	\$1,352,800	\$0	\$1,352,800
							TAX RATE	\$0.678
							TAX BURDEN	\$9.17

- SOLD

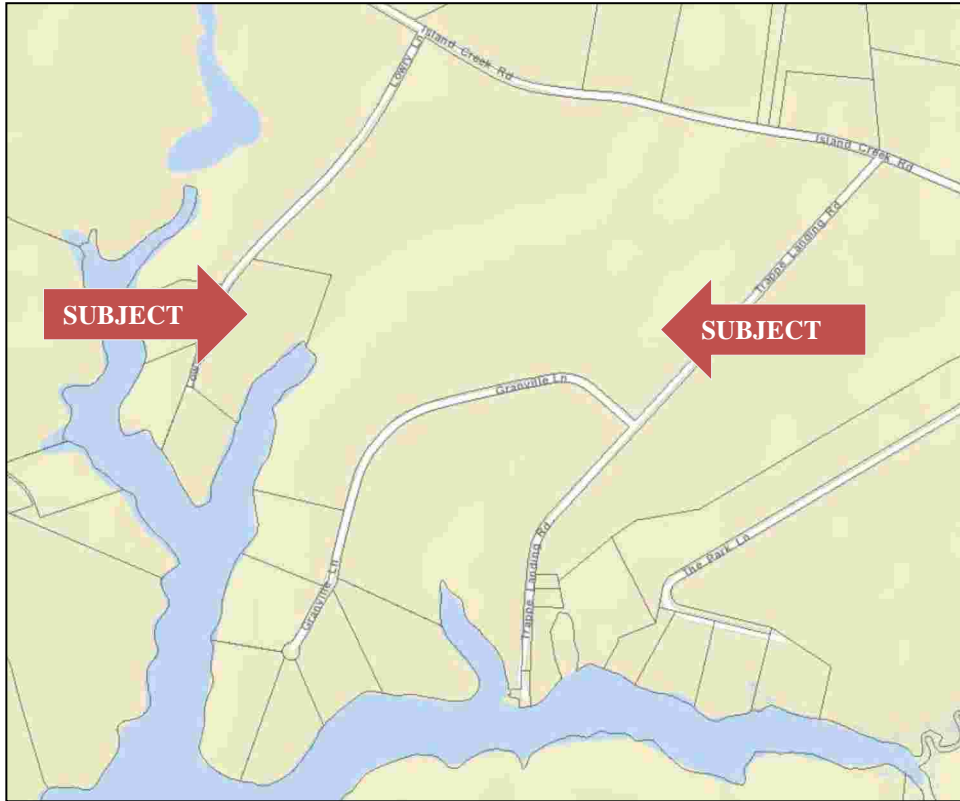
It should be noted that the current assessment is the same as the preceding triennial assessment.

It should also be noted that the current assessed value is 61.5% of our concluded market value of \$2,200,000. This ratio is reasonably consistent with the comparable sales, as shown below.

Comparable tax assessment data can be gleaned from the comparable sales data. Each of the sales also has a decreased or stable assessment. We believe these data validate the reasonableness of the subject's real estate tax assessment, and the reasonableness of our concluded value as compared to the assessed value.

	<u>Assessment</u>	<u>Sale Price</u>	<u>% of Sale Price</u>
Sale #1	\$1,906,000	\$2,500,000	76%
Sale #2	\$2,576,200	\$2,200,000	117%
Sale #3	\$337,200	\$1,300,000	26%
Sale #4	\$1,933,700	\$1,450,000	133%

To the best of our knowledge, real estate taxes are current.



TAX MAP

Highest and Best Use

The highest and best use of a property may be defined as:

- 1) the reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the date of the appraisal;
- 2) the reasonably probable and legal use of land or sites as though vacant, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value;
- 3) the most profitable use.

In considering the highest and best use of the subject parcel - as if vacant and as improved, we have considered a number of factors that influence the development potential of the site, including the parcel's size, configuration and topography, the availability of public utilities, the property's accessibility and visibility, the property's zoning, any easements or other legal restrictions which influence the property's developability, the nature of the surrounding area, and the competitive marketplace in which the development of this site would occur. In addition, we have also considered the highest and best use of the subject property as it is currently improved with the uses described herein.

Four factors are evaluated during the course of this analysis: the legality of the use, the physical adaptability of the site to the use, the marketability of the use, and the profitability of the use. The analytical process involves a careful study of both the impact on, and the relationship between, each factor and the subject property. The objective is to narrow down the field of all possible uses to arrive at the one use which best satisfies the four criterion just described. This is the *ideal* use. Therefore, the analytical process involves a careful study of the impact on, and the relationship between, each factor and the subject property. The best use conclusion reflects the optimal combination.

As we start the process, there is an immediate presumption – based on the surrounding waterfront estates, and the present development of the property – that high end residential is the highest and best use. Our analysis of the following four criteria would have to reveal something remarkably compelling to dissuade us from this presumption.

LEGALLY PERMISSIBLE: Again, the legality of a site's use is governed by the zoning in effect at the time of the appraisal. As summarized in the *Regulatory Analysis* section of this report, the subject property is largely controlled by the RC zoning designation within the Critical Areas overlay district, and by the WRC district in the far eastern corner of the property, and is thus subject to the conditions and restrictions discussed therein. Permitted uses are environmental, agricultural or residential in nature. In addition, easements and encroachments, environmental regulations, public restrictions, building codes, historical codes, and other legal issues have been considered because they could preclude many apparent highest and best uses. In this regard, we have identified certain deed and Dividing Creek Subdivision restrictions that eliminate the possibility of any further subdivision of the subject property. There are no other legal issues that would prevent us from considering any of the permitted uses as a potential highest and best use.

PHYSICALLY POSSIBLE: For each of the alternative uses, then, we analyze their potential development on the site given certain physical limitations, e.g., size, shape, frontage, depth, topography, soil conditions, and/or location, as well as ingress and egress, visibility, limiting encroachments or easements, and issues related to a prospective well and septic system. Based on location, we rule out all uses that require centrality and ease of access; based on the character and demographics of the neighborhood, we rule out all uses that are nuisances or offensive; based on size, we rule out all uses that require more (or significantly less) acreage. The remaining uses that meet the test of being physically possible include: single-family dwellings, small group homes, agriculture, and conservation areas. As regards the high-end residential presumption, we note that the subject site is already residentially improved, developed and constructed with standard techniques.

FINANCIALLY FEASIBLE: After determining the uses that are physically possible and legally permissible, we perform an analysis of their financial feasibility, the third criterion. If a particular use is unable to produce enough income to satisfy operating expenses, financial expenses, and an adequate return on investment capital, it is not considered to be financially feasible.

In our opinion, the key factors influencing the feasibility of the subject property are:

- the moderate to high level of demand for waterfront estate property;
- the modest waterfrontage, including limited depth;
- the good quality of the improvements;
- the mature trees and attractive gardens; and
- control of the entire headwater area.

The latter is key to this analysis. We find that the waterfront lot could be valued at approximately \$300,000. The farm is currently listed at \$2,200,000. If the settled price is 85% of the asking price, which is shown later to be the market norm, the sum of these is approximately \$2,200,000. This is consistent with our value conclusion of \$2,200,000.

Accordingly, we conclude that a single waterfront farm, using the waterfront lot to control the cove, is the most feasible use of the subject property.

MAXIMALLY PRODUCTIVE: Single family residential (waterfront estate) is the use that provides the highest rate of return, or value, and is therefore the use that is maximally productive. This use is supported by the legal, physical and feasibility analyses.

As noted, in the case of an improved property, the analysis must also include an examination of the improvements to determine the extent of their contribution of value to the land. In this section of the highest and best use study, we analyze the improvements (in their *actual* condition) relative to the highest and best use conclusion as if vacant (which is an *ideal* condition). The task is to determine whether or not the existing improvements can feasibly be made into the ideal highest and best use.

We have previously commented on the high quality of the estate house. In our opinion, it represents a classic Eastern Shore *ideal*. The “telescoped” Tidewater Colonial is a very popular style in the region. The grounds tie together the best characteristics of open space and estate, carefully designed and manicured, but natural and oriented to both conservation and habitat. The waterfront is protected, sheltered, with good sunset views. To the discerning buyer, this property and its improvements represent the ideal, and nothing needs to be done to advance this concept.

CONCLUSION: We therefore conclude that the highest and best use of the subject property is as it is currently improved as a high end waterfront estate, a single waterfront farm that uses the waterfront lot to control the cove.

VALUATION

The Appraisal Process

The appraisal process is a systematic program in which the data used to estimate a property's value is collected, interpreted, and presented. Three approaches to value are typically used in the analysis of the real estate: the sales comparison approach, the income capitalization approach, and the cost approach. These approaches are summarized, as follows:

In the **Sales Comparison Approach**, the appraiser presents actual sales or current offerings of properties comparable to the subject property. Adjustments are made for measurable differences in specific items related to the terms of the sale or to reflect the comparable property's superiority or inferiority in comparison to the subject. These generally include such items as location, the quality and condition of the improvements, income characteristics and the conditions of sale. If a particular characteristic of the comparable is superior to the subject, its sale price is adjusted downwards. Conversely, if the comparable is inferior, an upward adjustment is made. The net result is that the comparable adjusted sales prices indicate the range into which the value of the subject should reasonably be expected to fall, and can thus be correlated into an indication of value for the subject property. Characteristics are typically measured by common units of value such as price per square foot or price per acre for land and price per square foot or a gross rent multiplier for improved properties. This approach is fully developed in this report and represents the primary approach to value.

The **Income Capitalization Approach** is an analysis of the property in terms of its forecasted ability to produce net income, and the relationship of that income to the property's value. The foundation of this approach is the notion that *present* value is a function of the anticipated *future* benefits to be derived from the property. Thus, the property's effective gross income is developed based on its historical operating results and by market comparison with similar properties. From the net revenues, estimated operating and fixed expenses are deducted, resulting in an estimate of net operating income. Net income is then processed into value by dividing the net income by a selected capitalization rate, or by performing a discounted cash flow analysis. As the subject property is not income producing, this approach is not developed in this report.

In the **Cost Approach**, the reproduction cost new of the property is first estimated, based on current costs to produce a building of similar utility. Next, all physical, functional, and external factors that diminish the property's value are analyzed and deducted from the cost new. Finally, the estimated site value, developed by direct sales comparison, is added to the depreciated reproduction cost of the improvements and an appropriate entrepreneurial incentive, to provide an indication of value. In the case of the subject property, due to the inconsistencies of cost data across old and new, with renovations, with joined areas and overlap, this approach is not developed in this report.

Therefore, our final estimate of value is based solely on the indication of value provided by the sales comparison approach. This analysis is then reconciled to a final estimate of the property's value as of the appraisal date – this is the final step in the appraisal process. In the **Reconciliation**, the appraiser considers the applicability of, as well as the quantity and reliability

of the data presented in, each approach as it pertains to the solution of the appraisal problem. Greater reliance may be placed on one or more approaches depending on the class of property, the purpose of the appraisal, and the reliability and persuasiveness of the data in each of the developed approaches.

The analysis is summarized in the following section. The conclusion results in market value. In the Reconciliation, we extend the analysis and develop the final opinion of value.

The Sales Comparison Approach

The Sales Comparison Approach is essential in the appraisal of most types of real property. The central tenet of this approach is that the market value of a property is directly related to the sales prices of comparable, competitive properties. The application of the sales comparison approach leads to an opinion of value by comparing the subject property to similar recently sold properties of the same type and class. The comparative process used in analyzing the subject and the comparable sales involves judgment about the factors affecting value such as market conditions at the time of sale, the financing available to the property, the inclusion of personal property in the sale price, conditions of the sale itself, locational characteristics, visibility and accessibility, the quality and condition of the improvements, the functional utility of the site and building, parking, and any other discernible physical characteristics. If one of these characteristics of the *comparable* property is superior to or more favorable than the *subject* property, a negative adjustment is made, thus reducing the indicated value of the subject; if a significant item in the comparable property is inferior to or less favorable than the subject property, a positive adjustment is made, thus increasing the indicated value of the subject. An appropriate common denominator is selected for the comparison process – in this case, the unit of comparison is the absolute total price. After the sales have been analyzed, and all measurable adjustments made, the result is a range of unit prices into which the value of the subject property should reasonably be expected to fall.

Selection of Comparable Sales

For this appraisal of New Trappe Landing Farm, the characteristics that define the competitive set and the attributes that are therefore most important in developing an opinion of value are (similar to those outlined in the highest and best use analysis):

- Waterfront on a Talbot County creek or river
- Limited water view and non-sailboat depth
- Farm ranging from 50 to 150± acres
- Large house and dependencies
- Strong conservation orientation and best environmental / landscaping practices

We believe these are the most important variables driving the value of the subject property. With this in mind, we searched the market for transacted or listed property sharing these central characteristics and were able to find four settled sales of waterfront farm properties in Talbot County. It is our opinion that these are the best sales available, their analysis leads to reliable results, and we have a high level of confidence in the final indication of value.

The Analytical Process

As noted on the exhibit at the end of this section, we calculate the unadjusted sales prices per unit. The sales are then adjusted for the characteristics that influence the purchase price, based on item by item comparisons to the subject. In reporting this process of making adjustments to the comparable sales, we describe the detail for which we are making an adjustment as it relates to the subject and again as it relates to the comparable. Then, based on the differences between the two, we assign the adjustment required to compensate the comparable for the advantages or disadvantages of the subject. The adjustments are very clearly noted on the accompanying adjustment grid, in accordance with the following discussion.

Adjustment for Property Rights Conveyed: A sale price is always predicated on the real property interest conveyed. The property rights conveyed for each comparable property are identified and the appropriate adjustment made.

Adjustment for Conditions of Sale: The process of verifying the details relating to each of the comparable sales includes an inquiry about the circumstances of the sale and the sale price. The objective is to determine whether the price paid for the comparable property satisfies the definition of Market Value presented earlier in this report. Key variables include the motivations of and the relationship between the buyer and seller, the period of time the property was exposed to a competitive and open market, and any sales concessions or other undue stimulus that may have influenced the price.

Adjustment for Financing: The financing adjustment is made to compensate for special or creative financing that may have affected the normal consideration for the property. Those sales that have favorable financing such as low interest rates or owner financing at below-market rates require a downward adjustment. Alternatively, those sales that have above-market financing should be adjusted upward to reflect the additional costs associated with the sale. No adjustments are made in this regard either.

Adjustment for Market Conditions: Of the several adjustments that are made and discussed in the analysis, the current widely publicized state of the real estate market mandates a more thorough discussion of the adjustment for market conditions. Obviously, market conditions change, the result perhaps of inflation, deflation, or fluctuations in supply and demand. Therefore, it is the appraiser's responsibility to examine the comparable sales in light of the direction of change between the sale date of the comparable and the date of the appraisal. Although often referred to as a "time adjustment", time is not the cause of the adjustment. Shifting market conditions create the need for an adjustment, not time itself. If market conditions have not changed, even over considerable periods of time, no adjustment is required.

It is critical in the analysis of market conditions that the appraiser properly identify the market. In this case, we are specifically addressing the market for high end waterfront property in Talbot County. We are not making an assessment

of the real estate market in general. In this regard, we note that waterfront property in Talbot County experienced substantial price increases from 2000 to 2008, then moderated, leveled off, or even declined (depending on the property) between 2008 and 2013. In 2014 and the first part of 2015, the market corrected and worked through much of the foreclosure or distressed property. Trends that continued through 2015, 2016 and early 2017, even though many parts of the residential market were still emerging from the recession, we believe that in the worst case, supply and demand factors were in equilibrium in the market that is the subject of this report, which would suggest that the values of such property were generally stable, and in the best case, there was latent demand that caused modest price appreciation. In fact, there does seem to have been more demand at the effective date than there was in preceding years when some of the comparable sales were transacting, thus we conclude to a 2.0% annual inflationary adjustment.

Adjustments for Location: Locational adjustments embrace general neighborhood influences. The subject and the comparable sales are located in very desirable water oriented areas. Privacy is one of the measures of the area's desirability, and they each have private locations. Modest adjustments are necessary.

Adjustments for Size: The adjustment for size is typically included in real estate analysis, to recognize the fundamental real estate tenet that – all else being equal – a larger parcel will have a lower per unit value than a smaller parcel (similar to the concept of buying in bulk). However, size also effects function, development potential, and privacy, and those attributes must be considered as well. With respect to waterfront property, once a certain threshold of privacy has been attained, the price per unit tends to equalize. This threshold seems to be in the 30-50 acre range. The reason seems to be that function drives price; as long as a property is in an estate area, with large amounts of open space, the land does not have to actually belong to a particular property.

Adjustments for Physical Characteristics: For properties such as the subject, there are several physical issues considered by the market. First and foremost is the land's ability to support the "function" alluded to in the previous discussion. Adjustments are made for shape and topography, as well as for soil conditions. Both of these factors impact the placement of improvements. The soils adjustment is also necessary to compensate for unusable lands or lands that do not support (by virtue of poor drainage) a septic field. This generally indicates wetlands, or very high water table. Other physical characteristics reviewed include existing plantings and wildfowl management activities.

Adjustment for Water Influence: In the case of the subject property, we consider the recreational aspects (namely water depth and protection), the views, the amount of water frontage, and the ecology of the waterfront.

The adjustment for water quality also encompasses length and stabilization of shoreline, depth at dock, view, orientation (to prevailing winds) and erosion

factors. As described, the subject's waterfrontage is a delimiting factor, certainly relative to other high end properties.

Adjustment for Quality and Condition: As noted, the main house was built using good quality materials and workmanship, has been well maintained over many years, and is currently in good condition. This is the primary basis upon which adjustments to the comparable sales are made. However, this analysis also recognizes the varying conditions of other improvements on the property.

Adjustments for Site Utility: The factors encompassed in this category include the utilities available to the site, zoning and other legal or planning issues impacting the utilization of the site, deed restrictions, limiting encroachments, or easements. In addition, regulatory approvals at the time of sale must be considered.

An adjustment for access to public sewer and water is frequently necessary on the periphery of a municipality's boundary line. This adjustment takes into consideration the limitations of a well and septic system, the cost of waste disposal systems, and other issues related to a private system. Alternatively, if public utilities are available, the expense of bringing sewer and water to a site or tapping into the public infrastructure must be analyzed.

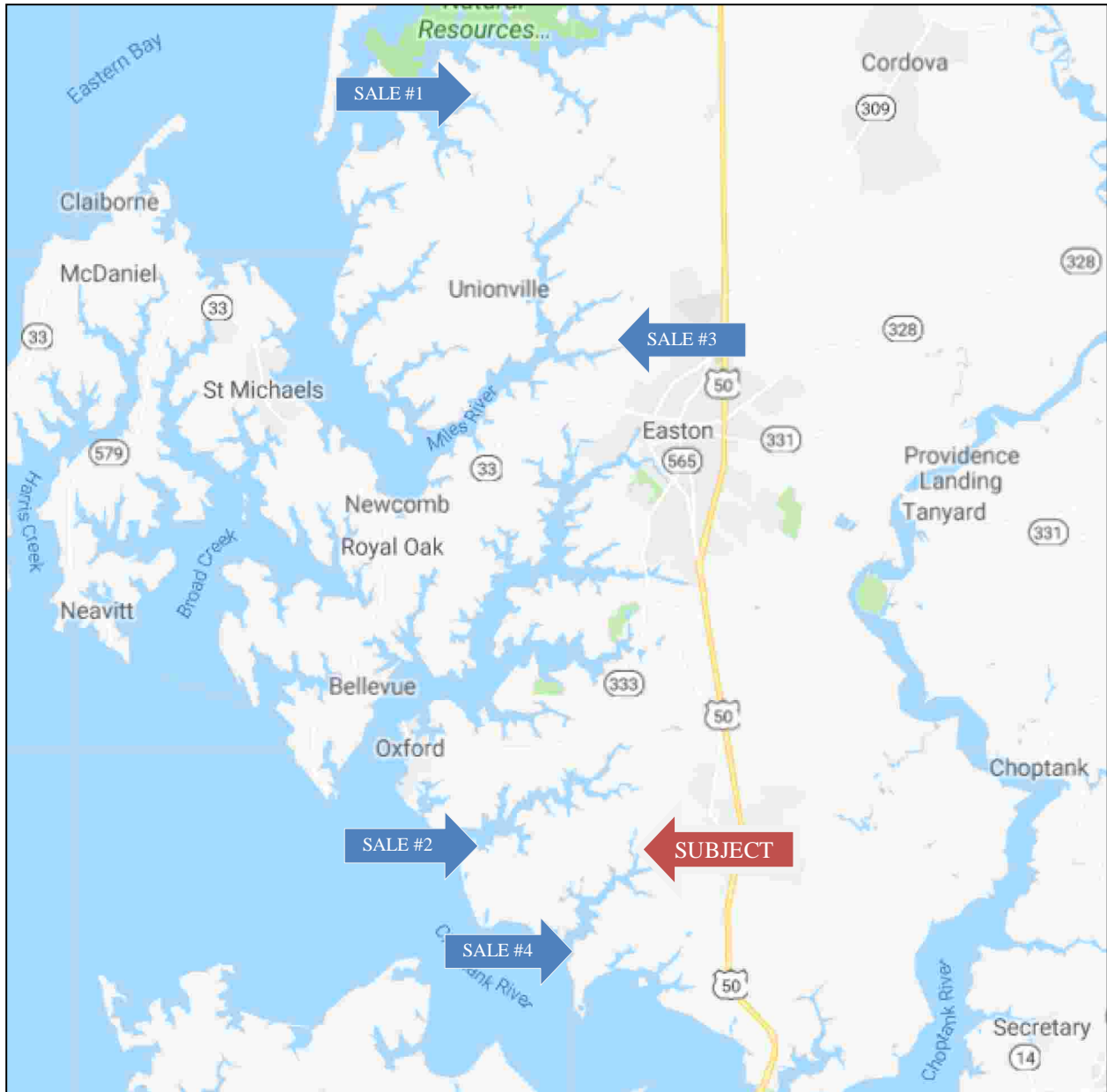
The zoning adjustment is used to account for the differences in zoning from one property to another. The greater the development intensity permitted by a certain zoning designation, the greater the potential value of a given parcel.

Adjustments for Improvements: These adjustments – shown on the attached exhibit as *Size, Room Count, HVAC*, etc. – take into account specific improvements associated with the residence(s) on the subject site versus those in each of the comparables. They include adjustments for the number of bedrooms, number of bathrooms, types of heating/cooling systems, kitchen equipment, existence of basements, and number of fire places. The existence of exterior amenities are also compared between the subject and the comparables. These include items such as boat houses, garages, porches and patios, fences, docks, pools, and storage sheds.

Application to the 116.41-acre Farm Parcel

A summary of our analysis is presented on the accompanying page in an exhibit entitled *Analysis of Comparable Improved Waterfront Farm and Estate Sales*, a map showing the proximity of the sales to the subject is shown below, and our conclusions are summarized thereafter.

The reader should note that all pertinent details for each of the comparable sales are incorporated into the just referenced exhibit. Photographs, aerial views, and nautical charts are shown separately, along with a summary discussion of the required adjustments.



COMPARABLE SALES MAP

Comparable Sale Number One

This comparable sale involves the December 2016 sale of a 141.60-acre waterfront farm located on the north side of Gross Creek off the Wye River, 14.6 miles north of the subject. Improved by 5,960 SF of taxable area, including 4,000 SF ± farm house, caretaker's residence, and farm buildings, the sales price and the unadjusted value indication for the property is \$2,500,000. After positive adjustments to allow for the lesser improvements, the remaining primary adjustments are downward, reflecting the more substantial acreage as well as the newer overall age and higher quality of the improvements, including the guest houses and farm buildings on the property. The net result is minus \$329,800 and the value indication for the subject property is \$2,170,200.

Buyer: Donald D. and Ellen Marie Foster
Seller: Krech Properties, LLC
Deed Reference: Liber 2407, Folio 77
Map Reference: Tax Map 9, Grid 16, Parcel 5
Address: 27041 Presquile Road



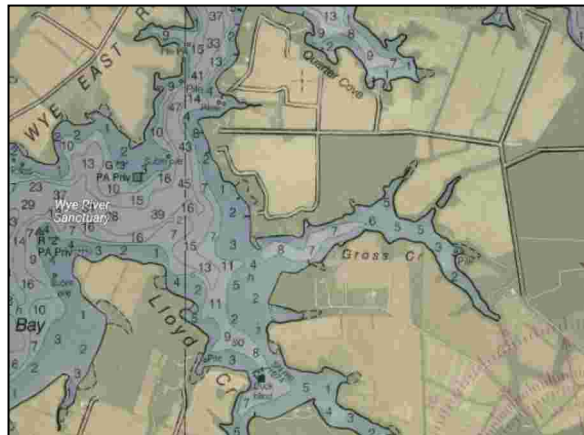
Front View Primary Residence



Aerial View



Aerial View



NOAA Chart

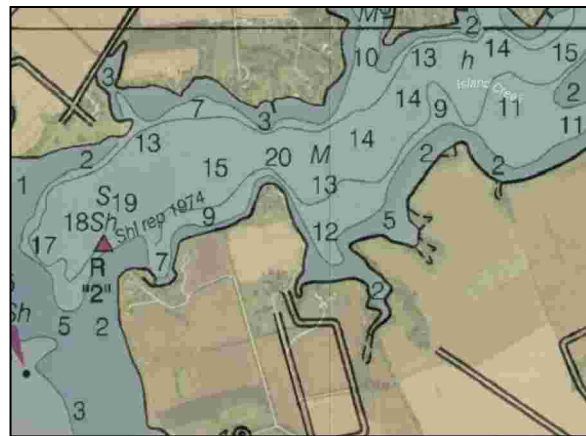
Comparable Sale Number Two

This comparable sale involves the March 2016 sale of a 140.27-acre waterfront estate, *Goose Cove*, located 3.0 miles west of the subject near the mouth of Island Creek. Improved by 9,553 SF of taxable living area, including a brick Contemporary and a four-car garage with 2,000 SF apartment in very good condition, the sales price and the unadjusted value indication for the property is \$2,200,000. The improvements are generally superior, while the waterfrontage and the site are importantly inferior to those of the subject, and thus require positive adjustments. The net result is minus \$56,350 and the value indication for the subject property is \$2,143,650.

Buyer: Goose Cove LLC
Seller: Ronald W. Readmond
Deed Reference: Liber 2337, Folio 432
Map Reference: Tax Map 57, Grid 4, Parcel 7
Address: 3865 Chlora Dorsey Road



Aerial View of Farm



NOAA Chart



Indoor Pool



Waterside

Comparable Sale Number Three

This comparable sale involves the December 2015 sale of a 101.6-acre waterfront farm, *Many Blessings*, located on the north side of Glebe Creek, towards the headwater. Improved by 1,622 SF of taxable area, including farm house, farm buildings and equipment sheds, the sales price and the unadjusted value indication for the property is \$1,300,000. This sale property is included due to land size and water limitations, though the house falls far short and is heavily adjusted in that regard. The net result is plus \$1,006,776 and the value indication for the subject property is \$2,306,776.

Buyer: Many Blessings Farm, LLC
Seller: Terry Allen Ringler, Trustee
Deed Reference: Liber 2317, Folio 186
Map Reference: Tax Map 25, Grid 14, Parcel 40
Address: 27993 Villa Road



Aerial View



NOAA Chart



Outbuildings



Farm House

Comparable Sale Number Four

This comparable sale involves the September 2015 sale of a 31.996-acre waterfront estate, located 2.4 miles west of the subject at the mouth of LaTrappe Creek. Improved by 5,542 square feet of taxable area, built in 1800, the sales price and the unadjusted value indication for the property is \$1,450,000. In evaluating this sale, we make significant upward adjustments to compensate for the lesser acreage and improvements, while downward adjustments recognize superior aspects of the waterfrontage. The net result is plus \$816,305 and the value indication for the subject property is \$2,266,305.

Buyer: Sandusky Real Estate Investment Corporation
Seller: Samuel L. and Sheila S. Lanahan
Deed Reference: Liber 2297, Folio 317
Map Reference: Tax Map 58, Grid 19, Parcel 62
Address: 28068 Howell Point Road



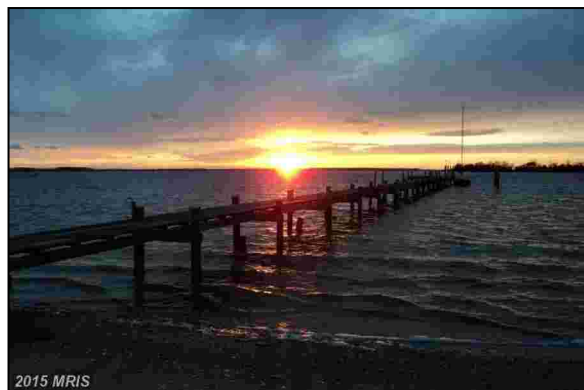
Front



Overview



NOAA Chart



Water View

Conclusions

Subject to the reasoning explained in the description of the sales comparison approach, the analysis of the comparable sales is summarized on the exhibit shown on the accompanying page. Unadjusted, the sales range from \$1,300,000 to \$2,500,000.

After adjusting each transaction for the characteristics that influence purchase price, the resulting range of value indicated for the subject is between \$2,143,650 and \$2,306,776. Measures of central tendency indicate a statistical mean value of \$2,221,733.

Overall, we believe the subject is most comparable to Sale #2, which indicates value for the subject of \$2,143,650. This transaction required the fewest number of adjustments and the least net adjustment. We also weighted each of the value drivers in accordance with the following:

<u>Best Comp Analysis:</u>			
Overall most similar		#1	
15% Most proximate		#4	\$2,266,305
15% Most recent		#1	\$2,170,200
20% Most comparable dev pot		#3	\$2,306,776
20% Most comparable improvements		#4	\$2,266,305
15% Most comparable site		#3	\$2,306,776
15% Most comparable waterfront		#1	\$2,170,200
Fewest adjustments		#1, 2	\$2,156,925
Least net adjustment		#1, 2	\$2,156,925
Average			\$2,225,051
100% Weighted Average			\$2,251,638

As a result, we reconcile the results of this market analysis, and conclude to value for the subject property at \$2,200,000. The exhibit is shown on the following page.

Less sale price of Parcel 128 of \$330,000

NEW TRAPPE LANDING FARM			Comparable Sale #1			Comparable Sale #2			Comparable Sale #3			Comparable Sale #4		
Item	Subject Property	Address	Description	(+/-) Adj.	Public Records	Description	(+/-) Adj.	Public Records	Description	(+/-) Adj.	Public Records	Description	(+/-) Adj.	
	28534 Granville Lane	27041 Presquite Road	Private WF Estate Area	\$0	\$2,500,000	Private WF Estate Area	\$0	\$2,200,000	27993 Villa Road	\$1,300,000	1,300,000	28068 Howell Point Road	\$1,450,000	
	Trappe, Talbot County 21673	Talbot County 21601	Fee Simple / Deed Restricted	\$0	\$2,500,000	Conventional	\$0	\$2,200,000	Easton, Talbot County 21601	\$1,300,000	1,300,000	Trappe, Talbot County 21673	\$1,450,000	
Water Frontage	LaTrappe Creek	Gross Creek				Conventional	\$0		Glebe Creek			LaTrappe Creek		
Liber / Folio	Liber 771, Folio 131	Liber 2226, Folio 66				Private WF Estate Area	\$0		Liber 2317, Folio 186			Liber 2297, Folio 317		
Proximity to Subject		14.6 miles				Fee Simple / Cons Easement	\$0		2.45 miles			2.45 miles		
Recorded Sales Price		\$2,500,000			\$2,500,000	Fee Simple / Cons Easement	\$0	\$73,500	<i>Money Blessings Farm</i>	\$1,300,000	\$1,300,000	<i>Boston Farm</i>	\$1,450,000	
Adjusted Sales Price		\$2,500,000			\$2,500,000	None	\$0	\$0	\$801.48	\$1,300,000	\$1,300,000	\$261.64	\$1,450,000	
Data and Verification Sources	<i>New Trappe Landing Farm</i>	Seller, MRIS #TA9668770, Public Records	None			Seller, MRIS #TA8608873, Public Records		Public Records	Seller, MRIS #TA8674403, Public Records		Public Records	State's Atty, MRIS #TA8106502, Public Records		
VALUE ADJUSTMENTS:	Description	(+/-) Adj.	Description	(+/-) Adj.	Public Records	Description	(+/-) Adj.	Public Records	Description	(+/-) Adj.	Public Records	Description	(+/-) Adj.	
Financing		\$0	Conventional	\$0		Conventional	\$0		Conventional	\$0		Conventional	\$0	
Seller Concessions		\$0	None	\$0		None	\$0		None	\$0		None	\$0	
Date of Sale		\$38,700	Private WF Estate Area	\$0	\$73,500	03 / 15 / 16	\$0	\$73,500	12 / 14 / 15	\$51,600	\$51,600	09 / 25 / 15	\$65,500	
Location	Private WF Estate Area		Fee Simple / Deed Restricted	\$0		Private WF Estate Area			Private WF Estate Area			Private WF Estate Area		
Property Rights	Fee Simple / Deed Restricted		Fee Simple / Deed Restricted	\$0		Fee Simple / Cons Easement	\$0		Fee Simple	\$130,000	\$130,000	Fee Simple	\$0	
Site Size	11.641 acres		141.60 acres	(\$251,000)		140.27 acres		(\$178,050)	102.01 acres	\$107,976	\$107,976	32.00 acres	\$653,105	
Water Orientation	SW, 0.7-mile creek view		SW, 1.0-mile creek view	\$0		N, 0.4-mile creek view	\$0		SSW, 0.5-mile creek view	\$0		SW, 3-mile river view	(\$145,000)	
Water Quality / Depth	Good 3' MLW (control of cove)		Good 4-6' MLW (at dock)	(\$125,000)		Fair 3-5' MLW (at dock)	\$0		Fair 3-5' MLW	\$0		Good 4-6' MLW (at dock)	(\$72,500)	
Shoreline and Management	700', rip rap, natural, marsh		1000', rip rap	\$0		1200', rip rap	\$0		2500', rip rap	(\$65,000)		1200', natural w/ bench	\$0	
House Design & Appeal	1860 / 1995 / 2000 Telescope		1976 Contemporary	\$0		1982 Contemporary	\$0		1990 Farm House	\$0		1800's Tidewater Colonial	\$0	
Quality of Construction	Very Good		Good	\$125,000		Good	\$110,000		Good	\$65,000		Good	\$72,500	
Effective Age	20-25 years		10-15 years	(\$125,000)		20-25 years	\$0		40-45 years	\$150,000		40-45 years	\$145,000	
Room Count	14 / 4 / 5 + 1		13 / 7 / 6 + 2	(\$90,000)		17 / 5 / 6 + 2	(\$60,000)		8 / 7 / 7	\$30,000		8 / 7 / 7	(\$90,000)	
Taxable Living Area	7,494 SF		5,960 SF	\$153,400		9,553 SF	(\$205,900)		1,622 SF	\$587,200		5,542 SF	\$195,200	
Area & Finish Below Grade	Full under 2000 SF addition		Partial Basement	\$0		Unfinished Basement	\$0		Cellar	\$0		Unfinished Basement (partial)	\$0	
Functional Utility	Above Average		Above Average	\$0		Above Average	\$0		Above Average	\$0		Average	\$72,500	
Heating / Cooling	Elec BB / CAC		Heat pumps / CAC	\$0		Heat pumps / CAC	\$0		Heat pumps / CAC	\$0		Hot Water / CAC	\$0	
Energy Efficient Items	Standard		Standard	\$0		Standard	\$0		Above average	\$0		Below Average	\$15,000	
Kitchen Equipment	Average		Average	\$0		Above average	(\$15,000)		Above average	\$0		Average	\$0	
Garage / Carport	Detached 2-car garage		Detached 4-car garage	(\$30,000)		Underground garage	\$0		Detached 2-car garage	\$0		Detached 1-car garage	\$0	
Porch, Patio, Decks	Deck, patio, screen porch		1000 SF screen porch	\$0		Screen Pch	\$10,000		Balconies, porches	(\$10,000)		Balcony, enclosed porch	\$0	
Fence, Pier, Pool, Extras	Pier, Roadside fencing		Deck, Pool	(\$20,000)		Pier, Indoor Pool, Elevator	(\$15,000)		Pier	\$0		Pool	(\$20,000)	
Grounds	Std Landscaping		Std Landscaping	\$0		Std Landscaping	\$0		Std Landscaping	\$0		Specimen Landscaping	(\$25,000)	
Ponds, Wildfowl Mgmt.	Natural and tidal		Natural and tidal	\$0		2 ponds	\$0		Natural and tidal	\$0		None	\$0	
Fireplaces, built-ins	3 Fireplaces, built-ins		4 Fireplaces, built-ins	(\$5,000)		Guest house, apartment	\$5,000		5 Fireplaces	\$0		5 Fireplaces	(\$10,000)	
Outbuildings	Apartment over garage		Garage apartment	\$0		Guest house, apartment	\$0		Guest Hse, Tenant Hse	(\$20,000)		Caretaker hse	(\$20,000)	
Net Adjustment				(\$520,800)			(\$56,500)			\$1,006,776			\$816,305	
Number and % Adjustments			10	-15.2%		10	-2.6%		11	77.4%		14	56.3%	
Adjusted Sales Price			\$2,170,200		\$2,143,650		\$2,306,776			\$2,306,776			\$2,266,305	
Adjusted Sales Price Per SF			\$364.13 / SF		\$364.13 / SF		\$224.40 / SF			\$1,422.18 / SF			\$408.93 / SF	

Inflation	2.5%	MINIMUM	\$2,143,650	BEST COMP = #2	\$2,143,650	WTD AVG KEY VARIABLES	\$2,251,638	RECONCILED VALUE	\$2,200,000
Effective date	July 16, 2017	MAXIMUM	\$2,306,776					Less sale price of Parcel 128 of \$330,000	
		AVERAGE	\$2,221,733						

Reconciliation and Final Value Estimate

The subject of this appraisal is located at 28534 Granville Lane in Talbot County, Maryland 21673. The property is known as *New Trappe Landing Farm*, and is located at the headwater of LaTrappe Creek. It includes the estate house and various farm / estate related dependencies totaling 7,494 square feet. The main house is in excellent condition; the remaining dependencies reflect varying conditions – from good to fair to poor. Together with a 7.57-acre waterfront lot on the north side of the creek, that allows control of the cove on which the property sits, the farm measures 116.41 acres.

In this, the final step of the appraisal process, the appraiser considers the quantity and quality of data, the strengths and weaknesses of each approach, and the degree of emphasis that should be applied to each approach, and develops the final estimate of value. In arriving at a final value conclusion, one considers the purpose of the appraisal, the type of property being appraised, and the adequacy and reliability of the data used in developing each approach to value. The value is commonly considered to be reflected in three ways: 1) the value indicated by recent sales of comparable properties; 2) the capitalized value of the property's net income stream; and 3) the current cost of construction of improvements, less depreciation, plus land value.

The reconciliation process involves bringing together and integrating the relevant data gathered in the three approaches to value in such a manner as to provide a check and balance between them. The indicated value estimates for the subject property are:

Estimated Value by the Sales Comparison Approach:	\$2,200,000
Estimated Value by the Income Capitalization Approach:	N/A
Estimated Value by the Cost Approach:	N/A

In the case of the subject property, our final estimate of value is based on the indication of value provided by the sales comparison approach. Using four settled sales of comparable property, this approach captures the various influences on value considered by buyers and sellers of high-end waterfront property in the local market. As the subject property is not income producing, the income capitalization approach is not developed in this report. Due to the inconsistencies of cost data across old and new, with renovations, with joined areas and overlap, the cost approach is not developed in this report.

Accordingly, after considering all the facts and circumstances pertinent to an estimate of value, bearing in mind the definition of value previously presented and the purpose of this appraisal, it is our opinion that the market value of the subject property, as of July 16, 2017, was:

**TWO MILLION TWO HUNDRED THOUSAND DOLLARS
(\$2,200,000)**

Less sale price of Parcel 128 of \$330,000

Exposure Time/Marketing Period Analysis

Finally, we analyze and report a reasonable marketing period for the subject property, and develop an opinion of reasonable exposure time linked to the value opinion.

The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010) provides definitions of these two terms.

Marketing Time is defined as: “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.”

Exposure Time is defined as: “The estimated length of time 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; (this is) a retrospective estimate based on an analysis of past events assuming a competitive and open market.”

Appraisers estimate the Exposure Time that would have preceded the effective date, and develop an opinion of the Marketing Time that is expected to follow the effective date. That said, the reader is cautioned that the opinion of Marketing Time is by no means intended as a prediction of a date of sale.

Both opinions are based on similar data, such as:

- Statistical information about days on market;
- Information gathered through sales verification;
- Interviews of market participants; and
- Anticipated changes in market conditions.

In addition, in estimating the marketing time of the subject property, our analysis is guided by the specific exposure time of comparable sales, current listings and pending sales. Also, local area brokers provide good insight in this regard.

Marketing Time

Thus, the analysis of marketing period is a marketability study that classifies the typical market purchaser(s), measures existing supply and demand, forecasts changes in future supply and demand, and notes the typical selling commissions and other related costs required to affect a sale of the subject.

Specifically, this analysis considers who the most likely buyers are, what their motivations might be to buy the property in its current condition, the financing terms that might be available to these buyers and their capacity for the resulting equity investment levels. To inform this analysis, we have interviewed many owners of waterfront farms and estates and several of the area’s principal real estate brokers – to determine their thoughts about current interest in properties such as the subject and current criteria for purchasing such property. In translating

their comments into a determination of marketing time, several assumptions are necessarily made, as follows:

- *The property will be aggressively marketed to potential purchasers through a direct and personal marketing campaign;*
- *The property will be offered at a price reflecting the most probable mark-up over market value used by sellers of similar types of properties;*
- *A sale will be consummated under the terms and conditions of the definition of Market Value, as presented herein.*

The key finding as a result of these conversations is that purchasers of Eastern Shore estates do not typically buy such property with the profit motive of residential subdivision. For this reason, the fact that the property is eased has no bearing on its marketability.

In this context, we have reviewed the comparable sales contained within this appraisal report:

<u>List Price Analysis</u>	\$2,950,00	\$2,900,00	\$1,495,00	\$2,675,00
Sales price % of list price	84.7%	75.9%	87.0%	54.2%
DOM	1.4 Years 509 days	0.7 Years 268 days	0.3 Years 98 days	3.6 Years 1,309 days

Based on the above, it is our opinion that the most likely marketing period for the subject property could be approximately nine to twelve months. As noted, this conclusion reflects more than just an isolated opinion of time alone; this time period is a function of the \$2,200,000 value conclusion, the potential users described in the *Highest and Best Use* and *Sales Comparison Approach* sections of this report, as well as current and anticipated market conditions (including changes in the cost and availability of debt and equity) as discussed through the report. We would have no concern about the limited showings to date.

Exposure Time

In concluding to \$2,200,000 as the market value of the subject property, it was inherent that the value could have been achieved in a period of time not dissimilar to the experiences of other similar properties that have also recently transacted. In every aspect of the appraisal process, in every section of the report, in every instance where we compared the subject property to “the market”, we were examining issues related to exposure time for the subject property.

In this hypothetical analysis, we assume, per the definition of exposure time noted above, that in the period of time preceding our appraisal, the property was actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of similar type properties. The definition also assumes that the property was offered at a price reflecting the most probable mark-up over market value and that a sale was consummated under the terms and conditions of the definition of Market Value.

We view those hypothetical marketing strategies as best management practices in the context of the economic conditions, cost and availability of funds, and the inventory of other similar properties for sale as described in the *Regional Market Analysis* and *Sales Comparison Approach* sections of this report, as well as our assessment of the highest and best use of the property and,

accordingly, the most likely buyer of the property. We find that appropriately marketed comparable sales transacted in anywhere from three to twelve months. Of course, we can also find countless examples of poorly marketed properties that have been on the market for years.

But on the assumption, as noted, that the subject would have been properly marketed, it is our opinion that the best-case exposure time for the subject would have been in the range of six to nine months. This takes into consideration the state of the residential real estate market six to nine months prior to the effective date, the improving level of confidence in the value stability of waterfront farms in the Mid-Shore area, and the low interest rates – well below historic averages.

Therefore, as a result it is our opinion that the subject's exposure time would most likely have been between six and nine months prior to the effective date of this appraisal.

Conclusion

One of the criticisms of the appraisal process is that it is based on lagging indicators of value. While that is not so, as there are numerous appraisal mechanisms to address changes in “the market”, this analysis of exposure and marketing times is another helpful tool to ensure that appraisers are capturing the true market value on the effective date.

In conclusion, we are of the opinion that market conditions in the Talbot County area have been such that if the subject property had been appropriately listed for sale six to nine months prior, it is reasonable to expect that it could have settled by the effective date for a consideration of \$2,200,000. Similarly, if the property was listed for sale on the effective date, with an appropriate buffer built into the asking price, we are of the opinion that the seller could expect settlement within a nine to twelve month timeframe, again at the concluded market value of \$2,200,000.

Less sale price of Parcel 128 of \$330,000

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

Our appraisal is subject to the following assumptions and/or limiting conditions, except as otherwise noted in our report:

- Title to the land is good and marketable.
- There are no existing judgments or pending or threatened litigation which could affect the value of the property.
- The property is appraised as though under competent management and responsible ownership and is available for its highest and best use. Further, it is assumed to be free and clear of all encumbrances, encroachments, easements, restrictions, and liens other than those mentioned in this report.
- The information, estimates, and opinions contained in this report, which have been obtained from sources outside of this office, are assumed to be reliable and correct, and therefore may not have been independently verified. Also, the revenue stamps placed on any deeds to indicate the sale prices are in correct relation to the actual dollar amount of the individual transactions.
- There are no hidden or undisclosed sub-soil or other conditions of the land or of the improvements that would render the property more or less valuable. 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.
- The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations, ordinances, and codes. The property is not located in an area in which the purchase of flood insurance is required as a condition for federal or federally related financial assistance and the property is not subject to flood plain or utility restrictions or moratoriums except as reported to your appraiser and contained in this report.
- The party for whom this report is prepared has reported to the appraiser original conditions or development plans that would subject this property to the regulations of the Securities and Exchange Commission or similar agencies on the state or local level.
- No responsibility is assumed by the appraiser for legal matters, nor is any opinion on the title rendered herewith. Nor is any responsibility accepted by us for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters. We reserve the right to require, as a condition to our rendering an opinion of value, the engagement of professional experts in certain disciplines. The engagement of any such expert and the compensation of such expert shall be solely the responsibility of the client.
- The appraiser herein, by reason of this report, is not required to give testimony or to be in attendance in court or any government or other hearing in reference to the property appraised, unless written contractual arrangements have been previously made thereof.

- The appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is for illustrative purposes only and should not be considered to be accurately scaled for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth herein are assumed to be correct.
- The distribution of the total valuation in this 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 report or appraisal method and are invalid if so used. This appraisal shall be considered only in its entirety. No part of this appraisal shall be utilized separately or out of context.
- No environmental impact studies were either requested or made in conjunction with this appraisal report, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation. If an 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.
- One (or more) of the signatories of this report is a Member (or Candidate for Membership) of The Appraisal Institute. The Bylaws and Regulations of the Institute require each Member and Candidate to control the use and distribution of each report signed by such Member or Candidate. Accordingly, except as provided in our engagement letter, the party for whom this report was prepared may not distribute copies of this report, in its entirety, to any third party without the prior written consent of the signatories of this report. Further, neither all nor any part of this report may be distributed by advertising media, public relations media, news media, or other media for public communication (including without limitation prospectuses, private offering memoranda and other offering or proxy material provided to investors) without prior written consent of the signatories of this report.
- In the analysis of proposed construction, the appraiser assumes completion of the improvements in a workmanlike manner, within a reasonable period of time, and in accordance with the final plans and specifications. This report is subject to a review by the appraiser of the final plans and specifications.
- In this appraisal assignment, the existence of potentially hazardous or environmentally sensitive material used in the construction or maintenance of the subject improvements (such as urea formaldehyde foam or asbestos insulation) has not been considered. Furthermore, we have conducted no review of matters environmental in nature and assume the absence of asbestos, radon, toxic waste and any other environmentally hazardous or sensitive materials or deposits on the property. The appraisers are not qualified to detect such substances and, if desired, recommend that the client retain an expert in this field.
- The Americans With Disability Act (“ADA”), with an effective date of January 26, 1992 can have a dramatic affect on the value of real estate. We have not performed a condition survey as it relates to the property’s compliance with the ADA or state and local laws or building codes as they may pertain to the property, and we do not render any opinion as to whether or not nor to the extent of failure to comply with the ADA or such laws or codes may impact on the value of the property.

- The conclusions stated in our appraisal apply only as of the date indicated and no representation is made as to the effect of subsequent events. However, no material changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated. In addition, the current purchasing power of the dollar is the basis for the value stated in our appraisal, and we have assumed that no extreme fluctuations in economic cycles will occur.
- 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 the leases expire or otherwise terminate.
- Because an appraisal is inherently subjective and represents only an estimate of a property's fair value, our final value conclusions may not reflect realizable value. The absence of a substantial number of sales of comparable properties in the current market increases the subjectivity of the conclusions reached by the appraiser. By extension then, any income and expense estimates contained in our report are used only for the purpose of estimating current fair market value and do not constitute guaranteed predictions of future operating results. Accordingly, no assurance is provided that the methodology and/or results of the appraisal will not be successfully challenged by the Internal Revenue Service.
- Any financial information provided us with respect to the operation of the property (such as financial statements and reports, rent rolls and lease data) is assumed to be true, current and complete. Any lease, mortgage, deed of trust, or other agreement or instrument relating to the property reviewed by us is assumed to be legal, valid, binding and enforceable in accordance with its express terms.

CERTIFICATION OF THE APPRAISER

Except as otherwise noted in this appraisal report, I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.
- This appraisal report sets forth all of the limiting conditions (imposed by the terms of this assignment or by the undersigned) affecting the analyses, opinions, and conclusions contained in this report. Accordingly, the reported analyses, opinions, and conclusions, so limited, are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or contemplated future interest in the real estate that is the subject of this appraisal report.
- I have no present nor prospective personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results, including but not limited to a requested minimum valuation, a specific valuation, or the approval of a loan. Further, my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the opinion of value, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- I have made a personal inspection of the property that is the subject of this report.
- All analyses, opinions, and conclusions were developed, and this appraisal report has been prepared, in conformity with and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute as well as the *Uniform Standards of Professional Appraisal Practice* (USPAP).
- In the preparation of the analyses, conclusions, and/or opinions concerning the real estate that are set forth in this appraisal report, no one provided significant real property appraisal assistance to the person signing either this certification or the appraisal report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



Robert H. Greenlee
Maryland General Certified Appraiser No. 04-1768

QUALIFICATIONS OF APPRAISER

ROBERT H. GREENLEE

PROFESSIONAL AFFILIATIONS

The Appraisal Institute (Associate Member)
Certified General Real Estate Appraiser, Maryland #1768
Certified General Real Estate Appraiser, Delaware #X10000251
Licensed Real Estate Salesperson, Maryland #510675
Maryland Association of Realtors, Talbot County Board of Realtors

EDUCATION AND EXPERIENCE

M.B.A. Economics, Loyola College, Baltimore, MD, 1993
B.S. Finance, University of South Carolina, Columbia, S.C., 1981

Principal, The Greenlee Group, Inc., Easton, MD, 1989 –
Managing Director / Senior Advisor, SVN Chesapeake, LLC, Easton, MD, 2017 –
Principal, Oxford Commercial, LLC, Easton, MD, 2001 – 16
Consultant/Salesperson, Consolidated Affiliates, LLC, Easton, MD, 1993 - 99
Consultant/Appraiser, C. Gordon Gilbert Assoc., Baltimore, MD, 1988-89
Consultant, Laventhol & Horwath, Atlanta, GA, 1986-88
Food and Beverage Manager, Hospitality Affiliates, Inc., Mobile, AL, 1984-86
Manager, S & A Restaurant Corp., Dallas, TX and Albuquerque, NM, 1981-84

REAL ESTATE COURSES

The Appraisal Institute, 1988-2016
Urban Land Institute, 1992-2014
Chesapeake College, 1991
Continuing Education courses and seminars, 1986-2016

RECENT ASSIGNMENTS

- Appraisals of commercial office and retail, light industrial manufacturing and specialty industrial warehouse, hospitality, multi-family, residential subdivision, agricultural, and waterfront properties.
- Conservation easement and other charitable contribution appraisals for I.R.S. purposes.
- “Yellow Book” appraisals in support of State and Federal acquisitions.
- Appraisals of Just Compensation in condemnation cases, based on *Before* and *After* valuations and estimations of damages to Remainder.
- Portfolio analysis and partition analysis, including asset disposition or redevelopment strategies.
- Expert Witness testimony in District Court, Circuit Court, and Bankruptcy Court.
- Real property tax appeals.
- Appraisal reviews, related to industrial and commercial publicly funded projects.
- Market studies and economic feasibility studies for a variety of residential, commercial retail and hospitality concepts.
- Fiscal Impact Assessments and Adequate Public Facility studies pertaining to proposed residential and commercial development projects.
- Retail and revitalization studies for individual businesses as well as the central business districts of small towns and specific, targeted redevelopment areas in larger cities.
- Management and operational consulting assignments for hotels and restaurants.
- Inventory performance and trend analysis of hospitality, commercial office and retail markets; neighborhood and property specific highest and best use evaluation; and identification of development opportunities.

REPRESENTATIVE CLIENTS

Institutional and Commercial Lenders; Developers, Investors, and Property Owners; Brokerage Firms; Federal, State, and County Agencies; Quasi-Public Organizations; City and County Governments; National and Regional Consulting Firms; Corporations and Foundations; Universities and Colleges; Attorneys, Accountants, and Engineers; Insurance Companies; Hotels and Restaurants; Hospitality Management Companies.

GEOGRAPHIC EXPERTISE

Maryland: Cecil, Kent, Queen Anne's, Caroline, Talbot, Dorchester, Wicomico, Worcester, Somerset, St. Mary's, Calvert and Anne Arundel.

Delaware: Kent and Sussex.

APPRAISAL LICENSES

