

CS Valuation

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AN APPRAISAL REPORT OF



LOCATED AT

Grafton Street
Romney, West Virginia 26757

CLIENT

The Bank of Romney

CS Valuation

(Bus) 304-359-2214

PO Box 71
Romney, West Virginia 26757

(Fax) 304-822-7211

Mr. Tom Campbell

The Bank of Romney
95 East Main Street
Romney, West Virginia 26757

Re: Heritage Village Apartments
Grafton Street
Romney, West Virginia 26757

Dear Tom Campbell,

At your request, we have appraised a real property interest for the above real estate. Our objective was to form one or more opinions about the market value for a 100% ownership interest in the subject property's fee simple estate assuming no liens or encumbrances other than normal covenants and restrictions of record.

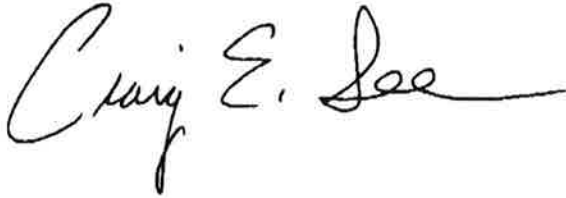
This valuation contains analyses, opinions, and conclusions along with market data and reasoning appropriate for the scope of work detailed later herein. It was prepared solely for the intended use and intended user(s) explicitly identified in the attached report. Unauthorized users do so at their own risk. The appraisal is communicated in the attached document, which conforms to the version of the Uniform Standards of Professional Appraisal Practice (USPAP) in effect on this report's preparation date of October 30, 2015.

This letter is not an appraisal report hence it must not be removed from the attached 108-page document. If this letter is disjoined from the attached appraisal report, then the value opinions set forth in this letter are invalid because the analyses, opinions, and conclusions cannot be properly understood.

In general, valuation of the subject property involves no atypical issues. All value opinions are affected by all the information, extraordinary assumptions, hypotheses, general limiting conditions, facts, descriptions, and disclosures stated in the attached appraisal report. After careful consideration of all factors pertaining to and influencing value, the data, and analysis thereof firmly supports the following final value opinion(s) for the subject property as of October 12, 2015:

\$785,000 Market Value "As Is"

Thank you for your business. Let us know how we may further serve you.

A handwritten signature in black ink, reading "Craig E. See". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Craig E. See
Certified General Real Estate Appraiser
West Virginia License WV CG-488
License Expiration Date: 9/30/2016

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Overview . . .

Salient Information	
<i>Property Type</i>	Multi-Family
<i>Real Estate Appraised</i>	Grafton Street Romney, West Virginia 26847
<i>County</i>	Hampshire
<i>Estate Valued</i>	100% of the Fee Simple Estate
<i>Client</i>	The Bank Of Romney
<i>Client File Number</i>	None
<i>Borrower(s)</i>	James R. Outten
<i>Most Likely Buyer</i>	Passive Investor
<i>Effective Value Date</i> (point in time that the value applies)	October 12, 2015
<i>Report Date</i> (date the report is transmitted to client)	October 30, 2015
<i>Land Size</i>	37,805 square feet
<i>Building Size</i>	16,695 square feet
<i>Flood Hazard</i>	54027C0232C Zone X
<i>Zoning Classification</i>	"R-1" Residential District by the City of Romney
<i>Highest & Best Use</i>	As Though Vacant A medium-density, multiunit residential use As Now Improved Continued Use 'As-Is'
<i>Value Indication(s)</i>	Land Value \$48,000 Cost Approach \$809,000 Sales Comparison \$785,000 Income Approach \$760,000
<i>Final Value Conclusion(s)</i>	\$785,000 As Is"



Scope of Work . . .

Scope of Work

Introduction

The Uniform Standards of Professional Appraisal Practice (USPAP) defines scope of work as "*the type and extent of research and analysis in an assignment*". Scope of work includes, but is not limited to:

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

Assignment Elements

The purpose of this assignment (the problem to be solved) is to form one or more opinions about value. This purpose necessitates identification of seven assignment elements listed below.

1. Client Information

Client's Name **	Mr. Tom Campbell
Client's Company Name	The Bank of Romney
Client's Agent	Greg Fleming
Agent's Company Name	Chico Appraisal Services
Appraiser(s) Engaged By	The Client's Agent
Client's Interest In Property Appraised	Loan Related

2. Other Intended Users

The Client's Company, Successors, And Assignees

3. Intended Use Of Report (*To aid*)

Underwriting A Mortgage Loan

4. Value Opinion(s) Developed

Market value

Standard / Definition Of Value Used To Form The Value Opinion(s)

Advisory Opinion 30 of USPAP, which is the same definition as the one in FIRREA.

*** The client is always an intended user.*

Scope of Work

Assignment Elements

5. Key Dates

Effective Value Date (point in time the value applies)	October 12, 2015
Date Property Appraised Was Observed By One Or More Appraisers Signing This Report	Land & Building Observed October 12, 2015

6. Assignment Conditions

Extraordinary Assumptions	One Or More Apply, Detailed Later Herein
Hypothetical Conditions	None Used
Jurisdictional Exceptions	None Used
Expected Public or Private On-Site or Off-Site Improvements Affect Value	Not Expected
Assemblage of Estates or Component Parts Affects Value	Not Expected
Other	None Used

Scope of Work

Relevant Characteristics

The seventh assignment element is relevant characteristics about the property appraised. These characteristics are typically categorized as physical, legal, and economic.

Physical attributes of the property appraised are presented later in the Subject section of this report. Some characteristics are identified below. Atypical issues are listed in the Noteworthy Issues section and may be further detailed elsewhere herein.

Unless specifically stated otherwise, the estate appraised (listed below) assumes no adverse leases, liens or encumbrances other than normal covenants and restrictions of record.

7a. Physical

Existing Property Use	Multifamily Structure
Property Use Reflected In One Or More Value Opinions	Continued Use As Is
Sources of Information About the Property Appraised Included	Interior And Exterior Observation

7b. Legal

Category Of Property Appraised	Real Property
Estate(s) Appraised	Fee Simple
Legal Issues Considered	No Atypical Legal Issues
Environmental Concerns	No Known Environmental Concerns

7c. Economic

Effect Of Lease(s) On Value	Effect Of Leases Excluded From Appraisal
Cost Information	
Type of Reconstruction Cost Used	Replacement Cost
Source of Reconstruction Cost Information	Prior Appraisals; Marshall & Swift Cost Services

Scope of Work

Appraisal Development

If some property modification like new construction is contemplated, a feasibility analysis may be appropriate. In some cases, feasibility may simply be justified by inferred market evidence like low vacancy or rising rents.

According to USPAP, all approaches that are applicable to the interest being appraised and necessary to produce credible results must be developed. The type of highest and best use; extent of feasibility considered; and the relevance of each major approach are listed below.

Highest and Best Use	An Inferred Demand Analysis
Feasibility Analysis <i>(a more detailed study separate from highest & best use)</i>	Separate Feasibility Analysis Not Developed
Cost Approach	Applicable And Included In Report
Sales Comparison	Applicable And Included In Report
Income Approach	Applicable And Included In Report

Quoting "*The Appraisal of Real Estate*" Thirteenth Edition published by the Appraisal Institute, page 186 says

"Highest and best use analysis and feasibility analysis are interrelated, but feasibility analysis may involve data and considerations that are not directly related to highest and best use determinations. Such analyses may be more detailed than highest and best use analysis, have a different focus, or require additional research."

Applicable and necessary approaches were selected for development after consideration of available market data, intended use, and intended user(s). An approach considered not applicable was omitted because this methodology is not appropriate for the property interest being appraised, or sufficient data to properly develop the approach was not available. Any approach judged not applicable, yet included in this report, was developed solely at our client's request. Data used to develop an inapplicable but included approach has a low to nil degree of comparability to the subject. Hence, no emphasis was given an approach deemed not applicable but included. Furthermore, no liability or responsibility is assumed for an approach considered not applicable but included at the client's request.

Scope of Work

Extent of Services Provided

Number of Final Value Opinions Developed	One
Value Opinion(s) Reflect The Worth Of the Property Appraised	As Is
Extent Of Report Preparation	An Appraisal Report
Other Reporting Requirements	Not Applicable
Extent Of Data Research	Typical
Data Sources	Local MLS; Private Data Provider Service; Public Records at Gov't Office(s); Public Records on Gov't Website(s); Online Public Records; Other Appraisers; Real Estate Sales Agents; Buyers and / or Sellers; Landlords and / or Tenants; CoStar Comps
Documents Considered	Deed; Owner's Income & Expense Statement
Data Verification	Direct and Indirect Methods
Extent Of Subject Observation By One Or More Appraisers Signing Report	Adequate Interior and Exterior Specifics of this viewing, if any, are detailed in the Extraordinary Assumptions & Disclosures section of this report.

Other Intended Use Considerations

Client's Prior Engagement Of Appraisal Services	Very Frequent
Loan To Value Ratio	Not Applicable
Atypical Issues	No Atypical Issues
Assignment Complexity	Typical Complexity
FIRREA Compliance	Fully Compliant
Insurable Value	Insurable Value Is Not An Intended Use

Miscellaneous Matters

Scope of Work Agreement	No Written Agreement
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Scope of Work

Appraisal Development

Appraisal development is the extent of research and analyses that produce one or more credible opinions of value for one or more specifically identified intended users and an explicitly stated intended use. In this context, credible is defined as "worthy of belief".

Depending upon the intended use, intended users, and agreements between the appraiser and the client, the appraisal development process may include several, but not necessarily all of the following tasks.

- observation of the property appraised
- research for appropriate market data
- data verification
- consideration of influential market area, physical, economic, and governmental factors
- determination of the subject's highest and best use(s), if appropriate
- development of one or more applicable approaches to value
- reconciliation of value indications
- preparation of this report

In most cases, the core valuation process begins with a highest and best use analysis. This is essential because it establishes a framework for the proper selection of comparables. Cited comparables should have the same highest and best use as the property appraised.

Scope of Work

Concept Explanations

Intended use and all intended user(s) should be weighed heavily during the scope of work decision. A single intended user who frequently engages appraisal services is likely very knowledgeable about the appraisal process. For this type user, the appraisal development and reporting for less complex property types might be toward the lower end of the spectrum. By contrast, multiple intended users, especially those with opposing motivations, likely need extensive appraisal development and reporting. Litigation is a prime example when a thorough appraisal development and detailed reporting is warranted.

A loan to value ratio reflects risk. For commercial-grade loans, ratios over 75% are generally regarded as risky. If a contemplated loan is viewed as risky, then the extent of appraisal development and the level of report detail should be more comprehensive. Similarly, more complex properties generally warrant more thorough analyses and more extensive report details.

Prior engagement of appraisal services by a client implies a level of awareness about the appraisal process. A greater awareness may justify a less thorough level of report detail whereas the opposite is true for an individual who has never engaged an appraisal.

A Jurisdictional Exception is an assignment condition, which voids a portion of USPAP that is contrary to law or public policy. When a Jurisdictional Exception applies, only the contrary portion is void. The remainder of USPAP remains in full force and effect. Jurisdiction Exceptions always shrink USPAP, not expand it.

Data verification affects reliability. Direct data verification confirms information used in the report with one or more parties who have in-depth knowledge about physical characteristics for the property being appraised, or related financial details. Indirect verification employs information obtained from a secondary source like a data reporting service, a multiple listing service, or another appraiser. Direct verification is generally more time-consuming and costly, but also more reliable.

Information from all data sources was examined for accuracy, is believed reliable, and assumed reasonably accurate. However, no guaranties or warranties for the information are expressed or implied. No liability or responsibility is assumed by CS Valuation or the appraiser(s) for any inaccuracy from any seemingly credible information source.

Scope of Work

Concept Explanations

A statement about observation of the subject property by the appraiser(s) is listed above. If the subject was observed, this viewing was not as thorough as a professional property inspection. A professional inspector determines the precise physical condition, remaining useful life, and operability of major building components like the structural system, roof cover, electrical system, plumbing, and heating plant. Inspectors typically do not ascertain size of the building, or characteristics of the land. By contrast, an appraiser commonly ascertains both land and building size. Ordinarily, appraisers do not determine operability, or remaining useful life of building systems. An appraiser typically views real estate to determine only general attributes like physical condition of the building as a whole, site topography and access, building size, construction quality, floor plan, and functionality of the property as a whole. For this appraisal, no probes, investigations, or studies were made to discover unapparent, adverse physical features.

Highest and best use analyses can be categorized into two groups - inferred and fundamental. A fundamental analysis is quantified from broad demographic and economic data such as population, household size, and income. Supply is inventoried. Subject specific characteristics are considered. Then, the relationship between supply and demand is weighed to determine a specific highest and best use for the subject. An inferred analysis uses local trends and patterns to infer a general highest and best use for the subject. For an inferred analysis, market dynamics that might be considered include prices, market exposure times, rents, vacancy, and listings of similar real estate. Inferred analyses emphasize historical data while fundamental analyses are based on future projections. The kind of highest and best use analysis utilized in this assignment is listed above.

Scope of Work Limitation

All readers of this report should be aware the foundation, for conclusions communicated herein, was based on and limited to an **inferred market analysis, not a fundamental market study**. Our scope of work agreement with our client does not include a detailed fundamental analysis.

A fundamental analysis forecasts demand from broad demographic and economic data like population and income. Existing supply is inventoried. Then the relationship of supply and demand is weighed to determine net demand. An *inferred analysis* is based on local trends and patterns from which inferences are made. Sales, listings, marketing intervals, and/or price change for other similar land infer there is adequate demand for the subject parcel at a price level congruous with this data.

If the client desires an in-depth analysis regarding the subject's marketability, potential alternate uses, or a numeric demand analysis, it is suggested a detailed fundamental market analysis be prepared.

Report Reliance & Use Restrictions

No liability is assumed, expressed, or implied by CS Valuation, or the appraiser(s) for unauthorized use of this report. Only those persons, parties, entities, companies, corporations, partnerships, associations, or groups that are explicitly identified as an intended user on page 6 may rely on, and use this report. There are no implied, suggested, inferred, consequential, or indirect intended users of this report. Unauthorized users should not use, or rely on any portion of this document. Unauthorized users do so at their own risk and peril.

Scope of Work Exclusion - Insurable Value

The cost approach may or may not have been developed herein. Unless explicitly stated otherwise, the cost approach was developed solely to support the subject's market value. Use of this appraisal, in whole or part, for another purpose is not an expected intended use. Nothing in this appraisal should be used, or relied upon to determine the amount or type of insurance coverage to be placed on the subject property. The signatory / signatories to this report assume no liability for, and do not guarantee that any insurable value inferred from this report will result in the subject property being adequately insured for any loss that may be sustained. Since labor costs, material costs, building codes, construction intervals, and governmental regulations are constantly changing, the cost approach may not be a reliable indication of replacement or reproduction cost for any date other than this report's effective value date.

Extraordinary Assumptions & Disclosures

An extraordinary assumption is defined by the Uniform Standards of Professional Appraisal Practice (USPAP) to be "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinion or conclusions". Extraordinary assumptions presume as fact otherwise uncertain information. In other words, this type assumption involves uncertainty about an underlying premise. An example is a survey that displays a lot size. If the lot size is later found to be much smaller, then the value conclusion may be negatively affected.

USPAP Standard Rule 1-2(f) requires the identification of all extraordinary assumptions that are necessary for credible assignment results. This appraisal employs the following extraordinary assumptions.

- Features of the subject site such as legal description, dimensions, size, etc. were obtained from publicly available sources. All information taken therefrom is assumed reasonably correct.
- Details of the improvements thereon including yet not limited to floor plans, construction materials, dimensions, etc. were obtained from personal observation and/or measurement. All are assumed reasonably correct.
- Observation of the subject property was limited to the entire site, most of the roof (as visible from the ground), most exterior walls (as visible from the ground), most of the basement, most common areas like halls, porches, or stairs, and most of the interior. Of the 23 total tenant spaces, only 2 were available for viewing; they were apartments B-1 & C-3. Unseen spaces are assumed to have physical condition and construction quality similar to that in observed spaces. It is further assumed the subject has no hidden defects. The appraiser(s) did not attempt to study, dig, probe, investigate, detect, remove materials, or discover unfavorable physical features.
- Real estate tax information for the subject was obtained from a reputable online source, so it is assumed reasonably correct. Historical income and expense information contained in this report was provided by the borrower, a seemingly reliable source. All information from any credible source is assumed reasonably correct. Moreover, this information is assumed the most recent that is expeditiously available to the public.
- Assumptions and presumptions discussed in the Noteworthy Issues section of this report, if any, are incorporated by way of reference into these Extraordinary Assumptions & Disclosures.
- A recently issued title policy was not furnished to the appraiser(s). If a value-impairment is identified or suggested in a title policy, another professional report, or some other document, this appraisal does not address issues that are significantly atypical for a valuation of this type property unless specifically identified in the Scope of Work and/or Noteworthy Issues section of this report.

The above extraordinary assumptions as well as other assumptions anywhere herein are integral premises upon which the conclusions in this document are based. If any of these assumptions are later found to be materially untrue or inaccurate, then this report's assignment results may or may not be affected.

Hypothetical Conditions

USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis."

Hypothetical conditions assume conditions that are contrary to known fact. An illustration is the current valuation of a proposed home. For the purpose of a rational analysis, it is assumed the home exists on the effective value date, but it is known the home is nonexistent. Another example is a new zoning classification, that a property does not have today, but the new zoning is assumed for the purpose of a logical current valuation. Uncertainty is not involved with a hypothetical condition. An essential premise underlying the valuation is known not to exist on the effective value date.

USPAP Standard Rule 1-2(g) requires the identification of all hypothetical conditions that are necessary for a credible value opinion. This appraisal employs no hypothetical conditions.

Personal Property & Intangibles

Personal property is movable and **not** permanently affixed to the real estate. Examples of personal property are freestanding ranges, refrigerators, tables, desks, chairs, beds, linen, silverware, hand tools, and small utensils. An intangible is a nonphysical asset like franchises, trademarks, patents, goodwill, and mineral rights. Personal and intangible property included in this appraisal's value opinion, if any, is considered typical for this type real estate, yet insignificant to the value opinion. Therefore, non-realty is not itemized or valued herein. Moreover, this report's final value conclusion(s) **excludes** unaffixed equipment, detached trade fixtures, and chattel unless specifically stated to the contrary.

Definition of Market Value

The definition of *market value* is used in all federally regulated transactions that exceed a minimum amount. This definition is mandated by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. The exact same definition was published in the Federal Register several times by different federal agencies. Some printings are: 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; and 59 Federal Register 29499, June 7, 1994.)

Federal agencies publishing the **exact same definition** include the

- Office of the Comptroller of the Currency (OCC) as 12 CFR 34, subpart C
- Federal Reserve Board (FRB) as 12 CFR 225, Subpart G
- Federal Deposit Insurance Corporation (FDIC) as 12 CFR 323.2, Definition (g) in 55 Federal Register, 33,888 August 20, 1990, Effective September 19, 1990.
- Office of Thrift Supervision (OTS) as 12 CFR 564
- National Credit Union Administration (NCUA) as 12 CFR 722

The **exact same definition** was again published jointly by the OCC, OTS, FRS, and FDIC on page 61 of the "*Interagency Appraisal and Evaluation Guidelines*". These guidelines were published in the Federal Register on December 10, 2010 as Volume 55, page 77472. All the above citations defined market value as:

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

- *buyer and seller are both typically motivated;*
- *both parties are well informed or well advised, and acting in what they consider their own best interests;*
- *a reasonable time is allowed for exposure in the open market;*
- *payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Virtually the same definition is also cited in Advisory Opinion 30 in the 2014-2015 version of the Uniform Standards of Professional Appraisal Practice (USPAP), lines 124 to 136.

Definition of Rental Value

The concept of *rental value* is analogous to market value. Succinctly, rental value is the most probable rental amount a property should bring in an open competitive market. An informal definition follows.

"Rental value means the most probable rental amount which a property should bring in a competitive and open market under all conditions requisite to a fair agreement, the landlord and tenant each acting prudently and knowledgeably, and assuming the rental amount is not affected by undue stimulus. Implicit in this definition is the consummation of a lease agreement as of a specified date under conditions whereby:

- 1. the landlord and tenant are both typically motivated;*
- 2. both parties are well informed or well advised and 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 rental amount represents normal rent for a leased property unaffected by special or creative concessions granted by anyone associated with the sale."*

The above informal definition of *rental value* was adapted from the formal definition of *market value* published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989.

Definition of Real Property Estates

One or more of the following underlined legal estates or interests are valued in this report. Definitions of three estates, quoted immediately below, are from *The Dictionary of Real Estate Appraisal*, Fifth Edition; published by the Appraisal Institute, copyright 2010.

- Fee Simple Estate *"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*
- Leased Fee Estate *"A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship."*
- Leasehold Estate *"The tenant's possessory interest created by a lease"*

The words "Leased Fee Estate" constitute a real estate term. This term is not defined in Black's Law Dictionary, the Deluxe Eight Edition. However, leased fee estate is defined by USLegal.com as:

"an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; usually consists of the right to receive rent and the right to repossession at the termination of lease."

In effect, the definitions of "lease fee estate" by the Appraisal Institute and USLegal.com are equivalent.

Chicago Title Insurance Company, one of the largest in the country, does not use the term "Lease Fee Estate" in their title insurance policies. Chicago Title does insure the "Fee Simple Estate Subject to the Leases". **For all practical purposes, the terms "Leased Fee Estate" and "Fee Simple Estate Subject to the Leases" are equivalent.**

Market value of the leased fee estate represents the worth of real property to the landlord (the lessor) as encumbered by terms set forth in one or more leases. A leasehold estate is the tenant's (the lessee's) interest in real property.

The above definition for the fee simple estate is the classic meaning. A lease is an encumbrance. If a property is unencumbered, then usage of the term "fee simple estate" could be interpreted to mean the property is not encumbered by lease. If there are no leases for a multitenant facility, then the building has no lease income. Under this interpretation, the value of the fee simple (V_{FS}) would be less than the value of the leased fee (V_{LF}). Accordingly, the $V_{FS} < V_{LF}$ because lease-up costs must be paid by a buyer to find tenants and induce occupancy.

In effect, total lease-up cost would constitute a penalty to the property's value imposed by a buyer. Components of a total lease-up cost include leasing commissions, rent loss, concessions, tenant improvements, any other cash expenditures, and buyer incentive to undertake the risk of lease-up.

Definition of Real Property Estates

According to the Appraisal Institute course *General Appraiser Income Approach, Part 2* - page 231, there are two interpretations of the term "fee simple estate". A second interpretation for fee simple estate is a value-oriented definition used by many real estate appraisers. For valuation purposes, market value of the fee simple is the worth of the property assuming it is already leased at market rent to a level of stabilized occupancy. Under this interpretation, the $V_{FS} \geq V_{LF}$ because lease-up costs to find tenants and induce occupancy are already paid.

An extremely important concept in the valuation of leases is the relationship between market rent or income (I_{FS}) and contract rent, the rent stated in a lease (I_{LF}). If the contract rent is below market rent ($I_{LF} < I_{FS}$), the tenant enjoys an advantageous position called a positive leasehold interest. Then, the value of the leased fee is usually less than the value of the fee simple ($V_{LF} < V_{FS}$). If contract rent exceeds market rent ($I_{LF} > I_{FS}$), then the landlord has an advantage while the tenant has an unfavorable position called a negative leasehold interest. When contract rent equals market rent, then the numerical value of these two estates is equal but the rights of each estate are distinctly different.

In essence, the difference interpretations for the fee simple estate involve lease-up costs. If fee simple is interpreted to mean no leases encumber the property, then a buyer of a multitenant facility would incur lease-up costs. These cost would likely be substantial so a prospective buyer would penalize the property by the amount of the total lease-up cost, which is detailed above. If fee simple is interpreted to mean the value of real property already leased up to stabilized occupancy at market rent, then no lease-up is necessary so no lease-up penalty is appropriate.

For valuation purposes in this report, three estates are defined below.

- *Market value of the **fee simple estate** for a single-user property like a one-user building or vacant land represents the worth to the most probable buyer via the sales comparison approach. Income generation on a rental basis is not an important factor to this buyer. Property suitability for the buyer's own use or use control are the primary purchasing criteria. Lease-up costs are not relevant. In this context, fee simple means the property is not encumbered by lease.*
- *The **fee simple estate** for a multiple-tenant facility is different from the one immediately above. A different interpretation is appropriate for a building designed to generate real estate rental income like a shopping center or apartment building. This estate for this type property is defined as the worth to the most probable buyer assuming the property is already leased to a level of stabilized occupancy at normal market terms including market rent. Lease-up costs are assumed already paid so a lease-up penalty is not appropriate.*
- *An investment grade, leased, single-user building is best valued in a fashion that is similar to a multiple-tenant property. Hence, the interpretation for fee simple in the immediately preceding paragraph is best for an investment grade, leased, single-user building.*
- *Market value of the **leased fee estate** is defined as the worth of real property to its current owner as encumbered by terms specified in one or more leases.*

- Lastly, a **leasehold estate** is defined as one tenant's interest in real property as defined by a lease.

These definitions are crucial valuation concepts in this report.

Assemblage

USPAP Standard Rule 1-4(e) requires an analysis of the assemblage of various estates or component parts that affect value. In this case, no assemblage is expected so value is not affected.

Contingent and Limiting Conditions

1. By this notice, all persons, companies, or corporations using or relying on this report in any manner bind themselves to accept these Contingent and Limiting conditions, and all other contingent and limiting conditions contained elsewhere in this report. Do not use any portion of this report unless you fully accept all Contingent and Limiting conditions contained throughout this document.
2. The "Subject" or "Subject Property" refers to the real property that is the subject of this report. An Appraiser is defined as an individual person who is licensed to prepare real estate appraisal-related services in the State of West Virginia and affixes his / her signature to this document.
3. Throughout these Contingent and Limiting Conditions, the singular term "Appraiser" also refers to the plural term "Appraisers". The terms "Appraiser" and "Appraisers" also refer jointly / collectively to "CS Valuation", its officers, employees, contractors, personnel, staff, shareholders, members, and affiliates. The masculine terms "he" or "his" also refer to the feminine term "she" or "her".
4. In these Contingent and Limiting Conditions, the "Parties" refers to all of the following collectively: (a) the Appraiser(s), (b) CS Valuation, (c) the client, and (d) all intended users.
5. These Contingent and Limiting Conditions are an integral part of this report along with all certifications, definitions, descriptions, facts, statements, assumptions, disclosures, hypotheses, analyses, and opinions.
6. All contents of this report are prepared solely for the explicitly identified client and other explicitly identified intended users. The liability of the Appraiser is limited solely to the client. There is no accountability, obligation, or liability to any other third party. Other intended users may read but not rely on this report. In no event shall the Appraisers be liable for consequential, special, incidental or punitive loss, damages or expense (including without limitation, lost profits, opportunity costs, etc.) even if advised of their possible existence. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all contingent and limiting conditions, assumptions, and disclosures. Use of this report by third parties shall be solely at the risk of the third party.
7. This document communicates the results of an appraisal assignment. This communication is not an inspection, engineering, construction, legal, or architectural report. It is not an examination or survey of any kind. Expertise in these areas is not implied. The Appraiser is not responsible for any costs incurred to discover, or correct any deficiency in the property.

Contingent and Limiting Conditions

8. Appraiser and Client agree the following mutual limitation of liability is agreeable in consideration of the fees to be charged and the nature of appraisal services provided under this Agreement. Appraiser and Client agree that to the fullest extent permitted by applicable law, the Appraiser's and its Personnel's maximum aggregate and joint liability to the other party for claims and causes of action relating to this Agreement for appraisals or other services under this agreement shall be limited to \$25,000 or the total of all fees and costs charged by the Appraiser for services that are subject of the claim(s) or cause(s) of action. This limit of liability extends to all types of claims or causes of action, whether in breach of contract or tort, including without limitation claims / causes of action for negligence, professional negligence, or negligent misrepresentation on the part of either party or its Personnel, but excluding claims / causes of action of intentionally fraudulent conduct, criminal conduct, or intentionally caused injury. The Personnel of each party are intended third party beneficiaries of this limitation of liability. The word "Personnel", as used in this paragraph, means the respective party's staff, employees, contractors, members, partners, affiliates, and shareholders. Appraiser and Client agree that they each were free to negotiate different terms than stated in this Agreement or contract with other parties.
9. As part of this appraisal, information was gathered and analyzed to form opinion(s) that pertain solely to one or more explicitly identified effective value dates. The effective value date is the only point in time that the value applies. Information about the subject property, neighborhood, comparables, or other topics discussed in this report was obtained from sensible sources. In accordance with the extent of research disclosed in the Scope of Work section, all information cited herein was examined for accuracy, is believed to be reliable, and is assumed reasonably accurate. However, no guaranties or warranties are made for this information. No liability or responsibility is assumed for any inaccuracy which is outside the control of the Appraiser, beyond the scope of work, or outside reasonable due diligence of the Appraiser.
10. Real estate values are affected by many changing factors. Therefore, any value opinion expressed herein is considered credible only on the effective value date. Every day that passes thereafter, the degree of credibility wanes as the subject changes physically, the economy changes, or market conditions change. The Appraiser reserves the right to amend these analyses and/or value opinion(s) contained within this appraisal report if erroneous, or more factual-information is subsequently discovered. No guarantee is made for the accuracy of estimates or opinions furnished by others, and relied upon in this report.
11. In the case of limited partnerships, syndication offerings, or stock offerings in the real estate, the client agrees that in case of lawsuit (brought by the lender, partner, or part owner in any form of ownership, tenant, or any other party), the client will hold CS Valuation, its officers, contractors, employees and associate appraisers completely harmless. Acceptance of, and/or use of this report by the client, or any third party is prima facie evidence that the user understands and agrees to all these conditions.

Contingent and Limiting Conditions

12. For appraisals of multiunit residential, only a portion of all dwellings was observed. A typical ratio of observed dwellings roughly approximates 10% of the total number of units, and this ratio declines as the number of dwellings grows. It is assumed the functionality, physical condition, construction quality, and interior finish of unseen units are similar to the functionality, physical condition, construction quality, and interior finish of observed units. If unobserved dwellings significantly differ from those that were viewed in functionality, physical condition, quality, or finish, the Appraiser reserves the right to amend theses analysis and/or value opinion(s).
13. If the appraised property consists of a physical portion of a larger parcel is subject to the following limitations. The value opinion for the property appraised pertains only to that portion defined as the subject property. This value opinion should not be construed as applying with equal validity to other complementary portions of the same parcel. The value opinion for the physical portion appraised + the value of all other complementary physical portions may or may not equal the value of the whole parcel.
14. Unless specifically stated otherwise herein, the Appraiser is unaware of any engineering study made to determine the bearing capacity of the subject land, or nearby lands. Improvements in the vicinity, if any, appear to be structurally sound. It is assumed soil and subsoil conditions are stable and free from features that cause supernormal costs to arise. It is also assumed existing soil conditions of the subject land have proper load bearing qualities to support the existing improvements, or proposed improvements appropriate for the site. No investigations for potential seismic hazards were made. This appraisal assumes there are no conditions of the site, subsoil, or structures, whether latent, patent, or concealed that would render the subject property less valuable. Unless specifically stated otherwise in this document, no earthquake compliance report, engineering report, flood zone analysis, hazardous substance determination, or analysis of these unfavorable attributes was made, or ordered in conjunction with this appraisal report. The client is strongly urged to retain experts in these fields, if so desired.
15. If this report involves an appraisal that values an interest, which is less than the whole fee simple estate, then the following disclosure applies. The value for any fractional interest appraised + the value of all other complementary fractional interests may or may not equal the value of the entire fee simple estate.
16. If this appraisal values the subject as though construction, repairs, alterations, remodeling, renovation, or rehabilitation will be completed in the future, then it is assumed such work will be completed in a timely fashion, using non-defective materials, and proper workmanship. All previously completed work is assumed completed in substantial conformance with plans, specifications, descriptions, or attachments made or referred to herein. It is also assumed all planned, in-progress, or recently completed construction complies with the zoning ordinance, and all applicable building codes. A prospective value opinion has an effective value date that is beyond or in the future relative to this report's preparation date. If this appraisal includes a prospective valuation, it is understood and agreed the Appraiser is not responsible for an unfavorable value effect caused by unforeseeable events that occur before completion of the project.

Contingent and Limiting Conditions

17. This valuation may or may not include an observation of the appraised property by an Appraiser. The extent of any observation is disclosed in the Scope of Work section of this report. Any observation by an Appraiser is not a professional property inspection. Viewing of the subject was limited to components that were not concealed, clearly observable, and readily accessible without a ladder on the property observation date. As used herein, readily accessible means within the Appraiser's normal reach without the movement of any man made or natural object. Comments or descriptions about physical condition of the improvements are based solely on a superficial visual observation. These comments are intended to familiarize the reader with the property in a very general fashion.
18. The allocation of value between the subject's land and improvements, if any, represents our judgment only under the existing use of the property. A re-evaluation should be made if the improvements are removed, substantially altered, or the land is utilized for another purpose.
19. The Client and all intended users agree to all the following. (A) This appraisal does not serve as a warranty on the physical condition or operability of the property appraised. (B) All users of this report should take all necessary precautions before making any significant financial commitments to or for the subject. (C) Any estimate for repair or alternations is a non-warranted opinion of the Appraiser.
20. Electric, heating, cooling, plumbing, water supply, sewer or septic, mechanical equipment, and other property systems were not tested. No determination was made regarding the operability, capacity, or remaining physical life of any component in, on, or under the real estate appraised. All building components are assumed adequate and in good working order unless stated otherwise. Private water wells and private septic systems are assumed sufficient to comply with federal, state, or local health safety standards. No liability is assumed for the soundness of structural members since structural elements were not tested or studied to determine their structural integrity. The roof cover for all structures is assumed water tight unless otherwise noted. This document is not an inspection, engineering or architectural report. If the client has any concern regarding structural, mechanical, or protective components of the improvements, or the adequacy or quality of sewer, water or other utilities, the client should hire an expert in the appropriate discipline before relying upon this report. No warranties or guarantees of any kind are expressed or implied regarding the current or future physical condition or operability of any property component.
21. Any exhibits in the report are intended to assist the reader in visualizing the subject property and its surroundings. The drawings are not surveys unless specifically identified as such. No responsibility is assumed for cartographic accuracy. Drawings are not intended to be exact in size, scale, or detail.
22. Value opinions involve only real estate, and inconsequential personal property. Unless explicitly stated otherwise, value conclusions do not include personal property, unaffixed equipment, trade fixtures, business-good will, chattel, or franchise items of material worth.

Contingent and Limiting Conditions

23. No liability is assumed for matters of legal nature that affect the value of the subject property. Unless a clear statement to the contrary is made in this report, value opinion(s) formed herein are predicated upon the following assumptions. (A) The real property is appraised as though, and assumed free from all value impairments including yet not limited to title defects, liens, encumbrances, title claims, boundary discrepancies, encroachments, adverse easements, environmental hazards, pest infestation, leases, and atypical physical deficiencies. (B) All real estate taxes and assessments, of any type, are assumed fully paid. (C) It is assumed ownership of the property appraised is lawful. (D) It is also assumed the subject property is operated under competent and prudent management. (E) The subject property was appraised as though, and assumed free of indebtedness. (F) The subject real estate is assumed fully compliant with all applicable federal, state, and local environmental regulations and laws. (G) The subject is assumed fully compliant with all applicable zoning ordinances, building codes, use regulations, and restrictions of all types. (H) All licenses, consents, permits, or other documentation required by any relevant legislative or governmental authority, private entity, or organization have been obtained, or can be easily be obtained or renewed for a nominal fee.
24. Conversion of the subject's income into a market value opinion is based upon typical financing terms that were readily available from a disinterested, third party lender on this report's effective date. Atypical financing terms and conditions do not influence market value, but may affect investment value.
25. All information and comments concerning the location, market area, trends, construction quality, construction costs, value loss, physical condition, rents, or any other data for the subject represent estimates and opinions of the Appraiser. Expenses shown in the Income Approach, if used, are only estimates. They are based on past operating history, if available, and are stabilized as generally typical over a reasonable ownership period.
26. This appraisal was prepared by CS Valuation and consists of trade secrets and commercial or financial information, which is privileged, confidential, and exempt from disclosure under 5 U.S.C. 522 (b) (4).
27. The Appraiser is not required to give testimony or produce documents because of having prepared this report unless arrangements are agreed to in advance. If the Appraiser is subpoenaed pursuant to court order or required to produce documents by judicial command, the client agrees to compensate the Appraiser for his appearance time, preparation time, travel time, and document preparation time at the regular hourly rate then in effect plus expenses and attorney fees. In the event the real property appraised is, or becomes the subject of litigation, a condemnation, or other legal proceeding, it is assumed the Appraiser will be given reasonable advanced notice, and reasonable additional time for court preparation.

Contingent and Limiting Conditions

28. Effective January 26, 1992, the Americans with Disabilities Act (ADA) - a national law, affects all non-residential real estate or the portion of any property, which is non-residential. The Appraiser has not observed the subject property to determine whether the subject conforms to the requirements of the ADA. It is possible a compliance survey, together with a detailed analysis of ADA requirements, could reveal the subject is not fully compliant. If such a determination was made, the subject's value may or may not be adversely affected. Since the Appraiser has no direct evidence, or knowledge pertaining to the subject's compliance or lack of compliance, this appraisal does not consider possible noncompliance or its effect on the subject's value.
29. CS Valuation and the Appraiser have no expertise in the field of insect, termite, or pest infestation. We are not qualified to detect the presence of these or any other unfavorable infestation. The Appraiser has no knowledge of the existence of any infestation on, under, above, or within the subject real estate. No overt evidence of infestation is apparent to the untrained eye. However, we have not specifically inspected or tested the subject property to determine the presence of any infestation. No effort was made to dismantle or probe the structure. No effort was exerted to observe enclosed, encased, or otherwise concealed evidence of infestation. The presence of any infestation would likely diminish the property's value. All value opinions in this communication assume there is no infestation of any type affecting the subject real estate or the Appraiser is not responsible for any infestation or for any expertise required to discover any infestation. Our client is urged to retain an expert in this field, if desired.
30. All opinions are those of the signatory Appraiser based on the information in this report. No responsibility is assumed by the Appraiser for changes in market conditions, or for the inability of the client, or any other party to achieve their desired results based upon the appraised value. Some of the assumptions or projections made herein can vary depending upon evolving events. We realize some assumptions may never occur and unexpected events or circumstances may occur. Therefore, actual results achieved during the projection period may differ from those set forth in this report. Compensation for appraisal services is dependent solely on the delivery of this report, and no other event or occurrence.
31. No warranties are made by the Appraiser concerning the property's conformance with any applicable government code or property covenant including but not limited to all laws, ordinances, regulations, agreements, declarations, easements, condominium regulations, restrictions, either recorded or unrecorded. The client is urged to engage the services of a licensed attorney to confirm any legal issue affecting the property appraised. No liability or responsibility is assumed by the Appraiser to determine the cost of replacing or curing any supposedly defective physical component.
32. In the event of an alleged claim due to some defective physical component, the client must notify CS Valuation and allow its representatives and experts to examine and test the alleged defective component before any repairs or modifications are made. If any type of repair or modification is made without the knowledge of the Appraisers, the Appraiser is released from all liability, real or alleged.

Contingent and Limiting Conditions

33. The client and all explicitly identified intended users agree to notify in writing CS Valuation, within one year of this report's preparation date, of any claim relating to or arising from this report regardless of any statute of limitations. If CS Valuation does not receive this written notification within the year period defined in the paragraph, then the claimant releases the Appraiser from all claims arising from or related to this report.
34. The client and all explicitly identified intended users acknowledge that any claim relating to this report shall be settled in accordance with the commercial arbitration rules of the American Arbitration Association with the Parties each paying an equal share of all associated costs.
35. Any alleged claim must be filed in the Circuit Court for the County that encompasses most of or all of Romney, West Virginia 26757 where the Appraiser's business office is located. If a court of law voids any portion of these Contingent and Limiting Conditions, then the remainder remains in full force and effect. The claimants(s) agree not to contest the venue set forth herein and to submit to, and not contest, the exercise of personal jurisdiction over them by the foregoing court. The claimant(s) waive all rights concerning the exercise of personal jurisdiction of them by the foregoing courts and all claims of or concerning forum non-conveniences in the foregoing forum.
36. Superseding all comments to the contrary regardless of the date, this report may not be transferred or assigned without the prior written consent of CS Valuation, the copyright holder.
37. No part of this report shall be published or disseminated to the public by the use of advertising media, public relations media, news media, sales media, electronic devices, or other media without the prior written consent of CS Valuation. This restriction applies particularly as to analyses, opinions, and conclusions; the identity of the Appraiser; and any reference to the Appraisal Institute or its MAI, SRPA, or SRA designations. Furthermore, no part of this report may be reproduced or incorporated into any information retrieval system without prior written permission from CS Valuation, the copyright holder.



Disclosures . . .

Professional Standards

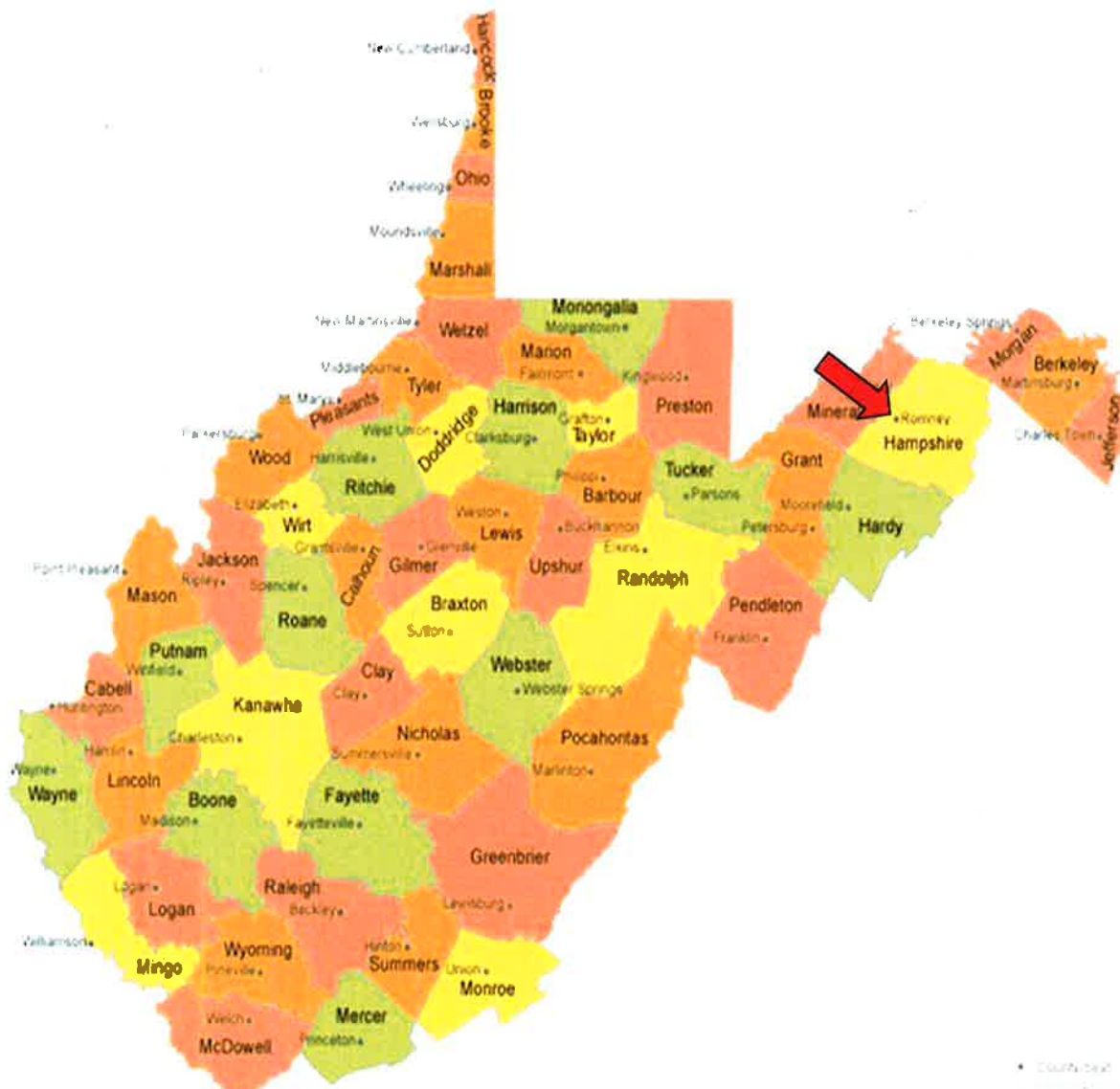
All leading professional appraisal organizations, the U.S. Congress, all state legislatures, and numerous legal jurisdictions recognize the Uniform Standards of Professional Appraisal Practice (USPAP), promulgated by the Appraisal Foundation. Revised biennially to keep it contemporary, these standards set forth ethical practices and proper procedures for a competent appraisal. This appraisal fully complies with all relevant portions of the USPAP version in effect on the date this report was prepared. It also complies with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), a federal law.

Competency

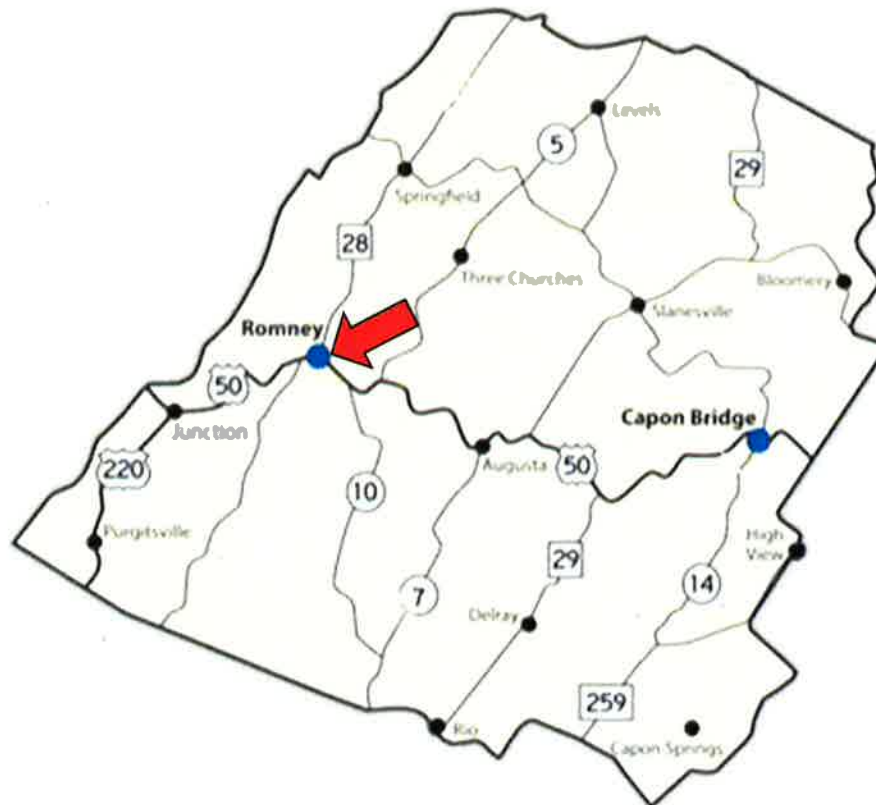
The person signing this report is licensed to appraise real property in the state the subject is located. I affirm I have the experience, knowledge, and education to value this type property. I have previously appraised similar real estate.

◆ Area Data . . .

Regional Map



Vicinity Map



Regional Data

Demographics - The subject property is located in Hampshire County, West Virginia in the Potomac Highlands Region of the state. Hampshire County is the oldest County within the state of West Virginia established on December 13, 1753. The county encompasses an area of approximately 645 square miles and lies approximately 130 miles from Washington D.C, approximately 100 miles from Morgantown West Virginia and approximately 257 miles from the State Capitol of Charleston West Virginia. The county is bordered to the north by Morgan County, West Virginia to the South by Hardy County, West Virginia. The eastern border of the county is the Virginia state line with the western portion of the county bordering Mineral County, West Virginia.

There are two formal municipalities located within Hampshire County, Capon Bridge and Romney, the county seat. They each provide various services within their jurisdictions and each levy property taxes to meet their expenses. Each town has a mayor and town council.

There are sixteen (16) unincorporated areas in Hampshire County: Bloomery, Springfield, Slanesville, Augusta, Kirby, Rio, Green Spring, Yellow Spring, High View, Pin Oak, Three Churches, Junction, Purgitsville, Capon Springs, Delray and Levels. Most of the residential development, retail and consumer services can be found in and around the towns of Capon Bridge and Romney. West Virginia School for the Deaf and Blind is located in Romney. Hampshire Memorial Hospital is also located in Romney and serves the health care needs of the area.

Hampshire County is home to four state wildlife management areas, each providing a variety of recreational opportunities. Summer arts festivals, concerts, and the Hampshire County Fair are a few of the many other recreational and entertainment options available. Values in the last several years have declined significantly in the market area.

Economy - The economy of Hampshire County is influenced by numerous sectors, including natural resources (timber and farming), as well as tourism. Manufacturing is a minimal portion of the local economy. Hampshire County does have a positive location for commuters traveling east for employment

REGIONAL DESCRIPTION – CONTINUED

Agriculture/Forestry	4.4%
Construction	14.3%
Manufacturing	18.6%
Services	15.7%
Retail Trade	12.6%

Transportation - The counties transportation network includes U.S. Route 50 and U.S. Route 28 as the major commuter routes within the area. Interstate access is available to the north in Cumberland, Maryland (I-68) to the east in Winchester, Virginia (I-81) and to the south in Moorefield, West Virginia (I-48).



Subject Property . . .

Identification of the Property

This real estate appraised is situated at the corner of Grafton Street and Armstrong Street within the City of Romney, West Virginia 26757. Its common address is Grafton Street, Romney, West Virginia 26757.

Legal Description

A professional surveyor and / or legal counsel should verify the following legal description before relying upon, or using it as part of any conveyance, or any other document. This legal description was obtained from public records and is assumed accurate.

Beginning at an iron pin on the Eastern boundary limits of Grafton Street and being a corner of James Simmons. Thence with the Eastern boundary limits of Grafton Street by the following courses: North 16 degrees, 15 minutes, 58 seconds East 85.50 feet to a rebar. Thence North 26 degrees, 21 minutes, 54 seconds East 124.00 feet to a PK nail set in a sidewalk at the intersection of Grafton Street and Armstrong Street. Thence with the Southern boundary limits of Armstrong Street and following a sidewalk South 60 degrees, 30 minutes, 08 seconds East 172.00 feet to a point in aforesaid sidewalk, also being a corner to Harry Rogers. Thence leaving said street and sidewalk and with Roger's lines and partially following a steel fence South 28 degrees, 43 minutes, 55 seconds. West 173.00 feet to an angle iron. Thence South 61 degrees, 46 minutes, 05 seconds East 51.00 feet to a rebar in a line of Roger Smith. Thence leaving said fence with Smith's line South 29 degrees, 46 minutes, 40 seconds West 793.78 feet to a rebar, a common corner of Alice Smith and John Wolfe. Thence with Wolf's line North 62 degrees, 25 minutes, 05 seconds West 50.00 feet to a rebar, a corner of James Simmons. Thence with Simmons lines North 29 degrees, 48 minutes, 32 seconds East 50.55 feet to a rebar. Thence North 62 degrees, 09 minutes, 07 seconds West 148.93 feet to the Beginning, containing 37,805.0305 Square feet (0.8679 acre) more or less.

Aerial View



Plat Map



Subject Photographs



Front Elevation
Building B



Rear Elevation
Building B

Subject Photographs



Front Elevation
Building C



Rear Elevation
Building C

Subject Photographs



Front Elevation
Building A



Rear Elevation
Building A

Subject Photographs



Interior Parking



Interior Parking

Subject Photograph



Grafton Street
Facing North



Interior Apartment
B-1 Kitchen

Subject Photographs



Interior Apartment B-1
Full Bathroom



Interior Apartment B-1
Living Room

Subject Photographs



Interior Apartment C-3
Living Room



Interior Apartment C-3
Bedroom

Subject Photographs



Interior Apartment C-3
Full Bathroom



Coin Operated Laundry
Room

Subject Photographs



Community Room

Sale History

On-line public records and / or a private data-reporting services were used to search for prior sales of the subject real estate. This research discovered no recorded conveyance of the subject during the three-years preceding this report's effective value date. Our client indicated the property did not convey. Moreover, the subject was not offered "For Sale" in the local MLS or other major data-reporting services during this same period. No sale or option agreements are now pending.

Subject's Current Ownership	
Owner	Information Source
James R. Outten	Assessor's Records

Flood Hazard

According to the appropriate Federal Emergency Management Agency (FEMA) flood map, which is identified below, the subject property is not located in a zone "A" special flood hazard.

Flood Map Number 54027C0232C
Flood Map Date 11/02/2002
Flood Zone X

Flood Maps published by FEMA are not precise. If anyone desires a precise determination of the subject's flood hazard classification, a professional engineer, licensed surveyor, or local governmental authority should make an exact determination.

Flood Map



Environmental Risks

Disclosure

During the course of this appraisal, the appraiser(s) did **not** detect or attempt to discover any environmental hazard on, under, above, or within the subject real estate. No overt evidence of any environmental hazard is apparent to the untrained eye. It should be known the appraiser(s) did not view the subject property with the intent of detecting any environmental hazard. It is beyond the expertise of the appraiser(s) to detect or determine the chemical nature of any substance or gas. No effort was made to dismantle or probe any part of the property to discover enclosed, encased, or concealed hazards. No effort was exerted to ascertain the presence of any environmental hazard including but not limited to the following.

<i>Asbestos</i>	<i>Urea-formaldehyde insulation</i>
<i>Underground storage tanks</i>	<i>Soil contamination or deficiencies</i>
<i>Lead-based paint</i>	<i>Toxic mold</i>
<i>Radon</i>	<i>PCB</i>
<i>Chemical spills</i>	<i>Fire resistant treated plywood (FRTTP)</i>

Flood hazards are detailed elsewhere in this report. Except as enumerated herein, the appraiser(s) were not given the results of any environmental testing on or near the property being appraised. Neither observation of the subject property, or research conducted as part of a typical real estate appraisal suggest the presence of any hazardous substance or detrimental environmental condition affecting the subject. Nearby sites were not investigated to determine whether they are contaminated. Public information and other Internet sources were not researched to determine the presence of hazardous substances or detrimental environmental conditions in the subject's vicinity.

Federal, State, and local laws concerning any hazardous substance or gas are sometimes contradictory. Therefore, any needed clean up should comply with the most stringent laws. The appraiser(s) are **not** informed or trained in environmental legalities. It is assumed no hazardous substance or gas adversely affects the subject real estate. If the subject is adversely influenced by a hazardous condition, then the subject's market value would be impaired.

Recommendation

The presence of any hazardous condition usually diminishes market value. The value opinion formed in this report assumes there is no environmental hazard affecting the subject real estate. No responsibility is assumed by the appraiser(s) or CS Valuation for any hazard, or for any expertise required to discover any environmentally hazardous condition. Our client is urged to retain an expert in this field, if desired.

Subject Site

<i>Dimensions</i>	See attached plat
<i>Size</i>	37,805
<i>Easements</i>	None know, known assumed
<i>Encroachments</i>	None known; none assumed
<i>Shape</i>	Mildly Irregular
<i>Topography</i>	Generally level
<i>Curbs & Gutters</i>	Concrete curbs, concrete gutters
<i>Water & Sanitation</i>	Public water, public sewer
<i>Rear Alley</i>	None
<i>Access</i>	Typical
<i>Street Paving</i>	Asphalt
<i>Sidewalks</i>	Concrete
<i>Natural Gas</i>	None
<i>Adjacent Road(s)</i>	Northwestern Turnpike (US Route) S High Street (US Route 28)
<i>Nearby Land Uses</i>	Primarily single family residential as well as light commercial, government offices with some retail typical of a small rural municipality CBD.
<i>Electric</i>	Provided by public companies at prevailing rates
<i>Major Flaws</i>	None noted
Overall Features	<p>The land has typical features as compared to similar alternatives. Its overall locational attributes are average relative to competitive parcels. The subject has good access leading from either Grafton Street Lane or Armstrong Street. The subject's efficient rectangular shape is considered adequate for a number of potential uses.</p>

Description of Existing Improvements

<i>General Use</i>	Multiple-Unit Residential	
<i>Total Units</i>	23	
<i>Actual Age</i>	35 to 40-year old	
<i>Const Quality</i>	Average	
<i>Bldg Height</i>	2 Stories	
<i>General Design</i>	Typical	
<i>Foundation</i>	Type & Material	100% Slab-type foundation, Poured concrete .
<i>Predominant Exterior Materials</i>	Roof Cover	Asphalt shingles. Mostly original.
	Walls	Mostly brick with wood accents
	Windows	Predominantly sliding, double-pane in metal frames. Mostly original.
	Ceilings	Painted drywall
	Partitions	Painted drywall
<i>Predominant Interior Materials</i>	Floor Cover	Carpet & CVT Some original, more than half replaced.
	Trim	Painted wood; Minimal
	Doors	Painted wood
	Bsmt Finish	Not applicable

Description of Existing Improvements

	Quan.	Sq.Ft. Each	Rooms	Sq.Ft Total	6-3-1.5 rooms denotes 6 total rooms including 3 bedrooms with 1.5 baths
<i>Space Usage</i>	00	0,000	6-3-1.5	0,000	
	00	0,000	5-2-1.0	0,000	
	00	0,000	4-1-1.0	0,000	<i>Above Grade</i>
	23	726	3-1-1.0	16,695	
	23		69-23-23	16,695	<i>Totals</i>

Description of Existing Improvements

<i>Kitchens</i>	Most kitchens have average quality, stained wood cabinets with formica-covered countertops, and stainless steel sinks without garbage disposals. Appliances are generally freestanding.		
	23	Refrigerators	
<i>Owner</i>	23	Range / Ovens	
<i>Furnished</i>	00	Dishwashers	
<i>Kitchen</i>	00	Washers	
<i>Appliances</i>	00	Dryers	
	00	Sleeve Air-Conditioners	
<i>Bathrooms</i>	Mostly average quality with white plumbing fixtures, vanity sinks, and ceramic tile floor cover. Most restrooms primarily original.		
<i>Heating</i>	Each unit has an electrically fueled wall mounted Heat & A/C unit. Mostly original.		
<i>Cooling</i>	Each unit has wall mounted Heat & A/C unit. Mostly original.		
<i>Electrical System</i>	Circuit distribution is controlled by circuit breakers. Most illumination provided by incandescent fixtures.		
<i>On-Site Parking</i>	Ample asphalt paved outdoor spaces. Mostly original.		
<i>Landscaping</i>	Typical for area		
<i>Recreational</i>	Community room.		
<i>Needed Major Repairs</i>	None noted		
<i>Recent Replacements</i>	None noted		

Atypical Aspects None noted

Functionality Adequate for intended use. No functional obsolescence.

Structural Adequate

Soundness Not checked, but believed operable

Building Systems Adequate

***Overall
Features***

Functional About the norm relative to its competition

Efficiency About the norm as compared to most nearby buildings

Physical
Condition None noted

Visual
Appearance Typical

Real Estate Taxes

Throughout Hampshire County, the Total Assessed Value is supposed to represent 60% of market value for all property types. Hence, the assessor's implied market value can be calculated by dividing 40% into the Total Assessed Value.

<i>County</i>	Hampshire
<i>Parcel ID #</i>	14-08-0002-0044
<i>Tax Year</i>	2014
<i>Total Assessed Value</i>	\$648,500
<i>Total Tax Dollars</i>	\$7,452.04

Real estate taxes are a primary mechanism used by local government to gather the monies needed to fund operations. Too little funds can limit governmental services. Excessive tax burden can hinder real estate values. For the subject, taxes are not unduly burdensome.

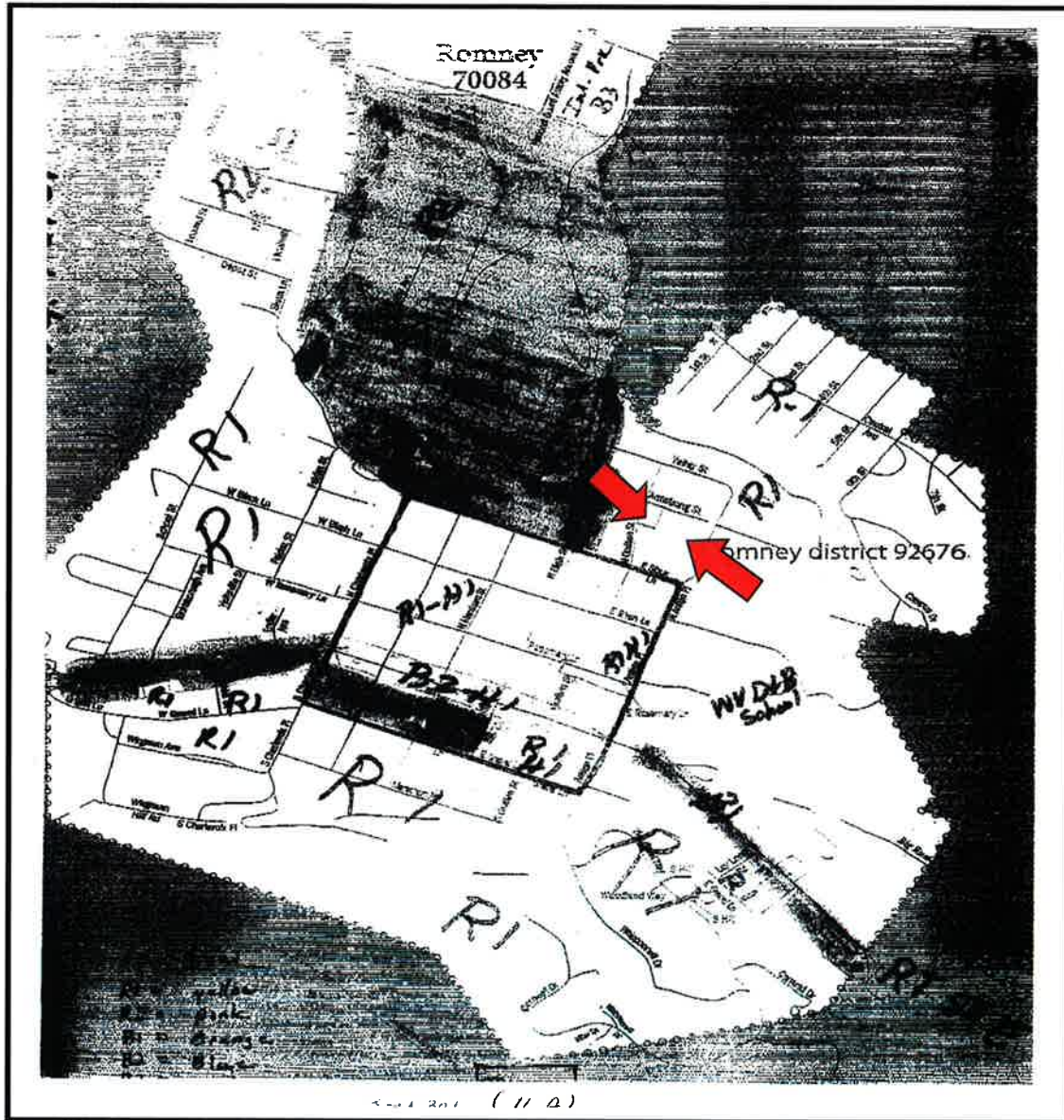
Zoning

The subject property is now zoned "R-1" Residential District by the City of Romney - Some but not all requirements and limitations of this classification follow.

<i>Permitted Uses</i>	<i>General Residential usage including, single family, duplex and multi-family.</i>
<i>Minimum Site Area</i>	<i>10,000 sq. ft.</i>
<i>Minimum Site Frontage</i>	<i>60'</i>
<i>Story Height</i>	<i>Two and a half (2.5) stories</i>
<i>Parking</i>	<i>Two (2) of which one (1) may be located in driveway.</i>

As now constituted and used, the subject generally complies with all aspects of the zoning ordinance. Therefore, the subject real estate is considered a legal, conforming usage.

Zoning Map





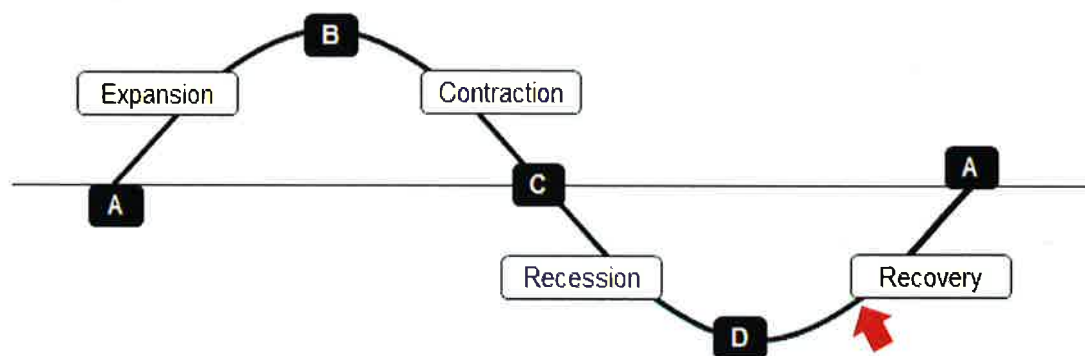
Analyses & Conclusions . . .

Value Introduction

For real estate consisting of land and building(s), there are three primary valuation methods - the cost approach, sales comparison approach, and income approach. Unless stated otherwise, only those considered applicable and necessary to produce credible results are developed in this report.

Real Estate Cycles

Real estate generally has four market cycles. "Understanding where the market is and forecasting the extent of duration of the cycle are important in projecting the pattern of future income."¹ These cycles are depicted below.



The red arrow depicts the appraiser(s) opinion of the subject's position in the market cycle.

Segment	Name	Characteristics
AB	Expansion	Growing demand, rental rates climbing above replacement cost, decreasing vacancy, concessions not prevalent, high profit potential stimulating much new construction
BC	Contraction	Stable to weakening demand, stable to weakening vacancy, small concessions beginning to occur, rents stable to mildly weakening, profit potential shrinking so new construction slowing
CD	Recession	Stagnant to declining demand, vacancy growing, rental rates falling, significant concessions prevalent, new construction virtually halted
DA	Recovery	Demand strengthening, vacancy shrinking, rental rates starting to climb, concessions shrinking, new construction beginning to occur
Time until the next major point		1 to 3 years

¹ *Advanced Concepts & Case Studies*, pg 253, Appraisal Institute, copyright 2010

Market Conditions

Introduction

The market area is the physical area where similar properties effectively compete. It can also be envisioned as the area that contains the all the primary competition, and in certain cases, some secondary competition. Market areas may contain one or more neighborhoods, districts, cities, counties, or states.

Market Area Boundaries

North	US Route 28
East	Hampshire/Frederick County Line
South	US Route 259
West	US Route 220

Demographics

Physical Area	Hampshire County
Recent Population Level	Mildly declining near 23,000
Household Income	About stable near \$28,000

Local Unemployment

Physical Area	Hampshire County
Recent Pattern	About stable
Approx. Current Percent	6%

Financing

(for real estate like subject)

General Loan Availability	Ample availability; requirements mildly difficult
Interest Rate Range	4.75% to 7.00%
Typical Loan-to-Value Ratio	75% to 80%
Typical Amortization Years	15 to 20 years
Loan Maturity / Balloon	5 years

Market Conditions

Local Housing

Local housing is a good barometer of general consumer confidence. If residents are bidding up home prices, then they are confident about their jobs and the economy. Non-residential real estate often experiences price movement in the same direction.

Physical Area	Hampshire County
Foreclosures & Short Sales	Shrinking portion of all sales
New Construction	Minimal; unfavorable local economic conditions

Housing Type: Single-Unit << Attached - Detached >>									
Year	Half-Year	Num of Sales	Change from Prior Period	Avg Days on Mkt	Median Sale Price (\$)	Average Sale Price (\$)	Change From Prior Period	Total Change From 1st Table Period	Avg + Median Sale Price
2015	1st	109	-4.4%	163	145,000	148,109	-0.6%	23.0%	2.1%
2014	2nd	114	9.6%	155	134,625	148,972	8.0%	23.7%	10.7%
	1st	104	4.0%	161	129,250	137,998	-5.3%	14.6%	6.8%
2013	2nd	100	-20.0%	207	140,000	145,672	-6.5%	21.0%	4.1%
	1st	125	25.0%	185	135,000	155,846	5.7%	29.4%	15.4%
2012	2nd	100	42.9%	166	130,000	147,476	22.5%	22.5%	13.4%
	1st	70	na	148	na	120,421	na	na	na

In real estate, average sale price is often greater than the median. If the ratio of the average sale price to the median price (shown in last column) significantly changes from prior periods, the distribution of sales may be the real cause of the price change, and not true price appreciation or depreciation. Further analysis is necessary.

Expected Near Future Price Change	Expected to remain about stable
Overall Supply & Demand of Housing	Near equilibrium

Market Conditions

Real Estate Like Subject

Rental Market

Inventory of Competing Property For Rent	Near equilibrium
Rent Controls	None
Rent Concessions	Not Prevalent
Expected Near Future Rent Change	Expected to remain about stable

Sales Market

New Construction	Minimal; unfavorable local economic conditions
Inventory of Competing Property For Sale	Near equilibrium
Expected Near Future Price Change	Expected to remain about stable
Marketing Times	Stable

<i>Overall Market Conditions</i>	Stable
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Highest and Best Use

Introduction

A highest and best use identifies the most reasonably probable and appropriately supported use of the property appraised. Since market conditions change, a property's highest and best use may change as well. This analysis is an essential step in the determination of market value. Market dynamics determines a property's use and an appraisal values that use. Practically speaking, a highest and best use analysis forms a framework for the proper selection of comparables.

The "Dictionary of Real Estate Appraisal", fifth edition, copyright 2010 by the Appraisal Institute defines this term on page 93 as:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property - specific with respect to user and timing of the use - that is adequately supported and results in the highest present value"

There are two types of highest and best use. The first is highest and best use of land as though vacant. If a building already exists, the second variety is highest and best use as though now improved. The later considers whether the existing building should be retained as is, demolished, remodeled, renovated, repaired, enlarged, or converted to an alternate use. Both types require separate analyses. Current usage may or may not be different from the near future highest and best use.

The concept of Highest and Best Use is based upon four major criteria, which are summarized below:

1. *Legally Permissible* The use must be legal or probable. That is, the use must conform to existing zoning restrictions, or there must be a reasonable likelihood a rezoning or variance may be granted. Private agreements like deed restrictions and leases must also be considered.
2. *Physically Possible* Physical attributes of the land that must be considered include size, access, shape, orientation, soil conditions, potential hazards, topography, and utilities. Physical attributes of the building that must be analyzed include design, size, efficiency, mechanical systems, floorplan, construction materials, quality, and physical condition.
3. *Financially Feasible* Land may be developed with different uses. Only those uses, which produce a positive net return over time with acceptable risk, are deemed financially viable. This use must not depress surrounding property values.

4. *Maximum Productivity* Of all uses that survive the first three tests, there is only one use, which produces the greatest return with the least risk. This single use represents the property's Highest and Best Use. Supply and demand are constantly fluctuating, so it is common for a property's highest and best use to change.

Highest and Best Use

Introduction

Highest and best use demand analyses can be categorized into two different levels of detail - Inferred and Fundamental. A fundamental analysis forecasts future demand from projections of broad demographic and economic data like population, income, and employment. Existing supply is inventoried. Then, the relationship of supply and demand is weighed to determine net demand. If net demand is positive, more of that property type is needed. Of course, the opposite is also true.

An inferred analysis is based on local trends and patterns from which inferences are made. This type analysis presumes that recent past trends will continue for the near future. Sale prices, number of competitive listings, marketing intervals, and / or price changes for other similar properties infer there is adequate demand for the subject at a price level congruous with the available data. An inferred analysis emphasizes historical data while a fundamental analysis is based on expected future occurrences.

This appraisal's highest and best use was based, in part, on an inferred demand analysis. Following below are detailed considerations used to form two highest and best use determinations for the property appraised.

There are two types of highest and best use - "as though now vacant" and "as though now improved". The former presumes the land is vacant and available for development. The latter considers whether the building should be retained as is, renovated, remodeled, repaired, enlarged, demolished, or converted to an alternate use.

Buyer Types

The most likely buyer type is crucial to highest and best use. Different buyer types have different motivations and different perceptions of risk. The buyer type must be identified to better understand applicable approaches and the selection of cap rates and yield rates. Different buyer types are identified below.

Owner-User	Acquires real estate mostly for its use; vacancy & investment yield are not primary criteria. Property suitability is the major objective.
Passive Investor	Seeks an established income stream; usually does not change the property in any meaningful way; generally prefers long-term ownership
Developer	Acquires real estate to physically or legally change it in some significant fashion; accepts substantial risk so expects major reward; short-to-medium holding period
Speculative Investor	Buys real estate solely as an investment with most of the reward at termination; property use is not a primary consideration; medium-to-long-term holding period; usually buys during weak market conditions, so accepts huge risk. Mantra: Buy low, sell high.

Pure Speculator

Buys real estate solely as an investment with most of the reward at termination; property use is usually not a major consideration; buys during conditions of rapidly appreciating prices; short-to-medium ownership period.

Highest and Best Use

Most Likely User

The most likely user is also important. Clearly, users of an age-restricted multiunit residential structure have needs and preferences that are much different from young married couples with small children. These preferences and needs affect value, so the most likely user should be identified to judge the extent that existing or proposed improvements fulfill those needs.

Timing of Use

A crucial component of a highest and best use is timing. If the timing of a use is not now, when is it? When timing for a specific use cannot be identified, then that use is not the best. If the highest use is not within a decade, then the time-value of money usually precludes that use. When the timing of a use is within a few years, what is the interim use? Remaining dormant is a legitimate interim use.

Ideal Improvement

Identification of the "**ideal improvement**" is an essential element of highest and best use. If the property appraised is vacant land, the ideal describes what should be built. If the existing improvements (one or more buildings and site improvements) have the same or similar attributes as the ideal, then the existing improvements have no or minimal depreciation. Obviously, the opposite also applies. The described ideal improvement is as specific as market data will allow.

As Though Now Vacant Land

If subject parcel were vacant, how would it be used? This question is answered by applying the four tests of highest and best use.

Legally Permissible

Legal restrictions fall into two main categories - private and public. Private restrictions are agreements imposed by previous owners. Examples include access easements, use limitations, and leases. Public constraints include zoning, right-of-way easements, historic districts, and utility easements.

Unless specifically stated otherwise, there are no known atypical private or public restrictions. Zoning permits a variety of residential uses including single family, duplex and low to medium density multi-family usage.

Highest and Best Use

As Though Now Vacant Land

Physically Possible

Physical attributes commonly considered include size, shape, access, flood potential, topography, and availability of utilities. Characteristics that may be significantly detrimental but the appraiser(s) are not trained to detect or determine environmental hazards or soil conditions.

There are no known environmental concerns or adverse soil conditions. The land is not located in a FEMA special flood hazard. Sewer and water connections are proximate and access is convenient.

The subject's relatively large 37,805 square foot site, 210' frontage, and relatively efficient mildly irregular shape are seen as adequate for a variety of uses. Its location along a secondary street is seen as positive for residential usage. As an assembled site the subject meets or exceeds all requirements under the R-1 zoning classification for minimum lot sizes in use as either single family, duplex or multi-family residential. In summary, the subject's physical attributes are conducive for a myriad of legal uses including single family, duplex or multi-family residential housing.

Financially Feasible

Uses that are impossible or improbable physically and legally are first eliminated. Those uses that remain are then tested to determine whether they produce sufficient net income to fully pay for all operating expenses and provide adequate compensation for all invested capital.

Legal and physically possible uses have been analyzed. New construction of single family homes within the defined boundaries of the town of Romney has been essentially nonexistent. Instead single family new construction has migrated east of the town closer to educational facilities and shopping opportunities. In consideration of these trends within the market a duplex or multi-family residential usage would appear to be the most financially feasible use for the site. The site offers favorable characteristics for both uses.

In practical terms the subject is located in a rural municipality in which growth is stagnant. The aforementioned recommendations of a duplex or multi-family residential usage are based upon the premise that demand for these uses can be efficiently measured. In the case of the subject, immediately developing with the recommended uses is unlikely. Interim uses are limited as a result of the subject's location. Using the site for overflow parking from the City of Romney CBD would be a consideration however, distance from the subject's location to the CBD would likely preclude this usage. The only seemingly financially feasible interim usage for the subject as vacant would be to remain dormant until demand for duplex or multi-family residential sites improves.

Maximum Productivity

Maximum productivity is considered only if more than one use survives the first three tests. This concept holds land will be developed with the use that returns the greatest positive reward over time assuming it is appropriately supported. However, the numerical return should not be the sole determinant. The numerical reward must be weighted within the context of risk. When a use is expected to produce a very attractive return but the risk is very high, that use is often eliminated.

Both use of the site for a duplex or multi-family residential survive the first three tests. However, there is no significant duplex or multi-family residential new construction in the vicinity. Therefore, the only seemingly maximum productive interim usage for the subject as vacant would be to remain dormant until demand for duplex or multi-family residential sites improves

Conclusion As Though Now Vacant

The only seemingly apparent viable use is some type of duplex or multi-family residential use set towards the rear of the site with ample parking in front. This site scheme is utilized by several duplex and multi-family residential uses. As such, either a duplex or multi-family residential use with ample on-site parking is the only use that seems legally, physically, and financially possible. Therefore, a duplex or multi-family residential use is deemed the highest and best use of the land as though vacant.

Physical Use	A medium-density, multiunit residential use
Timing of Physical Use	Remain dormant for 1 to 3 years, then develop with
Interim Use	No Interim Use
Market Participants	
Most Likely Buyer	A developer for improvement in a few years
Most Likely User	A passive investor

As Though Now Improved

Two major questions must be answered throughout this analysis. When the value of land, as though vacant, exceeds the value of the land and building together, then the structure should be razed. Should the subject building be retained or demolished? If the structure should be kept, is it economically viable to remodel, alter in size, renovate, repair, or convert it to an alternate use?

Legally Possible

Several questions may be germane. Is it legally possible to enlarge the existing building? Can the existing building be legally demolished or does a historic element preclude this?

Unless specifically stated otherwise, there are no known atypical private or public restrictions. Zoning permits a variety of residential uses including single family, duplex and multi-family residential uses. The existing subject structure appears to fully comply with the zoning ordinance. Therefore, its current use is deemed legal.

Physically Possible

Several pertinent questions may apply. Are the site sufficiently large and the existing building appropriately positioned to enlarge the existing building? Should the building be demolished, renovated, repaired, or converted to another use?

The subject's site as assembled contains 37,805 sq. ft. The existing site scheme appears to fully maximize the subject's site area, allowing for appropriate positioning for the three (3) detached buildings as well as allowing space for parking and maneuvering areas. As a result expansion of the subject's current facilities footprint is unlikely. Renovation as well as general repairs have been ongoing with most of the work completed by the current owner. Overall the improvements are considered to be reasonably well maintained and do not require substantial renovation.

Financially Feasible

Relevant queries include - Is it financially feasible to expand or alter the subject structure? Is it feasible to convert it to another use?

Further expansion of the facility would not appear to create any added value as a result of stagnant market conditions. Conversion to another residential usage is also unlikely as demand for either single family residential usage or for new multi-family residential projects remains weak. Considering these factors continued use of the subject as a 23 unit multi-family residential complex would appear to be the most financially feasible use for the subject property.

Maximum Productivity

Only one use survives the first three tests. The sole surviving use is its current use. Therefore continued use as a multi-family residential facility provides a positive return on investment and would appear to be the most maximally productive use for the subject as improved. Therefore, the improvements should be retained and used "as-is".

Conclusion As Though Now Improved

Physical Use	Its current use
Timing of Physical Use	Immediate
Interim Use	No Interim Use
Market Participants	
Most Likely Buyer	A passive investor
Most Likely User	Residential tenant(s)

The subject land "as though now vacant" has a market value that is less than the worth of the land and building together. This proves the improvements positively contribute to value. These improvements were designed to serve its current use; they are compatible with nearby uses. Local costs, prices, and rents do not justify major building alterations. Therefore, the improvements should be retained and used "as is".

In light of the foregoing highest and best use determinations, land and building comparables were selected with the same or similar highest and best use. This data is very influential while forming a value opinion for the property appraised.

Land Value “As Is”

Land Value

Introduction

The best method of valuing vacant land is the sales comparison approach. Sales of similar sites are gathered and compared to the parcel being appraised. Differences affecting value are noted. Adjustments to compensate for dissimilarities are applied applicable transactions. Adjusted comparables produce an indication of value for the subject parcel.

Any factor can affect value. Those considered during this appraisal's land valuation process included yet are not limited to prominence of location, date of sale, size, shape, availability of utilities, zoning, topography, and access. Numerous sales were reviewed; however, only those deemed most comparable were selected for detailed analysis. All conveyed on an “arm's length” basis except if specifically noted otherwise. Land sales shown herein are presented on a dollar per square foot basis as a common denominator.

Abbreviations Used in Some Tables			
SEC	= Southeast Corner	Sim	= Similar
NWC	= Northwest Corner	Inf	= Inferior
Loc Fea	= Locational Features	Sup	= Superior

Since this vicinity has been fully developed for several years, there are few, if any, conveyances of truly similar land. Therefore, an opinion of the subject's land value was developed after consideration of scarce sales, which hinders the sales comparison process. Moreover, the allocation method of land valuation was also considered.

Land Value

Comparable Data



Size

Shape

Topography

Access

Alley

Utilities

Easements

Encroachments

Adjacent Roads

Major Flaws

Sale Price & Date

Sale Price / Acre

Comparable #1

602/610 Main Street
Romney, WV

10,250 Square Feet

Rectangular

Almost level

Typical

None

Potable water is supplied by the City's system.
Wastewater is discharged via the City's system
Public companies provide telephone and electric
services at prevailing rates.

None known; none assumed

None known; none assumed

US Route(s) 50 & 28

None noted

\$29,000 05/2011

\$2.82

Land Value

Comparable Data



Size
Shape
Topography
Access
Alley

Utilities

Easements
Encroachments
Adjacent Roads
Major Flaws
Sale Price & Date
Sale Price / Acre.

Comparable #2

Route 50
Augusta, WV

104,544 Square Feet
Rectangular
Almost level
Typical
None

Potable water is supplied by the County's system. Wastewater is discharged via the County's system. Public companies provide telephone and electric services at prevailing rates.

None known; none assumed
None known; none assumed
US Route 50 & WV CR 29N
None noted
\$52,500 10/2015
\$0.50

Land Value

Comparable Data



Size

Shape

Topography

Access

Alley

Utilities

Easements

Encroachments

Adjacent Roads

Major Flaws

Sale Price & Date

Sale Price / Acre.

Comparable #3

Route 50 East
Augusta, WV

15,246 Square Feet

Rectangular

Almost level

Typical

None

Potable water is supplied by the County's system. Wastewater is discharged via the County's system. Public companies provide telephone and electric services at prevailing rates.

None known; none assumed

None known; none assumed

US Route 50 WV CR 29N

None noted

\$30,000 07/2015

\$1.97

Land Value

Comparable Data



Comparable #4

Bolton Street
Romney, WV

Size	12,197 Square Feet
Shape	Rectangular
Topography	Almost level
Access	Typical
Alley	None
Utilities	Potable water is supplied by the City's system. Wastewater is discharged via City's system. Public companies provide telephone and electric services at prevailing rates.
Easements	None known; none assumed
Encroachments	None known; none assumed
Adjacent Roads	US Route 50 & US Route 28
Major Flaws	None noted
Sale Price & Date	\$20,000 05/2015
Sale Price / Acre.	\$1.64

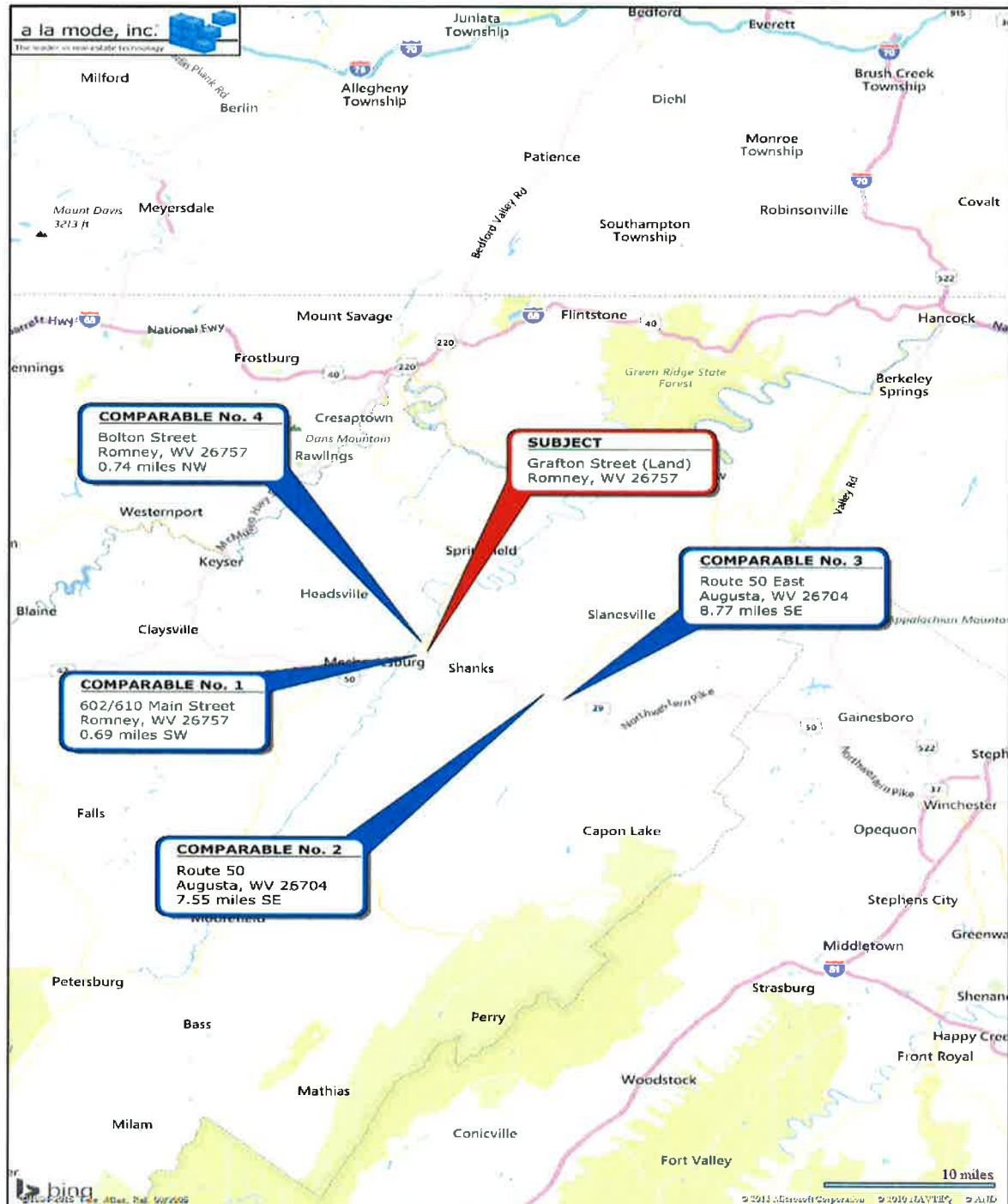
Land Value

Quantitative Adjustment Grid

	Subject	Sale #1		Sale #2		Sale #3		Sale #4	
Address	Grafton Street	602/610 Main St		Route 50		Route 50 East		Bolton Street	
City, State	Romney, WV	Romney, WV		Augusta, WV		Augusta, WV		Romney, WV	
Proximity to Subject	Not Applicable	0.69 Mile(s) SW		7.55 Mile(s) SE		8.77 Mile(s) SE		0.74 Mile(s) NW	
Information Source	Not Applicable	Public Record		Public Record		Public Record		Public Record	
Description & Use	As-If Vacant	Vacant Land Sale		Vacant Land Sale		Vacant Land Sale		Vacant Land Sale	
Grantor / Seller	Not A Sale	Trenary		Noksville		Timbrook		Heckard/ Seltz	
Grantee / Buyer	Not A Sale	Rotruck		Mountaineer Ammo		Bohrer		Biggs	
Sale Price	Refinance	\$29,000		\$52,500		\$30,000		\$20,000	
Land Sq.Ft.	37,805	10,250		104,544		15,246		12,197	
Sale \$ / Sq.Ft	Not A Sale	\$2.83		\$0.50		\$1.97		\$1.64	
Property Rights	Fee Simple	Fee Simple 0%		Fee Simple 0%		Fee Simple 0%		Fee Simple 0%	
Adjusted Sale \$ / Sq.Ft.	Mkt Rate	\$2.83		\$0.50		\$1.97		\$1.64	
Financing		Mkt Rate 0%		Mkt Rate 0%		Mkt Rate 0%		Mkt Rate 0%	
Adjusted Sale \$ / Sq.Ft.	Typical	\$2.83		\$0.50		\$1.97		\$1.64	
Conditions of Sale		Typical 0%		Typical 0%		Typical 0%		Typical 0%	
Adjusted Sale \$ / Sq.Ft.	None	\$2.83		\$0.50		\$1.97		\$1.64	
Expend. After Sale		None 0%		None 0%		None 0%		None 0%	
Adjusted Sale \$ / Sq.Ft.	Oct-15	\$2.83		\$0.50		\$1.97		\$1.64	
Sale Date (Mkt Conds)		May-11 0%		Oct-15 0%		Jul-15 0%		May-15 0%	
Adjusted Sale \$ / Sq.Ft.		\$2.83		\$0.50		\$1.97		\$1.64	
Location	Average	Average 0%		Average 0%		Average 0%		Average 0%	
Land Sq.Ft.	37,805	10,250 -25%		104,544 40%		15,246 -25%		12,197 -25%	
Shape	Irregular	Similar 0%		Similar 0%		Similar 0%		Similar 0%	
Terrain Slope	Level	Similar 0%		Similar 0%		Similar 0%		Similar 0%	
Access	Average	Similar 0%		Similar 0%		Similar 0%		Similar 0%	
Density (Units / Ac)	Average	Similar 0%		Similar 0%		Similar 0%		Similar 0%	
Zoning	Residential	Similar 0%		None 0%		None 0%		Similar 0%	
Utilities	Water & Sewer	Similar 0%		Similar 0%		Similar 0%		Similar 0%	
Total Adjustment		-25%		39%		-25%		-25%	
Indicated Subject Value / Sq.Ft.		\$2.12		\$0.70		\$1.48		\$1.23	
Indicated Subject Market Value		\$80,100		\$26,500		\$56,000		\$46,500	

Land Value

Land Sales Location Map



Land Value

Analysis & Conclusions

The subject and all cited comparable sales share several characteristics. They are all located within a reasonable proximity of the subject, and have similar highest and best use determinations. These commonalities justify inclusion of these transactions in this analysis. Often there are differences between the property appraised ("the subject") and a comparable sale. When the dissimilarity affects value, an adjustment to the sale price of the comparable is necessary.

Property Rights Agreements or laws create partial interests in real estate. A deed restriction or life estate usually reduces rights and value. If the subject is not affected by these limitations and a comparable is, then the comparable's sale price needs an upward property rights adjustment. In another situation, unfavorable leases eliminate a landlord's right to collect market rent, so the real estate sells for a below-market price. If the property appraised has no lease adversities and a comparable does have unfavorable leases, then the comparable requires upward adjustment. Unless stated otherwise, property rights are virtually the same for the subject and all cited conveyances. Hence, no adjustments are necessary for this element of comparison.

Financing Sub-market financing is a common technique used to finance the acquisition of real estate during periods of high interest rates. When non-market financing is used, the financing may be favorable to the buyer so the sale price is inflated. The escalated price can be envisioned as a composite of the worth of real estate plus the value of advantageous financing. Since value created by financing is not real property, the contribution of the advantageous financing must be deducted from total sale price to derive market value for just the realty. On the opposite hand, there are instances where the buyer assumes unfavorable financing, so the sale price is diminished. In the latter case, an upward adjustment must be applied to the sale price of the comparable thusly deriving the market value of the real estate. Unless a statement is made to the contrary, non-market financing was not used to acquire any comparable sale cited in this report. Therefore, no compensations are needed for financing.

Conditions of Sale An adjustment for conditions of sale is necessary when a criterion of market value is violated. It could compensate for unusual buyer or seller motivations. For instance, when a seller gives a buyer an atypical rebate, discount, credit, or something of value to induce a conveyance, the sale price is usually inflated. In this case, it is logical to deduct the worth of the giveback from the sale price. Residual sums represent the property's market value. In another scenario, a buyer may pay a premium to facilitate an assemblage. In this instance, the premium must be deducted from the sale price to derive market value for that conveyance. Unless stated otherwise, no adjustments are necessary for conditions of sale.

Expenditure Post Sale This is a situation when a buyer is compelled to invest additional money into a property immediately after acquisition for some atypical reason. Post-sale invested sums are appropriately added to a comparable's sale price thereby producing an adjusted sale price. Examples are demolition costs or building-code compliance costs. Unless a contrary statement is made, no adjustments are necessary for post sale expenditures.

Market Conditions Adjustments for market conditions are commonly referred to as time adjustments, but this is misleading. Value does not change due to the passage of time; sometimes it remains stable. Often real estate values fluctuate due to changes in supply and demand, interest rates, employment, or inflation. This type adjustment compensates for change in market conditions between a sale's transaction date and a later point in time. All cited comparables conveyed between May 2011 and this report's effective value date. Values remained virtually unchanged between these two dates, therefore no adjustments for market conditions were applied to the comparable sales utilized.

Location Each property was rated to the subject for locational aspects such as value growth potential, access, and general desirability. Those transactions with superior locations were adjusted downward and vice versa. The subject as well as all cited comparable have what are considered to be a typical or average locations suitable for low to medium density residential uses. As a result a location adjustment was considered for its application in this instance, but was ultimately deemed unwarranted for the cited conveyances.

Physical Attributes A myriad of physical characteristics can affect land value. Some examples are lot size, shape, site orientation, availability of utilities, and soil conditions. Those sales with superior physical qualities warrant downward adjustment and vice versa.

Property size is an influential variable. Often an inverse relationship exists between price and size. That is, the larger the parcel, the lower the price per square foot selling price.

Property size is an influential variable. Often an inverse relationship exists between price and size. That is, the larger the parcel, the lower the price per square foot selling price. Comparable sales 1, 3 & 4 with smaller lot sizes than the subject necessitate a negative per square foot adjustment. Comparable sale 2 with a lot size much larger than the subject required a beneficial per square foot adjustment for size.

Analysis & Conclusions

The appraisers are well aware the cited conveyances are less than ideal comparisons. However, sales of more comparable properties were not discovered during our research. Selected transactions were chosen for analysis because they are all small size, moderately priced, parcels suited for residential uses like the subject.

Value Indication

This adjusted data varies from \$0.70 to \$2.12 per sq. ft. The appraiser considers comparable(s) 3 and 4 to be the most reflective of the subject property. After consideration of all factors pertaining to and influencing land values, the following is selected as the most fitting value indication for the subject parcel as though vacant. Accordingly,

Subject Parcel(s)	37,805	Sq. Ft. @	\$1.27	Per Sq. Ft. =	\$48,012
<i>Indicated Market Value of Subject Land</i>					
<i>"As Is"</i>					\$48,000
<i>Via Sales Comparison, Say</i>					

Land & Building Value “As Is”

Cost Approach

Introduction

The cost approach is a multi-step process that is detailed below.

- Preparation of a current reproduction or replacement cost estimate for all the subject's physical improvements. This cost can be attained from former appraisals of similar new buildings, a professional cost estimator, knowledgeable contractor, or cost estimating reporting services.
- From total cost new, an amount must be deducted for depreciation. Depreciation is a loss in value due to any cause. It can be classified into three main types - physical deterioration, functional obsolescence, or external obsolescence.
- The depreciated value or contributory worth of site improvements, like paving, fencing, and sidewalks, is next estimated.
- Land value is then approximated, usually via sales comparison.
- Finally, land value, the depreciated cost of the main improvements, and the depreciated worth of the site improvements are totaled to derive a value estimate via the cost approach.

Depreciation

Physical deterioration is an adjustment for wear and tear. In this report, this allowance was based upon the age-life method. The first procedure divides the building's effective physical age by its total physical life thereby producing a percentage estimate.

Functional obsolescence is a penalty, as recognized by the marketplace, for inefficiency within the borders of the property being appraised. An example is an inefficient floor plan or a building improperly positioned on a site.

External obsolescence is a penalty, as recognized by the marketplace, for an adversity outside the borders of the appraised property. As an example, unpleasant odors originating from a garbage-dump often causes value to decline for all nearby property types.

The subject suffers no functional deficiency. Therefore, no functional obsolescence is charged the property. No adverse extraneous factors impair the subject, so no external obsolescence is attributable.

Cost Approach

Value Indication

Cost Data From Marshall & Swift		Depreciation Info		Min	Max	Avg
Section	12	Effective Physical Age (Yrs)		10	40	25
Quality	Average	Total Useful Life (Yrs)		40	65	53
Class	D	Physical Deterioration (%)		25%	62%	43%
Occupancy	Multiple Residences	Implied Effective Age		23	Yrs based on all forms of depreciation	

Main Building - Base Cost		\$71.22				
Adjustments (\$)				Multipliers		
Climate	\$0.00			Floor - Area Perimeter		1.000
Heating & Cooling	0.00			Story Height		1.000
Elevator	0.00			Current		1.000
Other	0.00			Local		1.000
Sprinkler	0.00			Other		1.000
Adjusted Base Cost		\$71.22		Composite		
Multi-Story Multiplier		1.00				
Adjusted Base Cost		\$71.22				
				Primary Bldg	Unfin Bsmt	Garage
Adjusted Base Cost				\$71.22	\$0.00	\$0.00
Times Composite Multiplier				1.000	1.000	1.000
Total Hard Cost Per Sq.Ft.				\$71.22	\$0.00	\$0.00
Replacement Cost New						
Primary Structure(s) - Above Grade		16,695	SqFt @	\$71.22	=	\$1,189,000
Landscaping, Paving, Fencing, Etc.					=	35,000
Total Hard Costs					=	\$1,224,000
Plus Soft Costs (not included in M & S manual)						
Misc: Financing charges, consultants, impact fees, etc.				1.50%	=	18,400
Marketing & Lease-Up				2.50%	=	30,600
Entrepreneurial Incentive				5.00%	=	61,200
Total Cost New					=	\$1,334,200
Less Depreciation						
Physical Deterioration		43%	=	\$573,700	=	
Functional Obsolescence		0%	=	0	=	
External Obsolescence		0%	=	0	=	
		43%	=	\$573,700	=	-573,700
Depreciated Cost of All Improvements				=	\$760,500	94.1%
Plus Land Value		37,805	SqFt @	\$1.27	=	48,000
				=	\$808,500	100.0%
Indicated Market Value Via Cost Approach				say	\$809,000	\$48.43
"As Is"						

Sales Comparison Approach

Introduction

The sales comparison approach is based upon the Principle of Substitution. This principle contends an informed buyer would pay no more for a property than the price of acquiring an equally desirable substitute in an open, competitive market.

In an appraisal, the real estate being appraised is referred to as the "subject" or "subject property". Properties possessing characteristics that are physically and locationally similar to the subject are called "comparables" or "comparable sales". This approach compares prices, terms, and features of similar properties that have sold. Differences are noted. Dissimilarities between the subject and comparables are categorized into elements of comparison. To compensate for dissimilarities, adjustments are applied the sale prices of the comparable sales. Then, a value opinion for the subject is reconciled from the range in adjusted sale prices. The resultant opinion of worth is called "Market Value" or "Value in Exchange."

Some of the following transactions may have employed favorable financing. As used herein, the term favorable financing means some type of debt arrangement the buyer could not reasonably have obtained from a disinterested third party lender. Those transactions utilizing favorable financing were adjusted to a cash basis. Cash equivalency adjustments are required by USPAP and FIRREA. All sales conveyed on an "arm's length" basis unless specifically noted otherwise. An "arm's length" transaction is an agreement between unrelated parties with typical motivations in a competitive market.

Numerous conveyances were considered on a preliminary basis. Those cited in this appraisal report were judged most comparable. They are presented to exhibit their sale prices per square foot of above grade building area including the land.

Sales Comparison Approach

Comparable Sales

Building Comparable #1



225 Antrim Way
Greencastle, PA

<i>Land Size</i>	64,469 Square Feet		
<i>Number Primary Buildings</i>	Three	<i>Building Design</i>	Typical
<i>Number Total Apts</i>	24	<i>Age</i>	47 years
<i>Total Size</i>	42,253 Square Feet	<i># Stories</i>	Two
<i>Exterior Appearance</i>	Average	<i>Const. Quality</i>	Average
<i>Unit Mix</i>	Quan	Rooms	<i>A room count of 5-3-1.5 denotes 5 total rooms including 3 bedrooms and 1.5 baths</i>
	04	6-3-2.0	
	20	5-2-1.0	
	05	4-1-1.0	
	-----	-----	
	24	124-52-28	
<i>General Description</i>	24 Unit Apartment Complex		
<i>Site Improvements</i>	Typical For Area		
<i>Accessory Buildings</i>	None noted		
<i>Needed Repairs</i>	None noted		
<i>Atypical Issues</i>	None noted		
<i>Overall Physical Condition</i>	Average		
<i>Sale Price & Date</i>	\$955,000 03/30/2012		

Sales Comparison Approach

Comparable Sales

Building Comparable #2



322 Jenny Wren Drive
Martinsburg, WV

<i>Land Size</i>	81,457 Square Feet		
<i>Number Primary Buildings</i>	Three	<i>Building Design</i>	Typical
<i>Number Total Apts</i>	14	<i>Age</i>	26 years
<i>Total Size</i>	10,488 Square Feet	<i># Stories</i>	One
<i>Exterior Appearance</i>	Average	<i>Const. Quality</i>	Average
<i>Unit Mix</i>	Quan	Rooms	A room count of 5-3-1.5 denotes 5 total rooms including 3 bedrooms and 1.5 baths
	00	6-3-2.0	
	07	5-2-1.0	
	07	4-1-1.0	
	-----	-----	
	14	63-21-14	
<i>General Description</i>	14 Unit Apartment Complex		
<i>Site Improvements</i>	Typical For Area		
<i>Accessory Buildings</i>	None noted		
<i>Needed Repairs</i>	None noted		
<i>Atypical Issues</i>	None noted		
<i>Overall Physical Condition</i>	Average		
<i>Sale Price & Date</i>	\$592,500 06/2014		

Comparable Sales

Building Comparable #3



82 Picture Mountain
Martinsburg, WV

<i>Land Size</i>	45,302 Square Feet		
<i>Number Primary Buildings</i>	Four	<i>Building Design</i>	Typical
<i>Number Total Apts</i>	16	<i>Age</i>	30 years
<i>Total Size</i>	15,528 Square Feet	<i># Stories</i>	Two
<i>Exterior Appearance</i>	Average	<i>Const. Quality</i>	Average
<i>Unit Mix</i>	Quan	Rooms	A room count of 5-3-1.5 denotes 5 total rooms including 3 bedrooms and 1.5 baths
	00	6-3-2.0	
	15	5-2-1.0	
	01	4-1-1.0	
	-----	-----	
	16	79-31-16	
<i>General Description</i>	16 Unit Apartment Complex		
<i>Site Improvements</i>	Typical For Area		
<i>Accessory Buildings</i>	None noted		
<i>Needed Repairs</i>	None noted		
<i>Atypical Issues</i>	None noted		
<i>Overall Physical Condition</i>	Average		
<i>Sale Price & Date</i>	\$816,000 12/2014		

Comparable Sales

Building Comparable #4



329 Pendleton Dr
Martinsburg, WV

Land Size	13,504 Square Feet		
Number Primary Buildings	Three	Building Design	Typical
Number Total Apts	16	Age	28 years
Total Size	13,824 Square Feet	# Stories	Two
Exterior Appearance	Average	Const. Quality	Average
Unit Mix	Quan	Rooms	A room count of 5-3-1.5 denotes 5 total rooms including 3 bedrooms and 1.5 baths
	00	6-3-2.0	
	16	5-2-1.0	
	05	4-1-1.0	
	-----	-----	
	16	80-32-16	
General Description	16 Unit Apartment Complex		
Site Improvements	Typical For Area		
Accessory Buildings	None noted		
Needed Repairs	None noted		
Atypical Issues	None noted		
Overall Physical Condition	Average		
Sale Price & Date	\$830,000 06/2014		

Sales Comparison Approach

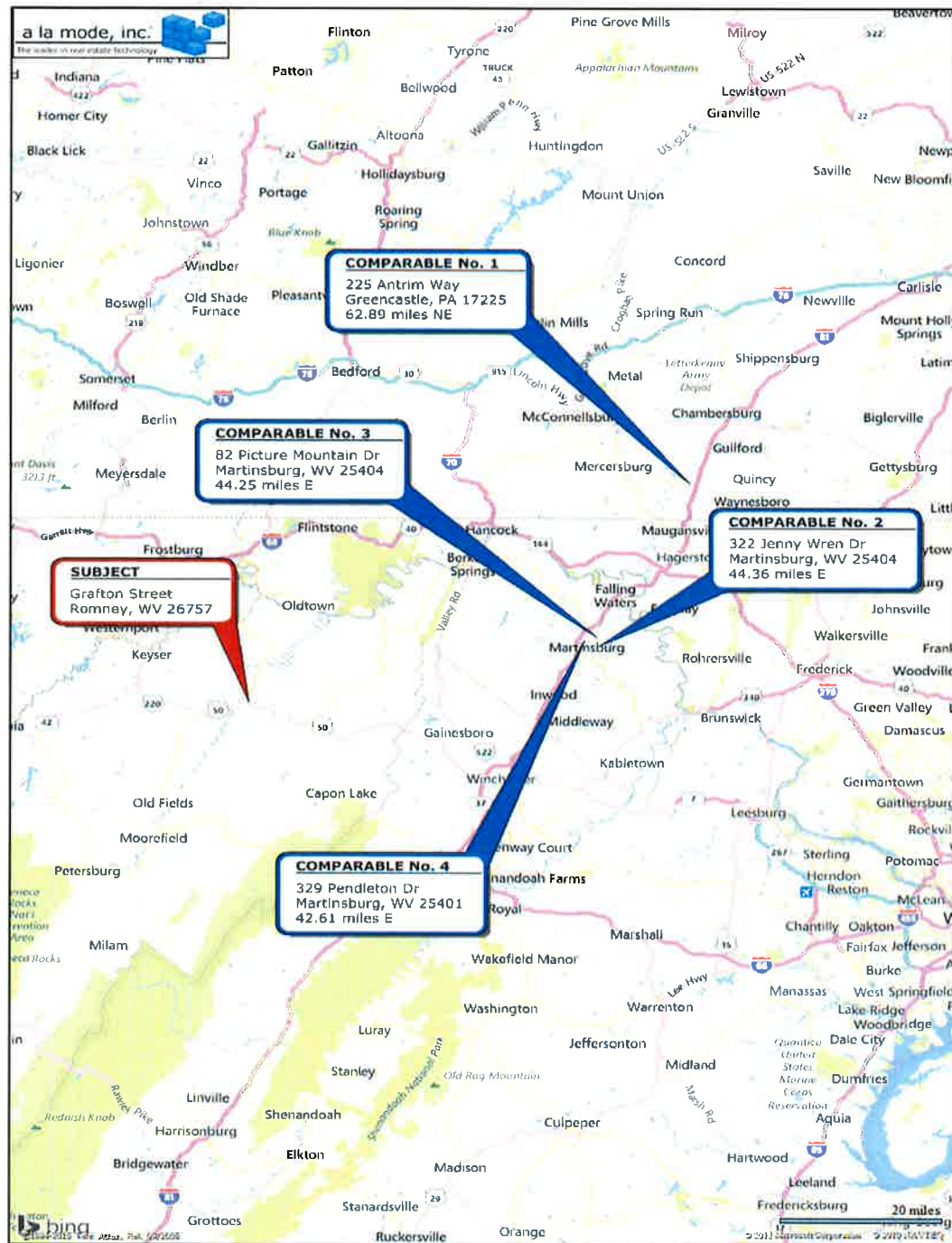
Qualitative Data Table

Sale #	Address	City, State	Sale Date	Sale Price	Land Sq.Ft.	Gross Bldg Sq.Ft.	Land to Bldg Ratio	Bldg Yrs	Exter Appear	Loc Fea	Phy Con	Adj. Price Per Unit	Overall Comparability	Sale \$ / GSA Sq.Ft.
1	225 Antrim Way	Greencastle, PA	Mar-12	\$955,000	64,469	42,253	1.53	47	Avg	Avg	Similar	\$22,009	Similar	\$31.64
2	322 Jenny Wren Drive	Martinsburg, WV	Jun-14	\$592,500	81,457	10,488	7.77	30	Avg	Avg	Similar	\$47,155	Mildly Inferior	\$39.54
3	82 Picture Mountain Dr.	Martinsburg, WV	Dec-14	\$616,000	45,302	15,528	2.92	28	Avg	Avg	Similar	\$49,349	Similar	\$47.03
4	329 Pendleton Drive	Martinsburg, WV	Jun-14	\$630,000	13,504	13,824	0.98	26	Avg	Avg	Similar	\$50,118	Similar	\$48.03
Statistics		<i>Min</i>		\$592,500	13,504	10,488	0.98	26						\$31.64
		<i>Max</i>		955,000	81,457	42,253	7.77	47						48.03
		<i>Avg</i>		798,375	51,183	20,523	3.30	33						41.56
Subj Grafton Street		Romney, WV	Refinance		37,905	16,695	2.26	35-40	Average	Average	Average	<i>Value =></i>	\$784,665	\$47.00

Notation Used Above			
Loc Fea	Locational Features		Bldg Building
Phy Con	Physical Condition		Exter Exterior
L:B	Land to Bldg Ratio		Appear Appearance

Sales Comparison Approach

Sales Location Map



Sales Comparison Approach

Analysis & Conclusions

The subject and all cited comparable sales share several characteristics. They are all located in within a reasonable proximity of the subject, and have similar configuration as well as usage. These commonalities justify inclusion of these transactions in this analysis. Often there are differences between the property appraised ("the subject") and a comparable sale. When the dissimilarity affects value, an adjustment to the sale price of the comparable is necessary.

Property Rights Agreements or laws create partial interests in real estate. A deed restriction or life estate usually reduces rights and value. If the subject is not affected by these limitations and a comparable is, then the comparable's sale price needs an upward property rights adjustment. In another situation, unfavorable leases eliminate a landlord's right to collect market rent, so the real estate sells for a below-market price. If the property appraised has no lease adversities and a comparable does have unfavorable leases, then the comparable requires upward adjustment. Unless stated otherwise, property rights are virtually the same for the subject and all cited conveyances. Hence, no adjustments are necessary for this element of comparison.

Financing Sub-market financing is a common technique used to finance the acquisition of real estate during periods of high interest rates. When non-market financing is used, the financing may be favorable to the buyer so the sale price is inflated. The escalated price can be envisioned as a composite of the worth of real estate plus the value of advantageous financing. Since value created by financing is not real property, the contribution of the advantageous financing must be deducted from total sale price to derive market value for just the realty. On the opposite hand, there are instances where the buyer assumes unfavorable financing, so the sale price is diminished. In the latter case, an upward adjustment must be applied to the sale price of the comparable thusly deriving the market value of the real estate. Unless a statement is made to the contrary, non-market financing was not used to acquire any comparable sale cited in this report. Therefore, no compensations are needed for financing.

Conditions of Sale An adjustment for conditions of sale is necessary when a criterion of market value is violated. It could compensate for unusual buyer or seller motivations. For instance, when a seller gives a buyer an atypical rebate, discount, credit, or something of value to induce a conveyance, the sale price is usually inflated. In this case, it is logical to deduct the worth of the giveback from the sale price. Residual sums represent the property's market value. In another scenario, a buyer may pay a premium to facilitate an assemblage. In this instance, the premium must be deducted from the sale price to derive market value for that conveyance. Unless stated otherwise, no adjustments are necessary for conditions of sale.

Expenditure Post Sale This is a situation when a buyer is compelled to invest additional money into a property immediately after acquisition for some atypical reason. Post-sale invested sums are appropriately added to a comparable's sale price thereby producing an adjusted sale price. Examples are demolition costs or building-code compliance costs. Unless a contrary statement is made, no adjustments are necessary for post-sale expenditures.

Market Conditions Adjustments for market conditions are commonly referred to as time adjustments, but this is misleading. Value does not change due to the passage of time; sometimes it remains stable. Often real estate values fluctuate due to changes in supply and demand, interest rates, employment, or inflation. This type adjustment compensates for change in market conditions between a sale's transaction date and a later point in time. All cited comparables conveyed between March 2012 and this report's effective value date. Values remained stable between these two dates, therefore an adjustment for market conditions was considered for its application in this instance however, was ultimately deemed unwarranted.

Location Each property was rated to the subject for locational aspects such as value growth potential, access, and general desirability. Those transactions with superior locations were adjusted downward and vice versa. The comparable sales utilized were considered to be mildly superior to the subject in terms of location. Each of the sales are located in a more suburban location as compared to the subject's more rural location. As a result a downward adjustment was applied to each of the four (4) comparable sales utilized.

Physical Attributes A myriad of physical characteristics can affect value. Some examples are lot size, building size, physical condition of the building, functionality, and visual appeal. Those sales with superior physical qualities warrant downward adjustment and vice versa.

Analysis & Conclusions

The land to building ratio (L:B) is an index that reflects land use intensity. A large index signals more land is available for building expansion, parking, green space, or storage, hence often contributes more to value than a small index. The comparable sale utilized possess an index similar to that of the subject and therefore warrant no adjustments.

Usually there is an inverse relationship between price and building size caused primarily by economies of scale associated with construction. That is, price per square foot tends to diminish as size increases. Comparable sale 1 having a larger building size than the subject requires beneficial per square foot compensation. The remaining conveyances with sizes similar to the subject were given no adjustments.

Better maintained or more modern buildings obviously command higher prices. Each analyzed transaction was compared to the subject for physical condition. Structures with superior physical condition relative to the subject were adjusted downward and vice versa.

Economic Attributes An economic attributes adjustment is needed when the subject's ability to generate net income is different from that of a comparable. An example is a major disparity in real estate taxes for similar proximate property. Another illustration might be a superior tenant mix, which enables a shopping mall to command rent premiums. Unless a statement is made to the contrary, this element of comparison is not applicable the case at hand.

Needed adjustments were explained above. These adjustments have been quantified and are shown in the prior table. Some of these adjustments are based upon the appraisers' professional judgment when data was insufficient to enable market extraction.

Value Indication

The adjusted data varies from \$31.64 to \$48.03 per sq. ft. Price per apartment unit ranges from \$22,009 to \$50,118. In regards to unit configuration comparable sale 1 is the most similar to the subject having an almost exact unit configuration. Comparable(s) 2, 3 and 4 are smaller apartment complexes ranging in size from 14 to 16 units. Overall comparable 1 is considered the most reflective of the subject property. After careful consideration of all factors pertaining to, and influencing the sales comparison approach, the following is selected as the most fitting value indication. Both the per-unit and lump sum value indications reflect the worth of the subject building, site improvements, and the land. Accordingly,

Subject's (23) Apartment Units	@	\$34,130	Per Unit =	\$784,990
<i>Indicated Market Value "As Is"</i> <i>Via Sales Comparison, Say</i>				\$785,000

Income Approach

Introduction

The income approach is based on the premise that value is directly related to income. That is, the greater the income, the greater the value.

Capitalization is the process of converting income into a capital sum. Often this is accomplished with direct capitalization where a single year's net income is translated into a value indication via an overall cap rate. The cap rate is a reflection of risk - the greater the risk, the greater the rate. Implicit within the rate are all investor expectations about all investment aspects including income generation, value growth, taxation, and general market risk.

Income Approach

Rental Data

It is customary and prudent to establish a market rent for the subject presuming the property is vacant and available for lease on this report's effective value date. If the property is leased on the effective value date, a determination can be made whether contract rent equates to, is less than, or exceeds market rent. With this objective in mind, rental data is now presented.

Rental #	Address	City, State	Lease Date	Annual Gross Rent	Number Of Units	Exter Appear	Loc Fea	Phy Con	Rent Per Unit (A)	Overall Comparability	Adjusted Subject Market Rent (A)
1	Plum Run Road	Ridgeley, WV	Jan-14	\$95,133	16	Avg	Avg	Similar	\$5,945	Mildly Inferior	\$123,100
2	528 South Mineral St.	Keyser, WV	Aug-15	\$63,300	10	Avg	Avg	Similar	\$6,330	Mildly Inferior	\$115,300
3	240 Fairfax Street	Romney, WV	Oct-15	\$147,456	32	Avg	Avg	Similar	\$4,680	Mildly Superior	\$111,460

Notation Used Above			
Loc Fea	Locational Feature:	Bldg	Building
Phy Con	Physical Condition	Exter	Exterior
L:B	Land to Bldg Ratio	Appear	Appearance

Market Conditions & Rental Data Analyses

Market conditions essentially recognizes the relationship between supply and demand, which influences market rent. For real estate similar to the subject, supply and demand are balanced so market conditions favor neither the property owner nor tenant. Effective net market rent is stable. Effective net rent is the residual after allowance for concessions to induce lease signing. Concessions are not prevalent at this time.

Income Approach



Comparable
Rental #1



Comparable
Rental #2

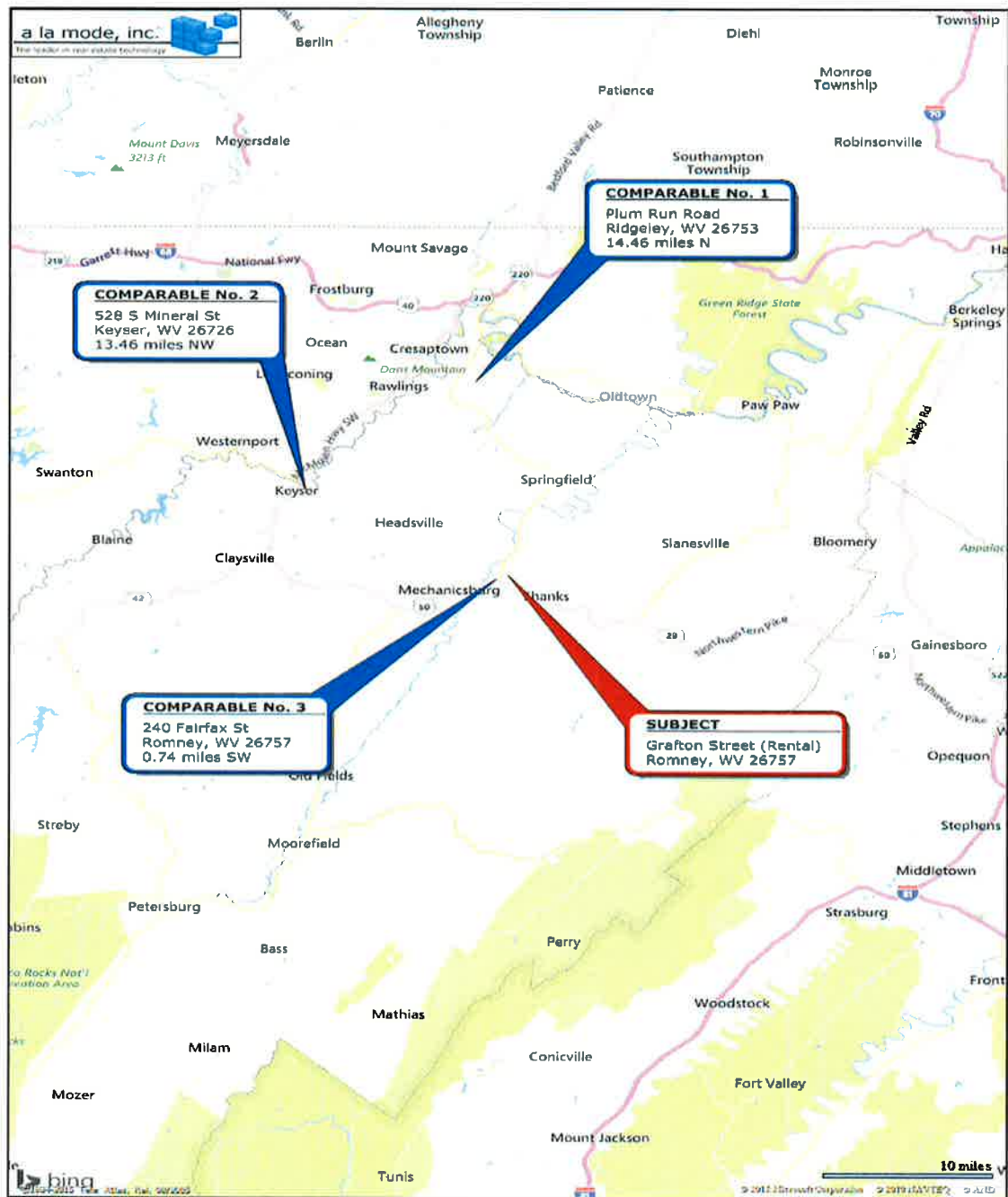
Income Approach



Comparable
Rental #3

Income Approach

Rental Data Location Map



Income Approach

Lease Synopsis

Multiple leases burden the subject. Copies of current leases were not given to the appraisers. Therefore, the appraisers are unable to comment on most lease terms. Supposedly, concessions were not granted unless specifically stated to the contrary. As communicated to the appraisers, none of the occupied space in the subject structure is occupied by ownership or related legal interests.

Income Approach

Market & Contract Rent - A Comparison

Contract lease rates are generally at, or near market levels. Sub-market lease rates do not exist, so value is not diminished. Supra-market lease rates do not exist, so value is not enhanced. Other lease terms are best described as mostly typical. Lease terms do not cause significant value impairment or supernormal value enhancement. Therefore, the value of the leased fee estate numerically approximates the value of the fee simple estate.

Income Approach

Income Operating Statement

Income				
Gross Potential Annual Market Rent			\$114,612	
Laundry (Estimated)			3500	
Total Gross Potential Income - Annual			\$118,112	100.0%
Less Vacancy & Collection Loss		4.94%	-5,835	4.9%
Effective Gross Income - Annual			\$112,277	
Less Expenses				
	Expense Growth	Known Prior Year	Expected Market Next Year	
Real Estate Taxes	0.00%	\$0	\$7,452	6.3%
Insurance		0	4,500	
Management & Leasing	6.00%	0	6,737	
Gas	N/A	0	0	
Electricity	Owner Pays for Common Areas	0	1,032	
Water & Sewer	Owner Paid	0	15,600	
Trash Removal	Owner Paid	0	600	
Condo Assn Fees	N/A	0	0	
Repairs & Maintenance	Owner Paid	0	3,000	
Reserves		0	4,600	
Total Expenses		\$0	\$43,521	-43,521 36.8%
Net Operating Income (NOI) For The Fee Simple Estate			\$68,756	58.2%

Income Approach

Expense Commentary

Some income and expense information contained in this report was obtained from the the owner. Some may have been attained from former appraisals of similar properties or other industry-accepted data sources. All this information is assumed reasonably correct.

Buyers of real estate are most concerned about income and expenses they expect during their tenure of ownership, usually a 5 to 10-year span. In an appraisal, expenses should reflect upfront expectations of likely buyers during an ordinary ownership period, not the entire life cycle of the property.

Vacancy & Collection Loss Remaining lease duration, the current level of occupancy, current market conditions, and anticipations of market change all influence a fitting ratio for this reduction in income. Market data concerning vacancy & collection loss for similar properties in the market area provides a range from 4.00% to 6.00%. In the case of the subject the appraiser expects a vacancy and collection to hover around the midpoint of this range. After consideration of all these factors, an appropriate 4.94% was applied the subject.

Management & Leasing Lease type, tenant type, and occupant quantity all affect management expense. If leases are negotiated on a net basis, where tenants are responsible for payment of most or all expenses, then managerial tasks are minor and management expense decreases. However, the opposite is true for gross leases.

Professional management services can usually be hired for 3% to 7% of effective gross income depending on the level of service provided. Leasing fees typically range from 2.5% to 4.5% of effective gross income predicated mostly on the size of the space, magnitude of the rental rate, and lease duration. When the same company provides management and leasing services, discounts are customary. If long-term leases with very creditworthy tenants were already written, expected leasing fees might be zilch. In this case, the subject is considered a pure investor type property. Leases are expected to be negotiated on a pure gross basis. Accordingly, leasing and management fees for the occupied portions are expected to consume 6.00% of effective gross income.

Repairs & Maintenance Maintenance is a planned, scheduled task like those required by an elevator. A repair is a sporadic item that needs attention now like an inoperative heating plant in the mid of winter.

Reserves for Replacements In concept, funds are deducted from income and deposited into a safe, interest bearing account so monies will be reserved for future component replacement. Reserves are controversial because few owners actually set the funds aside. Moreover, the IRS only recognizes expenses in the year expended, not the year when funds are deposited into a reserve account. Whether funds are, or are not, deducted should not impact value. If funds are not deducted, then risk climbs because there is greater chance ownership will not have the money when needed. In compensation of increased risk, an appropriate overall cap rate should be higher.

Tenant Improvements Tenant improvements are customary for larger, investment-grade real estate like shopping centers and office buildings. They are non-reoccurring expenditures made to adapt or modify a space to suit the needs of an occupant at the onset of new lease or lease renewal. These type expenses are typically are not appropriate for real estate like the subject.

Income Approach

Capitalization

In the appraisal profession, capitalization is the process of converting income into value. One method extracts a capitalization rate (also called a cap rate) from sales of similar property via the following formula. An extracted rate is then divided into the subject's net operating income (NOI) resulting in a value indication for the real estate being appraised.

$$\text{Net Operating Income} / \text{Sale Price} = \text{Cap Rate}$$

Implicit within a cap rate are all investor expectations about risk, return, and change. This methodology is simple to use, easy to explain, and directly reflects market behavior. Its simplicity is also a weakness because implicit expectations may not be scrutinized.

To extract an overall cap rate from market evidence, the follow data was considered. When necessary, this data was tempered to enhance consistency.

Comps Expense Analysis		Subject	Sale #1	Sale #2	Sale #3	Sale #4	Avg
Sale Price	Refinance	\$955,000	\$592,500	\$816,000	\$830,000	\$798,375	
Land Sq.Ft.		37,805	64,469	81,457	45,302	13,504	51,183
Abv. Grade Bldg Sq.Ft.		16,695	42,253	10,488	15,528	13,824	20,523
Number Modules or Suites		23	24	14	16	16	18
Gross Potential Annual Market Rent		\$118,112	\$153,420	\$109,200	\$84,768	\$119,064	\$111,710
- Vacancy & Collection	4.94%	-5,835	-7,579	-5,394	-4,188	-5,882	-5,761
Effective Gross Income		112,277	145,841	103,806	80,580	113,182	\$110,852
- Taxes		-7,452	-17,680	-5,463	-8,000	-6,692	-9,459
- Insur		-4,500	-8,500	-4,500	-4,500	-4,500	-5,500
- Mgmt & Leasing	0.00%	-6,737	-9,500	-6,750	-4,000	-7,350	-6,900
- Gas		0	0	0	0	0	0
- Electric		-1,032	-1,500	-1,000	-1,000	-1,000	-1,125
- Water & Sewer		-15,600	-15,000	0	0	0	-3,750
- Trash Removal		-600	-1,000	-600	-600	-600	-700
- All Other Expenses / Unit	\$0.00	-7,600	-6,161	-6,993	-6,025	-6,708	-6,472
Net Operating Income (NOI)		\$68,756	\$86,500	\$78,500	\$56,455	\$86,332	\$76,947
Ratios & Indicators							
Avg Unit SqFt		726	1,761	749	971	864	1,086
Gross Income / Unit / Mo		\$428	\$533	\$650	\$442	\$620	\$561
Gr Ann Income Multiplier (GIM)		na	6.22	5.43	9.63	6.97	7.06
Expense Ratio		41.79%	43.62%	28.11%	33.40%	27.49%	33.16%
Overall Cap Rate (Ro)	Not A Sale	9.06%	13.25%	6.92%	10.40%	9.91%	
Gross Income / SqFt / Mo		\$0.59	\$0.30	\$0.87	\$0.45	\$0.72	\$0.59
Net Income / SqFt / Mo		\$0.34	\$0.17	\$0.62	\$0.30	\$0.52	\$0.40
Sale \$ / Gr. Bldg Sq.Ft.		na	\$22.60	\$56.49	\$52.55	\$60.04	\$47.92

Market extracted overall cap rates vary from a low of 6.92% to 13.25% high with a 9.91% average. Historical sales were not the sole determinant considered while selecting a fitting rate for the subject. Expectations of the future are equally important. These expectations include but are not limited to inflation, taxation, governmental policy, environmental concerns, and the general relationship between supply & demand. The overall cap rate displayed below for the subject recognizes several considerations.

Value Indication

Several investment attributes were considered while selecting an overall cap rate (Ro). Again, Ro is used to convert the subject's net operating income (NOI) into value. Investment attributes affect risk, which is major factor in the selection of an appropriate cap rate. When risk is low, a commensurate cap rate should be low, and vice versa.

Overall Cap Rate Considerations <i>(for real estate similar to subject)</i>	
Past maintenance	Average.
Replacements	About the norm.
Current leases	Mostly gross; landlord pays all or most expenses.
Supply & demand	Supply and demand about balanced.
Expectations of near future net income growth	Average.
Expectations of near future value growth	Average.
Expected new competitive supply	Negligible.
Mortgage interest rates	Low
Local unemployment	Between 5% and 6%
Other risk influences	Minimal.
Overall risk	Moderate.

All issues necessary to produce a value indication via the income approach were presented and explained. After careful consideration of all factors pertaining to and influencing this approach, the following formula capitalizes or converts net income into value.

$$\begin{array}{ccccccc}
 \frac{\text{NOI}}{\text{Ro}} & = & \text{Value} & = & \frac{\$68,756}{9.06\%} & = & \$758,896 \\
 & & & & & & \\
 & & \text{Indicated Market Value} & & & & \\
 & & \text{"As Is"} & & & = & \$760,000 \\
 & & \text{Via Income Approach, say} & & & &
 \end{array}$$

Reconciliation

During reconciliation, strengths and weaknesses of each developed approach are considered. Adequacy and relevance of the data is weighed. Differences between approaches are examined, rationalized, and resolved when possible. From the various value indications, one is selected as most pertinent and reliable.

Existing structural improvements are considered a legal, conforming use. A highest and best use analysis "as though now improved" concluded a multifamily use would yield the greatest net return to the land. Considering the three classic approaches to value, the following value indications were developed.

Value Indications	"As Is"
Cost Approach	\$809,000
Sales Comparison	\$785,000
Income Approach	\$760,000

A cost approach provides an approximation of the depreciated reconstruction cost of the improvements. Added thereto is the worth of the land as though vacant. This approach is most applicable for new, or like new structures due to less uncertainty when estimating reconstruction cost or depreciation, if any. As building age increases, depreciation based on visual observation, becomes subjective. Additionally, the transference of real estate is seldom negotiated on a depreciated cost basis. This value indication was given minor emphasis in this appraisal.

In the sales comparison approach to value, sales of similar type properties are compared to the property being appraised. This approach is very significant because it directly reflects the actions of buyers and sellers in the marketplace. It reflects economic conditions, acceptance, or rejection of various features, and trends of general desirability. This methodology is a true measure of supply and demand, accounting for all influential forces affecting the market. Therefore, this value indication was given secondary credence in this report.

The income approach is most appropriate where the primary acquisition criterion is a flow of income dollars. This methodology forecasts income that is converted into value via capitalization. It is not very appropriate for properties bought by an owner / user. An owner / user generally purchases real estate for his / her own occupancy and use. Net income and capitalization rates are of little importance to this buyer type. In this appraisal, this approach was given primary weight.

The three approaches are both independent and interdependent. Each approach is independently processed, yet many of the same variables, like building size, are used throughout all three methods, hence the interdependence. In this report, the sales comparison approach was given greatest emphasis tempered by the value indication of the other two approaches.. After careful consideration of all factors pertaining to, and influencing value, the data and analysis thereof firmly supports the following market value conclusion for the subject real estate:

\$785,000 Market Value "As Is"

Exposure Time

Terminology abounds in the real estate appraisal profession. Two related but different concepts that are often confused are Exposure Time and Marketing Time. USPAP specifically addresses the confusion.

Term	Definition	Explanation
Exposure Time (Statement 6)	<i>"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".</i>	Backward looking, ends on the effective value date. Based on factual, past events
Marketing Time (Advisory Opinion 7)	<i>"An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value during the period immediately after the effective date of the appraisal".</i>	Forward looking, starts on the effective value date. A forecast based on expectancies of future occurrences.

Marketing time and exposure time are both influenced by price. That is, a prudent buyer could be enticed to acquire the property in less time if the price were less. Hence, the time span cited below coincides with the value opinion(s) formed herein.

USPAP Standard rule 1-2(c)(iv) requires an opinion of exposure time, not marketing time, when the purpose of the appraisal is to estimate market value. In the recent past, the volume of competitive properties offered for sale, sale prices, and vacancy rates have fluctuated little. Sale concessions have not been prevalent. In light thereof, an estimated exposure time for the subject is 9 to 18 months assuming competitive pricing and prudent marketing efforts.

Certification

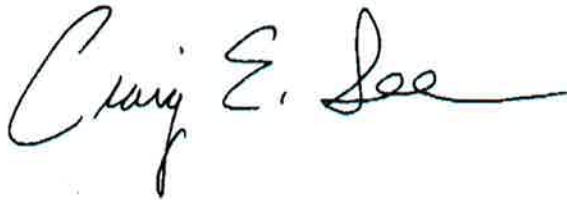
The appraiser signing this report make the following certifications to the best of his / her knowledge and belief.

- The statements of fact contained in this report are true and correct.
- Reported analyses, opinions, and conclusions are limited only by the assumptions and limiting conditions contained within this report, and are the appraiser's personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The appraiser has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- The appraiser has no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- This engagement is not contingent upon developing or reporting predetermined results.
- Compensation paid to the appraiser is not contingent upon the development or reporting of a predetermined value, or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- Reported analyses, opinions, and conclusions were developed, and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP)
- A statement regarding observation of the subject property by the appraiser is listed below. The appraiser is not a professional property inspector. Furthermore, the appraiser has no formal training in the use of tools or instruments as part of a professional property inspection. Observations by the appraiser, if any, was limited to just those physical features and attributes that are not hidden or obscure in any fashion by any object or weather condition. The appraiser did not used any tools or instruments, beyond those typically used by appraisers to probe, study, investigate, detect, or discover any physical feature or attribute that was not clearly visible on the date the property was observed.

Appraiser	Observations
Craig E. See	Adequate Interior and Exterior

- No one provided significant real property appraisal assistance to the appraiser(s) signing this certification.
- The appraisers have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report during the three-year period immediately preceding acceptance of this assignment.
- After careful consideration of all factors pertaining to and influencing value, the data, and analysis thereof firmly supports the following final value opinion(s) for the subject property as of October 12, 2015

\$785,000 Market Value "As Is"



Craig E. See
Certified General Real Estate Appraiser
West Virginia License WV CG-488
License Expiration Date: 9/30/2016



Addenda . . .

Credentials
License

Craig E. See
Certified Residential Appraiser,
West Virginia Expires 09/30/2016

APPRAISAL COURSES COMPLETED

<u>Course Title</u>	<u>Provider</u>
Land and Site Valuation	McKissock, Inc.
USPAP Update Course	McKissock, Inc.
Introduction to Complex Appraisal Assignments	McKissock, Inc.
National USPSP Equivalent	McKissock, Inc.
Introduction to Expert Witness Testimony (Update)	McKissock, Inc.
Appraising FHA Today	McKissock, Inc.
New Fannie Form 1004MC and More	McKissock, Inc.
National USPAP Update Equivalent	McKissock, Inc.
Introduction to Residential Construction and Inspection	McKissock, Inc.
Introduction to Expert Witness Testimony	McKissock, Inc.
Advanced Techniques for Valuation of Mixed-Use Properties	McKissock, Inc.
National USPAP Update	McKissock, Inc.
Appraisal the Oddball; Nonconforming & Difficult Properties	McKissock, Inc.
National USPAP Course	The Appraisal Foundation
New FNMA Forms- 2005	The Appraisal Foundation
Farm and Land Appraisal	Lincoln Graduate Center
Yield Capitalization of Income Property	Lincoln Graduate Center
Direct Capitalization of Income	Lincoln Graduate Center
The Narrative Report	Lincoln Graduate Center

PROFESSIONAL AFFILIATION

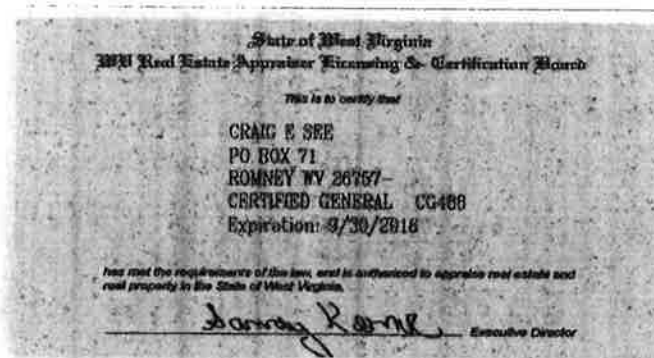
Potomac Highland Board of Realtors
Metropolitan Regional Information Systems

Education

College(s) Attended	Potomac State College- Keyser, WV
	Shepherd College- Shepherdstown, WV

Experience

I have experience in real estate appraisals as an Independent Fee Appraiser since 2001. I have worked in the Potomac Highland and Eastern Panhandle of the West Virginia for over 12 years and performed Single Family Residential, Multi-Family Residential, Commercial and Industrial Appraisals (Both Form and Narrative types) in the Potomac Highland and Eastern Panhandle of West Virginia markets.



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End of Report