

A SUMMARY APPRAISAL REPORT

of

1402 VERSAILLES ROAD
Lexington, Fayette County, Kentucky

EFFECTIVE DATE OF VALUATION

February 14, 2013

DATE OF REPORT

February 15, 2013

PREPARED BY

Steven B. Rohlfig, CPA
Realty Research Corporation

PREPARED FOR

Bank of the Bluegrass & Trust Company
Attention: Mr. Tyler Martin
101 East High Street
Lexington, Kentucky 40507

Realty Research
CORPORATION

Realty Research
C O R P O R A T I O N

February 15, 2013

Mr. Tyler Martin
Bank of the Bluegrass & Trust Company
101 East High Street
Lexington, Kentucky 40507

Dear Mr. Martin:

As requested, I have estimated the market value of the fee simple estate in **1402 Versailles Road**, Lexington, Fayette County, Kentucky.

The purpose of the appraisal is to estimate the market value as of the date of last inspection. Based on the physical characteristics of the real property and my interpretation of the market data, it is my opinion the "as is" condition market value as of February 14, 2013 is:

FOUR-HUNDRED SIXTY-FIVE THOUSAND DOLLARS
(\$465,000)

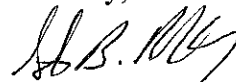
Marketing and exposure time is estimated to be in excess of one year. Therefore, an appropriate discount has been applied to the final value conclusion above for the anticipated excess marketing period. No personal property or non-realty items are included in the final value conclusion.

The scope of the assignment was to prepare a **Summary Appraisal Report**, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of Uniform Standards of Professional Appraisal Practice (USPAP). As such, it presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documents concerning the data, reasoning, and analyses is retained in my file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated.

The value opinion reported is qualified by certain definitions, limiting conditions, and certifications, which are set forth later in this report.

This appraisal was prepared for and my fee billed to Bank of the Bluegrass & Trust Company. The report is intended for use by your internal management and appropriate regulatory authorities. It may not be distributed to or relied upon by other persons or entities without my permission.

Sincerely,



Steven B. Rohlfing, CPA
Kentucky Certified General
Real Property Appraiser #2350

Rf468401

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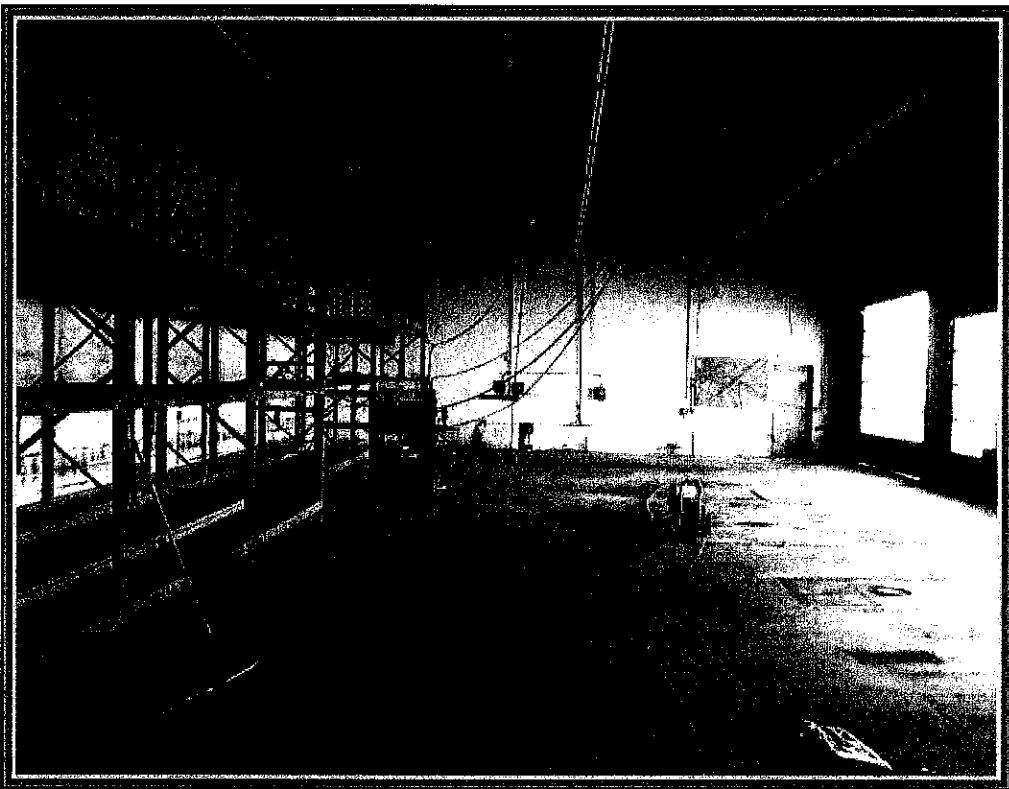
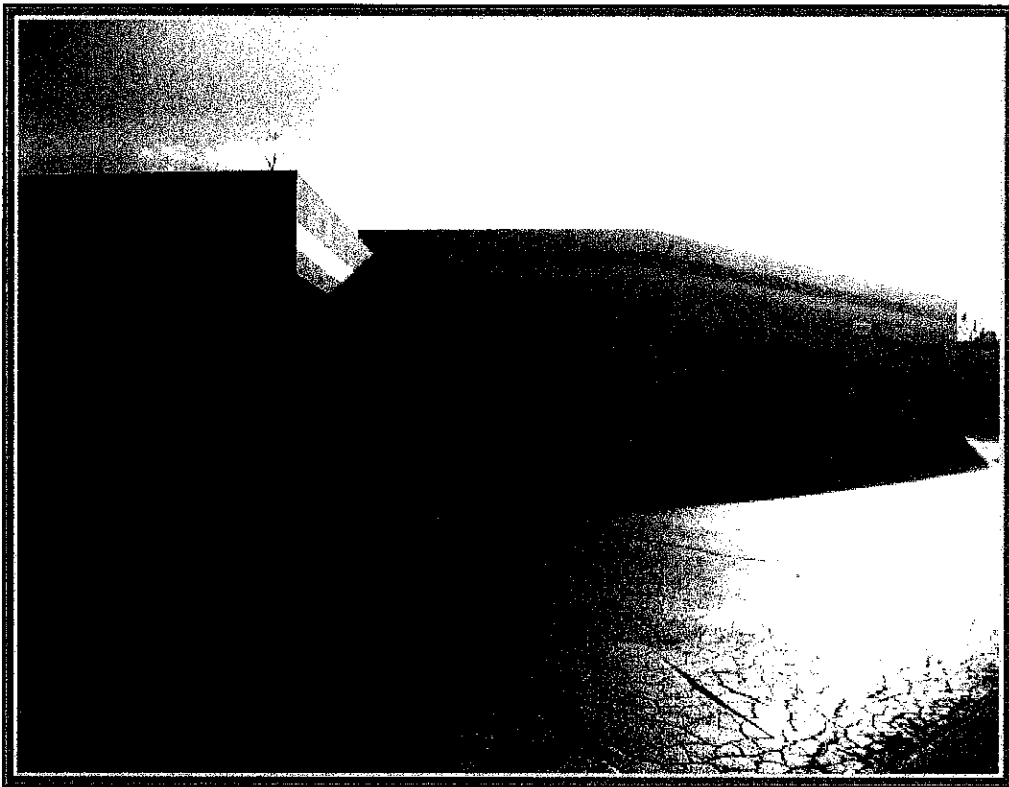
Exhibit #1 - Legal Description (Deed)

Exhibit #2 - Flood Map

Exhibit #3 - Engagement Letter

Exhibit #4 - Biographical Data

1402 Versailles Road, Lexington, Ky.



Realty Research Corporation

EXECUTIVE SUMMARY

The subject of this appraisal is a freestanding general-purpose business building, currently configured for one occupant, formerly operated as a tire sales/service store. The building was originally constructed in 1960 and has been renovated over the years. The current condition of the interior fit-up is average for the market, commensurate with the age of the improvements. The improvement has utility for multiple automotive shop and related uses, and offers a competitive level of amenities and quality within the market.

Address/Location: 1402 Versailles Road, Lexington, Fayette County, Kentucky. The property is oriented on the south side of Versailles Road, located approximately 0.10-mile west of its intersection with Red Mile Road.

Effective Date of Appraisal: February 14, 2013.

Date of Report: February 15, 2013.

Property Rights Appraised: Fee Simple Estate.

Zoning: Neighborhood Business (B-1) District.

Site Area: ± 0.733 -acres ($\pm 31,799$ s.f.).

Improvements Description: General-Purpose Business Building: $\pm 5,256$ s.f. G.B.A.

- One-story concrete block building containing office and shop space, including five service bays.
- Site improvements include adequate asphalt paved front parking area, fenced rear gravel lot, identity signage, and minimum landscape.

Highest and Best Use: General Business (Current Use).

Value Conclusions (Before excess marketing period discount):

Cost Approach:	N/A
Sales Comparison Approach:	\$500,000
Income Capitalization Approach:	\$445,000
Final Market Value Conclusion:	\$475,000

INTRODUCTORY DATA

PURPOSE AND USE OF APPRAISAL

The purpose of this appraisal is to estimate the market value of the "as is" condition of the fee simple estate. The intended user is Bank of the Bluegrass & Trust Company (Lender/Client). The appraisal is intended to evaluate the property that is the subject of this appraisal for a mortgage finance transaction, subject to the stated scope of work, purpose of appraisal, reporting requirements of this appraisal report, and definition of market value. No additional intended users are identified by the appraiser.

DATES OF APPRAISAL

The property was inspected on February 14, 2013, which is the effective date of the appraisal. The date of this report is February 15, 2013.

SCOPE OF THE APPRAISAL

Mr. Tyler Martin, with Bank of the Bluegrass & Trust Company, has authorized the completion of a narrative appraisal report providing a market value estimate. The report includes all pertinent sections in conformance with USPAP and the federal regulatory requirements as specified by the Board of Governors of the Federal Reserve System. In completing this appraisal report, a variety of data sources were consulted. The scope of the appraisal assignment consisted of the following.

1. State of Kentucky publications and data were obtained and reviewed relative to socioeconomic and other data for Fayette County and the neighborhood. Data sources included the U.S. Census Bureau, Kentucky Cabinet for Economic Development, *Demographics USA*, Kentucky Transportation Cabinet, and *Editor & Publisher Market Guide*. An economic analysis of the area was performed.
2. Available public records were consulted and reviewed including applicable maps and plats. Comparable improved property sales were researched, confirmed and obtained from the Property Valuation Administrator's Office and other sources. A comparative analysis of the market data was performed.
3. Comparable rents, operating expenses, vacancy and capitalization rate information was obtained from market surveys, property managers, real estate brokers, and property owners/investors. Market data was compared to the subject to determine anticipated operating results. Current market and economic trends were analyzed as a basis for future projections.

4. The Planning and Zoning office was consulted to determine current land use restrictions, if any. The site characteristics were analyzed to determine the property's highest and best use. An analysis of the site was performed.
5. Federal Emergency Management Agency (FEMA) Flood Insurance Maps were reviewed and analyzed to determine if the subject property was located in a flood-designated area.
6. The subject property and its neighborhood framework were inspected by Steven B. Rohlfling. Interviews were conducted with persons considered familiar with the subject.
7. Local real estate agents, appraisers and banks were consulted regarding market trends and other pertinent data.
8. Available public records and recorded documents regarding the subject were reviewed and analyzed. Applicable information was obtained from the subject owner including property specific improvement information.
9. Published data on current yields for equity investments were reviewed and analyzed including *Korpacz Real Estate Investor Survey* and other sources. Capitalization rates and equity yields were extracted from market data.

In addition, Realty Research searched its own files for data on improved sales, rental comparables, and operating costs for similar properties in the Lexington area. The appraisal procedures followed included the Sales Comparison and Income Capitalization approaches. Due to the age of the improvements, the Cost Approach was not applicable to the assignment and excluded from the analysis. Data used in the other approaches were obtained from buyers, sellers, real estate agents, public records and other parties that have been involved in real estate transactions. It is assumed the information received from these various sources is correct and representative of the actual transactions.

The two approaches derived value indications, which were then reconciled into a final value estimate. In each of the approaches and the final correlation, the reasoning that supports the analyses, opinions, and conclusions is described. Finally, the assumptions and limiting conditions, which can be found at the end of this report, are considered integral to the appraisal.

During the physical inspection, photographs of the property were taken and are provided in this report. These photos accurately represent the current condition of the property during the inspection. The site and improvements description were based on the information provided, P.V.A. records, recorded documents, and the physical inspection. It is assumed all the information received from the noted sources is correct.

I have performed no services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this appraisal assignment.

DEFINITION OF MARKET VALUE

Market value as defined by the Uniform Standards of Professional Appraisal Practice and adopted by the Board of Governors of the Federal Reserve System is as follows:

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

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

EXPOSURE TIME

One condition of market value is that reasonable time is allowed for the exposure in the open market. Exposure is the period of time presumed to have occurred prior to the effective date of valuation, which is retrospective, based upon an analysis of past events assuming a competitive and open market.

Reasonable exposure time is defined as: “the estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.”²

¹ Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions ([f]).

² *Uniform Standards of Professional Appraisal Practice*, 2012-2013 Edition, Washington, D.C. The Appraisal Foundation, (SMT-6).

When exposure time is a component of the definition for the value being developed, an appraiser must also develop an opinion of reasonable exposure time linked to that value opinion. It is the appraiser's opinion a reasonable exposure time for the subject is estimated to be 12 to 18 months.

OTHER DEFINITIONS

Value "As Is": The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.³

PROPERTY RIGHTS

The property rights appraised are those of the fee simple estate as of the effective date of the appraisal. Fee simple ownership is defined as: "Absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the government powers of taxation, eminent domain, police power, and escheat."⁴

PERSONAL PROPERTY

Personal property or intangible items are not considered in this valuation.

IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION

Address: 1402 Versailles Road, Lexington, Fayette County, Kentucky.

Legal Description: The property is legally described in Deed Book 1109, Page 474 on record in the Fayette County Court Clerk's office, Lexington, Kentucky. The PVA record account number is #20543000. A copy of the legal description (deed) is included in the addendum at Exhibit #1. No plat was referenced from recorded documents.

³ American Institute, The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, IL. 2002, Page 306.

⁴ American Institute, The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, IL. 2002, Page 113.

TAX AND ASSESSMENT ANALYSIS

The subject is taxed under the authority of the Lexington-Fayette Urban County Government and the Commonwealth of Kentucky. According to records at the Fayette County Property Valuation Administrator's Office, the subject is currently assessed (2012) for \$420,000. The current assessment reflects a reasonable range of market value of the property.

Assessments in Fayette County reflect the value as of January 1 of each year, with taxes due by the end of December in that year. In the case of the subject, the taxes due in December 2013 should reflect the fair market value as of January 1, 2013.

Kentucky law requires that all property is assessed at 100% of its fair market value and that the actual price paid for a property is stated in the deed of transfer. Properties in Fayette County are theoretically reassessed annually. However, it has been the practice to reassess periodically or around every few years. Should the property be sold, the assessment would be changed to reflect the new sales price. For the purposes of this analysis, I have used the final value estimate of this report in estimating future property taxes.

The property is located within the city limits of Lexington (tax district #01) and the 2012 tax rate (the latest rates available) for this area is \$1.1412 per \$100 of assessed value, which includes state, county, city and local taxes. The breakdown of the tax rate is presented below (*see Figure 1*).

Figure 1

<u>State</u>	<u>General</u>	<u>School</u>	<u>Services</u>	<u>Soil & Water</u>	<u>Extension</u>	<u>Health</u>	<u>Lex Tran</u>
\$.122	\$.080	\$.674	\$0.1735	\$.0004	\$.0033	\$.028	\$0.060

ZONING ANALYSIS

The subject is zoned under the laws of the Lexington-Fayette Urban County Government and administered by the Fayette County Planning & Zoning Commission. Current zoning classification of the site is Neighborhood Business (B-1) District. The current automotive related service center use is a principally permitted and conforming use consistent with the zoning restrictions. No change in zoning or land use is anticipated in the foreseeable future.

ENVIRONMENTAL STATEMENT

An environmental assessment report of the subject by a qualified inspector was not provided to the appraiser. The appraiser has no knowledge of the existence of any materials on or in the property, which may be potentially hazardous. However, the appraiser is not qualified to detect such substances. The presence of environmentally hazardous materials may affect the value of the property. The value is based upon the property being environmentally unimpaired. No responsibility is assumed for such condition, nor was any expertise or engineering knowledge utilized to search for any other hazardous conditions. An expert in this field may be retained if that information is desired and I reserve the right to revise my value estimate based upon a report of an environmental engineer indicating the presence of any hazardous substances. This report assumes the property is environmentally unimpaired, as no indications were apparent from the limited property inspection.

COMPETENCY PROVISION

The Appraisal Standards Board adopted the USPAP January 30, 1989. USPAP requires that prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed, and have the knowledge and experience to complete the assignment competently or alternatively:

- disclose the lack of knowledge and/or experience to the client before accepting the assignment;
- take all steps necessary or appropriate to complete the assignment competently; and
- describe the lack of knowledge and/or experience and the steps taken to complete assignment competently in the report.

Prior to accepting the assignment, it was concluded I have the necessary appraisal experience and knowledge to competently complete the appraisal. During the completion of the assignment, I have discovered no areas requiring appraisal expertise in which I consider my experience lacking.

HISTORY OF OWNERSHIP

Current Ownership. According to the records of the Fayette County Property Valuation Administrator and the Fayette County Clerk, the subject is owned by Bluegrass Tire Company, Inc., a Kentucky corporation.

Record of Transfers. There has been no known transfer of the subject within the last three years. The subject is not reported to be under contract for purchase, but has been actively offered for sale on the market since August 2012 at a reported list price of \$525,000.

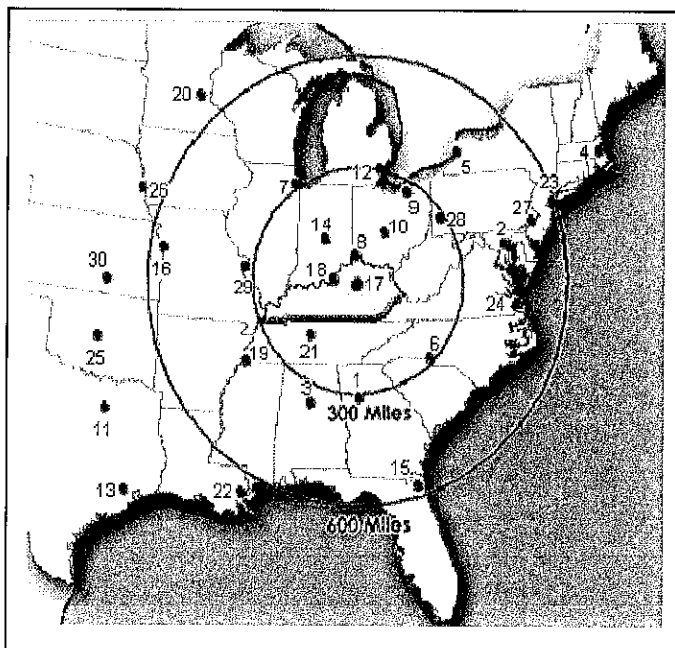
Title Data. No adverse conditions, covenants, restrictions (CCR) or encroachments were evident during the property inspection or from an inspection of recorded documents. The site is subject to beneficial utility and building line easements of record.

AREA ANALYSIS

An economic analysis of the area has been completed. In this analysis, historic and forecasted growth trends for the market area are examined in order to determine the economic climate in which the subject property interacts. The economic viability of the surrounding area and the immediate neighborhood is an important consideration in the value conclusions contained in the report. The purpose of the area and neighborhood analyses is to provide background for the value conclusions. A summary area analysis is presented.

INTRODUCTION

The Lexington Metropolitan Statistical Area (MSA) and Fayette County, includes seven adjoining counties in the heart of Kentucky's famous Bluegrass Region and thoroughbred horse country. The Lexington MSA is arranged like a wheel, with Lexington as the cultural and economic hub. The Bluegrass Region is located at the center of a 31-state distribution area within a 600-mile radius of nearly three-fourths of the nation's manufacturing employment, retail sales, and population. By virtue of this geographic location and Kentucky's integrated system of state maintained roads, interstates and parkways, the greater Lexington area is within an overnight range of 75% of the U.S. market. Lexington is 78-miles east of Louisville, Kentucky; 83-miles south of Cincinnati, Ohio; 171-miles north of Knoxville, Tennessee; and 216-miles northeast of Nashville, Tennessee.



Percent of U.S. Within 600-Miles

Population 50%

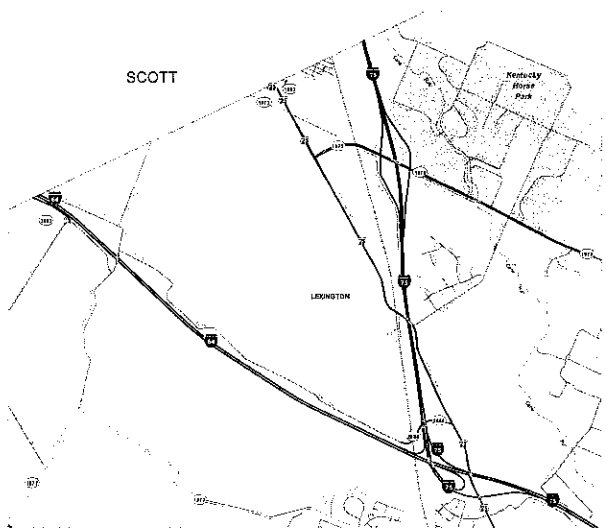
Personal Income 53%

Retail Sales 48%

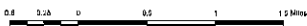
Manufacturing Employment 56%



SCOTT



NORTHWEST FAYETTE COUNTY

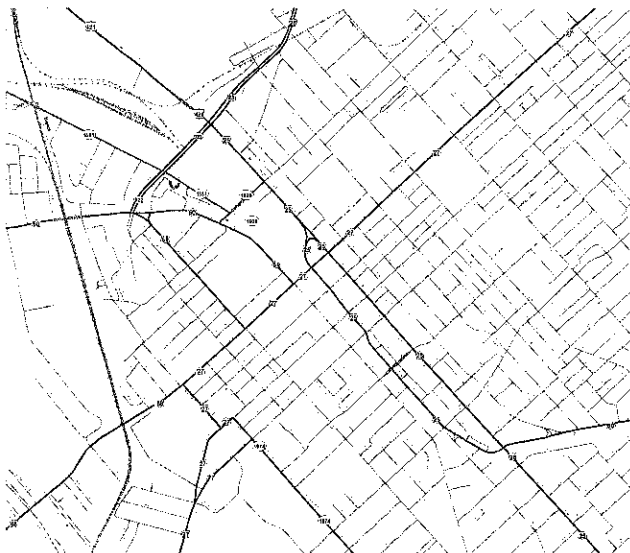


Schools

- 1 Lafayette High School
- 2 Lexington Catholic High School
- 3 Paul Lawrence Dunbar High School
- 4 Tetes Creek High School
- 5 Henry Clay High School
- 6 Bryan Station High School

State Primary Road System

- Interstate
- Parkway
- Other State Primary
- State Secondary
- Rural Secondary
- Supplemental Road
- Unimproved
- Paved or Concrete
- Bridge
- Railroad
- Stream
- City/Town
- Airport
- Lexington Urban Service Area
- Lexington Rural Service Area
- Lake
- State Park
- National Park or Recreation Area
- Defense Facility
- Wildlife Area
- Geological Area
- State, National, or Private Forest



DOWNTOWN LEXINGTON



SCOTT

BOURBON

WOODFORD

JESSAMINE

CLARK

MADISON



State Primary Road System
FAYETTE COUNTY



Last map revision: APRIL 2012
Road centerlines collected using GPS technology
Kentucky State Plane Coordinate System (NAD83)
www.planning.kytc.ky.gov/

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TRANSPORTATION

Interstate 75, a major north-south route, and Interstate 64, a major east-west route, intersect north and east of Lexington's Central Business District (CBD). Interstate 75 serves Lexington with six interchanges. Interstate 64 shares two of these interchanges north and northeast of downtown Lexington. The average daily traffic count at the intersection of I-64/75 is about 70,000.

Seven U.S. highways and two four-lane parkways serve Lexington. The Bluegrass Parkway, a limited access highway that provides access to western Kentucky and Interstate 65, is located west of Lexington via U.S. 60. The Mountain Parkway, a limited access highway, serves as a major access to southeastern Kentucky. "AAA" rated highways serving Lexington include U.S. 25, 27, 60, 68 and 421. Primary and secondary highways serving Lexington are linked together by Kentucky Route 4 (New Circle Road), a four-lane beltway encircling the city.

CSX Transportation and the Norfolk-Southern Railway System each provide Lexington with main line rail service. The intermodal facility, which serves the area, is located in Georgetown along I-75 in the northern portion of the MSA. There are approximately 36 trucking companies that serve Lexington; 25 of which maintain a terminal in the city.

Blue Grass Airport, the nearest commercial airport, operates on 1,000 acres adjacent to U.S. 60 and is approximately 6-miles west of the Lexington CBD. The airport provides commercial service to a forty-four county region serving over 1 million passengers each year. The primary 7,000 ft. runway handles about 90 commercial flights daily by Delta, US Air, TWA, Northwest, United and others. Blue Grass Airport also houses a U.S. Customs Service Office arriving from international points of origin. Services and facilities at Blue Grass Airport have been expanding rapidly over the past several years.

POPULATION

The historic data and future expectation relative to changes in population often reflect the economic climate of an area. Four of the surrounding counties that are part of the Lexington MSA are growing faster than Lexington. During the last decade, neighboring Scott County's

population increased at a rate that is more than three times the national average. The Lexington MSA nearly doubled the growth rate of the state. Fayette County ranked in the upper 20% among Kentucky's 120 counties in percentage increases. Lexington and Fayette County have a merged form of government and that as a result the populations of Fayette County and Lexington are the same. Beginning in 2005, the population of the labor market area was over three quarters of a million. Recent trends provide a basis for projecting future population patterns, which are considered to be conservative (*see Figure 2*).

Figure 2

Total Population

	2007	2008	2009	2010	2011
Labor Market Area	803,567	815,656	824,681	824,440	834,573
Fayette County	287,263	292,240	296,545	295,803	301,569
Lexington	279,044	N/A	N/A	N/A	N/A

Source: U.S. Department of Commerce, Bureau of the Census.

Population Projections

	2015	2020	2025	2030
Fayette County	299,052	312,190	326,973	341,326

Source: Kentucky State Data Center, University of Louisville.

The projections above have been recently updated. Slower population growth, as compared to the last five years, is expected in Lexington-Fayette County over the next decade due to the lack of developable residential land created from a general anti-growth sentiment to preserve local thoroughbred horse farms, which encircle the urban area. The largest increases in population are anticipated to continue in the surrounding MSA counties of Scott, Jessamine and Madison, where growth is more actively encouraged.

UTILITIES

Kentucky Utilities Company, a subsidiary of Louisville Gas & Electric Energy Corporation, and Blue Grass Energy Cooperative provide electricity to Fayette County and the surrounding area. Kentucky Utilities also serves over 76 other Kentucky Counties and portions of West Virginia. Kentucky Utilities currently has sufficient capacity based on historic peak loads and

plans for annual growth of 3% to 4%. Columbia Gas of Kentucky provides natural gas to Fayette County and other portions of the MSA.

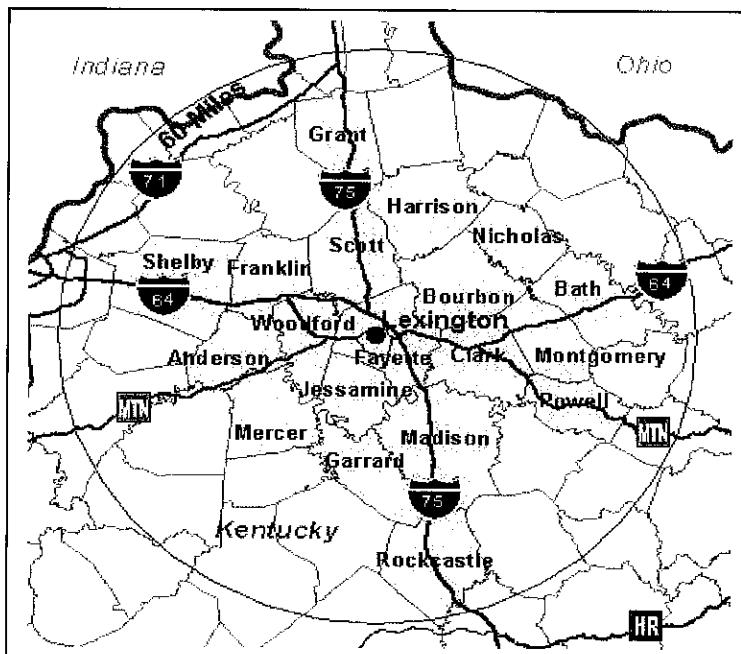
The Kentucky American Water Company, which is independently owned and managed from the Lexington-Fayette Urban County Government, provides water to Fayette County and other portions of the MSA. The Lexington-Fayette Urban County Government provides sanitary sewer service for Lexington and much of Fayette County. The system is in a constant state of expansion in an effort to provide service to all parts of the urban services area.

Lexington area utilities not only have excess capacity for further expansion, but they also have some of the lowest rates in the country. Kentucky Utilities residential electricity rates are approximately 45% below the average of the 283 utilities surveyed by the U.S. Department of Energy. In the commercial and industrial sectors, the prices were 41% and 38% below the average figures, respectively. Kentucky is the fourth lowest cost state for industrial power and is the seventh lowest state in the nation for overall business cost. Overall, the availability of utilities in the Lexington MSA is considered good with very competitive rates. No shortages of services are anticipated.

ECONOMIC CHARACTERISTICS/EMPLOYMENT

The characteristics of an areas employment provide an indication of the type and profile of the community. From this profile, observations can be made and patterns inferred as to overall health and stability. The Lexington MSA has a very diversified and growing economy. The service sector is the fastest growing sector of the economy, employing about 42% of the total employment of Fayette County in 2010. Today, manufacturing employment represents approximately 14% of total employment in the Labor Market Area and 7.5% in Fayette County.

Labor Market Area Map



The largest non-manufacturing employers in Fayette County include the University of Kentucky, Lexington-Fayette Urban County Government, Fayette County Public Schools, Kentucky Utilities, U.S. Postal Service, ACS, UPS, Ashland, Inc., Valvoline Company and numerous local hospitals employing in excess of 10,000 people. U.K. has been the largest employer for over 50-years.

Lexington serves, as the commercial headquarters for the region and Fayette County is centrally located in the seven county MSA of Bourbon, Clark, Jessamine, Madison, Scott and Woodford. Lexington is the hub of the MSA and the surrounding “satellite” communities of Georgetown, Winchester, Paris, Nicholasville, Richmond and Versailles. Although, each of the surrounding communities has a separate economic base, all are connected in some degree to Lexington's economy regarding retail sales and employment. However, many economists argue the “real” MSA of Lexington comprises an area of approximately 19 counties in the Bluegrass Region and portions of Eastern Kentucky, that ultimately provide some influence on the local economy. As detailed in *Figure 3*, a greater percentage of Fayette County employees commute into the county.

Figure 3

Commuting Patterns

Residents of Fayette County	2010	Percent
Working and Residing In County	81,648	69.3
Commuting Out of County	36,090	30.7
Total Residents	117,738	100.0
Employees in Fayette County		
Working and Residing In County	81,648	49.7
Commuting Into County	82,633	50.3
Total Employees	164,281	100.0

Source: U.S. Department of Commerce, Bureau of the Census.

In 2010, the trade, transportation, and utilities segment was 18.8% or 32,178 workers of total Fayette County employment and manufacturing accounted for 7.5%. Although the Fayette County economy is still under industrialized, manufacturing is still an important sector of the employment base. The following chart summarizes the employment diversification for Fayette County and the labor market area (*see Figure 4*).

Figure 4

Employment by Major Industry by Place of Work, 2010

	Fayette County		Labor Market Area	
	Employment	Percent	Employment	Percent
All Industries	171,536	100.0	348,076	100.0
Agriculture, Forestry, Fishing and Hunting	1,955	1.1	N/A	N/A
Mining	96	0.1	N/A	N/A
Construction	6,691	3.9	N/A	N/A
Manufacturing	12,900	7.5	N/A	N/A
Trade, Transportation, and Utilities	32,178	18.8	61,713	17.7
Information	4,908	2.9	N/A	N/A
Financial Activities	8,140	4.7	N/A	N/A
Services	71,412	41.6	117,278	33.7
Public Administration	7,291	4.3	26,355	7.6
Other	44	0.0	N/A	N/A

Source: U.S. Department of Labor, Bureau of Labor Statistics. 9/13/2012

Other important developments in the MSA, relative to employment include the following. Manufacturing jobs have remained relatively stable over the past several years. However, non-manufacturing jobs have increased. The effect of the Toyota plant, which began operations in neighboring Scott County in 1986, on the Lexington-Fayette MSA's economy has been significant. Over the years, Toyota has invested nearly \$3.4 billion in the 7.92 million square feet plant that currently employs in excess of 8,000 people with annual payroll of over 500 million. Annual production capacity is approximately 400,000 vehicles. Products include the Camry 4-door sedan, Avalon sedan, Sienna minivan, Venza crossover, axles, steering components, machined blocks, cylinder heads, crankshafts, rods and axle assemblies.

The plant has generated a significant number of automotive-related “spin off” plants within the MSA, with many located in the Lexington area and surrounding communities. Geographically, the Lexington MSA is close to the center of what *Site Selection* magazine terms the “Auto Axis,” which runs along I-75. A partial list of the automotive parts plants that have located in the Lexington area include Accuromm USA, Central Light Manufacturing, Central Light Alloy, International Crankshaft, ITT Parts Supply Division, Johnson Controls, KI USA, Kokoku Rubber, Motor Wheel, Ohi America, PPG Industries, Tokico USA, Toyota Tsusho America, Trim Masters, United L-N Glass, YA America, and Webasto Roof Systems, Inc.

Other noted corporate headquarter operations in Lexington and surrounding area include Link-belt Construction Equipment, JIF Peanut Butter, Alltech, Lexmark International, and I.B.M. Global Services. Fayette County and Labor Market Area employment statistics are presented below (*see Figure 5*).

Figure 5

	Fayette County		Labor Market Area	
	2011	June 2012	2011	June 2012
Civilian Labor Force	152,998	156,967	414,202	421,805
Employed	141,601	146,775	379,353	391,612
Unemployed	11,397	10,192	34,849	30,193
Unemployment Rate (%)	7.4	6.5	8.4	7.2

Unemployment Rate (%)

Year	Fayette County	Labor Market Area	Kentucky	U.S.
2007	4.0	4.6	5.5	4.6
2008	4.8	5.6	6.4	5.8
2009	7.8	9.4	10.5	9.3
2010	8.1	9.3	10.5	9.6
2011	7.4	8.4	9.5	8.9

Source: U.S. Department of Labor, Bureau of Labor Statistics.

INCOME

The overall increase in job growth and the lower unemployment in the area have resulted in above average income levels and income growth over the past several years. Lexington has significantly outperformed the other Kentucky area metros and the nation as a whole. Approximately 47.4% of all households earn between \$25,000 and \$75,000 annually, which is equal to the Kentucky average of 47.4%. Approximately 31.6% of Fayette County households earned less than \$25,000 annually as compared to 37.7% for Kentucky (see Figure 6).

Figure 6

	Kentucky		Fayette County	
	<i>Households</i>	<i>%</i>	<i>Households</i>	<i>%</i>
Under \$15,000	354,669	22.3	18,745	17.3
\$15,000 - \$24,999	245,034	15.4	15,426	14.3
\$25,000 - \$34,999	219,944	13.8	13,862	12.8
\$35,000 - \$49,999	261,684	16.4	17,501	16.1
\$50,000 - \$74,999	274,530	17.2	20,068	18.5
\$75,000 - \$99,999	122,008	7.7	10,334	9.5
Over \$100,000	113,870	7.2	12,475	11.5
	1,591,739	100.0	108,411	100.0

The estimated 2008 Fayette County median household income is approximately \$51,437, which is expectedly above the state average. Per capita personal income (PCPI) also compares favorably with state and national levels (see Figure 7).

*Figure 7***Personal Income**

	2005	2010	Pct. Change
Fayette County	\$35,254	\$37,874	7.4 %
Kentucky	\$28,486	\$32,316	13.4 %
U.S.	\$35,452	\$39,937	12.7 %
Labor Market Area Range	\$18,796-\$38,613	\$23,023 \$40,483	

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Households

	2005-2009		2009
	Number of Households	Persons Per Household	Median Household Income
Fayette County	118,552	2.43	\$46,386

Source: Applied Geographic Solutions, Simi Valley, CA.

The estimated average income per household for Fayette County (2006) was \$70,167, compared to \$59,188 for the state of Kentucky as reported by *Editor & Publisher Market Guide*. The average weekly wage for Fayette County (2009) was \$793 for all industries, as compared to the State of \$731 and U.S. of \$876. These figures, as well as, the previous household and personal income statistics, indicate Fayette County is in a very favorable position in terms of income levels.

MANUFACTURING/INDUSTRIAL

At present, overall demand for improved industrial/warehouse property is average and much of the available vacant land has been absorbed. However, there is reported approximately 876,000 square feet of manufacturing and/or warehouse space available for immediate occupancy. There is particular higher demand for smaller improved industrial properties less than 20,000 square feet.

The prospects for owners of vacant and improved industrial/warehouse space is positive as compared to the early 1990's, but is still considered to be circumspect. However, vacant industrial zoned land is becoming scarce. This has created some demand for sites in neighboring counties where land prices are significantly less. The largest Lexington-Fayette County major business and industry employers are detailed on the next page (*see Figure 8*) followed by a summary of recent manufacturing locations and expansions (*see Figure 9*).

Figure 8

Major Business & Industry(Manufacturing & Supportive Service Firms Only)

Firm	Product(s)/Service(s)	Emp.	Year Established
Lexington			
Amazon.com	Fulfillment center.	1200	2000
Ashland Consumer Markets (Valvoline)	Administrative offices and lab.	750	1980
Ceradyne, Inc.	Ceramic armor, ceramic silicon nitride components and ceramic bearings.	250	2005
Creation Technologies Kentucky, Inc.	Printed circuit board assembly.	250	1998
Gall's, Inc.	Corporate office, inbound call center, distribution, and shipping.	596	1973
IBM Global Services	Headquarters, communications software, teleconference equipment.	500	1976
Jif Plant	Peanut butter.	240	1957
Lexington Dixie Plant	Plastic products and paper cups.	300	1957
Lexington Herald-Leader	Newspaper publishing & commercial offset printing & advertising.	252	1870
Lexmark International, Inc.	Corporate headquarters.	2700	1991
Link-Belt Construction Equipment Company	Design, manufacture, market, sell & service of telescopic and cable cranes.	608	1974
Lockheed Martin	Contractor logistics support-DOD contract.	1705	1985
Pepsi-Cola Bottling, Co.	Carbonated soft drink bottling.	368	1941
Schneider Electric	Electrical safety switches & distribution panels, load centers.	500	1955
Trane Lexington	Manufacture of commercial & industrial air handling equipment.	891	1963
UPS	Small package distribution.	551	N/A
Webasto Sunroofs, Inc.	Automotive sunroofs.	467	1998
Xerox	Back office support, dispatch, and customer service.	1100	2002
Xerox	CORE tools software development support. Also provide customer service and technical support for third party clients.	800	2005
Xerox	Call center services	600	2009

Source: Kentucky Cabinet for Economic Development (9/13/2012).

Figure 9

Summary of Recent Locations and Expansions, 2009-Present

	Companies	Reported	
		Jobs	Investment
Manufacturing Location	2	112-175	\$4,351,800
Manufacturing Expansion	20	149-339	\$69,205,480
Supportive/Service Location	15	747-924	\$54,305,670
Supportive/Service Expansion	25	1,029-1,130	\$103,944,180
Source: Kentucky Cabinet for Economic Development (9/13/2012).			

RESIDENTIAL/MULTI-FAMILY HOUSING

Residential property values in the Lexington area have been steadily increasing over the past several years. The reported median house price in 2010 of \$160,000 was up approximately 6.5% from 2009. In addition, 2008 through 2011 single-family housing starts have been well below historic averages. During the past two years, applications for single-family residence building permits for the periods ended December 2010 and December 2011 were 640 and 517, respectively. According to recent statistics, all single-family residential development, with the exception of condominium/townhouses, has seen a dramatic decrease in volume. The following chart details annual building permits activity (units) by category over the past decade (*see Figure 10*).

Figure 10

LEXINGTON FAYETTE COUNTY RESIDENTIAL PERMITS

	Total Single Fam Units	Total Multi- Fam Units	Single Family Units	Town/ Condo Units	Duplex Units	Apart. Units	Total
2002	2,141	179	1,842	299	6	173	2,320
2003	2,173	129	1,985	188	56	73	2,302
2004	2,306	658	1,956	350	14	644	2,964
2005	2,469	354	1,842	627	8	346	2,823
2006	1,754	348	1,281	473	18	330	2,102
2007	1,235	146	1,022	213	11	135	1,381
2008	740	1,196	597	143	31	1,165	1,936
2009	732	328	542	190	12	316	1,060
2010	640	178	486	154	8	170	818
2011	517	220	430	87	18	202	737
Totals	14,707	3,736	11,983	2,724	182	3,554	18,443

AVERAGES							
'06-'08	1,242	564	966	276	20	544	1,806
'09-'11	629	242	486	143	12	230	871

Considering most residential types such as multi-family, condominium, townhouse, and duplex units, overall demand is average. Continued demand for new housing is created from Fayette County's annual population growth, continual decrease in the number of people per household, and a growing economy with below average unemployment levels. Multi-family construction has increased slightly during the past year to levels similar to the pre-2006 development. As detailed on the previous page, 220 new multi-family units (apartments & duplex) were constructed during 2011 as compared to 178 units in 2010 and 328 units in 2009. The average over the past six years was 402 units.

The citywide vacancy rate in the multi-family market is approximately 10%. Apartment units that attract the growing student population near the University of Kentucky campus typically have occupancies above the city average of around 5%. At present, the supply of units in the area appears to be in balance and sale prices are slowly increasing again.

COMMERCIAL DEVELOPMENT

Figure 11 summarizes the amount of non-residential building square footage permitted in Lexington-Fayette County from 2002 through 2011. The data shows that annual construction and absorption of non-residential space has increased from last year, but is still well below historic averages. Office development declined during the last half of 2008 and first half of 2009 due to overbuilding in the office condominium segment. The bulk of reported 2010 and 2011 office building activity is associated with the construction of larger government related properties.

Figure 11

Lexington-Fayette County Non-Residential Building Permit Square Footage

<u>Year</u>	<u>Retail/Other</u>	<u>Ind/Warehouse</u>	<u>Office</u>
2002	414,818	420,077	477,527
2003	469,084	186,238	357,175
2004	491,825	427,442	438,149
2005	763,100	549,406	592,189
2006	1,213,250	379,007	401,320
2007	500,440	160,638	530,978
2008	578,269	409,364	154,972
2009	270,418	384,923	370,192
2010	134,163	49,485	227,852
2011	<u>244,515</u>	<u>141,269</u>	<u>272,388</u>
10-Yr. Tot.	5,079,882	3,007,849	3,822,742
Mean	507,988	300,784	382,274
Last 3-Yrs	216,365	191,892	290,144

ECONOMIC AND DEMOGRAPHIC CONCLUSIONS

Lexington is a steadily growing city with an above average economy and a solid economic base. Future growth and expansion of urban service area will be controlled due to the limited quality of vacant commercial zoned land. Population and income levels are increasing at modest levels. Lexington's lower unemployment rate is, and has been, a strong factor in the areas above average economy. Retail sales in the city are also increasing at moderate levels. On balance, the prospects for Lexington are positive. The economy of Lexington is stronger and more diverse than most metropolitan areas. It is projected the economy will continue to have slow to moderate growth for the immediate years ahead, although significant industrial employment growth is not anticipated.

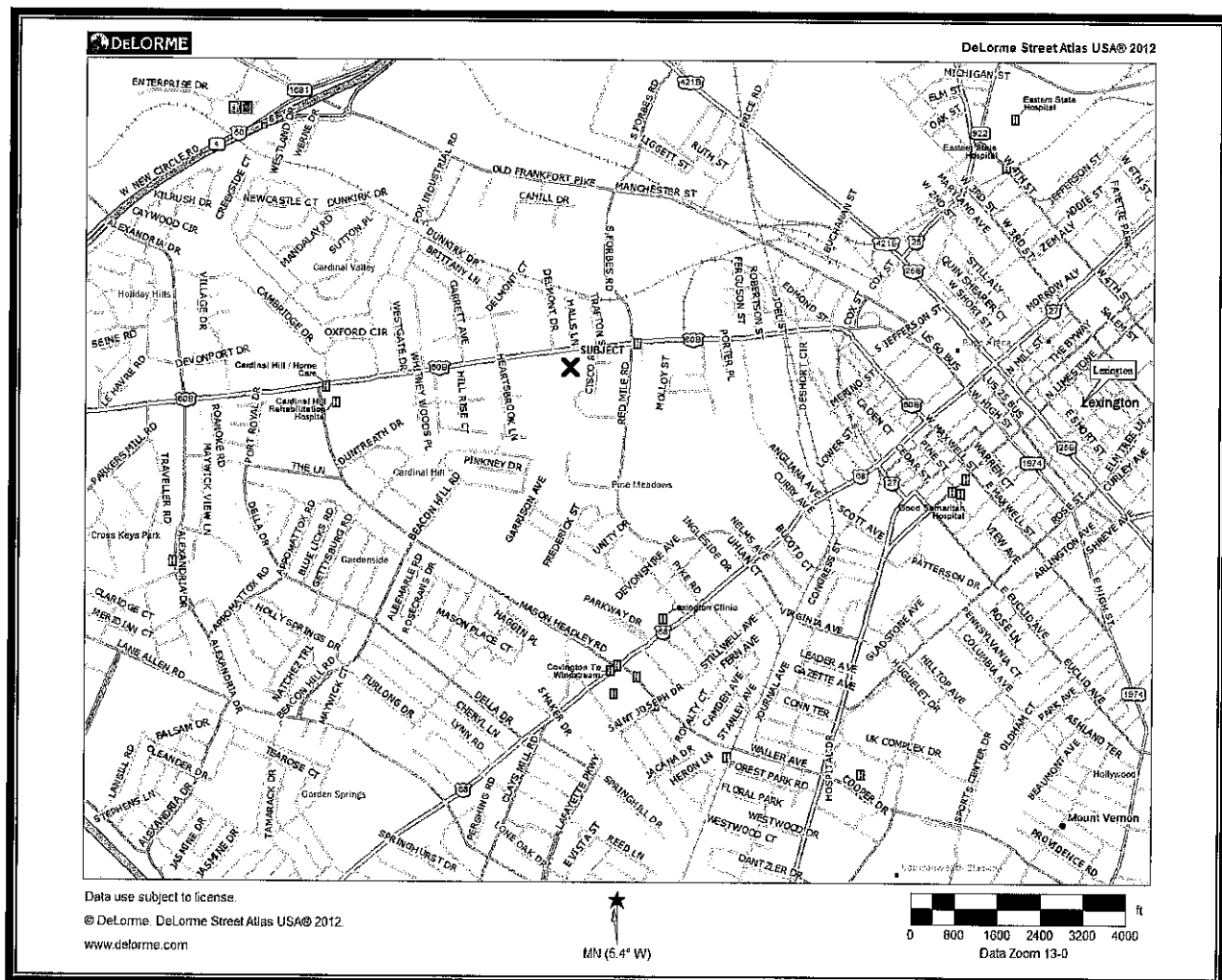
NEIGHBORHOOD ANALYSIS

Boundaries - The immediate neighborhood is bound by Versailles Road to the north, CBD to the east, Waller Avenue (Mason Headley Road) to the west, and South Limestone to the south. The immediate neighborhood consists of a relatively small area of southwest Lexington. The subject is within the urban service area in the southwest quadrant known as the South Broadway corridor. The neighborhood is approximately two miles south and west of the CBD and immediately northwest of the University of Kentucky campus. Most of the neighborhood

commercial development is located along the primary corridors of South Broadway, Versailles Road, Virginia Avenue, S. Limestone, and Red Mile Road.

The neighborhood is a transitional area from the traditional western and southern residential suburbs of Lexington to the more urban development of the CBD. Therefore, the immediate neighborhood contains a wide variety of uses. Being in close proximity to the campus, much of the general neighborhood to the south caters to the student population and other needs of the University. A neighborhood map is presented below (*Figure 12*).

Figure 12



The Red Mile Harness Tract, located approximately one-mile south of the subject, is a focal point within the immediate neighborhood, but U.K. exhibits the greatest amount of influence as detailed in the discussion that follows. Much of the development on Waller Avenue, S.

Limestone, Virginia Avenue, and Red Mile Road centers around providing housing and services to the University and its students. The Red Mile Harness Tract features seasonal racing and special event entertainment.

The primary land uses in the neighborhood are retail, highway service commercial, light industrial, and multi-family residential. The eastern portion of the neighborhood, between South Broadway and South Limestone, is considered to be a part of the old downtown area, where many of the residential homes have been converted into multi-family units by private developers for student housing and retail spaces that cater to the student population. This area is somewhat urban in character and serves as the primary transition area between the CBD, the University and nearby residential neighborhoods.

Angliana Avenue, east of the subject, is predominantly light industrial and warehouse in nature, connecting South Broadway and Versailles Road. Properties that are in close proximity to S. Broadway and Versailles Road, with convenient access and good visibility, are retail or highway service uses. Most of the long-term occupants along Angliana Avenue are former tobacco warehouse operations. Curry Avenue contains an even mixture of single-family residences and small office/warehouse properties, and is in a transition from residential land uses. The Red Mile Harness Tract is agricultural.

Area Development – The subject neighborhood is located on the fringe of the urban district of Lexington, which represents an approximate two-mile square around downtown Lexington, encompassing nearly all of the University of Kentucky campus. The neighborhood is an established area of Lexington, but is still in a period of transition due to the widening of Virginia Avenue to four lanes. The neighborhood can be characterized as being in a revitalization period of development.

Virginia Avenue connects S. Broadway and S. Limestone (Nicholasville Road) near the central portion of the U.K. campus, which is a dedicated entrance of the campus. Red Mile Road transitions to Virginia Avenue at S. Broadway and also provides convenient access to the campus. The widening of Virginia Avenue has spurred new development in the immediate neighborhood due to the diversion of a significant amount of local traffic. It is reported by the

Kentucky Transportation Cabinet that the daily traffic count near the intersection of Virginia Avenue on S. Broadway (U.S. 60) is approximately 41,000. Daily traffic counts along Virginia Avenue and Red Mile Road range from 12,000 to 16,000 cars.

Other noted properties in the immediate vicinity include the Lexington Theological Seminary, Good Samaritan Hospital, Cardinal Hill Rehabilitation Hospital, U.K. Medical Center and V.A. Medical Center. Including Lexington Clinic and St. Joseph Hospital, the general neighborhood contains most of the primary medical facilities of Lexington. Versailles Road also contains a significant amount of commercial development fronting the main corridor with most uses serving the surrounding residential housing.

The most recent commercial development in the immediate area has occurred along S. Broadway, Foreman Avenue, Red Mile Road, and Angliana Avenue. Multiple large commercial tracts were created from the razing and redevelopment of former tobacco warehouse or general business properties. Recent development includes multiple apartment communities and retail developments, including a 332-unit upscale student housing complex known as The LEX. In addition, several of the existing businesses that have frontage on Virginia Avenue, renovated their properties and have taken advantage of increased access and visibility, including construction of a new Holiday Inn Express.

Other recent development near South Broadway Marketplace includes The University of Kentucky Credit Union on Export Street, and a new Shell convenient mart was recently developed within the northeast quadrant of Virginia Avenue and S. Broadway, and a full-service car wash facility was completed approximately three years ago near Bolivar Street. The Holiday Inn Express is located at the corner of Export Street and Virginia Avenue.

The neighborhood has convenient access to the CBD, New Circle Road, and Interstate 64/75. Access to and from the CBD, however, can be difficult at times due to the concentrated employment base and local student population creating heavy volumes of traffic. In general, traffic can be a problem in many areas of south Lexington.

All public utilities are available in the neighborhood including natural gas, electricity, water, telephone, cable TV, and sanitary sewer. The streets are paved with asphalt and are publicly maintained by the Lexington-Fayette Urban County Government.

VACANCY

Due to the relatively stable retail occupancy rates and history of the subject neighborhood, a demand analysis was considered to be unnecessary and beyond the scope of this assignment. When taking into consideration the limited amount of new retail development anticipated in the immediate area, the overall occupancy rate should not be significantly affected over the foreseeable future. Conclusion of a stabilized vacancy rate takes into account occupancy rates reported from comparable properties in and around the subject's submarket, and considers the subject's location and size. A market stabilized vacancy rate, including potential collection loss, is considered appropriate for the subject property similar to market estimates discussed in the area analysis section of this report.

CONCLUSION

In summary, the neighborhood contains a heavy concentration of commercial and multi-family residential uses, which is predominantly medium to high-density apartments. The area is served well by commercial properties such as restaurants, banks, shopping centers and specialty stores catering to the residential base. Centers of employment are abundant and in close proximity. The outlook for the neighborhood is stable. The commercial and residential developments in the area have experienced average levels of demand, which is a positive factor. On balance, the neighborhood is suited for similar development.

The general indication from all land use types within and surrounding the subject neighborhood is the overall real estate market is growing, with a good potential for long-term value increases. Based on the history of the area, demand for general business (Automotive related - retail) space is anticipated to remain steady over the foreseeable future, barring any significant increases in interest rates (which cannot be predicted) or drastic changes in the local economy (which are not anticipated).

ESTIMATED MARKETING TIME

Marketing time is prospective from the date of valuation. It is the period of time after the effective date required to consummate a sale, assuming reasonable pricing. Marketing time is estimated based on current market conditions and future perceptions affecting the subject property. The marketing time is also based on the most recent sales of similar type properties, a determination of the most likely purchasers of this property type, as well as, an examination of the supply and demand factors.

Reasonable marketing period is defined as: "an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal." ⁵

Sale prices are stable and marketing periods have been normal. There is limited known use of sales or lease concessions and competitive properties offered for sale in the immediate neighborhood, but several general business properties have sold in the general area over the past three years. Overall, demand for general business properties less than 10,000 square feet has been average and marketing and exposure periods have typically been less than twelve months. Marketing periods for larger properties can be greater than twelve months, but typically less than three years. Current trends and supply does not suggest any significant change in the future.

Market conditions within the general commercial sector are stable and citywide vacancy levels are approximately 8% to 10%. In general, typical market lease rates for large general business properties range from \$5.00 to \$10.00 per square foot, which is sufficient to adequately service similar improvements. There is limited vacant land available in the immediate neighborhood

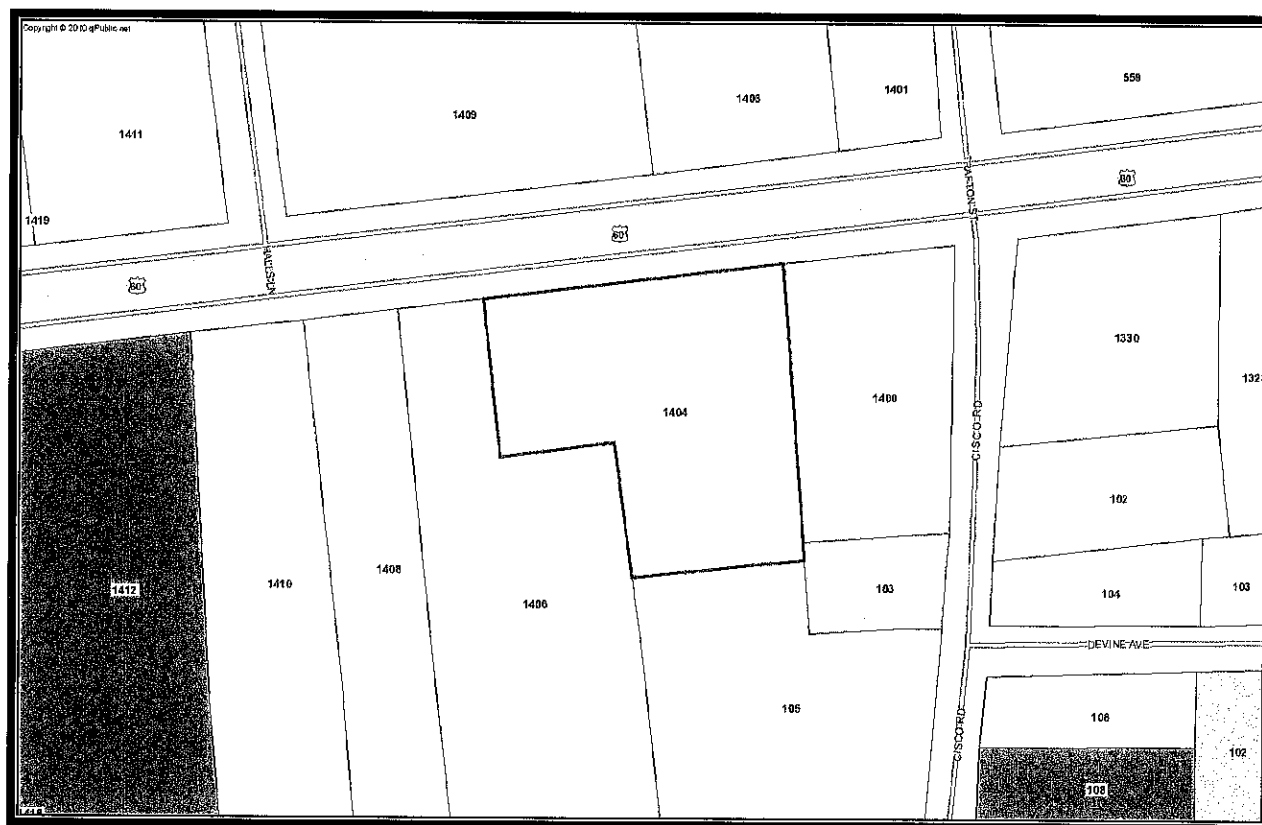
Overall the current market for similar property is stable and there are no proposed developments in the market area that would change the stability. Current trends do not suggest any adverse factors in the immediate future. It is assumed current market conditions will not change significantly in the near future.

Normal marketing periods for most commercial properties in the Lexington area have been 12 to 24 months, with some exceptions. Considering the special purpose automotive service use of the subject, marketing time for the subject has been estimated to be 12 to 18 months. Therefore, an appropriate discount for the anticipated excess marketing is made.

PROPERTY DESCRIPTION

SITE ANALYSIS

The L-shaped lot is approximately 0.733-acres ($\pm 31,950$ s.f.) and oriented on the south side of Versailles Road, just west of Red Mile Road. Topography is level and at street grade. The property consists of two contiguous rectangular shaped lots. No plat was referenced from recorded documents. A sketch of the subject and adjacent properties is presented below, designated by PVA records as 1404 Versailles Road.



⁵ *Uniform Standards of Professional Appraisal Practice*, 2012-2013 Edition, Washington, D.C. The Appraisal Foundation, (AO-7).

The site is improved with a freestanding automotive service building and ample asphalt paved/gravel parking area, and sidewalks. All site improvements were in average condition. Access is provided from two curb cuts on Versailles Road. Visibility is good from both directions and typical of the neighborhood.

According to HUD (FEMA) map #210067 0117 D, dated September 17, 2008, the site is not in a flood hazard area. A copy of the flood map is included in the addendum at Exhibit #2.

All public utilities including electric, water, sanitary sewer, natural gas, and telephone are available and connected to the site. Off-site streets are paved with asphalt and are publicly maintained. As detailed in the neighborhood analysis, adjacent properties are similar general-purpose business (retail) and highway service properties or compatible residential uses.

As previously stated, the appraiser was not provided with an environmental assessment report. It is noted that the appraiser is not a qualified environmental expert. This appraisal is based upon the extraordinary assumption the site and improvements are free from any environmental hazards that could negatively affect the value conclusion if found to be present. No environmental concerns were apparent from the limited property inspection.

The calculated land-to-building ratio of the property is 6.05 to 1 with a lot coverage ratio of 16%. The land-to-building and lot coverage ratio is similar to typical market ranges. The site has been improved to its maximum potential. The site supports the concluded highest and best use.

IMPROVEMENTS DESCRIPTION

Description: One-story automotive service building, configured for one occupant, currently operated as a tire sales/service shop. The building contains finished office space, five shop bays, and multiple restrooms. The improvement contains average quality finished space. An aerial photograph is presented on the next page.

Size: The irregular shaped building contains $\pm 5,256$ s.f. G.B.A.

Age: The improvements were originally built around 1960, but have been renovated over the years.



Construction

Foundation: Steel reinforced poured concrete footers and interior concrete slab over a gravel base.

Frame: Concrete block frame.

Roof Structure: Steel trusses and corrugated metal decking. Roof is insulated. The roof is pitched for drainage.

Exterior

Walls: Painted concrete block and E.I.F.S. Exterior trim is metal coping.

Roof Covering: Sealed membrane (ballasted).

Doors & Windows: Windows are insulated glass with metal/aluminum frames. Entry doors are storefront glass and/or insulated metal. Front and rear access is provided. Overhead doors include four 10' x 10' openings and one 14' x 12' opening.

Interior

Walls: Painted concrete block and taped and painted drywall. Interior trim is average for the market.

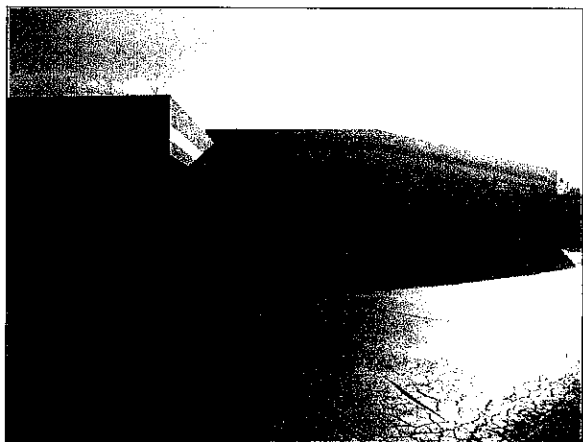
Ceilings: Finished ceiling heights are approximately 8' with suspended grid systems.

H.V.A.C: Heating and cooling is provided from a forced air gas and central electric air-conditioning system. Shop heating is provided from one suspended gas unit.

Floor Covering: Composition vinyl tile, finished concrete, and carpet.

1402 Versailles Road, Lexington, Ky.

SUBJECT PHOTOGRAPHS



Front View



Versailles Road - East



Versailles Road - West



Front Parking Area



Rear Yard



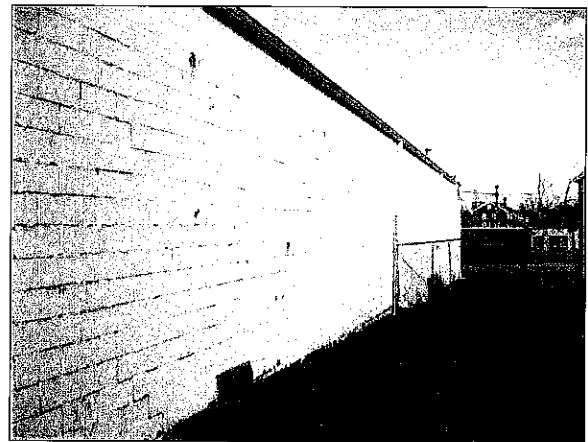
Rear View

1402 Versailles Road, Lexington, Ky.

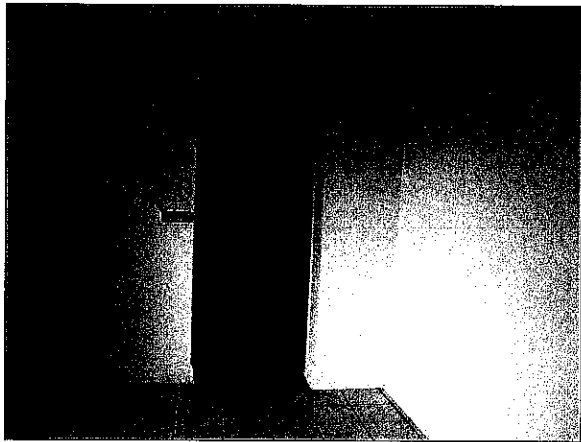
SUBJECT PHOTOGRAPHS



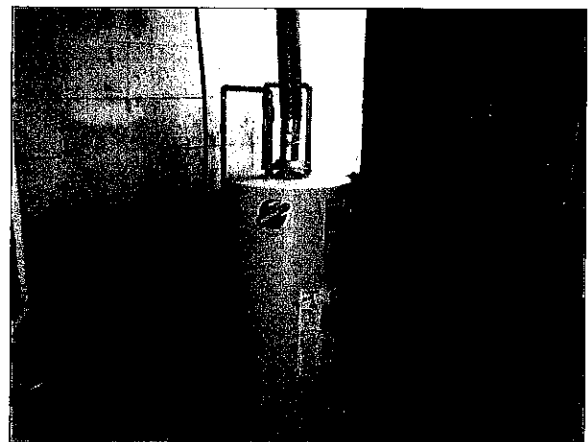
West End



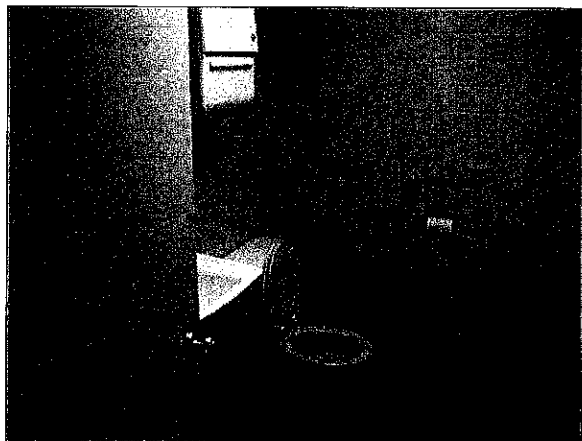
Rear View



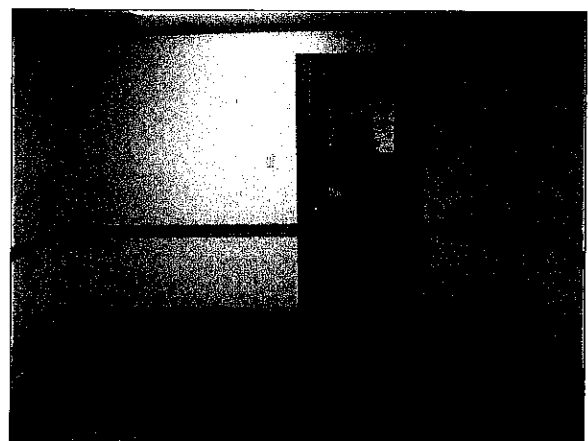
Waiting/Restroom Area



Mechanical Area



Typical Restroom

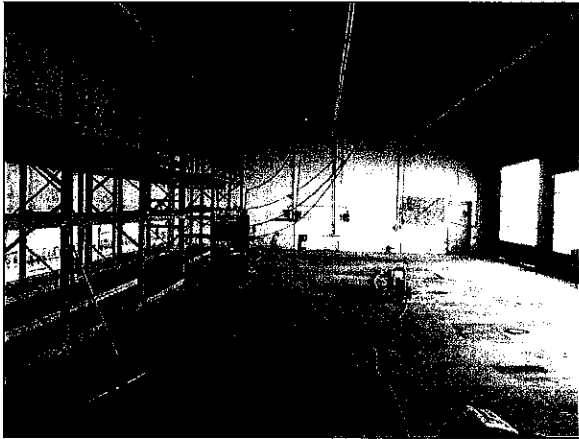


Office Sapce

Realty Research Corporation

1402 Versailles Road, Lexington, Ky.

SUBJECT PHOTOGRAPHS



Shop Space



Mezzanine Storage

Electrical/Lighting: The building is equipped with ample service typical of an improvement of this type. Lighting is recessed and ceiling mounted strip fluorescent fixtures.

Plumbing/Fixtures: Three 2-piece restrooms. Other fixtures include multiple sinks. Plumbing fixtures are of average quality.

Other

Other Features: Building has aluminum gutters and downspouts. The rear gravel yard has chain link fence on three sides. Interior space features built-in cabinets and laminate surfaces. The shop space contains a small wood frame mezzanine storage area.

Analysis

The improvements were in average condition with only minor items of deferred maintenance noted. Overall utility is considered to be average throughout the improvement. The building has an estimated effective age of 20 to 25-years based upon the current condition, actual age, and physical inspection. The remaining economic life of the improvements is estimated to be 20 to 25-years, if adequately maintained.

HIGHEST AND BEST USE ANALYSIS

Introduction

This analysis gives consideration to the legal permissibility, physical possibility, financial feasibility, and maximum profitability, which would provide the highest and best return to the owner of the site under current market conditions. Highest and best use is being considered under the following definition:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.⁶

By following this sequence, potential uses are systematically narrowed until only the highest and best use remains. The above definition applies specifically to the highest and best use of the land. In many cases where a site has existing improvements, the highest and best use may well be determined to be different from the existing use. The existing use will continue until the land value exceeds the total value of the property in its existing use.

⁶ American Institute, The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, IL. 2002, Page 135.

Highest and Best Use "As Vacant"

Legal Permissibility - This criteria considers restrictions imposed on the subject property by controls such as zoning, building codes, historical district controls, environmental regulations, long term leases, deed restrictions and private covenants. The subject is zoned B-1, which permits a variety of commercial (retail, restaurant, office and general business) uses.

Physical Possibility - This criteria considers the size, shape, area and terrain as each affects the development potential of the site. Other factors such as the ratio of frontage and depth, availability of public utilities, topography and subsoil are also considered. The subject site is 0.73-acres, level topography, mostly rectangular shaped, and has all public utilities, with access to a public street. The size, shape and topography of the site allows for a range of legally permitted uses commensurate with its size.

Financial Feasibility - This criteria considers those uses that are likely to produce a return greater than the combined income needed to satisfy operating expenses, financial expenses and capital amortization. Most permitted B-1 uses, which are expected to produce a positive return, are regarded as financially feasible. Financially feasible uses must account for the physical and legal constraints already discussed. Analyzing the surrounding uses indicates the subject's feasible use would be dictated by the principal of conformity, which emphasizes a property's value, tends to be maximized when it is in reasonable conformance with its surroundings.

As discussed in the neighborhood analysis, most of the properties in close proximity to the subject are retail and general-purpose commercial, while the general neighborhood is predominantly residential. Occupancy levels and demand for similar retail or general business space in the neighborhood is typical of the market and appears to be in balance with demand. As a result, financial feasibility for a similar use is supported and is consistent with neighborhood characteristics.

Maximum Profitability - This criteria isolates the use which provides the highest rate of return or value from all financially feasible uses that identifies the highest and best use. To determine the maximally productive use of land as though vacant, a particular rate of return is utilized to capitalize income streams from different uses into their respective values. The use

indicating the highest value is the maximally productive use. A general-purpose business (neighborhood business) use represents the maximum value to the property.

Highest and Best Use "As Improved"

The assessment of the land as though vacant provided a narrowing of uses that would be best suited for the site. The existing improvement is legally permissible, physically possible, provides financial feasibility, and is in harmony with the neighborhood. In addition, the existing improvement has remaining economic life and contributes to the total value of the property. The value of the site as improved is greater than the value of the site as vacant. The existing improvement represents the highest and best use as improved. This conclusion is inherent throughout this report.

SALES COMPARISON APPROACH

Introduction

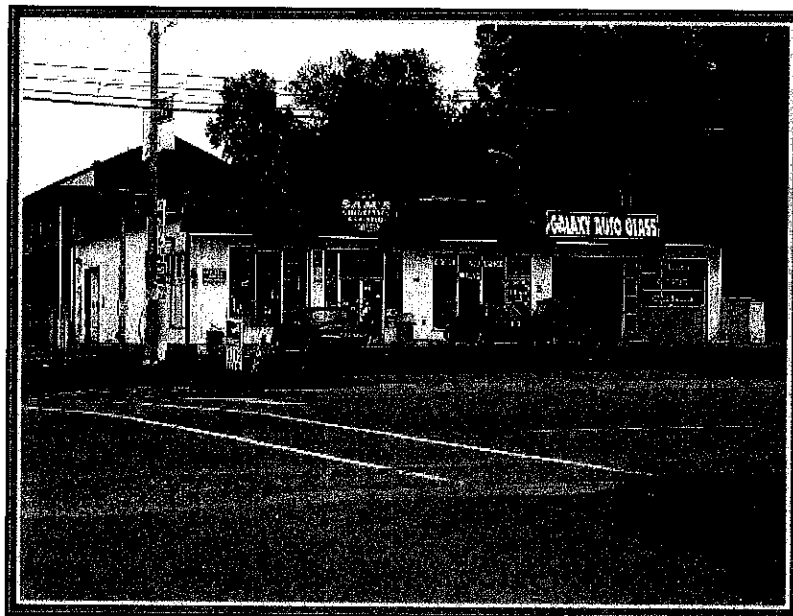
The Sales Comparison Approach is based on the principle of substitution that an informed buyer would pay no more for a property than the cost of acquiring an existing property with equal utility. The sales comparison approach often provides a highly supportable estimate of value for homogenous properties such as vacant land and small residential properties, where the adjustments are few and relatively simple to compute. For larger or more complex properties, however, the required adjustments are often more subjective to estimate. This approach to value is useful when there are a number of recent, comparable sales. Accuracy of this approach is enhanced if there are many sales. Since buyers of investment real estate actually do look at various investment opportunities within a particular class of properties, this approach will often reflect the buyer's motivation better than the other approaches.

Research revealed a limited amount of improved sales of automotive service and related properties in the Lexington area of similar use and utility. Therefore, in order to use the most comparable data, older transactions were utilized. The sales selected for direct comparison were the best available of the limited data and selected primarily based on similar characteristics of quality and utility. Emphasis was given to similar use and size automotive service properties. The sales are detailed on the following pages and followed by an adjustment grid and summary explanation of adjustments.

Adjustments were applied in the sequence of the adjustment grid. The sales have been compared to the subject and adjustments were made to reflect the differences in property characteristics. The basic elements of comparison that should be considered were (i) the property rights conveyed, (ii) financing, (iii) conditions of sale, (iv) market conditions, (v) physical characteristics, (vi) economic characteristics, (vii) and non-realty components of value.

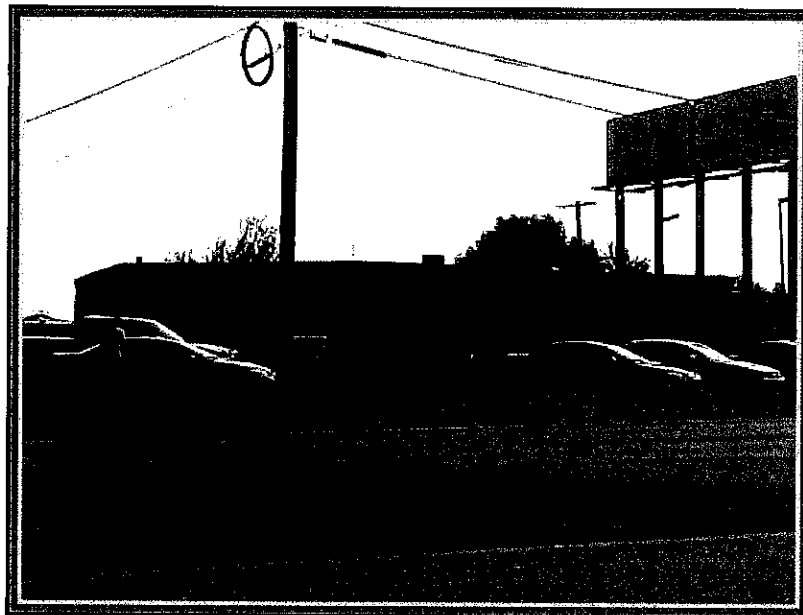
COMPARABLE IMPROVED SALE #1

Location:	1907 Versailles Road, Lexington Ky.
Grantor:	Dairy Mart Food and Gas Mart, Inc.
Grantee:	K and H Enterprise of Lexington, LLC.
Deed Book/Page #:	2735/325
Sale Date:	6/18/07
Sale Price:	\$650,000
Gross Building Area:	±5,616 s.f.
Zoning:	Neighborhood Business (B-1)
Site Size/Land-to-Building Ratio:	0.50-acre/4.11:1
Sale Price/SF.:	\$115.74
Terms of Sale:	Cash to Seller
Utilities:	All available
Description:	One-story concrete block and metal building, built in 1980. Property was converted from a four-bay service station into retail space. Building features adequate on-site parking.



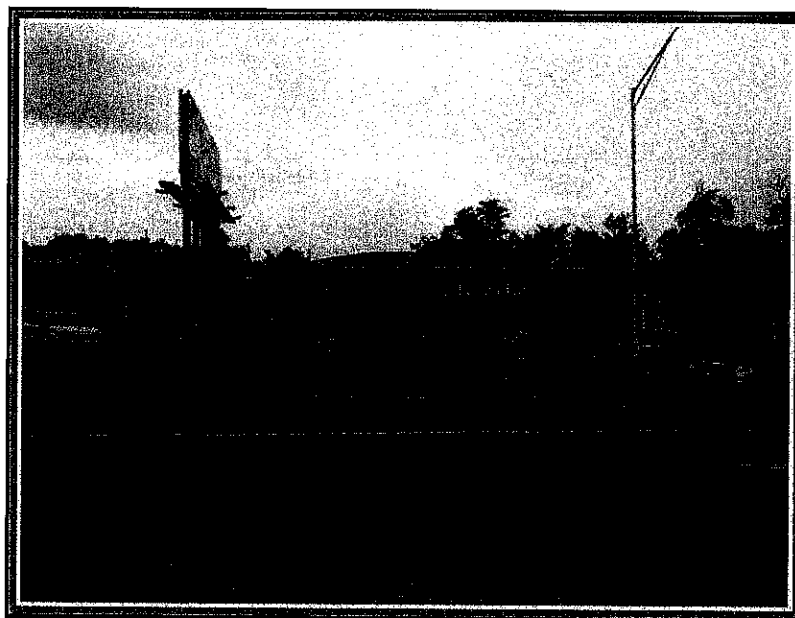
COMPARABLE IMPROVED SALE #2

Location:	635 E. New Circle Road, Lexington Ky.
Grantor:	H. Howard Thomas
Grantee:	VRB Realty, LLC.
Deed Book/Page #:	2980/500
Sale Date:	12/1/10
Sale Price:	\$440,000
Gross Building Area/Office %:	4,776 s.f.
Zoning:	Highway Service Business (B-3)
Site Size/Land-to-Building Ratio:	0.3565-acres/3.25:1
Sale Price/SF.:	\$92.13
Terms of Sale:	Cash to Seller
Utilities:	All available
Description:	One-story concrete block building, built in 1956, with average quality automotive space. Property is configured for one occupant.



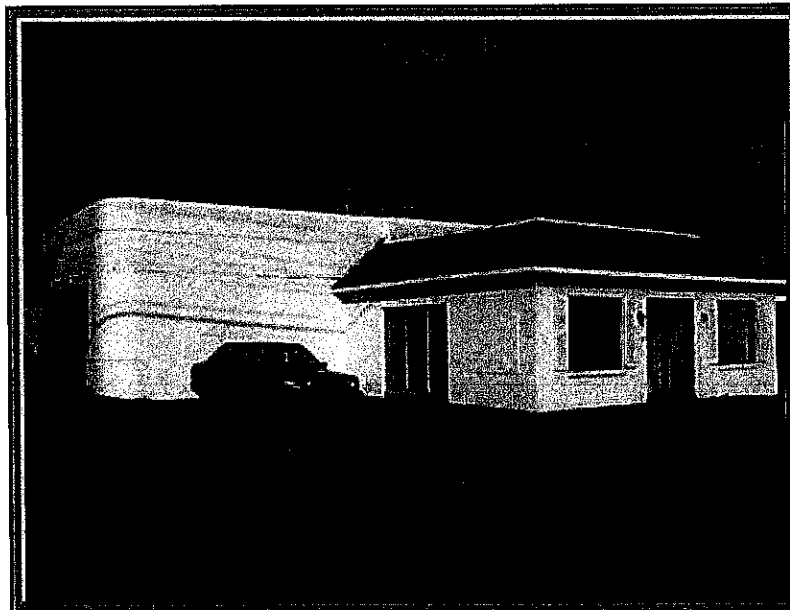
COMPARABLE IMPROVED SALE #3

Location:	988 E. New Circle Road, Lexington, Ky.
Grantor:	Susan Sandelman, Trustee
Grantee:	Gerald G. Lundergan
Deed Book/Page #:	2792/381
Sale Date:	3/4/08
Sale Price:	\$550,000
Gross Building Area/Office %:	6,400 s.f.
Zoning:	Highway Service Business (B-3)
Site Size/Land-to-Building Ratio:	0.706-acres/4.80:1
Sale Price/S.F.:	\$85.93
Terms of Sale:	Cash to Seller
Utilities:	All available
Description:	One-story concrete block/brick retail/warehouse building, built in 1957. Formerly used as a Hostess Cake retail outlet, however has subsequently been renovated into grantee's office/warehouse.



COMPARABLE IMPROVED SALE #4

Location:	1401 Versailles Road, Lexington, Ky.
Grantor:	Jose N. & Amy Aich
Grantee:	Michael & Letha Drury
Deed Book/Page #:	2839/371
Sale Date:	10/15/08
Sale Price:	\$210,000
Gross Building Area:	±1,768 s.f.
Zoning:	Neighborhood Business (B-1)
Site Size/Land-to-Building Ratio:	0.110-acres/2.71:1
Sale Price/SF.:	\$115.13
Terms of Sale:	Cash to Seller
Utilities:	All available
Description:	One-story brick building, built in 1965. The building is configured for one occupant and has been used for general-business retail purposes. The property was subsequently renovated and the interior space was in a shell condition at the time of transfer. The building has adequate on-site parking in the front and rear.





Improved Sales Adjustment Grid

Subject	Comp Sale #1	Comp Sale #2	Comp Sale #3	Comp Sale #4
Sales Price/S.F.:	N/A	\$92.13	\$85.93	\$115.13
Property Rights:	N/A	Fee Simple	Fee Simple	Fee Simple
Adjusted Unit Price:	0.00%	0.00%	0.00%	0.00%
	\$115.74	\$92.13	\$85.93	\$115.13
Financing/Conditions:	N/A	Cash to Seller	Cash to Seller	Cash to Seller
Adjusted Unit Price:	0.00%	0.00%	0.00%	0.00%
	\$115.74	\$92.13	\$85.93	\$115.13
Sale Date (Market Conditions):	Current	Dec-10	Mar-08	Oct-08
Adjusted Unit Price:	0.00%	0.00%	0.00%	0.00%
	\$115.74	\$92.13	\$85.93	\$115.13
<u>Physical Adjustments:</u>				
Location:	Average	Similar	Similar	Similar
	0.00%	0.00%	0.00%	0.00%
Size:	±5,256 s.f.	±4,776 s.f.	±6,400 s.f.	±1,768 s.f.
	+0.50%	-1.50%	+1.70%	-13.20%
Condition/Quality:	Avg./Avg.	Sim./Sim.	Sim./Sim.	Inf./Sim.
	0.00%	0.00%	0.00%	+10.00%
Utility/Zoning:	Avg./B-1	Sim./Sim.	Sim./Sim.	Sim./Sim.
	0.00%	0.00%	0.00%	0.00%
Total Net Adjustments %:	+0.50%	-1.50%	+1.70%	-3.20%
Total Net Adjustment/Unit:	\$0.57	(\$1.38)	\$1.46	(\$3.68)
Indicated Unit Value for the Subject:	\$116.31	\$90.75	\$87.39	\$111.45

CONCLUSION

The previous improved sales were considered to be the four most comparable properties of the limited data. After adjustments, the sales estimated a range of value from \$87.39 to \$116.31 per square foot, with a mean of \$101.47. Emphasis was placed on comparable sale #2, being the most recent transaction, and the indicated mean. Considering all data, a value estimate of \$95.00 per square foot is concluded. Therefore, an "as is" estimated market value of \$499,320 ($\pm 5,256$ s.f. x \$95.00/s.f.) is concluded, rounded to **\$500,000**.

The commonly used unit of comparison for similar properties is sales price per square foot. The appraiser has utilized the per square foot unit for comparison due to differences in property characteristics. The improved sales have been compared to the subject and adjustments have been applied to reflect the differences in characteristics. The following is a summary of the various adjustments to the data sample and the basis utilized for each item.

Explanation of Adjustments. All sales transferred similar real property interests within similar economic conditions. All sales were reported to be sold with market financing prevalent at the time of sale. All sales appeared to be transferred without any undue stimulus or motivational factors affecting the seller or buyer. Therefore, no adjustments were applied for property rights conveyed, financing terms or conditions of sale.

Market Condition Adjustment

Typically, inflationary and market forces cause real property to appreciate over time. However, due to current economic conditions and lack of conclusive data, no adjustments were considered necessary for sale dates.

Physical Characteristics Adjustments

Location. All sales are considered to have reasonably similar locations and were not adjusted. See comparable sales location map.

Size. Due to the inverse relationship between sale price per unit and size all sales were adjusted appropriately. The adjustment was mathematical based upon the principle of economy of scale.

Condition/Quality. Adjustments were considered for overall quality and condition of the comparable sales. Sale #4 was considered to be inferior in terms of current condition due to its partially renovated shell condition. An upward adjustment of 10% was applied. No other adjustments were warranted.

Utility/Zoning. Finally, adjustments were considered for utility and zoning. All comparable sales are similar in overall utility. Also considered was the zoning of the comparable sales. All comparables are considered to be similar to the subject and not adjusted. Although the adjustments applied are subjective, the adjustments do correlate in relation to each other.

INCOME CAPITALIZATION APPROACH

Introduction

The principle assumption of the income capitalization approach is a definite relationship between the income produced by a property and its value. The appraiser applies techniques to analyze the income generating capability of a property, and converts these benefits into a value indication. Gross income and expenses are projected by market comparison, and the estimated income benefits are converted to value at an appropriate rate that would attract investors to purchase this type of property.

For this analysis, the appraiser has elected to value the subject using a direct capitalization method only with a projected stabilized net operating income. A typical investor would view this method of valuation as most appropriate, opposed to the discounted cash flow method.

POTENTIAL GROSS INCOME

The first step in the income approach is to estimate market or economic rent for the property. Market rent is income a property would most probably command in the open market and is indicated by the current rents paid and asked for comparable space as of the date of the appraisal.

The hypothetical market lease would be on a triple net basis over a three to five-year term and the tenant is responsible for utilities, property taxes, insurance, and all non-structural interior and systems maintenance. Therefore, the landlord is responsible for management, structural maintenance (including roof), and reserves. The reserve also includes HVAC systems replacement and parking lot surfaces. This is typical for a freestanding automotive property of this type in the market.

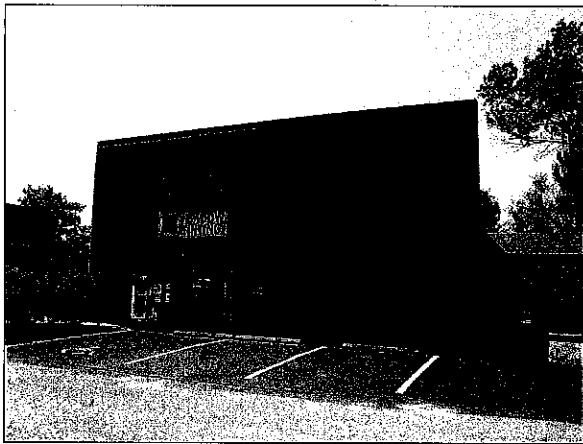
Based upon the comparable rentals presented on the next page, an average market rental of \$8.00 per square foot is estimated for the subject. The projected rent per square foot is reflective of the B-1 zoning, size, location, and current condition. The projected rate is supported by the following market rentals. Potential gross rental income of \$42,048 is concluded for the property.

Table I – Rent Summary**Market Automotive/Garage Rentals – NNN Terms**

Automotive/Repair Shop				<u>Rent/S.F.</u>	<u>Terms</u>
Southside Auto	452 Southland Drive, Lexington, KY	Multi-tenant retail/warehouse bldg.	3,375	\$7.11	NNN
Jessamine Auto Care	765 E New Circle Road, Lexington	Single tenant auto repair bldg.	4,212	\$8.54	Modified Gross
Automotive Service	3630 Boston Road	Single Tenant shop bldg.-S&S Tire	8,000	\$11.25	NNN
Automotive Service	2950 Richmond Road	Single tenant shop bldg-Goodyear Tire	5,082	\$11.81	NNN
Automotive Service	3801 Fayette Square	Various automotive centers	30,574	\$7.43-\$12.82	Modified Gross
Autosound	2439 Nicholasville Road	Single Tenant automotive stereo and speaker installation	4,265	\$11.25	NNN

Photographs of the comparable rentals are presented on the following page.

COMPARABLE RENTAL PHOTOGRAPHS



2439 Nicholasville Road



452 Southland Drive



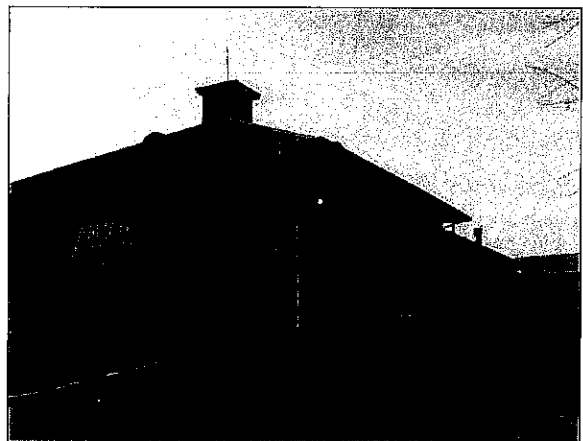
765 E New Circle Road



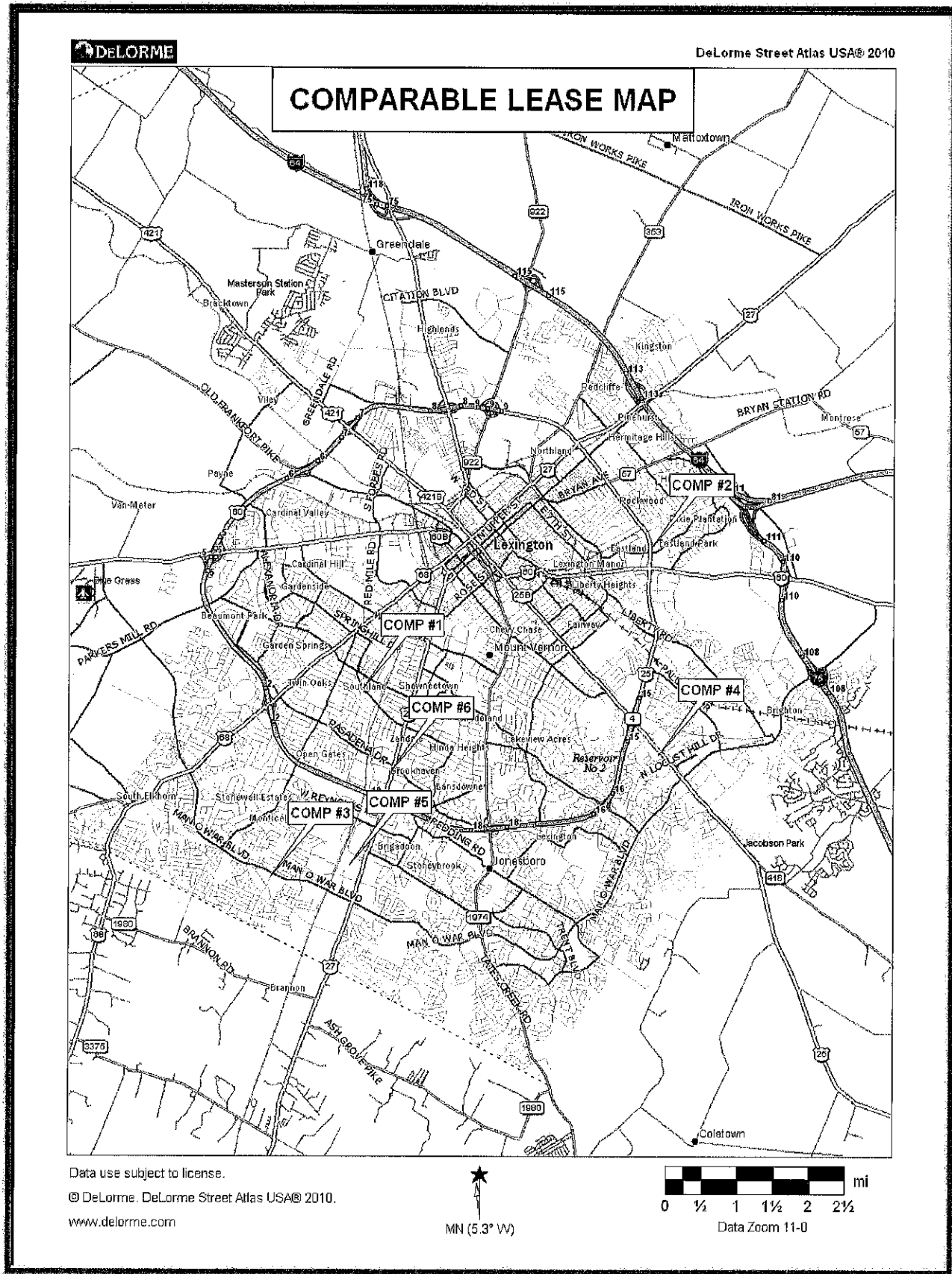
Comparable Rental #4



Comparable Rental #5



Comparable Rental #6



VACANCY AND CREDIT LOSS

The net operating income is estimated by reducing the potential gross income by loss due to vacancy and collection, as well as, expenses incurred in producing this income. An annual vacancy is applied to allow for possible collection losses and tenant turnover.

Considering all of the data available, I have utilized a 10.0% stabilized vacancy and credit loss factor for the subject at the projected rental rate. By deducting the vacancy and potential credit loss, the Effective Gross Income (EGI) is established (*see Figure 13*).

Figure 13

Potential Gross Rental Income		\$42,048
Vacancy & Credit Losses	10.0%	(\$4,204)
Effective Gross Income (EGI):		\$37,844

OPERATING EXPENSES

From the projected level of the EGI, expenses, which can be reasonably anticipated to occur, have been deducted. The hypothetical lease would be for a period of three to five years and the landlord is responsible for management, structural & exterior maintenance, and reserves (including roof and parking lots). Operating expenses are based on market data of similar properties. An examination was then made of the major categories.

Management Fee - This category has been estimated at 3.0% of the EGI, which is consistent with similar automotive related properties of this size containing a single-tenant with triple net lease terms.

Structural & Exterior Maintenance - Maintenance expenses are projected to be \$525 or \$0.10 per square foot for the gross improvement, which is sufficient to cover structural and exterior repairs. The structural system, block extrior and membrane roof cover of a property of this type generally requires minimal repairs. Excluded are capital items. Considering the current conditon of the property, projected costs are sufficient.

Reserves - The reserve includes the periodic replacement of shorter-lived items such as HVAC systems, roof cover, parking lot surfaces and other capital replacements. Considering the condition of these items, an average annual expense of \$0.25/s.f. or \$1,300 is considered to be adequate.

Combined, the reconstructed expenses for the subject equates to \$0.57 per gross square foot or 7.8% of the effective gross income as shown in Table II.

Table II – Expenses

		<i>Per s.f.</i>	<i>% of EGI</i>
Management Fee	\$1,135	\$0.22	3.0%
Structural & Exterior Maintenance	\$525	\$0.10	1.4%
Subtotal....	\$1,660	\$0.32	4.4%
Reserves	\$1,300	\$0.25	3.4%
Total....	\$2,960	\$0.57	7.8%

Considering the tenant is projected to be responsible for nearly all operating cost, including interior and systems maintenance, utilities and janitorial, projected operating expenses are consistent with market data. The projected expenses compare well with other freestanding automotive service properties. These expenses have been subtracted from the EGI, to establish the Net Operating Income (NOI) (*see Figure 14*).

Figure 14

Effective Gross Income (EGI):		\$37,844
Expenses:		\$2,960
Expense Ratio	7.8%	
Expense/S.F.	\$0.57	
Net Operating Income (NOI):		\$34,844

CAPITALIZATION PROCESS

Development of a reliable overall capitalization rate from market derived criteria is essential to obtaining a valid estimate of value by the income approach. The overall rate was determined from three sources. First is the market extraction method, using the sales of automotive service/garage properties in the Lexington area. Using market derived data and a similar expense structure as the subject, the sales indicate overall rates of 7.0% to 10.0%. Considering the recent

trends in overall cap rates, the current level of mortgage interest rates, market conditions at the time of transfer, and the differences of these comparables in relation to the subject, a rate of 7.5% to 8.0% is selected as the most appropriate. This selection of an OAR considers an adjustment for reserves for replacements, as stated.

The band of investment was also considered an applicable method of overall rate determination. The mortgage assumptions for this method (*see Figure 15*) are based upon the marketplace.

Figure 15

Loan-to-Value	80% Loan
Effective Mortgage Rate	5.50%
Term	25-years
Mortgage Constant	.073690
Equity Dividend Rate	8.0%
Band of Investment	
Mortgage:	$.80 \times .073690 = .058952$
Equity	$.20 \times .08 = .0160$
Overall rate	.074952

Typical mortgage financing terms for a property such as the subject are an 80% loan to value amortized over a 25-year term. Current market interest rates range from 5.25% to 5.75%. An interest rate of 5.50% was used in this analysis. The equity yield is considered to be sufficient to attract investors from other safer forms of investment such as treasury bills or money market investments with less overall risk. A calculated weighted rate of 7.50% (rounded) results.

A third source is *Korpacz Real Estate Investor Survey*, which reports fourth quarter 2012 overall cap rates for the national net lease market range from 6.0% and 8.75% with an average of 7.35%. The average is down 9 basis points from last quarter and down 24 basis points from the same period last year. This survey, however, is of tier one properties in tier one cities.

By giving weight to the market extraction method with support from the band of investment method and published surveys, and considering the lower perceived risk of the property due to

predominant owner occupancy motivation for purchase, a capitalization rate of 7.50% is deemed reasonable. Emphasis was given to the owner occupancy motivation for purchase.

Applying this overall rate to the estimated net operating income (NOI) of the subject, a “stabilized” value of \$464,586 is concluded, rounded to **\$465,000**. (Figure 16).

Figure 16

Net Operating Income (NOI):	\$34,844
OAR	7.50%
Indicated Value:	\$464,586

“As Is” Value: Deducted from the prospective stabilized value conclusion are the estimated costs associated with reaching stabilized occupancy considering the existing vacancy. Such costs may include the present value loss of net rental income, costs associated with preparing the space for occupancy, potential sales commissions, and entrepreneurial profit, as detailed below. It is anticipated the property could reach a stabilized occupancy in approximately 6 to 9 months. No allowance is applied for preparing the existing space for occupancy. No expense is also applied for any leasing commissions. Entrepreneurial profit is not considered appropriate. A final estimated “as is” condition market value of **\$445,000 (rounded)**, results.

Stabilized Value Estimate:	\$464,586
Loss of Net Rental Income:	<u>(\$20,720)</u>
“As Is” Value Conclusion:	\$443,866

RECONCILIATION AND FINAL VALUE CONCLUSION

Overall the quantity and quality of the available market data was considered average. The two value estimates were developed independently in each of the approaches.

The quantity of the comparable sales data was considered to be average and sufficient to provide for a reliable value estimate. The sales comparison approach indicated a value of \$500,000. The sales comparison approach is given the greatest weight in determining a final value estimate as motivation for purchase of the subject would most likely be for owner occupancy.

The income approach indicated an estimated value of \$445,000. The income capitalization approach is typically the ideal valuation method for an income producing property. Sufficient data was available to support the estimates of market rates, operating expenses, and equity yield rates. This approach is most useful if the appraised property has the potential for rental or sale as an investment property. The income approach was given the least weight in the final correlation.

As a result of the investigation and analysis, it is my opinion the reconciled fee simple estate market value (before excess marketing discount) is \$475,000.

Deducted from this conclusion is an estimated discount for the anticipated excess marketing period of the property of approximately 12 to 18 months. Utilizing a 4.0% opportunity cost discount rate for a period of 6 months, a discounted "as is" condition market value of \$465,617 results, rounded to:

FOUR-HUNDRED SIXTY-FIVE THOUSAND DOLLARS (\$465,000)

STATEMENT OF LIMITING CONDITIONS

1. This is a Summary Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report. The value is reported without regard to questions of boundaries, encroachments, environmental regulations, licenses, or matters of a legal nature unless specifically stated, defined and considered in the appraisal report.
3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Opinions of value contained herein are estimates. This is the definition of an appraisal. There is no guarantee, written or implied, that the Subject Property will sell for such amounts. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. Certain information concerning market and operating data was obtained from others. This information was verified and checked, where possible, and is used in this appraisal only if it is believed to be accurate and correct. However, such information is not guaranteed. Dimensions and areas of the Subject Property and of the comparables were obtained by various means and are not guaranteed to be exact.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures, including all building structural and roof components, all mechanical/electrical systems, all plumbing systems, and all HVAC systems, which would render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this report.
10. It is assumed all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based. The value is estimated under the assumption that there will be no political, economic, terrorist or military actions that will materially impact real estate values in the subject market area.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to the accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, polychlorinated biphenyls, petroleum leakage, agricultural chemicals and other potentially hazardous materials or environmental conditions, which may or may not be present on the property,

may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property or in such proximity thereto that would cause a loss in value unless otherwise stated in the report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required in discovering them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process. No environmental impact studies were provided to the appraiser. However, the appraiser reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any environmental impact studies, research, or investigations made available in the future.

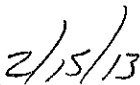
14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature and would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
15. Any proposed improvements are assumed to be completed as described within this report, in good workmanlike manner in accordance with submitted plans and specifications and in compliance with local building codes.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the "Highest and Best Use" of the land. The separate allocations for land and improvements, if presented, must not be used in conjunction with any other appraisal and are invalid if so used.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
18. Neither all nor any part of the contents of this report (especially any opinion, analyses, or conclusions concerning value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, prospectus for securities, or any other public means of communication or media, without prior written consent and approval of the appraiser.
19. The appraiser will not be required to give testimony or attendance in court or before other legal authority by reason of this appraisal without a written agreement and arrangement between the client and the appraiser.

CERTIFICATION

I certify that, to the best of his knowledge and belief:

1. The statements of facts contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
8. I do not authorize the out-of-text quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraiser(s) signing this appraisal report.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to confidential peer review by its duly authorized representatives.
10. I researched the comparable data; personally inspected the property; wrote the summary report; and determined the final value opinion. I am a certified general appraiser in the State of Kentucky. My current license expires on June 30, 2013. I have completed the continuing education requirements as required of certified general appraisers by law and administered by the Kentucky Real Estate Appraisers Board.
11. No one provided significant professional assistance to the person signing this report.
12. The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics, the Standards of Professional Appraisal Practice of the Appraisal Institute, and the USPAP Competency Provision.
13. The owner or a representative of the subject property was interviewed; interviews and research of necessary documents were conducted to confirm the accuracy of the supporting data; and no information pertinent to the valuation has knowingly been omitted.
14. All of the value opinions for the subject property are specifically subject to the Assumptions and Limiting Conditions statement contained within the report.
15. I have performed no services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this appraisal assignment.


Steven B. Rohlfing
Kentucky Certified General Appraiser #2350


Date

BOOK 1109 PAGE 474

THIS DEED made and entered into on this the 26th day of March, 1974 by and between STANLEY G. COURTNEY and BETTY P. COURTNEY of Fort Myers, Florida hereinafter called First Parties and BLUEGRASS TIRE COMPANY, INC., a Kentucky corporation whose address is 1402 Versailles Road, Lexington, Kentucky hereinafter called Second Party;

W I T N E S S E T H :

THAT for and in consideration of the sum of Fifty Five Thousand Dollars (\$55,000.00) cash in hand this day paid by Second Party to First Parties, the receipt of all of which is hereby acknowledged by First Parties, First Parties have this day bargained and sold and by these presents do hereby sell, transfer and convey unto Second Party, its successors and assigns forever, the following described tracts or parcels of ground:

TRACT NO. I

All that tract or parcel of land situated on the south side of the Versailles Pike between Cisco Road and Wiedemann Lane, near Lexington, in Fayette County, Kentucky, and more fully described and bounded as follows, to-wit:

Beginning at an iron pin in the south right of way of the Versailles Pike, said iron pin being 108.05 feet west of Cisco Road, and said iron pin being corner to Ashland Oil and Refining Company; thence along the south right of way of the Versailles Pike S 79° 00' W 119.5 feet to the line of Lawson; thence along Lawson's line S 10° 50' E 200 feet to an iron pin, a new corner to Oliver and (Tract 2); thence for a new line with Oliver and (Tract 2) N 79° 00' E 119.5 feet to an iron pin in the line of Ashland Oil and Refining Company and another new corner to Oliver; thence along Ashland Oil and Refining Company's line N 10° 50' W 200 feet to the beginning.

Being the same property which was conveyed to Stanley G. Courtney, one of First Parties herein, by a deed from Odas T. Oliver and

Handwritten: 9-4-74

BOOK 1109 PAGE 475
Mary L. Oliver, his wife, dated January 27,
1959 of record in Deed Book 663 at page 407
in the Fayette County Court Clerk's office.

TRACT NO. II

All that tract or parcel of land situated
on the south side of the Versailles Pike
between Cisco Road and Wiedemann Lane, near
Lexington, in Fayette County, Kentucky,
bounded as follows, to-wit:

Beginning at an iron pin in the south right
of way of the Versailles Pike, said iron
pin being a corner to Odas T. Oliver, and
said iron pin being 227.55 feet west of the
west property line of Cisco Road; thence
along the south right of way of the Versailles
Pike S 79° 00' W 80.5 feet to an iron pin, a
new corner to Lawson; thence for two new lines
with Lawson S 10° 50' E 100 feet and N 79°
00' E 80.5 feet to an iron pin in the line of
Oliver; thence along Oliver's line N 10° 50'
W 100 feet to the beginning.

Being the same property which was conveyed
to Stanley G. Courtney, one of First Parties
herein, by a deed from Mary Elizabeth Lawson
and Lester Lawson, her husband, dated January
21, 1959 of record in Deed Book 663 at page
410 in the Fayette County Court Clerk's office.

TO HAVE AND TO HOLD the above described property together
with all improvements and appurtenances thereunto belonging unto
Second Party, its successors and assigns forever.

First parties do hereby release and relinquish unto
Second Party, its successors and assigns, all of their right, title
and interest in and to the above described property including
curtesy, dower, the Homestead exemption and all other exemptions
allowed by law and First Parties do hereby covenant to and with
Second Parties that they are lawfully seized in fee simple of
said property and that they have a good and perfect right to sell
and convey the same as herein done; that the title thereto is
clear, perfect and unencumbered and they will WARRANT GENERALLY
the title thereto.

Provided, however, that there is excepted from the fore-
going covenants and warranties and this conveyance is made subject

1402 Versailles Road, Lexington, Ky.

InterFlood



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Prepared for:

Realty Research Corp.

1402 Versailles Rd

Lexington, KY 40504-1119



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Realty Research Corporation

to any and all easements, restrictions and conditions of record in the Fayette County Court Clerk's office against the same.

IN WITNESS WHEREOF, First Parties have hereunto subscribed their names on this the day and year first above written.

Stanley G. Courtney
STANLEY G. COURTNEY

Betty P. Courtney
BETTY P. COURTNEY

STATE OF KENTUCKY)
COUNTY OF FAYETTE)

I, the undersigned, a Notary Public in and for the State and County aforesaid do hereby certify that the foregoing deed from Stanley G. Courtney and Betty P. Courtney, his wife, was this day produced before me in my office in said County and State and was acknowledged before me by Stanley G. Courtney and Betty P. Courtney, his wife, to be their free and voluntary act and deed.

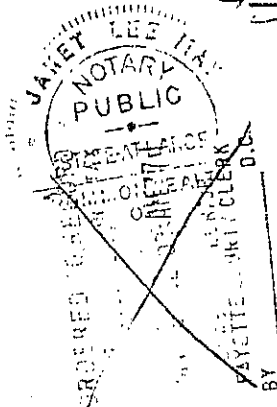
My Commission Expires: November 3, 1974

WITNESS my signature and notarial seal on this the 26th day of MARCH, 1974.

This instrument is prepared by

Lawrence H. Hoville
310 First Nat'l Bank Bldg.
Lexington, Ky. 40507

Janet Lee May
NOTARY PUBLIC, FAYETTE COUNTY
KENTUCKY



Deed Tax 55.00
Pd 8-2-74
R. Ketcher

STATE OF KENTUCKY } SCT.
COUNTY OF FAYETTE }

I, CHAS. BAESLER, JR., CLERK OF SAID COUNTY COURT HEREBY CERTIFY THAT THE FOREGOING INSTRUMENT HAS BEEN DULY RECORDED IN Deed Book 1109 PAGE 474 IN MY SAID OFFICE.

CHAS. BAESLER, JR., CLERK
BY B. W. Boney D.C.

ORDERED TO RECORD
AUG 2 10 03 AM '74
CHAS. BAESLER, JR.
FAYETTE COUNTY CLERK
BY B. W. Boney D.C.

BANK OF THE BLUEGRASS

& TRUST CO

Date: 1/24/13

Appraiser: Realty Research, Steve Rohlfing	Appraiser Email: appraisals@laneky.com
Borrower Name: Bluegrass Tire Company, INC	Property Address: 1402 Versailles Road Lexington, KY 40504
Contact Name: Vickie Duff	Contact Phone Number: 608-3940

Property Type:

- ☐ 1-4 Fam-Own Occ
☐ 1-4 Fam Const Spec
☐ Land Only

- ☐ 1-4 Fam- Income Prod
☐ Multi-Unit Res
☒ Comm Prop- Inc Prod

- ☐ 1-4 Fam Const
☐ Farm
☐ Comm Prop- Non Inc Prod

Purpose of Loan:

- ☐ Purchase
☐ Other

- ☒ Refinance/Renewal
☐ Purchase Contract Included

- ☐ Construction
☐ Construction Plans Included

Report Form Requested:

- ☐ 1004 Uniform Residential Appraisal Report
☐ 1004 Uniform Residential Appraisal Report with 1004A Market Conditions Addendum
☐ 1004D Appraisal Update and/or Completion Report
☐ 1073 Individual Condominium Unit Appraisal Report
☐ 1075 Exterior-Only Inspection Individual Condominium Unit Appraisal Report
☐ 2006 One-Unit Residential Appraisal Review SHORT Form
☐ 2090 Individual Cooperative Interest Appraisal Report
☐ 2095 Exterior-Only Inspection Individual Cooperative Interest Appraisal Report
☐ Other:

- ☐ 1004C Manufactured Home Appraisal Report
☐ 1007 Single-Family Comparable Rent Schedule
☐ 1025 Small Residential Income Property Appraisal Report
☐ 2000 One-Unit Residential Appraisal Field Review Report
☐ 2000A Two- to Four-Unit Residential Appraisal Field Review Report
☐ 2055 Exterior-Only Inspection Residential Appraisal Report
☐ LAND ONLY
☒ Full Commercial

Additional Details:

Please prepare a written evaluation on the above-referenced property. Please be advised that Bank of the Bluegrass & Trust Co. will rely upon this evaluation in rendering a decision on financing. The agreed upon fee for evaluation services rendered shall be \$1,200.00. **It is requested that the evaluation be completed by 2/8/13.** If you are unable to meet this deadline, please notify us prior to accepting this order as the Bank may need to make other arrangements. By performing the evaluation on the above-referenced properties, it is agreed by both parties that the following conditions be met:

1. The appraisal must be written and contain sufficient information and analysis to support the Bank's decision to engage in financing.
2. The appraisal must conform to the 2010-2011 Edition of USPAP (Uniform Standards of Professional Appraisal Practice) as adopted by the Appraisal Standards Board of The Appraisal Foundation.
3. Record the estimated "market value", as defined in the regulation, of the property in a sufficiently descriptive manner to enable the intended user to understand the report properly.
4. Identify the characteristics of the property that are relevant to the type and definition of the value and intended use of the appraisal.
5. Identify any extraordinary assumptions, hypothetical conditions, and/or limiting conditions.
6. Develop an opinion of the highest and best use of the real estate.
7. Follow all reasonable valuation methods which address all recognize approaches to market value unless the appraiser fully explains and documents the elimination of an approach.
8. Analyze all agreements of sale, options, and listings of the subject property.
9. Communicate each analysis, opinion, and conclusion in a manner that is not misleading.
10. Disclose steps, if any that were taken in order to comply with the Competency Provision of the USPAP.
11. The appraisal must report and analyze data on previous sales of the subject property. For 1-4 family residential property, this analysis should cover at a minimum the year immediately proceeding the date on which the appraisal was prepared. For all other property, prior sales for at least the three years proceeding the date on which the appraisal was prepared must be reported and analyzed. Comparable sales should utilize time periods no longer than these and, if possible, should reflect sales within the previous six months.
12. Analyze and report a reasonable marketing period for the subject property.
13. Analyze and report appropriate deductions and discounts for any proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units.
14. Include sufficient supporting documentation with all pertinent information reported so that the appraiser's logic, reasoning, judgment, and analysis in arriving at a conclusion will indicate to the reader the reasonableness of the market value reported.
15. The appraisal must include a legal description of the real estate being appraised in addition to the description required by USPAP.
16. If information required or deemed pertinent to the completion of an appraisal is unavailable, that fact shall be disclosed and explained in the appraisal.

Please sign and return this engagement letter within 72 business hours of receiving this request. Any questions regarding this order shall be directed to Tyler Martin at (859) 685-3048 or tmartin@bankofthebluegrass.com. The completed appraisal should be signed, dated, and returned to Tyler Martin on or before the completion date stated above. Please make certain that the instructions are adhered to and that there are no errors in the report, as this will cause the appraisal to be returned.

Bank Representative: Tyler Martin

Date: 01/24/2013

Appraiser Signature

Date

1/25/13

BIOGRAPHICAL DATA

Steven B. Rohlfig, CPA
Principal Appraiser

EMPLOYMENT HISTORY:

1999 - Current Realty Research Corporation
Principal Appraiser & General Manager. Appraisal of commercial properties.

1988 - 1998 Commercial Appraiser and General Manager.

1988 - Current Lane Consultants, Inc.
Chief Financial Officer & Shareholder. Commercial real estate consulting and services.

1985 - 1988 KPMG Peat Marwick
Staff Certified Public Accountant. Responsibilities included external auditing, tax preparation and planning; and financial consulting.

1983 - 1985 Hixson Handling, Inc.
Marketing Representative for material handling equipment company.

EDUCATION:

Transylvania University
Bachelor of Arts - Business Management - 1982

University of Kentucky
Postgraduate for Accounting Equivalency - 1985

Real Estate
Real Estate Principles - 96 course hours
Residential Appraising - 48 course hours
Standards of Professional Practice (USPAP) - 16 course hours
Appraisal Forms (URAR, 2-4 Family & Condominium) - 16 course hours
Residential Field Review Report - 16 course hours
Site & Site Improvements - 16 course hours
Commercial Environmental Hazards - 16 course hours
Commercial & Industrial Forms - 16 course hours
Farm, Ranch & Rural Appraising - 16 course hours
Marshall & Swift Cost Valuation - 16 course hours
Tax Deferred Exchanges
Introduction to Valuation of Business & Practices
Statistics, Modeling & Finance

PROFESSIONAL ORGANIZATIONS:

Kentucky Society of Certified Public Accountants
Kentucky Association of Real Estate Appraisers

CERTIFICATION:

Certified Public Accountant. State Certificate No. 4265
Licensed Real Estate Agent - Kentucky
Kentucky Certified General Real Property Appraiser
Certified to June 30, 2013. State Certificate No. 2350.

PARTIAL LISTING OF CLIENTS

Bank of the Bluegrass & Trust Company

Republic Bank & Trust Co.

U.S. Bank

Farmers Bank & Trust Co.

First State Financial

Kentucky Bank

Farmers National Bank

Whitaker Bank

United Bank & Trust Company

Peoples Exchange Bank

PNC Bank

B. B. & T

PBI Bank

Central Bank & Trust Company

Community Trust Bank, Inc.

Forcht Bank

Town & Country Bank

First Southern National Bank

Traditional Bank

Bank of Lexington

First Security Bank

Kentucky Real Estate Appraisers Board

2012 - 13

Hereby grants a

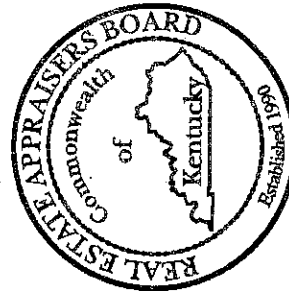
Certified General Real Property Appraiser
Certificate

License No

002350

To
Steven B. Rohlfing
Realty Research Corporation
201 E. Main Street, Suite 1400
Lexington, KY 40507

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



Harold G. Brantley, Chair
Sam E. Blackburn, Vice Chair
G. Herbert Pritchett
Dorsey Hall
Kathy J. Mayfield

THIS CERTIFICATE EXPIRES

June 30, 2013

Control No 35849