APPRAISAL REPORT
OFFICE BUILDING
AKA BURLINGTON EXECUTIVE PLAZA
236 NORTH MEBANE STREET
BURLINGTON, NC 27217
RETECHS #: WF-CWS-15-008967-01

PREPARED FOR:

MS. SHEILA RUSSELL (NC-COL)
WELLS FARGO RETECHS
401 S. TRYON STREET, 26TH FLOOR
CHARLOTTE, NC 28202

DATE OF "AS IS" VALUE ESTIMATE:
JULY 9, 2015

DATE OF REPORT:
AUGUST 17, 2015

PREPARED BY:

DALRYMPLE ASSOCIATES, INC.
411-C PARKWAY
GREENSBORO, NORTH CAROLINA 27401

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August 17, 2015

Ms. Sheila Russell (NC-COL)
Wells Fargo Bank - Retechs
401 S. Tryon Street, 26th Floor
Charlotte, NC 28202

Appraisal Report
Office Building
aka Burlington Executive Plaza
236 N. Mebane Street
Burlington, North Carolina 27217
Retechs #: WF-CWS-15-008967-01

Dear Ms. Russell:

At your request, we have inspected the above referenced property and analyzed influencing market factors. After careful consideration of available information, it is our opinion that the "as is" value market value of the leased interest in the subject office building property, as of July 9, 2015, the date of inspection, was:

FOUR HUNDRED FIFTY THOUSAND DOLLARS
($450,000)

The subject property is a 3.88441±-acre site positioned at northeast corner of Mebane and Hawkins Streets in central Burlington, Alamance County, NC. The subject is currently improved with a two-story office building having a gross area of 26,222± square feet. The structure was originally constructed as a school in 1942 but renovated for office use about 1985. The building is of average quality materials and in fair to average condition. Rentable area is estimated at 15,372± square feet. The building size and construction details are taken from on-site inspection/measurements as well as limited information provided by the owner and from past property managers. The site size is taken from a recorded plat dated November 5, 2003 and prepared by Alamance Land Development, Burlington, NC.

As of the date of appraisal, the subject property was leased to eleven tenants and is 44.0% occupied. Occupancy declined from 53.9% at the beginning of 2014 and is well below its high of about 89% in 2006. On the date of appraisal, occupancy is not considered stabilized, but at the client's instruction, a stabilized value estimate is not developed. Given the location, building type, current and anticipated market conditions, the property is expected to stabilize at 75% to 80% occupancy at the end of four years provided some updating occurs and management performs with due diligence.

With the exception of current tenant list and partial rent roll and some information on the Verizon lease, the appraisers were not provided any additional lease information (term lengths, history of occupancy, etc.). The owner verbally stated that most of the tenants are month-to-month or subject to short-term (1 year) leases. Most leased spaces are small and designed for the small business market niche, a segment which has been adversely affected by economic conditions over the past five years. One large tenant, MCI-Verizon, has a long history of occupancy (25 years), and their lease was renewed in July 2015 for a 5-year term. We do not know if there are any additional renewal options. Verizon occupies about 14.5% of the building, and the rent contributes nearly 43% of the current total rental income. It is our understanding there are no additional renewal options. Without this tenant, the subject's marketability and market value would decline precipitously.

In accordance with our prior agreement, this report is prepared and presented as an Appraisal Report in accordance with the requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice 2014-2015* (*USPAP*) of the Appraisal Foundation. It is also intended to conform to the *Code of Professional Ethics and Standards of Professional Practice* of the Appraisal Institute, the requirements of Title XI of the *Financial Institutions Reform Recovery and Enforcement Act* (*FIRREA*), and the *Interagency Appraisal and Evaluation Guidelines* published by the Federal Deposit Insurance Corporation.

We appreciate the opportunity to serve you. Should you have any questions or require additional information, please contact me.

Respectfully submitted,

Terry B. Dalrymple, MAI
Certified General Real Estate Appraiser
NC Certificate/License # A519

Linda C. Hurst
Certified General Real Estate Appraiser
NC Certificate/License # A7178

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EXECUTIVE SUMMARY

Wells Fargo Retechs #:	WF-CWS-15-008967-01
Property Name:	Burlington Executive Plaza
Tax Parcel ID:	136497
Property Owner:	TMG Equities LLC
Location:	Northwest corner of Hawkins Street and North Mebane Street and southwest corner of South Ireland Street and North Mebane Street, Burlington, Alamance County, NC
Street Address:	236 North Mebane Street Mebane, Alamance County, NC 27217
Land:	
Site Characteristics (Total Property)	
Area	3.88441± Acres (169,205± Square Feet)
Frontage	401± Feet - Southeast side of Broad Street 280± Feet - Northeast side of Hawkins Street 342± Feet - Northwest side of North Mebane Street 259± Feet - West side of South Ireland Street
Topography	Generally level at road grade with minor slope to adjoining streets
Access	One curb cut - North Mebane Street Two curb cuts - Hawkins Street
Characteristics for Site if Subdivided	
Office Site	
Area	2.66± Acres (115,870± Square Feet)
Frontage	401± Feet - Southeast side of Broad Street 279± Feet - Northeast side of Hawkins Street 50± Feet - Northwest side of North Mebane Street
Topography	Level at road grade
Outparcel A	
Area	21,190± Square feet (0.4865± Acre)
Frontage	114± Feet - Northeast side of Hawkins Street 179± Feet - Northwest side of North Mebane Street
Access	Shared Access easement - North Mebane Street
Topography	Level at road grade
Outparcel B	
Area	32,145± Square feet (0.728± Acre)
Frontage	127± Feet - Northwest side of North Mebane Street 259± Feet - West side of South Ireland Street
Access	Shared Access easement - North Mebane Street
Utilities	All public (water, sewer, natural gas, electricity)
Flood Hazard Area	None, Zone X (Map 3710887500J, dated 9/6/2006)
Adverse Easements	None known
Zoning:	Office-Institutional (O-I)

EXECUTIVE SUMMARY - Continued

Building Improvement:	
Type	General office
Year Built	1942; Renovated 1985
Construction Type	Masonry, concrete and steel
Building Design	Two-story
Building Size	
Gross Area	26,222± SF
Net Rentable Area	
Ground/First Floor	9,966± SF
Second Floor	5,406± SF
Total Rentable Area	15,372± SF
Unit Size Range	132± to 2,086± SF
Current Average Unit Size	591± SF
Current Median Unit Size	288± SF
Predominant Unit Size Range	200 to 530± SF
Auxiliary Area	2,200± SF - unfinished/unused/poor access basement
Condition	Fair to Average
Building Coverage Ratio	5.9%
Land:Building Ratio	16.98
Chronological Age	73 Years
Economic Life	50 Years
Effective Building Age	30 Years
Remaining Economic Life	20 Years
Site Improvements:	24,000± square feet - asphalt drive and parking (120± spaces); curbing and sidewalk; landscaping
Property Occupancy:	
Vacant Area	8,610± SF (56.0%)
Average Vacant Suite Size	615± SF
Median Vacant Suite Size	312± SF
Leased Area	6,762± SF (44.0%)
Average Leased Suite Size	539± SF
Median Leased Suite Size	273± SF
Stabilized	No
Current Number of Tenants	Eleven (11)
Lease Terms	Variable: Month-to-Month, 1-2 years; and one long-term (25± years) tenant
Primary Tenant	MCI-Verizon
Space Leased	2,236± SF
Lease Term	Began February 1990 and consecutively renewed (5-year terms) with the current renewal beginning August 1, 2015 and ending July 31, 2020
Current Rental Rate and Increases	$39,935 annually ($17.86/SF); No increases for 2015-2017, then increases by 2% annually in Years 3 to 5
Total Current Annual Income	$93,512 (Includes rental and forfeited deposits)
Average Income Per SF Occupied	$13.83
Avg. Income Per SF Excluding Verizon	$12.01
Changes in Base Rent	Not Provided but 2-year history shows none except for MCI/Verizon lease at 2% per year
Period Until Estimated Stabilization	Four years (Stabilized at beginning of fifth year)

EXECUTIVE SUMMARY - Continued

Highest and Best Use:	
Office Site	As Improved - Office Building
Outparcels A and B	Small office development
Estimate of Exposure Time:	24 - 36+ Months
Estimated Marketing Time:	24 - 36+ Months
Property Rights Appraised:	Leased Fee Interest
Date of Last Inspection:	July 9, 2015
Date of the "As Is" Value Estimate:	July 9, 2015
Date of Report Preparation:	August 17, 2015
Final "As Is" Value Indications:	
Income Capitalization Approach	$450,000
Sales Comparison Approach	N/A
Cost Approach	N/A
Final "As Is" Value Indication:	$450,000

Appraisers:

Terry B. Dalrymple, MAI, SRA
Certified General Real Estate
N.C. Certificate/License # A-519

Linda C. Hurst
Certified General Real Estate Appraiser
N.C. Certificate/License # A-7178

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

1. The appraisers made interior and exterior inspections of the subject property. During the interior inspection, a representative sample of individual suites was inspected. Many of the suites were occupied and locked, and others were locked, but no keys were available. It is an extraordinary assumption that all suites are generally similar in condition and appearance to those inspected, and that they have no hidden structural defects or damage.

   Furthermore, the appraisers requested current floorplans but were told by the property managers there were none. We were unable to draw floorplans during inspection because access to all suites was not available. Given information that was available, the lack of floorplans or room-by-room inspection of each suite does not impair analysis of the property.

2. A current rent roll was provided, but the information was incomplete. No lease terms or history of tenant occupancy was available. A one-year income/expense history was supplied by the owner, but the date was from June 2014 to June 2015. For the first six months of 2014, a history was not available. There was a change in property management, and some records were evidently not supplied to the owner or new management. No other information was supplied, and no leases were provided for this assignment. Dalrymple Associates, Inc. has appraised the subject property twice during the past ten years. We have relied on some previous information to reconstruct a history of expenses for the past four years. Nonetheless, even the previous information was remiss and incomplete. For purposes of this analysis, it is an extraordinary assumption that the information available is accurate and sufficient for a credible value estimate. Additionally, we assume that the Verizon 5-year lease renewal reported to begin August 1, 2015 is correct. Should more detailed information become available which differs substantially from that provided, the appraisers reserve the right to alter the value estimate.

GENERAL ASSUMPTIONS, CONTINGENCIES AND LIMITING CONDITIONS

1. Acceptance and/or use of this appraisal report by the client constitutes binding approval of these assumptions and limiting conditions, as well as any other assumptions and/or limiting conditions included elsewhere in this report. Further, these assumptions and limiting conditions are integral to this appraisal report and a preface to certifications, definitions, descriptions, facts or analyses. They are also intended to establish as a matter of record that the objective of this report is to estimate the market value of the subject property as defined and described herein.

2. Possession of this report or a copy thereof does not grant the right of publication or reproduction. The appraisal is exclusively made for use by the client(s) and delineated intended users, except with prior written consent of Dalrymple Associates, Incorporated and/or the client(s), and then only with proper identification and qualification and only in its entirety. No changes to any part of the report may be made by anyone other than the appraisers.

3. The appraisal was prepared by Dalrymple Associates, Inc. for the exclusive use of the identified client(s) and for the use/users specified herein. No accountability, obligation or liability of any kind to any third party is explicit or implied including, but not limited to, any purchaser, seller, borrower or owner of the subject property as they are not intended users of this appraisal. No such parties should use or rely on this appraisal for any purpose. All such parties are advised to consult with appraisers or other professionals of their own choosing. The appraisers are not responsible for unauthorized use of the appraisal. The appraisers' liability is limited solely to the stated client(s).

4. If this report is disseminated to anyone other than the client and intended users, it is the client's responsibility to inform such party or parties of all limiting conditions and assumptions of the assignment and related discussion. Any use of this appraisal by any person or entity other than

the client(s), or any reliance or decision based on this appraisal, is the sole responsibility and at the sole risk of that party. The appraisers accept no responsibility for damages suffered by any third party as a result of reliance on, decisions made, or actions taken based on this report. The client(s) will hold the appraisers and firm completely harmless from any and all actions arising from use by a third party.

5. It is assumed that the property is efficiently managed and that ownership is lawful and in responsible hands.

6. A title policy was not furnished to the appraisers. Should a title policy, professional report or other document become available that identifies or suggests an impairment of value, the appraisers reserve the right to revise the value estimate. This appraisal does not address items that are significantly atypical for valuation of this property type unless specifically identified in the Scope of the Appraisal section of this report.

7. The property is appraised as though free and clear of all mortgages, liens, encumbrances, pre-existing leases, and servitudes, and all such factors are disregarded unless stated otherwise. Further, no responsibility is assumed for matters legal in nature, nor is any opinion of title rendered herewith. Good and marketable title is assumed and implies no defects items such as boundary discrepancies, encroachments, adverse easements, unpaid real estate taxes and assessments, environmental claims/hazards, etc., unless otherwise addressed in the report. Moreover, unless otherwise noted, the subject is assumed in full compliance with all applicable federal, state, and local environmental regulations, local zoning, building codes, land use and occupancy regulations/restrictions.

8. The appraisers by reason of this report are not required to give testimony in court with reference to the property herein appraised unless prior arrangements are made. If subpoenaed, the client agrees to compensate the appraisers for their court appearance time, court preparation time, and travel time at the regular hourly rate then in effect plus expenses. If the appraised property is or becomes the subject of litigation, condemnation or other legal proceeding, it is assumed that the appraiser will be given reasonable advanced notice and time for court preparation.

9. A signatory appraiser of this report is a member of the Appraisal Institute, and disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (particularly any conclusions of value, the identities of the appraisers or the appraisal firm represented, or any reference to the Appraisal Institute or the MAI or SRA Designations) shall be disseminated to the public through advertising media, public relations media, news media, sales media, electronic media, or any other means of communication without the prior written consent and approval of Dalrymple Associates, Inc. The client may distribute copies of this report in its entirety to anyone.

10. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiencies of any type present in the property including, but not limited to, physical, financial and/or legal concerns.

11. Plats, maps, sketches, photographs and other exhibits in this report are used merely to help the reader visualize the property and its surroundings, and no responsibility is assumed for their cartographic accuracy. Drawings are not intended to be exact in size, scale or detail. No survey of the property has been made by the appraisers. None of the exhibits are to be removed, reproduced or used apart from this report.

12. Certain information in this report was obtained either through direct conversations or internet sites from sources such as, but not limited to, governmental agencies, buyers, sellers, brokers,

Realtors®, property owners, accountants, attorneys, engineers, and economic development officers. This information is believed to be reliable; however, it is not guaranteed. Further, although comparable data were examined, it is not possible to inspect each in detail. Therefore, the value conclusions are subject to the accuracy of said data as provided by the sources.

13. The value estimates reported herein is under the purpose and land-use premise stated. It is not valid for any other purpose or premise and must not be used in conjunction with any other appraisal or intended use. Any allocation of value between the subject's land and improvements, if any, represents our judgement only under the existing use. If improvements are removed, substantially altered or the land utilized for another purpose, a reevaluation is necessary.

14. The appraisers are not familiar with any recent engineering or geological studies performed on the subject to determine the bearing capacity of the land, soils composition, or mineral deposits of a significant nature. In this assignment, the existence of any adverse or destabilizing soil conditions located on the site, such as erosion, inadequate compaction, soil slippage, sinkholes or other such features were not observed by the inspecting appraisers. Unless clearly stipulated and detailed within this report, the existence of such soil conditions affecting the subject property is not considered in forming a value conclusion. The appraisers have no knowledge of any adverse soil conditions affecting the subject but are not qualified to detect such conditions. The presence of adverse soil, inadequate compaction, or soil movement may have an effect on the value or use of the property. It is assumed that subject soil and subsoil conditions are stable and not adverse. The client is urged to retain an expert in this field for an engineering or geological assessment, if desired.

15. This appraisal assignment was not made, nor was the appraisal rendered on the basis of a requested minimum valuation, specific valuation, or an amount, which results in an approval of a loan or change in tax assessment. Compensation for appraisal services is dependent only on the delivery of the report and no other event or occurrence.

16. The building and all improvements are assumed structurally sound. All mechanical equipment in the building(s) is assumed to be in average to good working order, unless otherwise stated and treated elsewhere in the report. Further, the observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, construction and other similar items is based on a casual inspection only. A detailed inspection was not made, and it must be understood that the information reported on physical items is used only as a general guide for property valuation and not as a complete physical report. The appraisers and firm do not claim expertise in the construction, inspection, engineering or legal/governmental specialities, and any opinion given on these matters in the report should be construed solely as an aid to familiarize the reader with the property. The appraisers suggest that appropriate experts be retained for in depth inspections, if desired.

17. Because no detailed inspection was made and knowledge for such an inspection is beyond the scope of this appraisal, any commentary with regard to observed condition does not explicitly or implicitly imply that a problem does not exist. No warranty is made as to the adequacy or integrity of any construction components. This is not an engineering or architectural report.

18. This appraisal does not provide a warranty of any kind about the condition of the property. Any estimates for repairs or deferred maintenance are non-warranted opinions of the appraisers. It is the sole responsibility of any purchaser or investor to examine the property carefully and with due diligence prior to any financial decision relative to the subject property, and it is assumed that such due diligence is implemented.

19. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not been provided with a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

20. In this assignment, the existence of any hazardous or potentially hazardous material possibly located on the site or used in development of the site or any improvements thereon, such as urea formaldehyde foam insulation, radon gas, asbestos, or toxic waste, etc., was not observed by the inspecting appraisers. Unless clearly stipulated and detailed within this report, the existence of hazardous or potentially hazardous materials affecting the subject property is not considered in forming a value conclusion. The appraisers have no knowledge of any such materials on or in the property but are not qualified to detect such substances. The presence of such materials may have an effect on the value or use of the property. It is assumed that there are no hazardous material spills or similar conditions resulting from underground storage tanks, drum containers, or other causes associated with the subject property. Full compliance with all environmental laws is assumed. An environmental site assessment was not available.

21. The appraisal assumes no impact due to infestation by any pest including, but not limited to, rodents and insects. The appraisers have no expertise in the field and are not qualified to determine the presence of such infestations. We have no knowledge of any infestation on, under, above or within the subject real estate. No overt evidence of infestation is apparent, but we are not qualified to inspect the subject for such problems. The appraisers recommend the client retain an expert in this field, if desired.

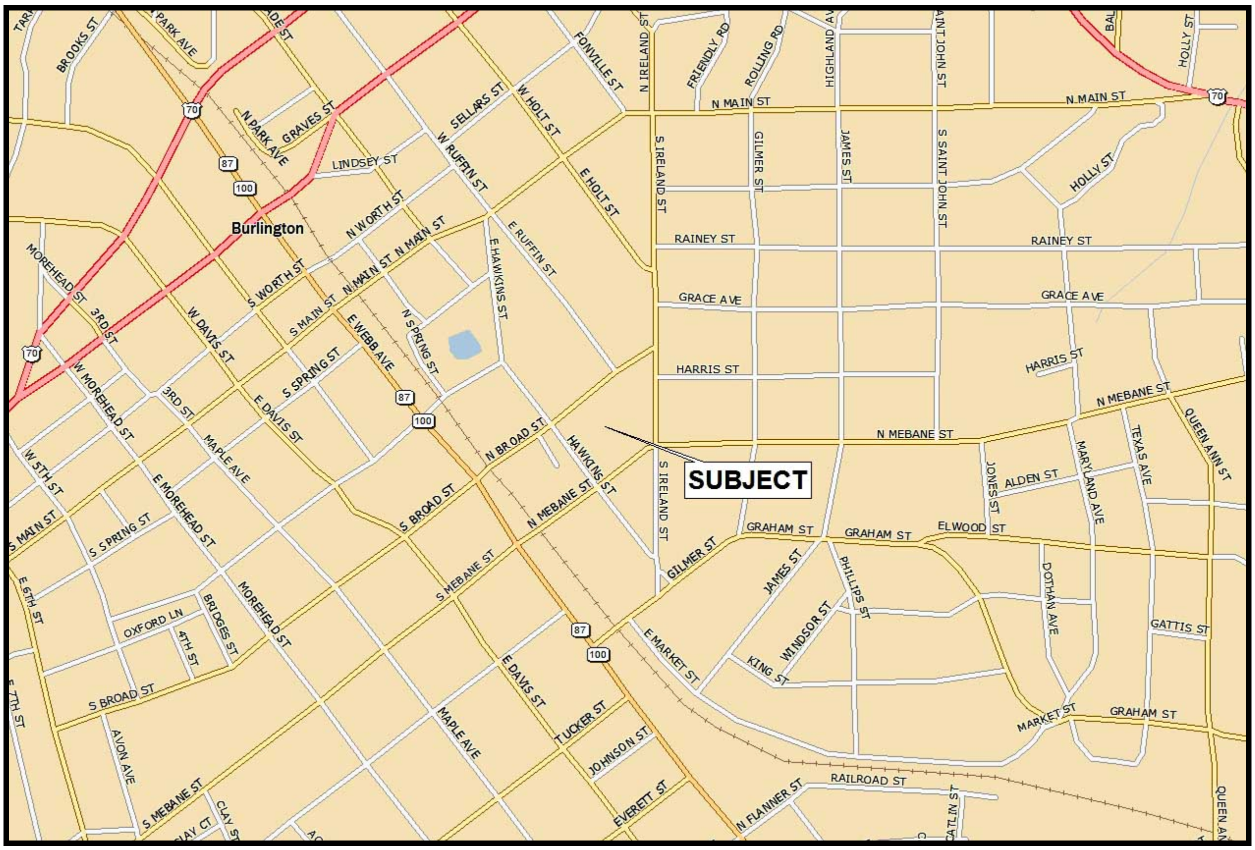
22. Any projections, forecasts, etc. regarding future patterns of income and/or expenses, prices/values, etc. represent the analysts' best estimates of investor anticipations with respect to these items based on information available AT THE DATE OF APPRAISAL OR ANALYSIS. Such information may include forecasts/projections published by recognized sources such as governmental agencies, economists, financial publications, investor surveys, etc. No guarantee is made for the accuracy of estimates or opinions furnished by others and cited in this report. Economic trends can affect future behavior of income, expenses, values, etc. Changes in these items caused by future occurrences could result in values different from those established in this report. We cannot accept responsibility for economic variables (inflation rates, economic upswings or downturns, fiscal policy changes, etc.) in the future which could not have been known or anticipated at the date of analysis.

23. The estimate of market value as defined herein is subject to change at any time as a result of market fluctuations. The value estimate is dependent upon many inter-related factors including, but not limited to, exposure, motivation, time and promotion efforts, and conclusions pertaining to the property. The value estimate considers the property's physical and economic factors which affect its productivity and relative desirability on the open market.

24. Nothing contained in this report shall be construed to represent any direct or indirect recommendation of the appraisers to buy, sell or hold the property at the value stated. Such decisions involve investment strategy questions and must be specifically addressed in consultation form.

25. Any value estimate provided in the report applies to the entire property. Any proration or division of the title into fractional interests will render the value estimates invalid, unless such proration or division of interest has been set forth herein.

26. To the best of our knowledge and belief, the statements contained in this appraisal, subject to the limiting conditions set forth above, are correct. This appraisal has been made in compliance with and is intended to conform to the requirements of the Title XI of the *Financial Institutions Reform Recovery and Enforcement Act (FIRREA), Interagency Appraisal and Evaluation Guidelines* published by the Federal Deposit Insurance Corporation, the *Code of Professional Ethics & Standards of Professional Appraisal Practice* of the Appraisal Institute, the *Uniform Standards of Professional Appraisal Practice 2014-2015 (USPAP)* of the Appraisal Foundation and guidelines established by Wells Fargo Bank. Moreover, as agreed upon with the client prior to the preparation of this appraisal, the analysis is presented as an Appraisal Report as delineated under Standards Rule 2-2(a) of the *USPAP*.

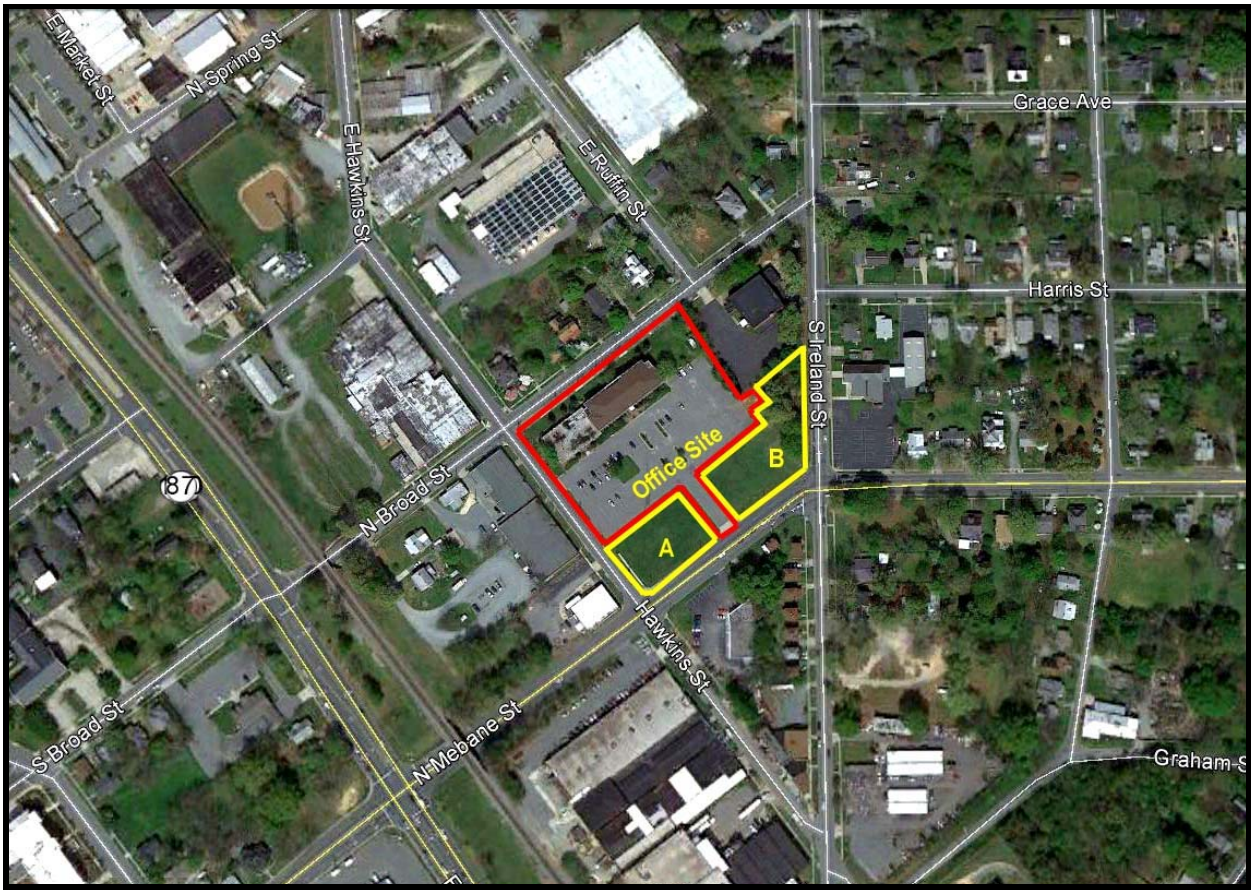


Subject Location Map

Subject City Proximity Map

IDENTIFICATION AND HISTORY OF THE PROPERTY

The subject property consists of a 3.844±-acre site located in central Burlington, Alamance County, North Carolina. It is positioned at the northwest corner of North Mebane and Hawkins Streets, and the street address is 236 North Mebane Street, Burlington, NC 27215. The property is improved with a two-story, general office building constructed in 1942 that was originally used as a school but renovated to general office about 1985. The structure has an estimated gross building area of 26,222± square feet and rentable area of 15,372± square feet. The building size and construction details are taken from on-site inspection/measurements as well as limited information provided by the owner and previous property managers. The site size is taken from a recorded plat dated November 5, 2003 and prepared by Alamance Land Development, Burlington, NC. The aerial view in this section illustrates the subject and surrounding area.



Aerial View of Subject and Immediate Surrounding Area

The subject site has been segmented by recorded plat into three separate parcels but has not been segmented for tax purposes. The property is legally and more particularly described as:

> "All of that certain lot, tract or parcel of land located in Burlington Township, Alamance County, North Carolina, and BEING ALL OF LOTS NUMBERS ONE (1), TWO (2) AND THREE (3) of the William A. Hawks Property, a map of which is duly recorded in the Office of the Register of Deeds for Alamance County, North Carolina, in Plat book 68, Page 150, to which reference hereby is made for a more complete and accurate description."

For purposes of **description** in this report, the subject site is segmented into an office site and two outparcels designated as Outparcel A and Outparcel B. The office site is identified as Lot 1 of the above referenced plat. Outparcel A is Lot 2; Outparcel B is Lot 3. Outparcels A and B are considered as excess land in this report. In this case, however, they are **not** valued separately (See Valuation Methodology for future explanation).

On the appraisal date, the subject property was owned by TMG Equities, LLC which acquired same from William A. Hawks, on March 31, 2006 via deed recorded at Book 2393, Page 247 in the Alamance County Registry of Deeds. The indicated sale price was $900,000. The property was acquired as a single tract (not subdivided) and described as such in the legal description in the deed, a copy of which is provided in the Addendum. Prior to the most recent transfer, William Hawks acquired the property from the Burlington City Board of Education via deed recorded at Book 475, Page 669 on September 17, 1982 in the Alamance County Register of Deeds office.

A title policy was not available, and no adverse title conditions are known. For the three years prior to the date of appraisal, no offers, transfers, or listings of the property are identified. The subject was just listed for sale (July 2015) at an asking price of $795,000. The listing agent is Ms. Margaret Stephens, Keller-Williams Realty, Burlington, NC. In accordance with the *Uniform Standards of Professional Appraisal Practice,* the listing price is discussed in the Reconciliation section at the end of this report. On the appraisal date, the subject was currently leased to eleven tenants. Except for one tenant, all leases are short-term or month-to-month. Pertinent information concerning occupancy is provided in the Income Capitalization Approach of this report.

APPRAISAL OBJECTIVE AND DATES OF THE VALUE ESTIMATE, REPORT AND PROPERTY INSPECTION

The objective of this analysis is to estimate the "as is" market value of the leased fee interest in the subject office property. The appraisers personally inspected the interior and exterior of the subject property on July 9, 2015 at 3:00 p.m. The inspection was attended by Mr. Christopher McCann, property manager, Burlington Rentals, LLC. The effective valuation date of the appraisal is July 9, 2015, the original date of inspection. The date of final report preparation is August 17, 2015.

It is noted that the property is currently leased with an occupancy of 44.0%. Therefore, the property is not experiencing stabilized occupancy, and it has not been stabilized for years. In accordance with the client's request, **only** an "as is" value, which reflects the occupancy and condition of the property on the date of appraisal, is developed. No analyses with respect to estimation of a prospective value estimate at stabilized occupancy are made.

USE OF THE APPRAISAL, INTENDED USERS, REPORT TYPE AND COMPETENCY

It is the appraisers' understanding that the client, Wells Fargo Bank, intends to use the appraisers' opinion of market value along with relevant analysis and data for Wells Fargo Bank loan underwriting or other internal bank decisions. Wells Fargo reserves the right to use the report for the purposes of syndication with other financial institutions or securitization. Furthermore, Wells Fargo Bank is the only intended user of this report. No other intended use or users are identified by the appraisers at the time of the assignment. No purchaser or seller nor any borrower or owner of the subject property are intended users of this appraisal, and no such parties should use or rely on this appraisal for any purpose; e.g., tax appeals, partnership asset allocation, condemnation, etc. All such parties are advised to consult with appraisers or other professionals of their own choosing. The appraisers are not responsible for unauthorized use of the appraisal.

The appraisal is prepared and presented as an Appraisal Report as delineated by Standards Rule 2-2(a) of *Uniform Standards of Professional Appraisal Practice 2014-2015 (USPAP)*. It is also intended to comply with the requirements of Title XI of the *Financial Institutions Reform Recovery and Enforcement Act (FIRREA)*, *Interagency Appraisal and Evaluation Guidelines* published by the Federal Deposit Insurance Corporation, the *Uniform Standards of Professional Appraisal Practice (USPAP)* of the Appraisal Foundation, and the *Code of Professional Ethics and Standards of Professional Practice* of the Appraisal Institute. The appraisers have the experience and education to competently complete the assignment. Summaries of the appraisers' qualifications are provided in the Addendum.

PROPERTY RIGHTS APPRAISED

The subject office building is currently leased and, if the property was sold, it would transfer with the leases in place. Therefore, the"as is" value estimate is an appraisal of the leased fee interest in the subject. Leased fee interest is defined by the *Dictionary of Real Estate Appraisal,* Fourth Edition, published in 2002 by the Appraisal Institute as an "ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease."

DEFINITION OF MARKET VALUE

The Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC) has defined market value in 12 CFR, Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; Federal Register 29499, June 7, 1994 of its rules for appraisals. The OCC defines market value as:

> "the most probable price which a property should bring in a competitive and open market under all conditions requisite to 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:
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

The definition of market value in this report assumes that a property is exposed on the open market for a reasonable amount of time. Further, at the appraised values, the definition also incorporates reasonable marketing time. Both exposure and marketing times for each property are discussed at the end of this report.

SCOPE OF THE APPRAISAL

The objective of this assignment is to develop an opinion of market value for the subject property as identified herein, and this section of the report presents the scope of data collection and analyses pertinent to the appraisal of the subject property. The extent of the appraisal process involves the following:

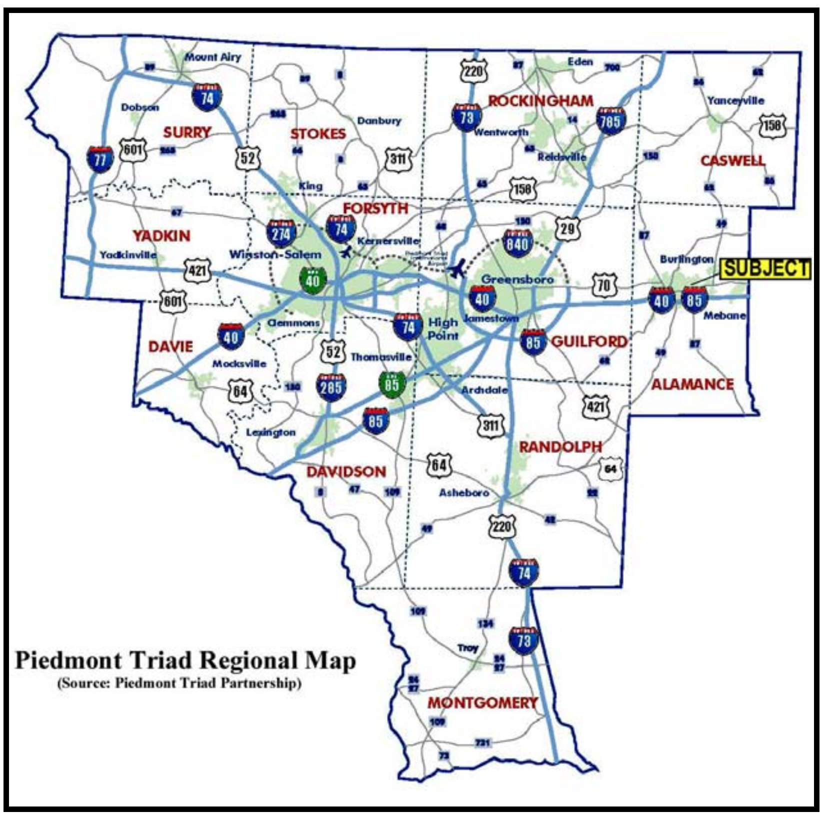
1) Personal inspections of the site and the interior and exterior of the building are made. The exterior of the building was physically measured by the appraisers. The interior, however, was not fully measured, and rentable area is estimated primarily from the rent roll, supplemented by measurements where possible.
2) Research of market data from sources including but not limited to public records, local brokers, appraisers, planning departments, governmental agencies and commercial data sources.
3) Alamance County data as well as neighborhood economic factors influencing the overall viability of real estate and supply and demand are analyzed.
4) An examination of existing land use regulations and the physical characteristics of the subject site and improvements is performed. The available title opinion did not reference any adverse conditions. In addition to the title opinion, the appraisers have relied on visual inspection and other available information to identify apparent easements or restrictions but cannot guarantee accuracy.
5) Evaluations and analyses of gathered market data are used to determine the subject property's highest and best use both as if vacant and as improved. Because of the subject characteristics, a comprehensive highest and best use analysis is unnecessary. It is noted, however, that a precise estimation of highest and best use by analyzing specific feasibility and profitability is beyond the scope of this analysis. Only a likely generic use is estimated.
6) Primarily comparable rental data are gathered for use in for the analysis. Sales of office properties in the Alamance County area are also researched. For reasons outlined in the Valuation Methodology section, the outparcels (excess land) are not considered apart from the site as a whole. Therefore, small lot sales are only marginally researched. Primarily, data for the last three years are researched and considered. Older data may be considered if particularly appropriate.
7) Efforts are made to verify the data with persons directly involved in the transactions such as tenants, landlords, brokers, agents, and/or attorneys insofar as possible. In some cases, the data may only be verifiable from the public records, but at the appraisers' discretion, such data are used when it is our opinion that the data appear sufficiently reliable.
8) A market value estimate for the leased fee interest in the subject property is developed primarily using one of the traditional approaches to value (Income Capitalization Approach). It is considered the most credible and applicable approach for an older, multi-tenant office property that is not experiencing stabilized occupancy or expected to stabilize in a reasonable time period. An attempt was made to locate comparable office building sales, but none reasonably similar to the subject are known. Therefore, the Sales Comparison Approach could not be performed reliably and is omitted. The Cost Approach is not developed since it primarily reflects a fee simple value indication and does not directly reflect the economics of ownership arising from lease. Furthermore, the subject is an older property with substantial depreciation in all forms. Thus, the Cost Approach is unreliable and omitted. (See Valuation Methodology section in this report
9) Within the reconciliation analysis, the limitations and advantages of the data used in the approached are reviewed to conclude the final market value for the subject.
10) The findings are reported in an Appraisal Report format as defined by *USPAP*. The report includes photographs of the subject and comparable data, and maps illustrating the subject in relationship to the comparable data. Additionally information deemed relevant by the appraisers is also presented.

ALAMANCE COUNTY/BURLINGTON AREA ANALYSIS SUMMARY

Economic relationships in an area directly affect the long-term value of real estate investments. Generally, four forces interact in the marketplace to influence value: social, economic, governmental, and environmental. This interaction creates an economic environment wherein a property competes for investment dollars. This section of the report examines pertinent economic trends and forces in the Alamance County market that influence the subject's market value.

Location/Transportation

The subject is located in central Alamance County and within the Burlington city limits. Geographically, Alamance County is located in north-central North Carolina along the I-85/I-40 corridor approximately twenty miles east of Greensboro in Guilford County and thirty-five miles west of Durham/Raleigh. It is the only county within the Burlington MSA but was once part of the Greensboro MSA. The county is most closely aligned with the Greensboro MSA and within an area generally known as "The Piedmont Triad," a designation arising from the merging populations of central North Carolina's three predominant cities (Greensboro, Winston-Salem, and High Point).



Piedmont Triad Regional Map
(Source: Piedmont Triad Partnership)

Alamance County has benefitted significantly from its central position relative to the large adjoining population centers. Proximity to the interstate corridor and the major population centers has facilitated demand for residential, retail and corporate park development. The I-85/40 corridor between Greensboro and Raleigh/Durham has experienced a significant increase in the development of office and corporate parks, which has spurred interest in Alamance County.

Alamance County is served by an excellent highway system, which includes Interstate 85/40 and U.S. 70, as well as state Highways 49, 54, 62, and 87. I-85/40 provides direct access from the county to the coast and the mountains. It has linkages to all major metropolitan areas of the state. Alamance County is served by Southern Railroad, and commuter air service is provided by the Burlington Municipal Airport for business and private flights. National airline service is available 30 miles to the west at Piedmont Triad International Airport and 40 miles to the east at the

Raleigh/Durham Airport. Highway, rail and air transportation serving Burlington and Alamance County is good and a major factor influencing growth in the area.

Population

Alamance County has experienced population increases (1.3%± annually) that are below the state average (1.7%) but consistent with adjoining counties (1.0% to 2.8%). The primary barrier to population growth throughout the area has been erosion of the manufacturing base and lack of alternative employment sources in the same wage tier. Alamance County's population growth is typical of secondary areas at the fringe of larger population centers. The following chart illustrates population data for Alamance and adjoining counties.

POPULATION DATA							
County	**1990**	**2000**	**% Change 1990-2000**	**2010**	**2013**	**% Change 2000-2013**	**Annualized % Change 2000-2013**
Alamance	108,213	130,800	20.9%	151,745	153,642	1.2%	1.3%
Guilford	347,420	421,048	21.2%	490,371	507,508	3.4%	1.6%
Chatham	38,759	49,329	27.3%	63,870	67,638	5.6%	2.9%
Randolph	106,546	130,454	22.4%	142,127	142,614	0.3%	0.7%
Caswell	20,693	23,501	13.6%	23,719	23,736	0.1%	0.1%
Orange	93,851	118,227	26.0%	134,325	139,738	3.9%	1.4%
North Carolina	6,632,448	8,049,313	21.4%	9,586,227	9,861,952	2.8%	1.7%
Source: N.C. Department of Commerce and US Census							

Alamance County and its primary municipalities are not highly differentiated, and the current estimates of population reflect the rural character of many of the incorporated areas. Burlington is the largest city, and its population has increased at an annualized rate of 1.2%± over the past twelve years. Graham, the county seat, adjoins Burlington's eastern boundary and, economically, both towns are viewed as a single unit. Haw River also adjoins Burlington's eastern boundary and Graham's northern city limits. Elon is a college town adjoining the west-northwest Burlington city limits. The town has grown more rapidly over the past decade as a result of Elon University expansion. Gibsonville is located just west of Elon and straddles the Alamance/Guilford County line. Most of the smaller communities in Alamance County developed around textile plants which, at the time, were the primary employers.

Mebane is located at the eastern edge of the Alamance County line, and its town limits extend into adjoining Orange County. Mebane has experienced significant increases (4.8%± annualized) in population over the past thirteen years. Its strategic position (nearly equidistant from the Greensboro and Raleigh MSAs) along the I-85/40 corridor and low tax environment have spurred residential, commercial and industrial growth. Except for Burlington, Graham and Mebane, the other remaining municipalities in Alamance County are primarily small, rural, crossroads communities which incorporated to preserve their identities and avoid annexations by larger towns. The chart in this section summarizes population growth for the incorporated areas of Alamance County.

Population Data for the Municipalities of Alamance County						
Municipality	**2000**	**2010**	**% Change 2000-2010**	**2013**	**% Change 2010-2013**	**Annualized % Change 2000-2013**
Burlington	44,917	50,475	12.4%	51,396	1.8%	1.1%
Graham	12,833	14,211	10.7%	14,158	-0.4%	0.8%
Mebane	7,367	11,441	55.3%	11,968	4.6%	4.8%
Elon	6,748	9,448	40.0%	9,620	1.8%	3.3%
Gibsonville	4,372	6,410	46.6%	6,619	3.3%	4.0%
Haw River	1,908	2,308	21.0%	2,309	0.0%	1.6%
Green Level	2,042	2,100	2.8%	2,089	-0.5%	0.2%
Swepsonville	992	1,154	16.3%	1,169	1.3%	1.4%
Alamance	310	951	206.8%	987	3.8%	16.8%
Ossipee	*	543	N/A	553	1.8%	N/A
Source: N.C. Department of Commerce						

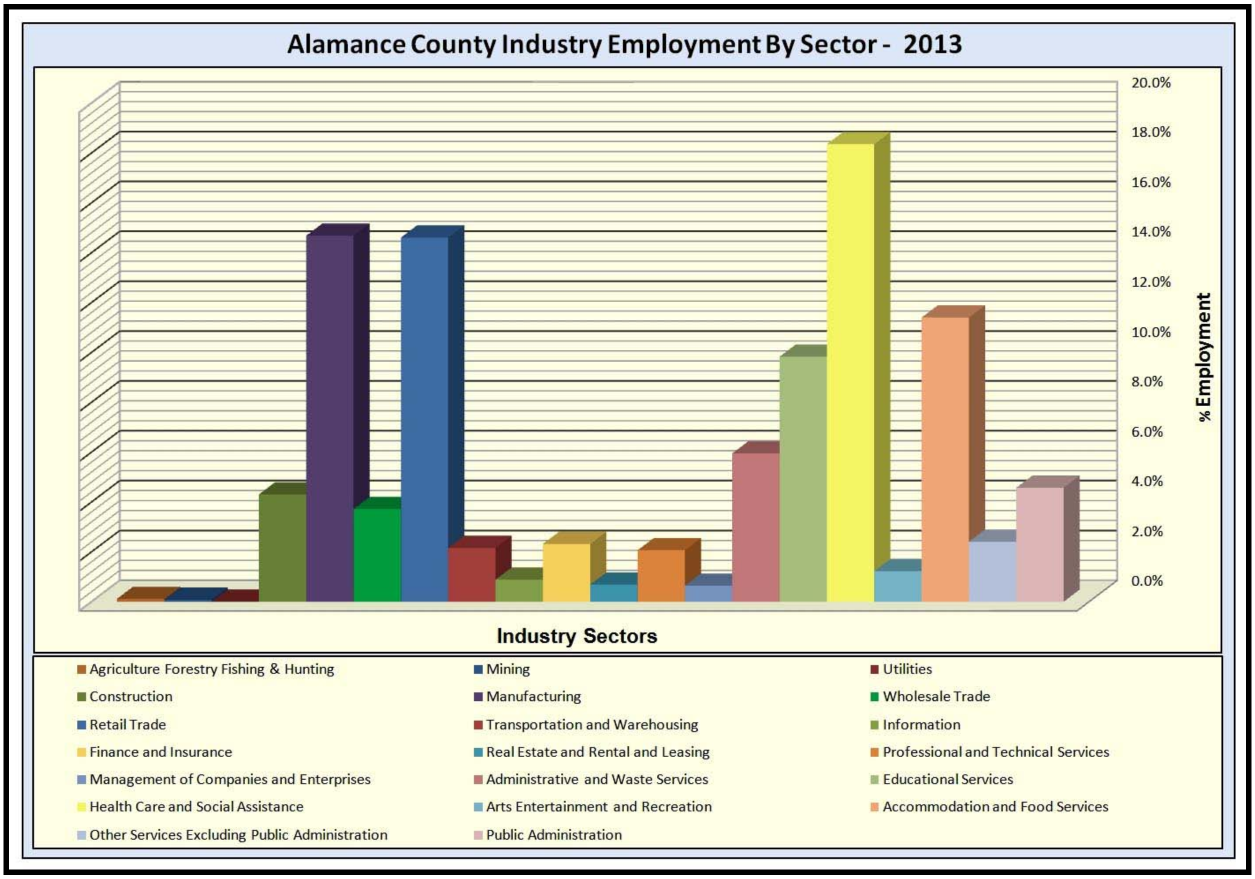
Population growth in Alamance County as a whole is expected to parallel historical patterns. Therefore, a disproportionate concentration of future development is expected circumjacent to the eastern and western county lines. To the west, the city limits of Burlington extend into Guilford County. To the east, Mebane continues to expand into Orange County. Alamance County's population as a whole is projected to increase about 3.7% between 2010 and 2019. The county's geographic location and lower cost of living are primary factors influencing long-term population growth.

Employment

Employment is crucial to the county's economic equilibrium. It directly influences the stability of the population base, household income levels, retail sales growth, commercial/industrial building occupancy, rent levels and overall real estate values. Therefore, employment is examined as an indicator of general economic conditions.

For decades manufacturing was the predominant employment sector in Alamance County with a core concentration in textiles and to a lesser degree tobacco and furniture. Over the past thirty years, however, the permanent loss of manufacturing jobs caused a ripple effect in all sectors of the economy. In 1990 about 35.2% of Alamance County's workforce was employed in manufacturing. That figure declined to 14.7% by the end of 2013. More than 10,000 jobs have been eliminated in Alamance County. The job losses resulted from numerous bankruptcies, plant closings, consolidations and relocations. The job losses are represented in a broad range of categories including textile plants, electrical components, telecommunications, and many forms of retail and services enterprises. The number of losses stabilized, however, after 2009 and the closing of the Goldtoe sock manufacturing plant, the most recent and significant loss of jobs during the previous five years (430 jobs). There have been a few additional closings, but most have been modest (<50 employees).

Job losses, particularly in the historical core of the manufacturing base, are partially mitigated by the transition of skilled workers into stronger segments of the manufacturing sector, health care, and educational services. Displaced more unskilled labor has migrated into the lower paying food service, accommodations, and retail sectors. Employment growth has concentrated in local government, healthcare and social assistance. The graph in this section illustrates the distribution of employment by sector for Alamance County at the end of 2013 (Source: Employment Security Commission).



Despite substantial job losses, the unemployment rate in Alamance County remained manageable over the last decade. Like nearly all communities in North Carolina, Alamance County experienced a significant rise in its unemployment rate after October 2008. The rate has declined significantly over the past year. As of March 2015, the county's unemployment rate was 4.9%, lower than the state level (5.4%) and only slightly above the U.S. rate (5.5%). The county rate declined by more than 18.3% from the March 2014 rate of 6.0%.

Alamance County's unemployment rate is well below that of adjoining metro Guilford County (5.4%). It has the third lowest unemployment rate in the Triad region. Nonetheless, the reported unemployment rates for all regional counties are low but misleading. Many persons classified as unemployed dropped out of the workforce and are no longer counted. Moreover, the workforce declined by about 10,000 persons over the past seven years. These factors, along with the creation of about 585 new jobs over the past two years, explain the decline in the unemployment rate. The real number of unemployed is much higher than the reported rate.

According to *Southern Business & Development* magazine, more than 1,200 new jobs and $250 million in capital investments have been announced since 2012 for Alamance County. Over the past three years, activity has increased significantly. Some of the most important recent developments are summarized as follows:

(1) In September 2012, Sheetz announced plans for a 250,000 square-foot kitchen and distribution center with an investment of $32 million in southern Burlington. The facility scheduled to open in 2015, and about 253 new jobs will be created.

(2) Kayser-Roth announced in September 2013 that it would expand its operations in Burlington and in nearby Asheboro, Randolph County. Together, these two projects represent a $28 million investment and create 100 jobs. This Kayser-Roth expansion follows a $3.5 million investment in 2011 and a $7 million investment in 2005 which created an additional 180 jobs.

(3) Wal★Mart is building a major perishable grocery distribution warehouse on a 1,200-acre tract designated as an economic development zone between Mebane and Graham. The 450,000 square-foot facility represents an investment of $100 million and the creation of 450 new jobs. The facility will serve 123 retail locations in North Carolina and neighboring states. It is scheduled to open in 2018.

(4) Cambro Manufacturing Company announced in April 2014 plans for a new manufacturing facility to be constructed in Mebane, NC. Cambro, a manufacturer of food service and health care products including trays, table service, storage, shelving and insulated transport products, created 100 jobs and invested $30.4 million. Cambro's site is 28 acres and located in the North Carolina Industrial Center. Their 220,000-square-foot facility was completed in June 2015. Rail access was extended to supply raw materials for the plastic injection molding operations.

(5) In June 2014, Morinaga America, a Japanese confectionary company, purchased a 21-acre site in southeast Mebane, Orange County, for the construction of a 120,000 square-foot manufacturing plant. When open in 2015, the $48 million investment will create 90 jobs.

(6) Southern Season announced in February 2015 their plans to build an 108,000 square-foot, $6.3 million warehouse in NC Industrial Center. The facility will create 45 jobs.

(7) The largest new project in Alamance County is the 850,000 square-foot Lidl distribution facility that is under construction on and 80-acre site in NC Commerce Park. It is a $125 million development expected to create 200 jobs.

The levels of corporate investment cited above have a positive economic impact for Alamance County. The employment base is gaining diversity, and more than 25 international companies are represented in the county. Mebane is the strongest industrial area in Alamance County with the newest and most prestigious industrial parks, NC Commerce Park and the North Carolina Industrial Center (NCIC). Mebane is the location for 32% (all industrial) of the top 25 employers in the county, and it is also the location of 24% of all international companies.

Major Employers in Alamance County				
Rank	Company	City	Location Type	Employees
1	Alamance-Burlington School System	Burlington	HQ	3,329
2	Laboratory Corp of America	Burlington	HQ	2,500
3	Alamance Regional Medical Center	Burlington	HQ	2,240
4	Elon University	Elon	Main Campus	1,403
5	Wal-Mart Stores Inc. (3 Locations)	Burlington	Branch	1,000
6	Alamance County Government	Graham	HQ	956
7	City of Burlington	Burlington	HQ	806
8	GKN Driveline North America	Mebane	Branch	800
9	Alamance Community College	Graham	HQ	652
10	Honda Power Equipment Mfg	Swepsonville	HQ	600
11	Glen Raven Inc.	Glen Raven	HQ	500
12	Kayser-Roth Corp	Burlington	Branch	465
13	Meadwestvaco Healthcare Packaging	Mebane	Branch	400
14	AKG of America Inc.	Mebane	Single Location	350
15	Kernodle Clinic Inc.	Burlington	HQ	325
16	Engineered Controls International	Elon	HQ	320
17	General Electric Co	Mebane	Branch	315
18	Sports Endeavors Inc	Mebane	Branch	311
19	Liggett Group LLC	Mebane	HQ	299
20	Twin Lakes Community	Burlington	HQ	291
21	Nypro	Mebane	Branch	250
22	International Textile Group, Inc.	Burlington	Division	250
23	ARMACELL LLC	Mebane	HQ	250
24	Carolina Hosiery Mills, Inc.	Burlington	HQ	240

Alamance County's ability to sustain manageable unemployment through significant core industry layoffs implies fundamental economic stability. Although Alamance County's employment base is diversifying, it remains skewed toward lower wage sectors. The chart in this section shows the top employers in the county (Source: Alamance Chamber of Commerce and Economic Development).

The NC Commerce Department ranks the state's 100 counties based on economic well-being and assigns each a Tier designation. The 40 most distressed counties are designated as Tier 1, the next 40 as Tier 2 and the 20 least distressed as Tier 3. The tier system is incorporated into various state programs including a significant tax credit program to encourage economic activity in the less prosperous areas of the state. Historically, the major metro counties/cities of the state have been ranked Tier 3. In January 2015, the ranking for Alamance County was Tier 2, its consistent ranking for the past eight years (tier system began in 2007). The consistency in ranking indicates stability within the economic base.

Employment is anticipated to reflect the historical pattern of modest, but steady, intermittent growth. The low tax environment and convenient geographic location of Alamance County are expected to continue fueling the location for new corporate enterprises. With the current and evolving industrial base, the long-term prospects for expansion of the economic base are considered positive.

Income and Cost of Living

A major influence in attracting new business and industry to the city is the quality of life and cost of living. Income levels are just a relative factor in measuring Alamance County with other area counties and metro areas in the state. According to US Census Bureau data, median household income for Alamance County in 2013 was reported as $42,631, a decrease of 4.0% from the 2011 level ($44,430). Per capita income in 2013 was $22,866 which represents a decrease of 2.6% from the 2011 level ($23,477). From 2000 to 2012, per capital income rose by an average of 2.2% annually for Alamance County. These figures compare below the North Carolina annualized figure of about 4.0% and the adjoining Greensboro metro area of 2.0%. Alamance County and the surrounding less urbanized counties consistently compare below the economically stronger metro counties that include larger population centers. The differential is small for Alamance County. The transition of workers from textile and furniture manufacturing into the lower wage service sector has kept income levels in Alamance County at a tier below the more diversified and larger economies in Raleigh and Charlotte.

Despite lower income levels, Alamance County and the Piedmont Triad are currently among the least expensive of the North Carolina areas according to the American Chamber of Commerce Research Association (ACCRA). This mix of moderate incomes and lower cost of living creates a "quality of life" distinction drawing people to the area. In turn, this promotes expansion of businesses and industry and strengthens retail sales, employment, and other aspects of the local economy as a whole.

Summary

In summary, Alamance County is centrally located at the eastern edge of the Piedmont Triad and just west of the Research Triangle. The area is heavily influenced by the Interstate 85/40 corridor that traverses Alamance County and provides linkages to major population centers in the state and beyond. Although still dependent to some extent upon textiles, the area has a diversifying economic base. Its population is modestly increasing, and the unemployment rate is expected to generally parallel those of the state average. Local real estate values have generally paralleled performance in other economic indicators with respect to modest activity and stable values over time. Over the long run, locational characteristics should enhance its growth opportunities.

OFFICE MARKET SUMMARY

Examining the general market environment for properties like the subject is an inherent part of estimating the subject's market value. The market overview considers factors such identification of potential similar users, level of market activity, indicators of market demand and impediments to marketability. In addition, the influence of the subject's location is reviewed.

The following observations are made concerning office supply/demand in Burlington and the subject's primary influence, the Central Business District, located about one-half mile west. The subject neighborhood is a fringe area of low demand. The following described market attributes are identified by the appraiser after discussions with local appraisers, brokers, property managers, owners, investors and others. Some of the sources contacted included: Robert Lewis (NAI Piedmont Triad); Ted Crum, Sam Unsworth, and Jeff Deal (Richard Jones Real Estate); Tory Apple (Keller Williams Real Estate); and Greg Payne (Picket Sprouse Real Estate). Market data are limited, but a survey of the office market prepared by Karnes Research was most beneficial.

General Conditions

1. There is a typical range of office users in the general Burlington market, but Laboratory Corporation of America Holdings (LabCorp) is the largest single user. LabCorp currently occupies all or part of fifteen or more buildings. Generally their space is leased and concentrated in the Central Business District. In 2011 LabCorp renovated a 114,000 square-foot building in downtown Burlington for use as their corporate headquarters.

2. Multi-tenant office construction occurs very infrequently in Burlington, since financial feasibility is a barrier without pre-leased long term tenants. Lack of available, undeveloped sites and lower demand are impediments to downtown development. New office construction is owner occupant driven, almost exclusively suburban, and located in the western section of the city. Since 2007, no new office space has been added to the CBD, although some mixed use development has occurred.

3. Demand for office space in the Burlington CBD and adjoining fringe areas has been very stable over the past decade. Major new office users rarely enter the market. Demand increases or declines primarily from expansion or contraction of government and established companies. Since no upward pressure on rents is observed, ample supply is implied. Although the presence of LabCorp is a significant factor, their leasing activity has been gradual and selective. Except for conversion/renovation of a few old buildings and the new LabCorp headquarters, the supply of office space downtown expands very slowly. New construction is generally built-to-suit and skewed toward medical and institutional/governmental users.

4. Most office users in the Burlington market (i.e., government, banks, and law firms) generally own rather than lease the buildings they occupy. Owner-occupancy drives the market, especially for newer office properties in Burlington.

5. The Burlington market includes office buildings of varying quality. There are no Class A office buildings in the CBD or fringe areas exclusive of LabCorp. Downtown properties are typically low rise, and few exceed four stories. Many of the office buildings in the Burlington CBD are 50+ years old. Even after renovation, such properties typically exhibit various forms of functional obsolescence, and some do not provide adequate on-site parking. Additionally, about 40% of all office buildings in Burlington were constructed prior to 1979.

6. Except for small owner-occupied buildings, general office sales are very infrequent in the Alamance County market. This implies very stable occupancy throughout the market. Multi-tenant buildings do experience some periodic tenant turnover, and varying levels of vacancy are noted. No “arms-length” sales transactions involving multi-tenant, general office buildings were identified in Alamance County over the past three years researched. Two small buildings, a few banks and medical buildings sold, but they are not considered comparable market activity relative to the subject. In addition, a few REO sales and auctions have occurred.

7. The Alamance market defined by Karnes includes 72 properties with a total of 1,129,000 square feet. Rental rates are modest for general office space and typically do not escalate over a typical lease term. The average rent reported for the Alamance market is $12.54 per square foot. Average rental rates vary within a typical range for space sized from 1,500 to 3,000 square feet. The average rate for Class C space (the subject’s classification) is $7.07 per square-foot. Class B space has an average rent of $13.41. Class A space is not currently reported. Landlords typically pay all or most operating expenses in multi-tenant properties. In newer buildings where utilities are separately metered, some transfers of this expense to tenants are observed.

8. Karnes reports current overall vacancy for Alamance County at 6.6% with vacancy distributed by Class as follows: (1) Class A - 3.5%, (2) Class B - 7.7%, and (3) Class C - 9.9%. The Alamance County market is not subdivided by area, but Burlington has the vast majority of the space. Net absorption has historically been modest, less than 10,000 square feet annually. Absorption is skewed toward lease-up in new medical space and expansion/contraction of LabCorp space.

9. In 2014 LabCorp announced it was vacating 55,000 square feet of office space in downtown Burlington. The five buildings vacated were older buildings that needed a combined total of $35.6 million in repairs. LabCorp moved their billing operations out of downtown Burlington and into the former Citi-Cards building along the I-40/85 corridor in eastern Guilford County. After that move, LabCorp still has about 2,500 employees in Alamance including about 200 at its headquarters in Burlington.

10. In 2014 Core Properties & Development LLC demolished one of Burlington’s oldest CBD buildings to initiate redevelopment and create a blend of apartment, office and retail uses.

Current Listings

In addition to the Karnes Report, the Triad Commercial Information Exchange (CIE, local commercial listing service) and others sources were reviewed for general office properties listed for sale or lease outside the core CBD. Although the sites reviewed are not exhaustive and do not include all broker listings, it is representative of the properties available. Six properties were identified from the Burlington market that were either for sale and/or lease. The six general office buildings reviewed exclude office condos, flex space and medical office properties. Typical office properties in Burlington are mid-size (between 10,000 and 20,000 square feet). Only two of the six buildings surveyed are smaller than 10,000 square feet. One is listed for sale or lease and five are for lease only. The asking rents for these buildings range from $12.00 to $15.00 per square foot with all but one being full service or modified gross terms. Individual tenants spaces are typically less than 3,000 square feet. It is noted that asking rents are not always attainable given current market conditions and various forms of lease concessions are common. A compilation of the listings reviewed are retained in our files.

Market Conditions and Economic Trends for the Subject Property Type

The client has requested discussion of "the likely impact of expected changes in interest rates, rents, supply and demand dynamics, the scarcity of comparable investments, excess investment capital, etc., on cap rates in the future," among other factors. In essence, the request represents an economic analysis of the real estate investment market, which has been the objective of many dissertations and journals for decades, all of which try to predict the relationship of these factors. Such an analysis is beyond the scope of a typical appraisal report and this report, especially given the lack of investment sales activity in the market for properties like the subject from which capitalization rates can be extracted.

The appraisers have ongoing discussions with brokers and review numerous economic journal articles and real estate surveys. Predictions pertaining to rates and their impact on small local properties are varied and speculative at best. Only general principles can be applied to the subject since demand for this type of property is very modest. Only during the peak of the economy in the mid-2000s were such properties broadly marketable, if stabilized.

The Alamance County Submarket and the Triad in general have experienced a decline in cap rates, since a peak in 2010, but it is the opinion of most that it is the result of modest recovery in capital markets rather than an improvement in real estate fundamentals which remain weak, particularly in fringe locations. Traditionally, all submarkets in the Triad have lagged behind the major metro areas of North Carolina where capitalization rates are generally 1% to 2.5% lower. It is the low interest rate environment that has facilitated real estate activity. With weak fundamentals in the local economy (reduction in workforce resulting in underestimated unemployment figures, modest population growth, financial instability in small businesses, stagnant growth in wages, etc.), recovery in the Alamance County/Triad real estate market has been slow and intermittent. Very few office properties have sold over the past five years. The office demand in Alamance County is particularly shallow, since so much of the occupancy is represented by one user, LabCorp. Exclusive of LabCorp in the Central Business District, modest expansion of the general office supply has occurred in western Burlington near the South Church Street/Huffman Mill Road intersection. New medical buildings have developed around Alamance Regional Medical Center at Huffman Mill Road and University Drive just south of I-40/85. The eastern section of Burlington has traditionally been the weakest market area for nearly all property types.

Most brokers surveyed anticipate only modest recovery over the next few years. It appears interest rates will remain relatively stable at least through 2015 with only modest increases projected unless significant improvement in the general economy occurs. If rates rise due to improvement in the national economy and increased credit demand, cap rates are less likely to rise. For Alamance County, economic improvement is expected to be sluggish, and credit demand modest. For older properties in fringe, less desirable areas like the subject, capitalization rates will likely be in the upper half of the office property range depending upon tenancy. Notwithstanding, they are more influenced by the investor's financing and liquidity concerns rather than "regional" trends. Historically, cap rates fluctuate modestly for older properties in fringe areas which struggle to attract tenants and buyers.

Based on our historical observations, average cap rates for properties like the subject do not generally vary significantly, usually 50 to 100 basis points. As noted, interest rates are likely to rise modestly over the next twelve months given the current policy of the Federal Reserve. Notwithstanding, the Fed's current policy cannot be sustained indefinitely. In fact, some analysts are projecting increases for 2016. If rates rise without significant improvement in general economy, capitalization rates may well rise. For Alamance County, the economy is expected to remain relatively stable, and no major sources for increased office demand are on the horizon. Regardless of interest rates, credit demand for new real estate purchases is expected to remain modest. It is emphasized that the subject property appeals primarily to local investors. The most recent purchase in 2006 by a California firm was part of a trend by such firms with excess equity during a peak and price-inflated market period. It is unlikely that such conditions will be seen again in the Triad area for many years.

Purchase of older, marginally performing office properties with small business tenants occurs infrequently. Capitalization rates estimated by brokers and other sources for such properties have generally been at the upper end of the range (≈10% to 12%). Although rates have declined, they are less elastic for fringe properties unless subject to long-term leases and/or have a stable tenant base that has been in place for several years. Trending forward, variation in cap rates is expected between 100 and 150 basis points. If, however, the economy does not significantly improve with respect to overall growth, particularly small business expansion, as a result of continued government borrowing, then crowding out of private investment, even for small investors who will continue to be pinched at the margins, will likely result. This may spur an increase in interest rates which, in turn, increases the opportunity cost for private borrowing. This could result in a rise in capitalization rates which has an inverse impact on sale prices, thus potentially reducing investment purchases.

Overall, it is our opinion that capitalization rates for a property like the subject will remain relatively stable since they are already within the upper end of the range. Although interest rates are low, financing and equity requirements are barriers to real estate acquisition by local and regional investors. Only "choice" office properties in metro locations are easily marketed. Even though a potential borrower may have good credit, profitability for many has declined. This stifles cash flow for debt service. If interest rates rise without a corresponding increase in general economic factors, real estate sales activity will remain low. There are superior investment alternatives located in other parts of the Triad and other similar North Carolina markets that could potentially compete with the subject for buyer attention. Although prices may be higher, the potential risk of vacancy and rent stagnation is less. Without a substantial increase in tenancy to stabilize occupancy/income, the subject's marketability is well below average. The following briefly summarizes the subject's strengths and weaknesses.

<u>Strengths and Weaknesses of Subject Property</u>

Given the market conditions discussed above, the following summarizes our assessment of the subject property with respect to its competitive position.

Strengths:

1. The building is currently designed with small tenant spaces. Few competing properties offer spaces smaller than 1,000 square feet.
2. Most of the subject's structural components have been adequately maintained, and these components minimize deterioration over time. Some cosmetic maintenance has been completed but there is significantly more to do to optimize the interior appearance.
3. There is ample on-site parking and easy access to major thoroughfares. Frontage on Mebane Street is particularly beneficial for identity, and it is a four-lane thoroughfare that extends from east to west through Burlington with good connections to the interstate.
4. The subject has one long-term tenant, MCI-Verizon, that has a substantial investment in a data center in the building. Moving is expensive for this user, and they have recently exercised a renewal option for their space. At the current rent level, this tenant creates income security. Without this tenant, marketability is significantly reduced.

Weaknesses:

1. The primary weakness of the subject building is overall location. Although located at the fringe of the Central Business District, it does not share the CBD identity. The surrounding area has been in decline. There are numerous older industrial properties in the immediate vicinity of the subject, and a few commercial uses occupying older buildings. There are also several vacant or marginal buildings nearby. Non-commercial uses are primarily very old residential housing on small lots. Many are poorly maintained and leased rather than owner-occupied. Reportedly, vandalism is commonly observed in the neighborhood.
2. The subject's general building design is rather unique for the market. The exterior and interior floorplan are distinct because of its original design for use as a school. This creates some significant functional deficiencies that impact the property's ability to produce income. The wide central hallways and stairwells are created by load-bearing walls, and these structural components reduce rentable area. The hallways produce no income but are taxed and must be heated and maintained. Restroom facilities are located at both ends of each central hallway. Although not a significant impediment, it is less optimal than private restrooms within each tenant unit. Only a few units have restroom facilities. Additionally, the second floor offices are walk-up. Walk-up office space is less convenient for tenants, so except for the Verizon switching station, the subject's occupancy is confined to the first floor. Adding an elevator is not considered economically feasible.

3. The mixed combination of HVAC systems in the subject building is inefficient and costly to maintain. Furthermore, the condition of the HVAC units could not be determined. Some of the interior wall finishes are worn or dated. The carpet shows significant wear, particularly in the hallways. A portion of the roof also shows age, but no leaks were reported. Many ceiling tiles are stained from prior roof leaks.

In summary, from a physical standpoint, the subject has some limitations, but they are not outside the range for the Burlington office market. The building is generally a Class C structure with an interior layout to accommodate small businesses, a user base that remains economically challenged. No immediate catalyst for improving small business demand is identified. The lease renewal by MCI Verizon is the subject's primary source of positive cash flow. Although leasing to small tenants is management intensive, the per square-foot rent would accommodate that expense if occupancy was stabilized. There are some security concerns associated with subject location, but they are addressed with a monitoring system. Although the building appears structurally maintained, it needs cosmetic painting/redecorating and replacement of some short-lived items. There is ample on-site parking. The subject has proximity to major thoroughfares, and it fronts a major connector. Considering all factors, the subject's competitive position is considered below average primarily as a result of its locational characteristics, prolonged high vacancy, low ratio of net rentable to gross building area, and the general low demand market. The subject would appeal only to a very limited segment of the broader investor pool.

NEIGHBORHOOD DESCRIPTION

Real estate is significantly affected by its surrounding environment, and there is a propensity toward the grouping of land uses within a community. These groupings of specific uses are generally called neighborhoods. Properties within a given neighborhood are affected by shifts or changes in the surrounding environment.

The subject property is located at the corner of Hawkins and North Mebane Streets in an area about one-half mile southeast of and peripheral to the Burlington Central Business District (CBD). Although the subject is not a part of the CBD, as an office building, it is generally identified relative to its proximity to the CBD. The neighborhood is generally defined as the area east of the CBD and Webb Avenue, south of Church Street, west of Graham-Hopedale Road and north of the Norfolk-Southern Railroad track. The neighborhood is mixed use in character and composed primarily of older industrial, commercial and residential uses.

Adjoining the neighborhood to the west, the CBD is typical of many small cities. The traditional downtown remains a viable business location for some, but most new development is outlying along the primary thoroughfares and nearly exclusively west of the CBD. Office and commercial buildings are the primary land uses in the CBD. LabCorp is the primary office user in the downtown. It has its headquarters in a four-story building with more than 100,000 square feet. LabCorp also occupies about seventeen other buildings in the downtown for peripheral offices, labs, and storage. In addition to LabCorp, other office space users include government, law firms, banks, and service companies (accountants, insurance adjusters, advertising/marketing agents, bail bondsmen, etc.). There is a mix of small retail shops and restaurants.

The area east of the subject neighborhood is primarily older industrial properties, many of which were textile related. There are a few low intensity commercial/retail uses, but these properties are also older structures with functional problems and low levels of maintenance. The primary uses surrounding the subject's immediate vicinity are older residential neighborhoods. They are well established and stable. The improvements are modest size dwellings on small lots. Some of the areas are among the oldest (1920s vintage) in Burlington and have gradually deteriorated over the years. Most of the residential uses were constructed between 1940 and 1960. Some of the northern and eastern sections have experienced some renewal. Only one newer development, Cherokee Park, was apparent in the neighborhood. Located about three-fourths mile southeast of the subject at Ellwood Court and Queen Ann Street, this 33±-lot subdivision was developed in the mid 1990s on a vacant site. Dwellings are generally less than 1,800 square feet and priced in the mid to upper $90,000s.

The demographic profile of the neighborhood (0.75-mile radius of the subject) shows a population base of 5,572 persons with a median age of 38 years. The median household income is $32,380 and well below the $50,579 level for Alamance County. More than 20% of the population earns less than $15,000 annually. More than 77% of the housing units were constructed prior to 1969, and the median year built is 1956. Owner-occupied housing represents just under 43% of households. Renter occupied housing at 49% exceeds the city as a whole (40%±). Furthermore, crime indexes published by various sources and a review of Burlington Police Department records show the neighborhood and immediately adjoining area to have a higher incidence of crime calls than most areas of the city. It is the modest income characteristics of the neighborhood surrounding the subject that minimize the general potential for non-residential uses.

The largest and newest development in the subject neighborhood is a Wal★Mart Center which is located at the southeast corner of Graham-Hopedale Road and Mebane Street about 1.4 miles east of the subject. Land uses in the immediate vicinity of the subject are mixed. The primary uses are Graham Dying & Finishing, Paisanos Auto Repair, Guadalajara Foods (grocery distributor), Old Dominion Box, and JMW Fire Equipment Supply. Commercial/retail uses include Carolina Marble, the Plywood Store, a night club and salon. Adjoining the subject is a single-story, 11,310 square-foot, auditorium/recreation center built in the 1950's owned by the Burlington Recreation Department. To the southeast across Mebane Street, there is a renovated two-tenant retail property owned by a local investor and occupied by a laundromat. There are no significant office uses in the subject's vicinity. In fact, the primary office uses in the area, exclusive of the CBD, are located about 1.5 miles east and northeast. They are occupied primarily by Alamance County, medical clinics, attorneys and non-profits.

Commercial land uses in the neighborhood are generally concentrated along the higher traffic volume thoroughfares like Webb Avenue, Church Street and Graham-Hopedale Road. There are older industrial properties dating from the 1920s positioned west across Hawkins Street from the subject. The industrial properties in the neighborhood generally have insufficient lot size, so they lack truck loading area and on-site parking. Typically, industrial buildings in the neighborhood are very old buildings with significant functional deficiencies. They are generally utilized for storage, service/repair processes, and assembly by local companies rather than actual manufacturing.

Access to the subject and the neighborhood is considered good. Webb Street (NC 87) provides a direct link to Interstate 40/85 and intersects several major thoroughfares. Of primary importance to the subject is Mebane Street, an east/west connector that extends from the highly commercialized area of Huffman Mill Road in west Burlington to Graham Hopedale Road, the neighborhood's eastern boundary. Church Street, also known as US Highway 70 Business, is a major thoroughfare serving all of Burlington. This street extends northeast-southwest through the city and is primarily a commercial/office corridor. It provides direct linkage to Graham Hopedale Road (eastern neighborhood boundary) and Webb Avenue (western edge of the neighborhood), both of which are major thoroughfares that provide connecting access to I-85/40 in the southern section of the city.

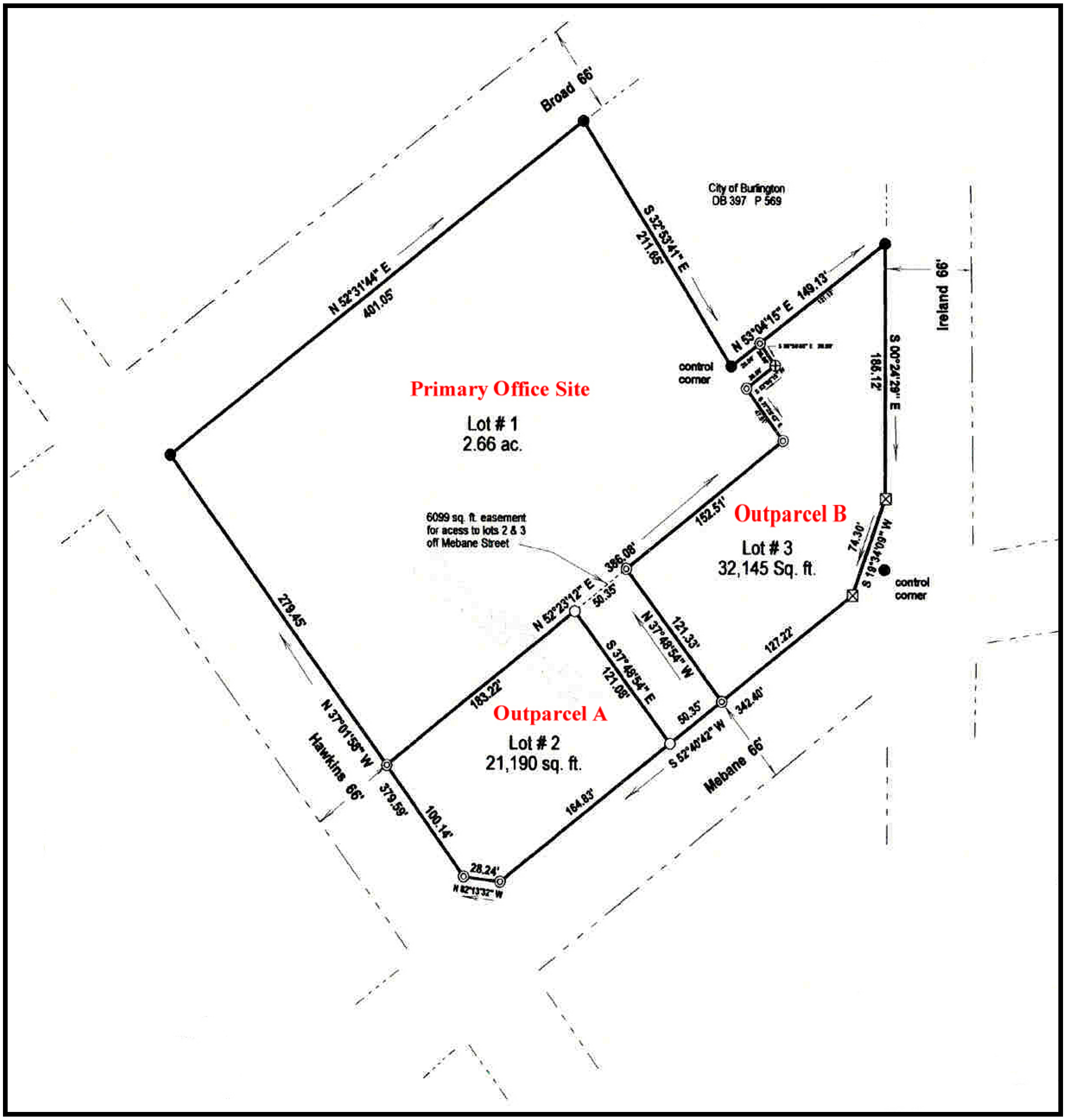
Neighborhoods generally transition through four phases over their lifetime: growth, stability, decline, and revitalization. From the preceding discussion, it can be concluded that the subject neighborhood appears to be stable after a period of decline. The condition of neighborhood buildings vary. Little, if any, revitalization has occurred. No significant changes in neighborhood characteristics are anticipated over the short term. Demand is limited, and only modest improvement is expected.

DESCRIPTION OF THE PROPERTY

Land:

The subject site has a total of 3.8841± acres (169,205± square feet). It is located between the northwest margin of North Mebane Street, the southeast margin of Broad Street and along the northeastern margin of Hawkins Street. The site is legally described in the current deed as a single tract. It was subsequently subdivided by a plat recorded dated September 21, 2003 and identified as three separate lots: Lot 1 - designated herein as the office site at 2.66± acres, Lot 2 - designated as Outparcel A at 21,190± square feet, and Lot 3 - designated as Outparcel B at 32,145± square feet. Even though the plat segments the site, the taxing authority still lists the property as a single tract.

A discrepancy is noted in reported site sizes between the plat and deed, but the plat is most current and adopted for use herein. The following discussion delineates characteristics specific to lots as designated on the plat as well as features for the entire tract. It is noted, however, that for purposes of this report, the site is considered as a whole. The outparcels (excess land) are described separately since they are platted as such, but they are not treated separately for reasons outlined in the Valuation Methodology section. A copy of the plat is included on the following page.



SUBJECT PLAT MAP

General Characteristics for the Entire Site

As a whole, the site is generally rectangular in shape except for a small section at the northeast corner. The average width is about 400 feet and the average depth about 380 feet. The property fronts four streets: North Mebane Street (342± feet - northwest margin), Ireland Street (259± feet - northwest/west margin), Hawkins Street (280± feet - northeast margin), and Broad Street (401± feet - southeast margin). Mebane is a major northwest to northeast thoroughfare that extends through the entire City of Burlington. It is generally four-laned with a center turning lane. The remaining streets are secondary, two laned connectors in most areas. The plat shows each street to have a 66-foot right-of-way. A few years ago, Mebane Street was widened, and the right-of-way was significantly increased. All streets have concrete curbing and guttering, and the intersection of Mebane Street with Ireland Street is signalized. The property has good visibility and exposure from all fronting streets.

The topography of the site is generally level at grade with all adjoining streets except Ireland Street. Along Ireland Street, there is an upward slope from grade before the site becomes consistently level. The property has been graded to provide adequate drainage to the site boundaries. Runoff is controlled by a storm water drainage system. The site is cleared except for a small natural area along the northeastern boundary near Ireland Street. According to available flood maps, the subject site is within a Zone X that is determined to be outside a flood hazard area (FEMA Flood Map 3710887500J, dated 9/6/2006).

All utilities are available including water, sanitary sewer, telephone service, electricity, and natural gas. The utilities are generally located along the perimeter of the property and within the street rights-of-way.

No soil or subsoil studies specific to the subject site are available for inspection, but the subject soil type appears to have adequate drainage, and no soil or subsoil conditions preventing improvement are known. The existence of improvements on the site and other sites in the area indicate that the load-bearing capacity of the soil is adequate. Further, no adverse easements or encroachments are known. The recorded plat shows a 50-foot shared access easement located near the middle of the site that extends northwest from Mebane Street a distance of 121± feet. This easement provides for all three platted sites. It is assumed that typical non-adverse utility service easements exist and do not impede the utility of the site.

The existence of any hazardous or potentially hazardous material possibly located on the site or used in development of the site or any improvements thereon was not observed on the inspection date and has not been considered. We have no knowledge of any such materials on or in the property. It is assumed that there are no hazardous environmental conditions associated with the subject property. Full compliance with all environmental laws is assumed. An environmental site assessment was not available.

Office Site

The portion of the site improved with the office building (Lot #1 on plat) has a total of 169,205± square feet (2.66± acres) and a rectangular shape, except for the small strip (access easement [50'x121']) that extends to Mebane Street. The office site is positioned at the southeast corner of Hawkins and Broad Streets. Other than the access easement, this portion of the site does not actually front Mebane Street. The office site has 279± front feet along the easterly margin of Hawkins Street and 401± feet of frontage along the southerly margin of Broad Street. In addition to the shared access easement to Mebane Street, there are two curb cuts along Hawkins Street.

Neither the Hawkins/Mebane nor Hawkins/Broad Street intersections are signalized. Access and visibility are good.

In summary, the physical utility (level topography, rectangular shape, access, etc.) of the office site for a moderately large improvement is considered good. The site is typical of other moderate sized office sites in the Burlington market. No adverse conditions are noted.

Outparcel A

Outparcel A has 21,190± square feet and is located at the northeast corner of Hawkins and North Mebane Streets. The property fronts 114± feet along the easterly side of Hawkins Street and 179± feet along the northerly margin of Mebane Street. Access to the property is via the previously noted shared easement over a portion of the office site that provides a curb cut to Mebane Street. Access is also available via a curb cut on Hawkins Street that serves the office site. Visibility and access are considered good.

The site is rectangular in shape and has an average width of 118 feet and an average length of 181 feet. Although the shape provides good utility, the small size of the site significantly limits the scale of any improvement. The property is level at grade, cleared and fine graded.

In summary, the physical utility of the site for a very small improvement is good. The site has characteristics that are typical of those generally observed in the neighborhood. No adverse conditions are noted.

Outparcel B

Outparcel B has 32,145± square feet and is located at the northwest corner of Ireland and North Mebane Streets. The property fronts 222± feet along the westerly side of Ireland Street and 159± feet along the northerly margin of Mebane Street. Access to the property is via a shared easement over a portion of the office site that provides a curb cut to Mebane Street. Access is also available via a curb cut on Hawkins Street that serves the office site, but vehicles must travel through the office site parking lot. No access easement is known. It is unknown whether a curb cut would be granted from Ireland Street. Only a determination by the Burlington Planning Department and NC Department of Transportation can make this determination, and a site plan would be required. Visibility and access are considered good to average.

The site is irregular, almost "L" shaped, in configuration. The configuration limits both building size and position. Improvement, other than parking, is most likely limited to the southern quadrant of the site that adjoins the shared access easement. The property is level at grade, cleared and fine graded except for the north/northwest corner which remains in a semi-natural state with trees and shrubs.

In summary, the physical utility of the site for a small improvement is average. The site has characteristics that are typical of those generally observed in the neighborhood. No adverse conditions are noted.

Zoning:

The subject site is zoned O-I, Office-Institutional District, by the City of Burlington. The O-I district is "established to permit certain institutional, commercial and office uses having only limited contact with the public in areas that are predominantly residential in character."

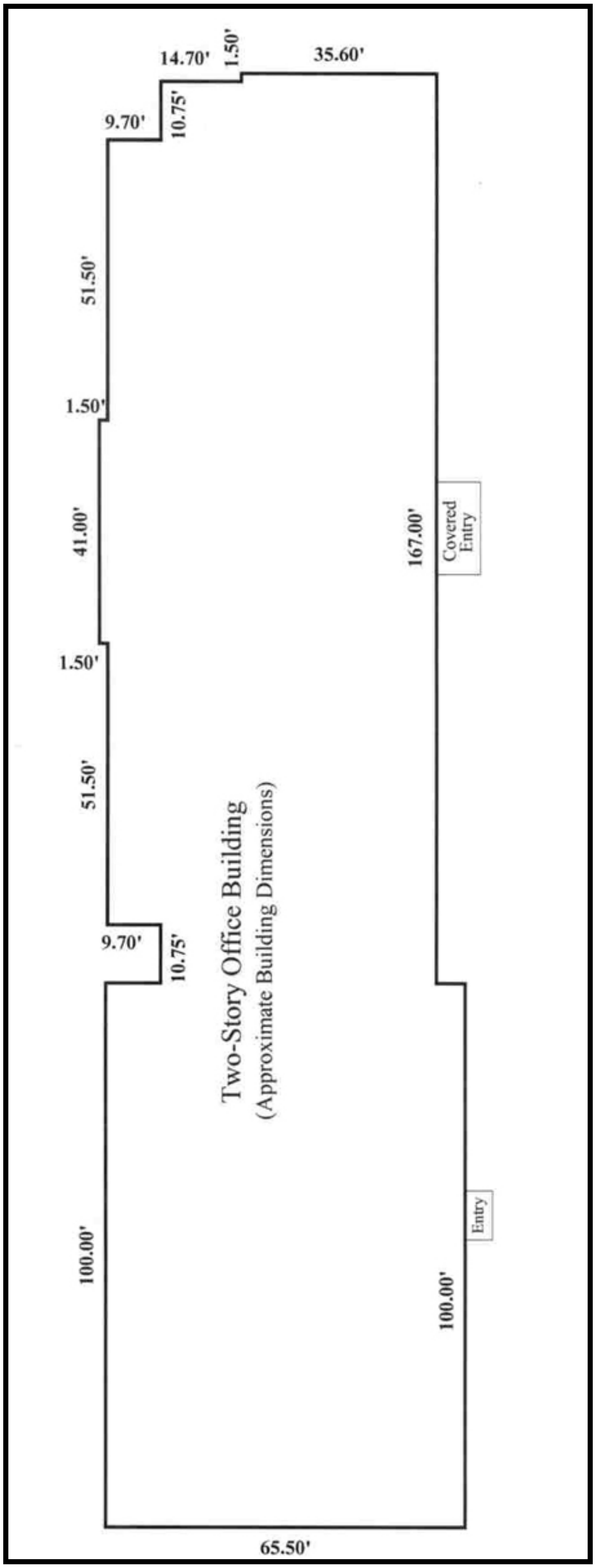
The O-I district has no minimum lot area or lot width. The district requires that any buildings and accessory buildings on any lot cover no more than 50% of the area, and 15% of the lot area must be left in open space. Maximum building height is 45 feet or three stories, "except the height of a non-residential building may be increased to 60 feet if two side yards of not less than 25 feet each are provided." There is a minimum front setback of 50 feet and minimum side setback of 10 feet unless the side setback abuts a street in which case it is 25 feet. Rear yard setbacks must be 30 feet. Off-street parking is required. For office uses, one space is required for every 200 square feet of gross floor area used by the general public, and one space for each 600 square feet not used by the general public.

The O-I zoning permits a relatively narrow variety of uses. Permitted uses include: agencies (insurance, brokers, travel, real estate, employment, etc.), agricultural (nurseries, truck farms, greenhouses, etc.), allied health offices, athletic fields, automobile parking lots, banks, boarding houses, broadcasting studios, churches, colleges but not schools, community buildings (not for profit), residential (single family, condominiums, duplexes, multifamily), family care homes, funeral homes, laboratories, medical offices, general offices (architects, engineers, attorneys, accountants, etc.), public parks and buildings, telecommunications tower, and tourist homes. A few additional uses such as child care and clubs may be permitted with a special use permit. From inspection, it appears that the subject is a legal and conforming use. It is noted, however, that only a current site plan/survey indicating building placement and setbacks can show with certainty whether the building conforms. Further reference is made to the *Burlington Zoning Ordinance.*

Improvements:

The subject improvements consist of a moderate size, two-story, general office building having an estimated gross area of 26,222± square feet and associated site improvements. The improvement is oriented toward the central and western sections of the property, and the south eastern section is paved for parking. The improvements fully utilize the allocated office site. The structure was originally built in 1942 as a public school. In 1982, the building was sold to the private sector and renovated/converted into general offices about 1985. The conversion included, but is not limited to, partitioning the space, creating lobbies, changing fenestration, and adding a stucco exterior finish with modest architectural detail. The overall conversion was adequately conceived, and the quality of the structural components is considered average. An Exterior Building Sketch included in this section shows the approximate dimensions of the structure's ground floor.

The building is specifically designed for multi-tenant occupancy, primarily as very small spaces. Although a few of the occupied tenant spaces are larger, most are within the 200 to 530 square-foot range and categorized by some sources as "key-man" space. The building is adequately configured,



SUBJECT BUILDING SKETCH

but the rentable/gross building area ratio (efficiency ratio) is very low. The original design (school) incorporated large stairwells at each end of the two-story section. Further, structural interior masonry walls create a wide central hallway corridor on each floor. Each of these factors as well as other features limit reconfiguration and reduce rentable area. Rentable area is estimated at 15,372± square feet based primarily on the rent roll but including other information provided by the past property managers as well as on-site inspection. Calculation of area is imprecise due to building design and configuration. The estimated building area is allocated as follows:

Ground/First Floor	9,966± SF
Second Floor	5,406± SF
Total Rentable Area	15,372± SF

The ground floor of the building has two components: a two-story main section and a one-story annex located at the southern end of the building. The ground floor is accessed primarily via a central door and lobby area. There are also exits at either end of the building. A western exit provides access to the annex area. The annex also has a central entrance and lobby. The building features two stairwells on each end of the two-story section, and an enclosed breezeway connects this part of the structure to the one-story annex.

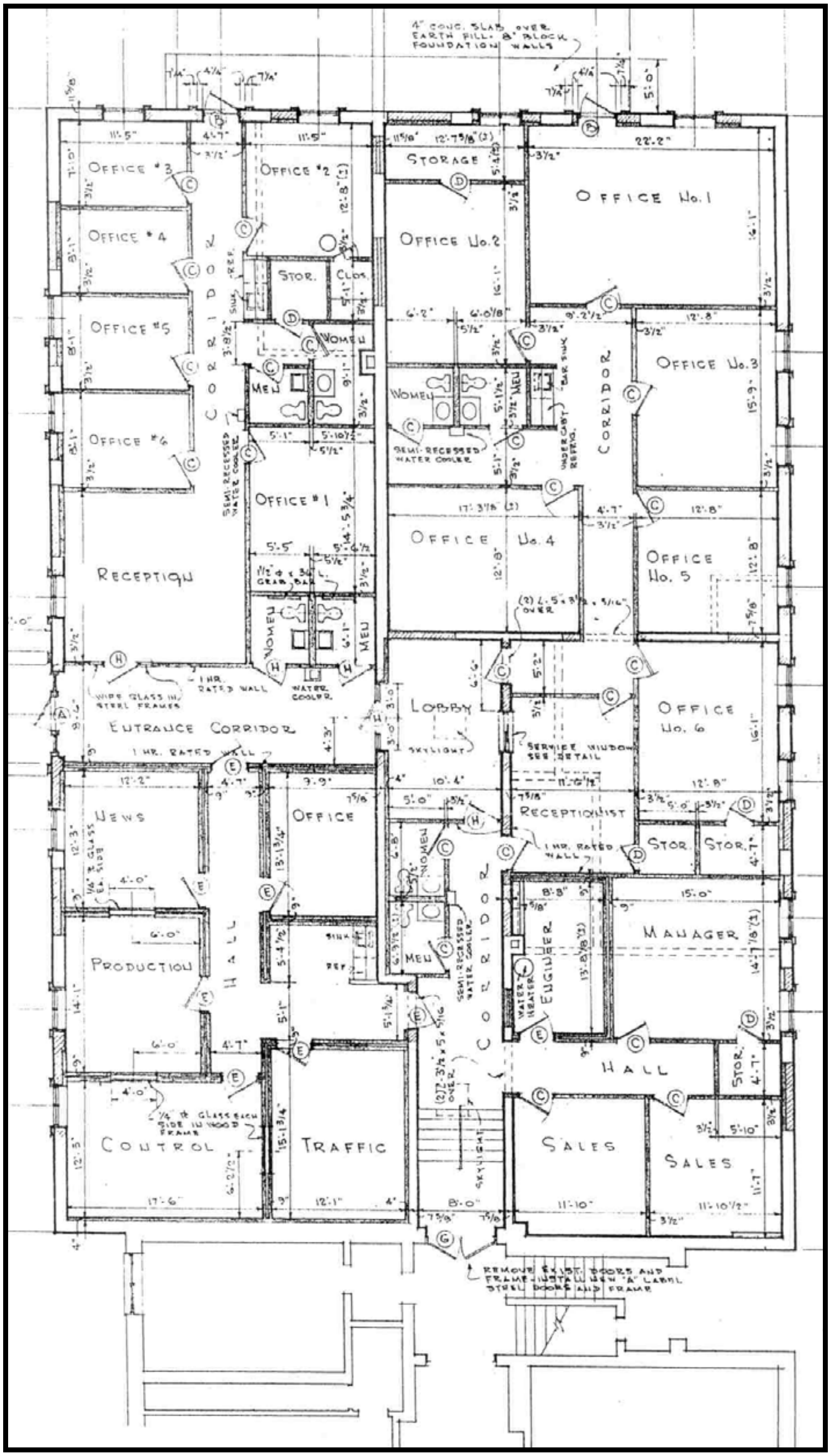
Each floor of the building has a large central hallway with lobby. There is one public restroom area in the annex, and a public restroom at each end of each floor in the two-story section. There is an unfinished basement with an estimated area of 2,200 square feet. The basement is poorly accessible via a small scuttle hole with vertical ladder located in a small nook in the lobby area. The basement is not used and was not inspected by the appraisers due to poor accessibility.

The office finishes include drywall partitioning, carpeting, recessed fluorescent lighting, and suspended acoustical tiles. Heating and cooling is zoned and provided by gas and/or electric roof-mounted package units. One space, however, is unique and leased to MCI-Verizon. This unit is used as a data center and has its own HVAC system, sprinkler system and sealed concrete floor. Although the Verizon space has a typical package HVAC system available, it is unused. The tenant has provided its user-specific system. This space also has separate utility metering.

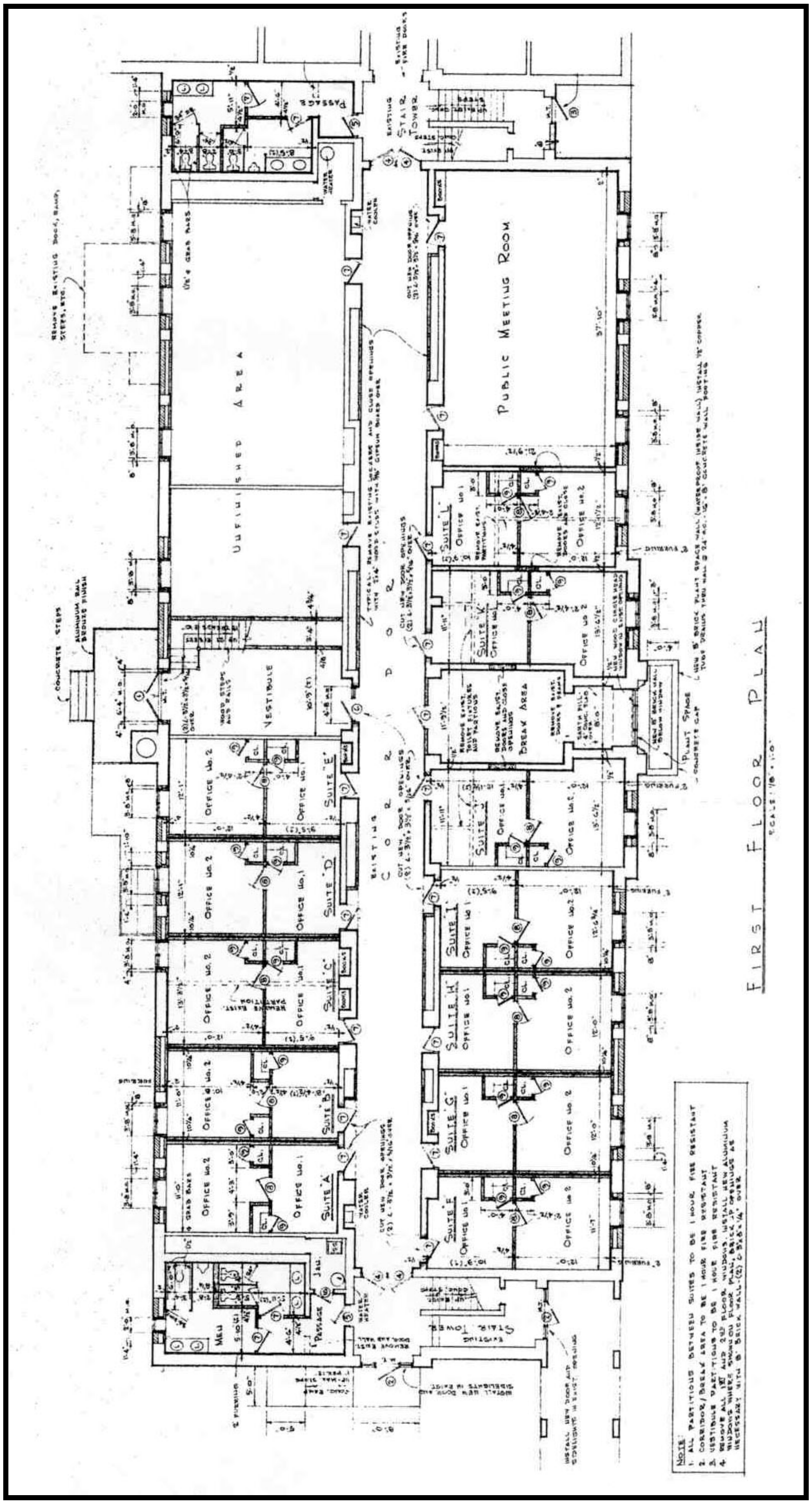
Currently, there are eleven tenants in the building occupying approximately 6,762 square feet. Unit sizes range from 132 to 2,086± square feet with an average unit size of 591 square feet and a median size of 288± square feet. Currently, there are 27 units, but one unit consists of two units. Approximately 63% of the units (26% of the net rentable area) are less than 528 square feet and 52% are less than 300 square feet. A full description of unit sizes, tenants and area by floor is included in a reconstructed rent roll chart in the Income Capitalization Approach.

Building layouts included within this section illustrate the general configuration of the first floor area and the attached annex. It is noted, however, that the interior office layouts do not precisely reflect the current configuration as changes have been made after the drawings were prepared. Nonetheless, they are adequately representational. No layout of the second floor space was available The appraisers requested current floorplans but were told by the property managers there were none. We were unable to draw floorplans during inspection because access to all suites was not available and the general configuration of the building precluded accurate measurements. Given information that was available, the lack of floorplans or full inspections of each suite does not impair analysis of the property. Based upon physical inspection and limited information provided by previous management, the following summarizes the basic construction characteristics of the structure:

Foundation:	Reinforced concrete perimeter footings.
Structural:	Load-bearing masonry walls.
Frame:	Steel and concrete
Exterior:	8 to 12-inch masonry wall with stucco finish. Typical story height is 16+ feet. Fenestration included double glazed insulating glass in anodized frames.
Floor Structure:	Reinforced concrete floor slab on grade for the first floor. The second floor is wood deck on steel joist. Baths have ceramic tile.
Roof:	The roof is supported by steel bar joists and deck. The roof cover appears to be a combination of rolled asphalt and shingles.
Electrical:	The building features standard florescent lighting in most areas. Electrical service is unknown but assumed adequate for office use.
HVAC:	The main building first floor has five gas-fired, package heating and air-conditioning units. The second floor has four electric package units. The annex has four electric package systems. As noted, one space occupied by MCI/Verizon is used as a data center and has its own, tenant provided HVAC system with humidity control.



<u>REPRESENTATIONAL ANNEX BUILDING SKETCH</u>



REPRESENTATIONAL FIRST FLOOR PLAN
TWO-STORY BUILDING SECTION

Plumbing:	There are two large restrooms per floor in the two-story section of the building. Each restroom has men and women's facilities and about 6 to 8 fixtures including a combination of toilets, double sinks, and urinals. Adjoining the restrooms are janitorial/storage areas, some with drains and water heaters. The annex has four small public restrooms with one toilet and sink each. Two individual annex units have two restrooms. In the two-story section, one unit (120) has a small restroom with toilet and sink and vinyl floor covering. One additional unit (250) has a full bath with sink, toilette, and small tub/shower.
Finish:	Each unit is separated by a demising wall that is ⅝-inch, gypsum board on either side of 6-inch wood stud supports. Typical tenant interior finishes include painted gypsum board, 2'x2' or 2'x4' suspended acoustical tiles, recessed fluorescent lighting and carpeting. In most cases, no plumbing fixtures are in the individual units. The MCI/Verizon unit has ceiling tiles and a sealed concrete floor with vinyl tile. Public areas are generally carpeted except for the restrooms which are tile.
Other:	Small, unfinished, unused basement with sump pump and poor accessibility.
Site Improvements:	24,000± SF of asphalt paving for parking and landscaping.

<u>Summary</u>

The subject improvements are adequately designed and finished with average quality components for use as a general office building. The efficiency ratio is very low since the building was originally constructed as a school and features large stairwells, restrooms, and fixed central hallways. The conversion to office space, however, generally maximizes efficiency for a very inefficient structure. The building is primarily designed for small office space users. Overall, the functional utility is adequate.

The building is in average condition, but most areas dated interior finishes in most areas. Deferred maintenance is noted for minor exterior repairs to facia board and painting. The central hallways have recently received some updating which included removal of old, discolored grasscloth wall coverings and new paint. The carpeting in these areas, however, is significantly worn and stained. Replacement is indicated. Of the suites inspected, conditions varied from fair to good. For some, only modest refurbishing (paint and cleaning) appeared necessary. For many others, however, the finishes (grasscloth, wallpaper, carpet/vinyl, etc.) were outdated by many years. Wear and tear was significant for several of the units. There is past evidence of inadequate control of rainwater on the eastern wall of the subject building, but it assumed no structural damage has occurred (none visible). Furthermore, there have been minor roof leaks that were reported as repaired. Since the original renovation, several HVAC units were replaced (five in 1998, one in 2001 and one in 2004). In 1998 and 1999, most carpeting was replaced in the building and, as noted, it should be replaced again. Also in 1999, the roof cover over the annex was repaired, and it may need replacing soon. In 2005, the roof cover of the two-story section was replaced. The parking lot was striped and curb repairs made in 2002. Overall, the building is in fair to average condition.

Based on studies by the Marshall and Swift Valuation Service and our market observations, the building is estimated to have an economic life of 50 years. Given the functional utility and condition of the property, the effective age of the structure is estimated at 30 years.

Real Estate Taxes:

The subject property is subject to taxation by the City of Burlington and Alamance County taxing authorities. For tax purposes, the property is identified as Parcel #136497. According to North Carolina, all properties within the county must be reassessed every eight years with the last valuation in Alamance County effective January 1, 2009. The next revaluation (2017) is underway. Taxes are based on 100% of the assessed value with a tax rate applied directly to the assessment. For ad valorem tax purposes, the property is assessed as follows:

Land	$278,887
Improvements	476,853
Total	$755,740

It is noted that the current assessment significantly exceeds the estimate of market value herein. It is noted, however, that the value in this report is "as is" based on the current occupancy. Tax valuations are typically based on depreciated cost plus land. For income producing properties, assessed values also reflect stabilized occupancy. Furthermore, it is noted that the assessment for the subject was apparently reduced from the previous 2013 assessment of $859,733 sometime after January 2014.

The total 2015 tax rate applicable to the subject is $1.16 per $100 of assessed value. The rate includes both the county ($0.58) and city ($0.58) district rates. The liability for the property is computed as follows:

$$(\$755{,}740 \div \$100) \times \$1.16 = \$8{,}766.58$$

A review of the tax records shows that the 2015 taxes have not yet been paid. Regardless, they are not due until January 5, 2016. A review of past years shows that all taxes have been paid except for the 2014 Alamance County tax. The balance as of the date of appraisal including interest charges is $4,240.92.

Tax rates are lower in Alamance County than many other Triad counties. A review of the combined city/county rate shows the rate has risen by about 4.5% since the revaluation in 2009. This represents an annualized increase of about 0.75%. From 2014 to 2015, the rate for the City of Burlington remained unchanged at $0.58. The county rate, however, rose from $0.53 to $0.58, an increase of 9.4%. After our review of a more complete history (2005-2015), rates have been rising modestly with some offsetting declines during revaluation periods. Comparing the 2005 rate ($1.115) to the current rate shows that over this period, after increases and decreases, the overall (non-annualized) change is only about 4%. On average, taxes are estimated to increase at an annualized rate between 1% and 2% per year.

VALUATION METHODOLOGY

The purpose of this section is to combine the information previously described with additional information obtained from the real estate market to estimate the market value of the leased fee interest in the subject property. The subject is approximately 44.0% leased which is not considered to represent stabilized occupancy 75%-80%. In this analysis, **only** an "as is" value which reflects both the physical (building, site, location, etc.) and the economic (occupancy, expenses, demand, etc.) characteristics are developed. The appraisers note that there is a disparity between an "as is" value and the value if the property were experiencing stabilized occupancy. Obviously, an income producing property that is experiencing stable vacancy, income and expenses has greater marketability. Furthermore, unless purchased for owner occupancy, which is not considered likely in this case, the inherent anticipation and optimism of investors for a reasonable period of lease-up to stabilized occupancy in this case is also unlikely. Given the current condition of the local and national economies, especially within the small business sector which is the subject's tenant base, the modest rate of space absorption in the Burlington office market, and the low demand characteristics of the subject's location, the absorption period to stabilize the subject's occupancy is estimated to take several years.

The first step in the valuation process is to estimate the highest and best use for the site. This use is the one that maximizes overall value and is based on legal, physical, and economic considerations. Once the highest and best use is determined, a value for the subject is developed using the one of the traditional approaches to value, Income Capitalization Approach. The valuation process using this approach leads to a conclusion of value presented in the Reconciliation and Summary section of this report.

The Cost Approach is not developed in this analysis. For older properties like the subject with significant accrued depreciation in all forms and whose estimation is highly subjective, depreciated cost has no relevance to market value. This approach is typically applicable and reliable when applied to new buildings in markets where development feasibility is supported in comparison to the income generating capability. Further, the Cost Approach has little reliability for older properties bought and sold on the basis of income generating potential. It typically addresses the fee simple rather than the leased fee interest. Therefore, this approach cannot be credibly developed, so it is omitted.

The Sales Comparison Approach is based on the principal of substitution that states a knowledgeable purchaser will not pay more for a given property than for an equally desirable substitute property. This approach involves a direct comparison between the subject and recently sold similar properties when adequate sales data are available. These comparisons are typically made with price per square-foot physical unit of comparison and/or an effective gross income multiplier (EGIM), an economic unit of comparison. Due to small market size, low demand economic conditions, and stability in the Burlington office sector user base over time, there are an insufficient number of sales to employ the Sales Comparison Approach using local data. The market was researched, and the only recent sales discovered were small office buildings purchased for owner occupancy and REO dispositions. To our knowledge, no multi-tenant investment office properties have sold recently. Older sales and other locations were researched, but those sales were too dissimilar in age/condition, economics and ownership interest to provide a credible and reliable analysis for the subject. High vacancy properties like the subject rarely transfer except in non-market (forced) liquidations like foreclosures or auctions.

There is a dramatic distinction in terms of risk and market value between a property at stabilized occupancy and one that is far from stabilized occupancy. The slower the anticipated absorption for the available space, the greater investor risk and the lower market value. This situation is further exaggerated for the subject because of the small market size, the orientation toward small business tenants, and location. As a result, application of the Sales Comparison Approach is undermined since typical sales are stabilized, and it would require very large and somewhat subjective adjustments to account for the disparity in risk and occupancy. Therefore, the Sales Comparison Approach is not developed for the subject office property.

The primary and most appropriate and credible approach to value the subject is the Income Capitalization Approach. It is optimally employed in the valuation of income-producing property where value is a function of the property's income-generating capabilities. The higher the net income generating capabilities a property has, the higher the value to a potential purchaser (assuming similar risk levels). It most accurately simulates the perceptions or desires of investors in the market. Two techniques are available to convert net income to value, direct capitalization and discounted cash flow analysis (DCF). Direct capitalization involves analyzing sales of similar properties to determine the relationship between the first year's income relative to sale price. An overall rate is calculated by dividing net income by sale price.   Direct capitalization cannot be used to estimate the "as is" value of the subject since the property is not stabilized. Direct capitalization is applied to stabilized net income, since application of a capitalization rate reflects in perpetuity. Additionally, there are no known market sales of similar properties within Alamance County from which to extract an overall rate. Regional sales were researched, but they were very dissimilar to the subject physically and economically.

Discounted cash flow analysis (DCF) projects income and expenses over a typical holding period and discounts the resulting annual net cash flows to a present value given current yield requirements of investors. DCF is well-suited for analysis of properties that are not stabilized and in lease-up or have scheduled rent adjustments or non-recurring expenses that will directly affect net operating income. DCF is optimally applied when there are irregularities in the anticipated pattern of future cash flows (NOI) over a typical holding period. Since the subject is not stabilized, DCF provides the most credible value indication for the subject office property. It is optimal for quantifying the "as is" value since it utilizes actual income and expenses projected forward, presumably to at least the time of anticipated stabilization. Therefore, DCF is the method of choice in this analysis. The Income Approach is market-oriented and attempts to simulate market behavior with regard market participants and their expectations of a property's income generating capability. The following sections of this report present the highest and best use analysis and the Income Approach.

HIGHEST AND BEST USE

According to the *Dictionary of Real Estate Appraisal*, Fourth Edition (2002), published by the Appraisal Institute, Highest and Best Use is defined as follows:

> "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 the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."

Highest and best use analysis is one of the most important elements in determining market value. The site must be analyzed as if vacant, and if there are improvements on the site, it must be analyzed as currently improved. In the determination of highest and best use, the four tests described in the definition must be met (legally permitted, physically possible, financially feasible, and maximally profitable). When a site has improvements, the highest and best use, if vacant, may be different from the existing use.

As If Vacant

The subject site (3.88 acres) was analyzed as if vacant and available for improvement to its highest and best use. Any proposed use must be legally permissible. The subject is zoned for office-institutional (OI) uses. The OI classification, however, allows many times of uses but was developed for uses such as offices/agencies, medical/health related businesses, churches, non-profit community buildings, banks, family care facilities and several others. It also permits residential uses such as single family, condominiums, and multifamily. The technical requirements associated with the zoning are not overly burdensome, but they are more restrictive than commercial or industrially zoning. Perhaps the most limiting technical requirement is that any buildings and accessory buildings on any lot can cover no more than 50% of the area (1.9± acres) and 15% (0.58± acre) of the lot area must be left in open space. These requirements, coupled with the parking (use dependent) requirement, limit to some degree the choice of permitted use. In addition to zoning, there are no known deed restriction, or adverse easements or encroachments. Based on legal restrictions, all allowed uses are possible.

Physical characteristics are important in highest and best use. The subject site has 3.9± acres and has good visibility. The size can accommodate a moderately large improvement. The site size is within the range observed in the neighborhood for larger projects. The site could be subdivided and, in fact, a plat has been recorded dividing the site into a large tract and two smaller parcels. The sizes of the smaller tracts, however, are very limiting especially considering the zoning requirements. It may be that they are not separately improvable without being considered as a part of the whole. This type of determination, however, is beyond the scope of this analysis. Therefore, the site is best utilized as a whole but with the possibility of multiple improvements. Other physical features such as level topography, corner location, and the absence of any known adverse soil or environmental conditions facilitate the development of the site. Overall, the physical features are similar to other sites in the area and consistent with most permitted uses.

The final consideration in the analysis examines those uses which are financially feasible and maximally profitable. Analyzing uses and trends surrounding the subject property is particularly significant in the subject's case. As discussed in the neighborhood section of the report, immediate uses in the subject's vicinity are mixed and primarily include older industrial and single family residential. The subject is located in an area of modest demand. No new or relatively new construction was observed in this location. The location does have good transportation linkages, and its specific location on Mebane Street is advantageous. Notwithstanding, the immediately adjoining area to the west is an older, modest income single family area. Older industrials are located to the south, and a governmental building adjoins to the north. There are no identifiable office uses in the immediate area. With the CBD and its concentration of office uses only a mile or so west, coupled with the shallow office market in Burlington in general, it is unlikely that a major office development on the subject is feasible. Given the income demographic characteristics of the neighborhood and permitted uses, the site and location would most likely accommodate a governmental/institutional use providing support services for the residential areas of the neighborhood or for the development of a small affordable housing development.

With respect to feasibility and profitability, either of the above noted uses may be feasible depending upon planning department goals for the area. Nonetheless, given current economic conditions, no use can be precisely identified as economically feasible or maximally profitable at this time. Furthermore, it is beyond the scope of this analysis to perform such investigations.

Based on our analysis, it is our opinion that the ultimate highest and best use for the subject is a governmental/institutional, outreach services or affordable housing use. The small platted outparcels are included as part of the entire site and incorporated into the estimated highest and best use. Regardless, as of the date of appraisal, economics do not support immediate development. Therefore, speculative holding is determined to be the interim highest and best use if vacant.

As Improved

The next step in this analysis is to analyze the subject 3.88-acre site as currently improved, and a process similar to that presented above is employed. The subject is improved with masonry/stucco, two-story general office building. The improvement has sufficient utility to accommodate numerous office oriented uses permitted by zoning. It appears structurally sound, and there are no physical barriers hindering utilization of the property. Based on analysis, the improvement represents a significant addition to the site and contributes substantially to overall property value. Although there is excess land available, the development potential for this excess area is unclear, and demand for outparcels is lacking. A specific site plan illustrating any additional improvement(s) must be submitted to the Burlington Planning Department for approval. Without an approved site plan, the subject "as improved" must remain unchanged. Since such an investigation is obviously beyond the scope of this analysis, the property must be considered "as is." Until such time when adding improvements may be feasible, our analysis of the market shows the current improvement represents a significant addition to the site and contributes substantially to overall property value. Therefore, it is concluded that the current improvement represents the highest and best use of the site at this time.

INCOME CAPITALIZATION APPROACH

This approach develops a value estimate for the subject through analysis of its income stream or the income which the property is capable of producing. The usual procedure is: (1) estimate the gross potential income the property can produce; (2) deduct an appropriate vacancy and/or collection loss allowance; (3) estimate and deduct appropriate operating expenses; and (4) convert the resulting net operating income into a value estimate either by direct capitalization or a discounted cash flow analysis at a rate commensurate with typical investor criteria. Discounted cash flow is used to estimate the "as is" value since the property is not stabilized.

Scheduled or Contract Rent

The appraisers have reviewed the current rent roll for the subject as provided by property owner's representative, Mr. Michael Pierson. Individual leases were not provided or reviewed, but, in this case, they are not necessary for a credible and reliable analysis. The rent roll, however, was somewhat incomplete as it did not show current lease terms. Mr. Pierson stated that the leases are full service, except for the previously mentioned MCI-Verizon lease, and either short-term (1± year) or month-to-month. A copy of the most recent rent roll provided by the owner is included in the Addendum.

With respect to the MCI-Verizon lease, the details of current occupancy are known, but a current version (amendment) to the lease was not provided. The original lease began in February 1990 and subsequently renewed for 5-year terms. The most recent renewal terminates on July 31, 2015, but the owner stated (without providing documentation) that the lease had been renewed for an additional 5-year term beginning on August 1, 2015. The current and renewal income from the Verizon lease is reported to be $39,935 annually. Rent during the renewal period remains unchanged for Years 1 and 2 but increases by 2% annually for Years 3 through 5. The lease format is modified net where the tenant pays utilities, janitorial, and interior repairs. MCI-Verizon occupies a total of 2,236 square feet with 850 square feet on the first floor and 1,386 square feet on the second floor.

A reconstructed rent roll and building occupancy summary chart prepared from information provided by the owner as well as some historical information retained in the appraisers' files is included in this section. As the rent roll/occupancy chart shows, the average blended rent (gross rent÷total occupied area, non-prorated by unit size) is $13.94 per square-foot. Excluding the MCI/Verizon rent, the average blended rental rate is $12.01 per square-foot. Occupied unit sizes range from 264 to 1,400 square feet with an average of 539 and median of 273 square feet. Of the total gross rental income, approximately 42.4% is generated by MCI-Verizon lease which encumbers only about 33% of the total occupied space.

As discussed in the following potential gross income analysis shows, the current average (blended) rental rate for the subject building is considered within the market range. Excluding MCI, which is a unique tenancy, the specific tenant lease rates vary substantially, but the aggregate of all units is consistent with reasonable market variability given their very small sizes.

SUMMARY OF SPACE AND RECONSTRUCTED RENT ROLL - JUNE 2015							
First Floor							
Count	Suite Number	Tenant	Monthly Rent	Annual Rent	Suite Size (SF)	Rent/SF	% of Floor Area
1	101	Solutions	$1,200.00	$14,400.00	1,400	$10.29	14.0%
2, 3	102-105	**Vacant**			2,086		20.9%
5	103	**Vacant**			1,250		12.5%
6	106	**Vacant**			132		
7	107	Wallace Invest. Realty	$245.00	$2,940.00	264	$11.14	2.6%
8	115	**Vacant**			330		3.3%
9	120	**Vacant**			528		5.3%
10	121	David C. Johnson	$340.00	$4,080.00	264	$15.45	2.6%
11	123	Ron C. Rau Jr.	$500.00	$6,000.00	750	$8.00	7.5%
12	124	Juana Njoku Health	$315.00	$3,780.00	264	$14.32	2.6%
13	125	**Vacant**			264		2.6%
14	126	Glenda Watkins	$325.00	$3,900.00	264	$14.77	2.6%
15	128	Rick Waldron	$340.00	$4,080.00	264	$15.45	2.6%
16	129	Vivian Simmons	$340.00	$4,080.00	264	$15.45	2.6%
17	130	Barton Family Services	$310.00	$3,720.00	264	$14.09	2.6%
18	140	Concept Builders	$615.00	$7,380.00	528	$13.98	5.3%
19	110 - MCI	MCI-Verizon Business	$1,265.08	$15,180.96	850	$17.86	8.5%
First Floor Summary							
Total First Floor Rentable Area					9,966		
Average First Floor Suite Size					586		
Median First Floor Suite Size					264		
Occupied Space Totals			$5,795.08	$69,540.96	5,376		53.9%
Averages for Occupied Space			$526.83		477	$13.71	
Medians for Occupied Space			$340.00		264	$14.32	
Vacant Space Total					4,590		46.1%
Average for Vacant Space					765		
Median for Vacant Space					790		
Second Floor							
19	210 - MCI	MCI-Verizon Business	$2,062.83	$24,753.96	1,386	$17.86	25.6%
20	225[1]	**Vacant**					
21	230-1	**Vacant**			255		4.7%
22	230-2	**Vacant**			294		5.4%
23	230-A	**Vacant**			875		16.2%
24	240	**Vacant**			946		17.5%
25	245-A	**Vacant**			200		3.7%
26	245-B	**Vacant**			200		3.7%
27	245-C	**Vacant**			282		5.2%
28	260	**Vacant**			968		17.9%
Second Floor Summary							
Total Second Floor Rentable Area					5,406		100.0%
Average Second Floor Suite Size					601		
Median Second Floor Suite Size					294		
Occupied Space Totals			$2,062.83	$24,753.96	1,386		25.6%
Averages for Occupied Space			N/A		N/A	N/A	
Medians for Occupied Space			N/A		N/A	N/A	
Vacant Space Total					4,020		74.4%
Average for Vacant Space					503		
Median for Vacant Space					294		
[1]Rent roll shows this space but gives no size. It was not on previous rent rolls, and thus not included as rentable area.							
Building Summary							
				Monthly Rent	Annual Rent	Size (SF)	% of NRA
Totals				$7,857.91	$94,294.92		
Total Net Rentable Area (NRA)						15,372	100.0%
First Floor Area as % of Total NRA						9,966	64.8%
Second Floor Area as % of Total NRA						5,406	35.2%
Total Occupied Area						6,762	44.0%
Average Rent Per SF for Total Occupied Area					$13.94		
MCI-Verizon Occupied Area						2,236	14.5%
MCI-Verizon Annual Rent as Percentage of Total Rent					42.4%		
Occupied Space Excluding MCI-Verizon						4,526	29.4%
Average Rent/SF for Occupied Space Excluding MCI-Verizon					$12.01		
Total Vacant Area						8,610	56.0%
Average Suite Size						591	
Median Suite Size						288	
Average Occupied Suite Size						539	
Median Occupied Suite Size						273	
Average Vacant Suite Size						615	
Median Vacant Suite Size						312	

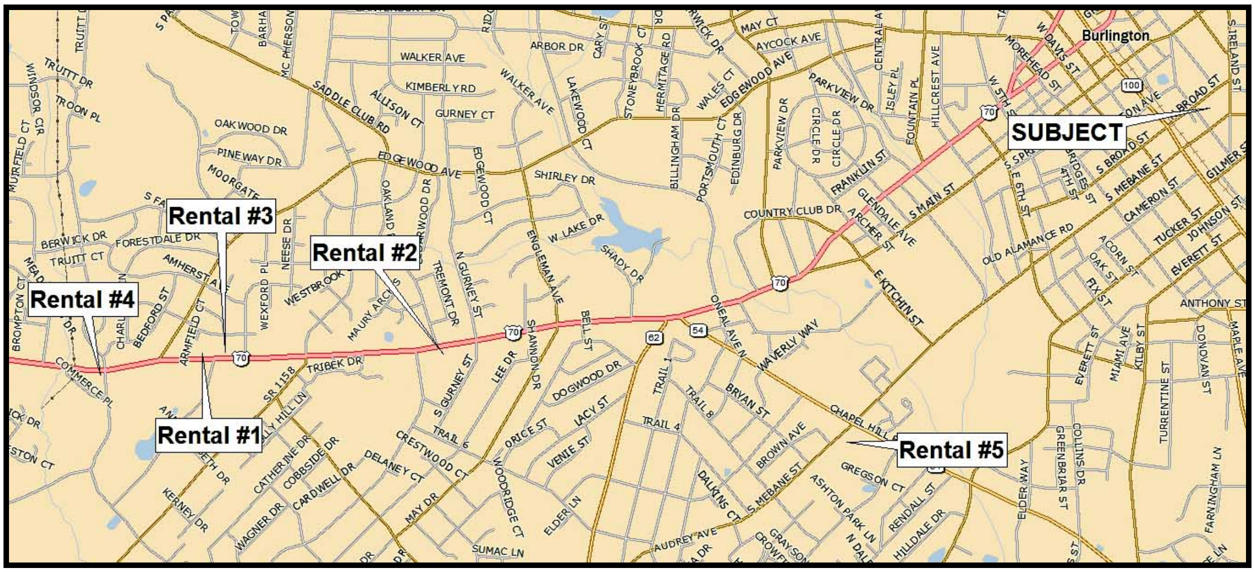
Since the subject property is not at stabilized occupancy and the rental income forms the basis of the value estimate, it is important to estimate an economic (market) rent in order to project income for current and future vacant spaces. Additionally, the relationship between economic and contract rent is a consideration in evaluating the risk inherent in receiving the specified lease income, tenants honoring lease commitments, and potential for exercising renewal options. As discussed in the following analysis, the rent is determined in two parts: an average (typical unit) size for the market and an interpolated rent for the subject's very small units.

Potential Gross Income

The first step in this analysis is to estimate a current economic rent for the subject office space. This is accomplished in two phases. First, a rent for the subject's more typical sized spaces is estimated. The Burlington market is dominated by office space designed to accommodate tenants occupying more than 1,000 square feet. The focus of the rental comparison analysis is to estimate a rent for this type space. The second phase of the analysis involves a qualitative interpolation of a rent for the subject's smaller spaces. Very small units are available in the market, but their rents are skewed upward. Only two comparables with space less than 1,000 square feet were identified.

For the first phase of the analysis, lease rates for units in five office buildings of varying sizes are compared to the subject in order to estimate economic rent for the subject's larger spaces.   These properties vary with respect to size of leased space, age/condition, and other such factors. The most significant factor, however, is location. With the exception of Rental #5, all are located in the highest demand area of Burlington, the western quadrant along South Church Street extending from its intersection with Chapel Hill Road on the east to University Drive on the west and Interstate 40/85 to the south. The subject does not directly compete with these properties, but this is the area of activity. An exhaustive attempt to obtain rental data in closer proximity to the subject was made, but the result was ineffective. No reliable office rental data from this area could be obtained. There are some properties within one to two miles of the subject, but they are predominantly medical or government buildings.

Since there are no known properties like the subject, either in design or location, in the Burlington market, interpretation of a market rent for the subject is more subjective and qualitatively interpolated. The adjustments as shown in the chart later in this section reflect an attempt to quantify the subjective data. The subject has tenants in place, some with long occupancies. Therefore, the appraisers have some history of the subject's actual rental rates. The comparables are sufficient as support for this analysis once adjusted for dissimilarities. Burlington is a small market area, and property owners/managers are reluctant to provide data especially with detail. The data, though limited, represent the best available of numerous sources researched. The following chart summarizes the rent comparables and adjustments applied in concluding an economic rent for the subject's larger ($\geq$875 square feet) units.



Rentals Location Map

OFFICE RENTAL #1

Location:		2855-B South Church Street, Burlington, NC	
Lessor:		Johnson Investment Group	
Lessee:		Lindley Habilitation	
Tax Parcel:		113496/113499	
Tenant Space:		2,100 SF	
Single/multiple tenants:		Multiple	
Construction Type:		Masonry	
Year Built:		1978	
Land Area		0.956 Acre	
Base Rent/SF:		$12.00	
Lease Term:		2 Years (8/1/2015-9/30/2017)	
Base Rent Increases:		None	
Expenses:			
Taxes:	Lessor	Structural Maintenance:	Lessor
Insurance:	Lessor	Interior Maintenance:	Lessor
Janitorial:	Lessor	Utilities:	Lessor
Verification Source:		Ted Crum, Richard Jones Realty, leasing agent, by Dalrymple Associates Inc.	

Comments: This is a single story, masonry building with three tenants. This space was recently leased and has typical office finishes in good condition. There is an option to renew at the end of the term. The site is small but has adequate on-site parking for the building which is 9,700 square feet. The property is located in western Burlington in the highest demand area of the city. The space was originally available in June 2014.

<u>OFFICE RENTAL #2</u>

Location:	2326-D South Church Street, Burlington, NC
Lessor:	Glick Properties LLC
Lessee:	Global Strategic Processes
Tax Parcel:	114738
Tenant Space:	1,100 SF
Single/multiple tenants:	Multiple
Construction Type:	Masonry
Year Built:	1995
Land Area	0.939 Acre
Base Rent/SF:	$10.91
Lease Term:	3 Years (11/1/2014-10/31/2017)
Base Rent Increases:	Year 2 - $1,100/Month; Year 3 - $1,200

Expenses:

Taxes:	Lessor	Structural Maintenance:	Lessor
Insurance:	Lessor	Interior Maintenance:	Lessee
Janitorial:	Lessee	Utilities:	Lessee

Verification Source:	Howard Hawks, NAI Piedmont Triad, leasing agent, by Dalrymple Associates Inc.

Comments: This is a single story, masonry building with four tenants. Total building area is about 10,100 square feet. This is an end unit in very good condition. Office finishes are typical (carpet, vinyl, ceiling tiles, painted partitioning). There is an option to renew at the end of the term. The site is small but has adequate on site parking for the building. The property is located in western Burlington in the highest demand area of the city. The unit originally became available in March 2012.

OFFICE RENTAL #3

Location:		2815 South Church Street, Burlington, NC	
Lessor:		Thomas E. Chandler	
Lessee:		Pride in North Carolina	
Tax Parcel:		113785	
Tenant Space:		1,800 SF	
Single/multiple tenants:		Multiple	
Construction Type:		Masonry	
Year Built:		1983	
Land Area		0.29 Acre	
Base Rent/SF:		$12.38 (Current-Original Base: $11.67/SF)	
Lease Term:		5 Years (3/1/2012-2/28/2017)	
Base Rent Increases:		2% Annually	
Expenses:			
Taxes:	Lessor	Structural Maintenance:	Lessor
Insurance:	Lessor	Interior Maintenance:	Lessee
Janitorial:	Lessee	Utilities:	Lessee
Verification Source:		Howard Hawks, NAI Piedmont Triad, leasing agent, by Dalrymple Associates Inc.	

Comments: This is a two story, two-unit, masonry condominium building. The space is at ground level, and the noted rent is escalated to the current year. The unit was completely remodeled in 2012 with new windows, carpet, paint and HVAC. Both this unit and the upper unit are 1,800 square feet. This unit features seven offices and a kitchenette. The site is small, and on-ste parking is limited but sufficient. There is a similar two-unit condominium building on the adjoining lot to the west. The property is located in western Burlington in the highest demand area of the city.

OFFICE LISTING #5

Location:		3102 S. Church Street, Unit B, Burlington, NC	
Lessor:		Stowe Parker, Jr.	
Lessee:		Not Disclosed	
Tax Parcel:		113145	
Tenant Space:		710 SF	
Single/multiple tenants:		Multiple	
Construction Type:		Masonry	
Year Built:		2000	
Land Area		0.57 Acres	
Base Rent/SF:		$12.00/SF plus CAM of $1.50/SF	
Lease Term:		3 years (begins 9/1/2015)	
Base Rent Increases:		None	
Expenses:			
Taxes:	Lessor	Structural Maintenance:	Lessor
Insurance:	Lessor	Interior Maintenance:	Lessor
Janitorial:	Lessor	Utilities:	Lessor
Verification Source:		Richard Jones Realty, by Dalrymple Associates Inc.	

Comments: This is a Class A/B, masonry building positioned in a cluster of office development along a primary commercial thoroughfare, South Church Street, at its southwest corner with Forestdale Drive. It is a two story building served by an elevator and has about 9,000 square feet. There is modest on-site parking. Other than the primary occupant and owner, an agent for State Farm Insurance, the building is occupied by modest to medium sized tenants. This unit is on the first floor and has two large offices and a large reception area. CAM charges include all janitorial services, HVAC charges and exterior yard maintenance.

OFFICE RENTAL/LISTING #5

Location:		1708 South Mebane Street, Burlington, NC	
Lessor:		Griggs Associates	
Lessee:		N/A	
Tax Parcel:		122277	
Tenant Space:		550 SF	
Single/multiple tenants:		Multiple	
Construction Type:		Masonry	
Year Built:		2000	
Land Area		1.529 Acres	
Base Rent/SF:		$9.82	
Lease Term:		2 years	
Base Rent Increases:		Negotiable	
Expenses:			
Taxes:	Lessor	Structural Maintenance:	Lessor
Insurance:	Lessor	Interior Maintenance:	Lessee
Janitorial:	Lessee	Utilities:	Lessor
Verification Source:		C. Carr, leasing agent, and Ted Crum, Richard Jones Realty, by Dalrymple Associates Inc.	

Comments: This is a two story, masonry building with 4,000 square feet which includes two ground level end cap units. This is an offering for an interior unit. The lease rate is triple net with a minimum term of 2 years. The unit is in good condition, and the property is centrally located on a highly traveled east-west thoroughfare in Burlington. Although not directly confirmed, one end cap unit (#301) is currently leased to B. Silver Law Group. This group has apparently occupied the space since 2010. This space is reported as 644 square feet at a rent of $9.50 per square-foot which includes $1.50 CAM charge. This location of this building is in a modest demand area, but this is one of the few multi-tenant offices in the immediate area. The site is large and has ample on-site parking.

RENTAL COMPARISON CHART BURLINGTON EXECUTIVE PLAZA OFFICE BUILDING 236 N. MEBANE STREET, BURLINGTON, NORTH CAROLINA						
	Rental 1	Rental 2	Rental 3	Rental 4	Rental 5	Subject
Location:	2855-B S. Church St.	2326-D S. Church St.	2815 S. Church St.	3102 S. Church St.	1708 S. Mebane St.	236 N. Mebane St.
Lease Term	2 Years	3 Years	5 Years	3 Years	3 Years	≤2 Years
Leased Area (SF)	2,100	1,100	1,800	710	550	15,372
Year Built	1978	1995	1983	2000	2000	2-story
Rent Escalations	None	Yes	Yes	None	None	None
Lease Format	Full Service	Modif. Gross	Modif. Gross	Full Service	Modif. Gross	Full Service
Lessor Expenses	Taxes, Ins., Jan., Mgmt & Maint.	Taxes, Ins, Mgmt & Maint.	Taxes, Ins., Mgmt & Maint.	Taxes, Ins., Utilities, Jan., Mgmt & Maint.	Taxes, Ins., Utilities, Mgmt & Maint.	Taxes, Ins., Utilities, Jan., Mgmt & Maint.
Lessee Expenses	None	Utilities. Janitorial	Utilities, Janitorial	None	Janitorial	None
Rent/SF	$12.00	$10.91	$12.38	$13.50	$9.82	
Time Adjustment	0%	0%	0%	0%	0%	
Time Adj Rent/SF	$12.00	$10.91	$12.38	$13.50	$9.82	
ADJUSTMENTS:						
Location	-20%	-20%	-20%	-20%	-5%	
Age/Condition	-5%	-5%	-5%	-5%	-10%	
Size	5%	0%	0%	-5%	-5%	
Quality/Efficiency	-5%	-5%	-5%	-5%	-5%	
Lease Terms	0%	20%	20%	0%	10%	
Net Adjustment	-25%	-10%	-10%	-35%	-15%	
Adjusted Rent/SF	$9.00	$9.82	$11.14	$8.78	$8.35	$9.25

Explanation of Adjustments - Larger Unit Analysis

In the rental analysis, five factors, exclusive of changes in market conditions (time), are noted to affect rent levels. These features include location, age/condition, size of leased area, quality/efficiency, and lease terms. All rental data were recently collected by the appraisers and represent current tenancies under leases with terms ranging from two to five years. Some tenants pay utilities, janitorial, and/or CAM charges, and some have base rents that increase over the lease term. Nonetheless, since all are relatively current or already reflecting the escalated rent, no time adjustments are reflected.

Location:

The subject is located in east/northeast Burlington in an area with modest demand. As noted all, comparables are located in neighborhoods that are generally superior to the subject. Rentals #1 through #4 are positioned along the South Church Street corridor which is one of the most intensively developed areas of Burlington and one where demand is concentrated. The properties in this area are generally newer and located proximate to higher income residential areas. Therefore, large negative adjustments are applied. This adjustment is based on a comparison of asking rents in this location versus other more secondary locations. Rental #5 is also superior to the subject due to its proximity to the Chapel Hill Road/Mebane Street intersection. This location is also a major commercial/mixed use area for the city, but it is not as prominent as western Burlington. A moderate negative adjustment is reflected. It is noted that in consideration of the adjustments, not only is demand considered but also supply. While the subject is significantly inferior in location, there are also fewer office properties in the neighborhood, which is somewhat offsetting setting.

Age/Condition:

Building age/condition factors have a diluted impact upon rental rates. Although age has an impact on rent level, this impact is mitigated to some degree by the overall general aesthetic appearance of a particular property and degree of redecoration. Although the subject has many units that require refurbishing, nearly all office rentals require some degree of refurbishing, particularly between tenancies. Older buildings like the subject tend to have reduced appeal, but so long as maintenance is adequate, age is generally not a primary factor. In comparisons, all rentals are marginally superior to the subject. Each has received adequate maintenance, but recent improvements to the rentals render then modestly superior. Furthermore, the subject has received some updating to the common area, but significant deferred maintenance remains. Negative adjustments are applied to the rentals.

Unit Size:

Office lease rates can vary significantly according to size of space leased. Within the Burlington market, most tenant units are sized between 1,000 and 3,000 square feet. Historically, the subject has accommodated much smaller tenants spaces. As noted earlier, very small units like those of the subject are available in the market, but they are not predominant. Excluding the MCI/Verizon space (2 units - 2,236 SF), the subject currently has 7,525 square feet within six units at 875 square feet or greater. This represents 57.3% of the total space with spaces ranging in size from 875 to 2,086± square feet. The remaining space is within units of 850 square feet or less. These small spaces are categorized differently and, therefore, are considered separately.

In the adjustment analysis, the subject's average large unit size (1,254± SF) is compared to the sizes of the comparables. As with nearly all property types, as size decreases, rents tend to rise since there are more inefficiencies from smaller spaces from a landlord's perspective. Rental #1 is approximately 67% larger than the subject. The subject's average unit size is about 1,250 square feet. The subject does have larger spaces, but by using the average unit size, a blended rate that reflects slightly less rent for large versus smaller units in the subject's size range is achieved. Overall, a modest positive adjustment for size is applied to Rental #1. Rentals #2 and #3 are within a size range where demand appears to cluster. Therefore, no adjustments are applied. Rentals #4 and #5 are smaller units and expected to lease at higher rates. The expense to maintain these smaller spaces is greater on a per square-foot basis which implies more rent to maintain a consistent expense ratio overall. Negative adjustments are applied to Rentals #4 and #5.

Quality/Efficiency/Utility:

This category considers the overall quality of construction including design elements and aesthetics. Incorporated into these factors is the general utility and design of an average unit, on-site characteristics such as parking and unit access, and the overall efficiency of the general building with respect to the building within which the units are located.

The subject has an inefficient overall design. For example, there are large central hallways, second floor access via large stairwells, and common area restroom facilities. These factors reduce tenant appeal. They also add to operating expenses. Nonetheless, it is the tenant amenities and general unit configurations that are primarily considered in this category.

In general, all rentals are considered marginally superior to the subject in varying degrees. Rental #1 has good on-site parking with ground level units that are easily accessible but shared restrooms. Rental #5 has good on-site parking with some units sharing restrooms. The overall access to these units, however, is more efficient. Rentals #2, #3 and #4 are also considered superior in overall characteristics. These units are located in buildings with more modern construction features and superior upfit to the common areas. On-site parking is adequate, and individual unit access is good. Rentals #2 and #3 are essentially self-contained units that only share site amenities. Rental #2 is an end unit, and Rental #3 is the lower level of a two-story, two-unit condominium building. Each of these units provides greater identity and privacy. Rental #4 is part of a multi-tenant building but has ease of access via dual entry lobbies. The unit also has a corner location with more fenestration and identity. Negative adjustments are applied to all comparable. It is noted, however, that the adjustments are modest. The subject has a unique design that, in general, appeals to a different segment of the market. Therefore, in order not to abridge this segment, only a modest adjustment is applied.

Lease Terms:

In this analysis, a full service gross rent format is applied to the subject. This includes the lessor paying all expenses. For older properties with common hallways like the subject, this is a typical expense format, but a variety of lease structures are observed. Rentals #1 and #4 are similar to the subject and receive no adjustments. Rentals #2, #3 and #5 require the tenant to pay some combination of janitorial, utilities and/or CAM expenses. Therefore, a lower rental rate results, since it reflects a lower expense ratio for the landlord. In order to adjust the comparable rent to the subject's expense distribution, a positive adjustment is required to account for the additional expenses carried by the landlord in a gross lease structure. Positive adjustments in varying degrees are applied to Rentals #2, #3 and #5 with the magnitude dependent upon which expenses are paid by the tenant. These adjustments equilibrate the operating expense environment for each comparable to reflect a full service format like the subject.

Summary:

The unadjusted rental rates generally range from $9.82 to $13.50 per square-foot. The range is reasonably consistent since most of the comparables are within the same, higher demand neighborhood. On an adjusted basis, the range remains relatively broad reflecting less than optimal comparability, particularly with respect to the subject's tertiary location and differences in lease format. None of the rentals are particularly more similar to the subject, and all are inferior in varying degrees. Based on our analysis, it is our opinion that a market rent of $9.25 per square-foot for the subject units that exceed 875 square feet is appropriate.

Excluding the Verizon leased space, there is a total of approximately 7,525 square feet in units larger than 875 square feet. Of this space, only one unit having 1,400 square feet is currently leased. The lease rate is $10.29 per square-foot, slightly above our market estimate. The tenant in this space is a long term occupant whose rate has risen over the years. Regardless, we estimate the total potential gross rental income for the subject's large unit rentable area at **$69,606** ($9.25/SF x 7,525 SF).

Small Unit Rent Estimate

The subject is unique within its market in terms of offering very small "key man" office units, which appeal to small businesses and professional service providers. Excluding Verizon Unit 110, there are eighteen (18) units with less than 850 square feet which have a total rentable area of 5,611± square feet. Of those units, nine or 3,126 square feet area leased. The average unit size of the leased area is 347 square feet, and the median size is 264 square feet, also the predominant size. The weighted average rent is $12.78 per square-foot, and the median is $14.32 per square-foot.

The subject has the smallest leased offices observed in our survey of the Burlington market. No other properties were identified that offered tenant units less than 500 square feet. Rentals #4 and #5 in the previous analysis are within the size range of the subject's smaller units. When analyzing these two comparables discreetly, two adjustments require modifications. First, the size adjustment is modified. Second, the quality/efficiency adjustment is not considered necessary due to the extreme differences in design. The subject building is currently designed for a preponderance of small units. Altering these two adjustments, Rental #4 and #5 indicate a rent of about $10 per square-foot. Notwithstanding, Rentals #4 and #5 are about 179% and 108% larger than the subject's median unit size, respectively. Compared to the average unit size, they are about 105% and 59% larger. As units become progressively smaller, the impact on rent per square-foot becomes exaggerated because the relationship is based on dollars-per-month. On this basis, the subject per square-foot rental rate is skewed significantly upward as a result of the disproportionate impact of size on expenses. For example, maintenance costs tend to be higher per square-foot due to size; e.g., the total cost for an electrician to change a lighting fixture is the same whether the unit is small (higher/SF) or large (lower/SF). Grounds and exterior maintenance is another example.

Although the subject's small units have per square-foot rents well above the range, on a monthly rent basis, they are reasonable based on an examination of such "key man" offices in other parts of the Triad. A monthly rent between $300 and $600 per month is considered affordable by most small start-up businesses or single owner service providers. Prior to 2008, the small business sector flourished. For example, in 2006, the subject's occupancy was about 90%. Since 2009 the small business sector has steadily declined. Although some improvement in general market conditions has occurred, the small business sector remains stalled and without the economic stability for growth. Although this has increased vacancy, rental rates for very small unit spaces have fluctuated within a narrow range. For example, in 2006, the subject's average rental rate for the small units was $368 per month. This compares to today's average $370 per month.

The subject's small units have a demonstrated history of market acceptance even though vacancy is now at its highest known level. Since the small unit range is dominated by spaces that are 264 square feet, it is our opinion that on a per square-foot basis, a rent approximating the current median, or $14.30 per square-foot, is applicable. This equates to a monthly rent ranging from about $157 (132 SF) for the smallest unit to $894 for the largest unit (850 SF). The total rentable area for the subject's small units is 5,611 square feet. Therefore, the total annual potential gross market rental income (PGI) for these spaces is estimated at **$80,237** (5,611 SF x $14.30/SF).

Verizon Lease

The MCI/Verizon lease is an atypical space. Through a merger Verizon has occupied two spaces that comprise 2,236 square feet. The first floor space has 850 square feet, and the second floor space has 1,386 square feet. Verizon has occupied the space under a lease that began in 1990. There have been several amendments and 5-year renewals. The lease was just renewed for an additional 5-year term. Verizon's contract rent over the next twenty-four (24) months represents an annual rental rate per square-foot of $17.86 (reflects lease escalations). For the remaining 36 months, the rate increases 2% annually. The initial rate and the renewals that followed compensate for the cost of tenant specific modifications. Components such as the floor structure, HVAC system, lighting and electric service were altered for the Verizon tenancy. The entire floor structure was replaced with new concrete to comply with tenant specifications for their equipment. Electrical upgrades were installed along with back-up generators. As in this case, unique and costly tenant specific building alterations are nearly always amortized through a higher rental rate.

In the subject's case, Verizon's substantial investment in building alterations creates a financial commitment implying intent to sustain a long-term tenancy, which has occurred. Therefore, for purposes of this report, the scheduled Verizon contract rent is included as economic rent in the calculation of PGI. The 2% annual escalation is also reflected over the last 36 months remaining in the current lease term, which expires at the end of July 2020. Thereafter, it is reasonable to give some weighted emphasis to the probability of Verizon renewing for another five-year term given the magnitude of their investment and history of renewal. It is not known if there are any specifically documented renewal options remaining. For purposes of this analysis, the appraisers have assigned a 60% probability of renewal to acknowledge the uncertainty. Given these considerations, the first year PGI for the Verizon spaces is **$39,935**.

With the potential gross income for all sections of the subject calculated, the total PGI for the subject is summarized below:

PGI - Small Units	$80,237
PGI - Large Units	69,606
Verizon Space	39,935
Total PGI	**189,778**
Blended Rate/SF (Total PGI)	$12.35
Blended Rate/SF (Excluding Verizon)	$11.41

The subject's current contract rent, excluding the Verizon units, is $54,360. This translates to $12.01 per square-foot for the currently occupied space (4,526 SF). This is about 5% higher than the estimated blended rate for all non-Verizon space (13,132 SF). This is not unexpected, however, since about 69% of the total occupied area is small spaces. An analysis of the contract rent shows that some of the units are below market and others above. Given the distribution of units, the current contract rent is generally reflective of market conditions. It is noted, however, that although most of these tenants appear to have occupied units for many years, there are no known long term lease agreements. Therefore, the contract rent is only considered in the first year of the cash flow analysis. Afterwards, all non-Verizon space is estimated at market levels.

Expense Forecast and Assumptions

Properties like the subject are typically leased on a gross basis wherein the lessor pays the expenses including real estate taxes, insurance premium, property maintenance, janitorial, utilities, management fees, etc. This is the format of the subject leases (except Verizon). Lease terms vary but generally range from 1 to 3 years based on a review of the rentals presented and discussions with area leasing agents. The subject building is multi-tenant and is currently divided into numerous tenant spaces. In addition to the typical ownership expenses mentioned above, a vacancy and collection loss allowance must be applied to account for the risk inherent in investment property generating cash flow as leased space.

Vacancy and Collection Loss:

In any income analysis, consideration for vacancy and/or collection loss must be recognized. It reflects reduction in cash flow due to collection loss, bad debts, and tenant turnover. This allowance is generally expressed in the form of a percentage of potential gross income. The subject is designed for multiple tenant occupancy, and turnover created by expiration of leases is appropriate.

When considering an appropriate vacancy for the subject, market research reveals significant office space available in the general market (74,000± SF), but much of the space is larger units, a segment where demand is lower. The available market survey indicates relatively low vacancy rates (Class A - 3.5%; Class B - 7.7%; Class C - 9.9%). It is our opinion that the subject is Class C space. Notwithstanding, the survey only includes a portion of the space and represents all of Alamance County. Our general observations and discussions with leasing agents indicated significant space available in older properties not included in the survey.

During the mid-2000s, the subject experienced relatively low vacancy. For example, in 2006, the vacancy was about 10.7%, essentially near its low. At that time, small businesses and the general economy were at their peak. After 2008, market conditions declined and then stabilized at a much lower occupancy norm. The subject currently has a vacancy rate of 56.0%. The rate has been on a steady decline with intermittent increases/decreases of about ±5.0%. The subject has benefitted, however, from the long-term Verizon lease which encumbers 14.5% of total rentable area. The lease will expire at the end of July 2020, and it is unknown if renewal will again occur or if there are any renewal options. Specific lease information pertaining to the current renewal was not provided. Verizon has operated a data center in the building for about 25 years. With the growth observed in this company and changes in technology, continued renewal is problematic. They may simply outgrow the economic life of the space. Thus, a 60% probability of renewal for Verizon is projected. A current investor survey by Real Estate Research Corporation shows a general office renewal probability of 65%.

Currently, the subject has about 8,601 square feet of available space of which about 47% is on the second floor. A review of annual office absorption for the Alamance County market over the past several years tends to show net absorption, excluding large single buildings, of about 3,000 to 7,500 square feet. Given the subject's current occupancy and projected economic demand for office space, stabilized vacancy of 25% appears reasonable. The relatively high stabilized rate is influenced by several factors.

First, demand is concentrated in the western section of Burlington. There is moderate demand for space in the Central Business District, but the subject's location has exhibited modest demand for quite some time. Second, nearly 50% of the current vacant space is located on the second floor which is accessible via stairwells. Without elevator access, this is an impediment to many users. Third, the subject is design to accommodate small businesses. Reports of an improved economy are valid for some business sectors, but small business formation and expansion has lagged significantly compared to past recoveries from recessions. Based on a review of economic information from various sources and our observations of the Triad market, recovery for the small business sector may improve but slowly, particularly since lending to such enterprises is highly restrained. It is noted that the subject current design for small businesses is modifiable, but the cost is likely prohibitive at this point without a long-term tenant commitment. Finally, over the last four years, occupancy in the subject has declined. The average vacancy for the past three years (all that is available) was 51%.

Given the above factors, it our opinion that a stabilized vacancy of 25% (representing 3,843 square feet of rentable area) is realistic at the rent levels currently estimated for the subject. Perhaps with significantly enhanced leasing efforts higher occupancy may be possible. At this point, however, even with these conditions, the impact on net income would likely be modest. It is noted that the above estimate takes into consideration assigning a 60% probability of renewal to the Verizon lease to account for the potential vacancy of this space. As discussed in a later section of this report, we are projecting a four-year absorption period before stabilization occurs at the beginning of the fifth year of the cash flow analysis.

It is emphasized that the property is appraised in its "as is" physical condition. Notwithstanding, some refurbishing of units as they are absorbed is assumed and accounted in the projected expense level. It is further noted that the vacancy rate includes consideration of collection loss. Based on an examination of available subject income/expense history, collection loss is modest at about 1% to 1.75% of rental income. Given these conditions, absorption of space is phased in, and a stabilized vacancy/collection loss of 25% is reflected in the fifth year of the "as is" cash flow analysis.

The adopted vacancy rate is an allowance that incorporates rent levels, expected activity and current occupancy. Economic rent, vacancy, and overall rates are dependent variables. A balance must be maintained between the contract/economic rent adopted and the correlating vacancy projection and perceived risk quantified in a yield rate and/or overall capitalization rate. For example, very modest rent expectations would be coupled with a lower vacancy allowance and perception of less risk (lower rates of return). Conversely, more aggressive rents imply longer absorption, higher vacancy and increased risk. The subject's vacancy is intended to reflect the moderate rental rate, but currently high vacancy, and general demand in the market for office space.

Subject Income/Expense History

The appraisers were provided with a one-year history of operating expense history for the subject property. The history, however, reflects the period of June 2014 to June 2015, a fiscal rather than annual history. As a result, some of the expenses are partial for each year but have been aggregated to reflect a full year. The time frame from January 2014 to June 2014 was not available. From past appraisal assignments, however, the appraisers have annual historical income/expense data from 2011 to 2013. These data are included in the chart and assumed accurate. The histories were moderately detailed and sufficient as a base for estimating future expenses of the subject. The data were reviewed and reconstructed into major categories appropriate for this analysis. The chart on the following page summarizes the available expense history information.

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4-YEAR INCOME-EXPENSE HISTORY
BURLINGTON EXECUTIVE PLAZA
236 NORTH MEBANE STREET, BURLINGTON, NC

Year	2011			2012			2013			2014[1]			Averages		
Vacancy	Not Available			52.9%			44.2%			56.0%			51.0%		
Occupancy	Not Available			47.1%			52.9%			44.0%			48.0%		
Occupied Square Feet	Not Available			7,240			8,584			6,762			7,529		
Net Rentable Area	15,372			15,372			15,372			15,372			15,372		
Total Income	$160,330			$125,965			$112,640			$101,178			$125,028		
Total Income Per SF Occupied Area		N/A			$17.40			$13.12			$14.96			$16.61	
Total Income Per SF Net Rentable Area		$10.43			$8.19			$7.33			$6.58			$8.13	
Expenses	Annual	Per SF Occupied Area	Per SF Net Rentable Area	Annual	Per SF Occupied Area	Per SF Net Rentable Area	Annual	Per SF Occupied Area	Per SF Net Rentable Area	Annual	Per SF Occupied Area	Per SF Net Rentable Area	Annual	Per SF Occupied Area	Per SF Net Rentable Area
Real Estate Taxes	$9,457	N/A	$0.62	$9,457	$1.31	$0.62	$9,629	$1.12	$0.63	$8,978	$1.05	$0.58	$9,380	$1.25	$0.61
Janitorial/Trash Removal	$9,191	N/A	$0.60	$9,147	$1.26	$0.60	$7,998	$0.93	$0.52	$1,445	$0.17	$0.09	$6,945	$0.92	$0.45
Insurance	$2,935	N/A	$0.19	$3,317	$0.46	$0.22	$3,555	$0.41	$0.23	$2,915	$0.34	$0.19	$3,181	$0.42	$0.21
Maint./Repairs/Services/Reserves	$11,601	N/A	$0.75	$10,887	$1.50	$0.71	$12,118	$1.41	$0.79	$13,674	$1.59	$0.89	$12,070	$1.60	$0.79
General/Administrative	$7,146	N/A	$0.46	$7,154	$0.99	$0.47	$3,102	$0.36	$0.20	$3,326	$0.39	$0.22	$5,182	$0.69	$0.34
Utilities	$26,036	N/A	$1.69	$23,927	$3.30	$1.56	$25,125	$2.93	$1.63	$25,017	$2.91	$1.63	$25,026	$3.32	$1.63
Management and Leasing Commissions	$13,199	N/A	$0.86	$12,648	$1.75	$0.82	$9,050	$1.05	$0.59	$8,012	$0.93	$0.52	$10,727	$1.42	$0.70
Totals	$79,565	N/A	$5.18	$76,537	$10.57	$4.98	$70,577	$8.22	$4.59	$63,367	$7.38	$4.12	$72,512	$9.63	$4.72
% Expenses to Income	49.63%			60.76%			62.66%			62.63%			58.00%		

[1]Note: Income/Expense for 2014 is from June 2014 to June 2015. The 1st six months of 2014 were not available.

The subject's three-year (2011-2014) history shows that the average annual expense per square-foot of rentable area is approximately $4.72. This figure is skewed downward, however, due to the high vacancy which distorts total expenses. *2014 Income/Expense Analysis* published by the Institute of Real Estate Management (IREM) reports the median expense ratio for all buildings in the Greensboro Metropolitan area is about 44%, and the median per square-foot expense is $5.43. The sample size, however, is very small, and most of the surveyed buildings are Class A and B. Area property managers report ratios generally ranging between 30% and 70%+ depending upon location, age, and design. Since the Greensboro metro area data are limited, IREM provides a range for the southeast region that includes Burlington (Region 4 as defined by IREM). The range for suburban buildings in all categories is approximately $5.67 to $8.44 with a median of $6.93 per square-foot. More applicable than IREM, however, are expense comparables. Retained within our files are data pertaining to several multi-tenant office buildings in the Triad that are older and feature somewhat smaller tenant spaces. These properties typically have expense ratios that exceed 60%, and per square-foot expenses ranging from $5.75 to more than $7.00 per square-foot. The subject's ratios are not unexpected given the property's characteristics.

<u>Operating Expense Estimates</u>

The estimates of operating expenses for the subject are based on a review of market data on other comparable office properties, when available, as well as expense data reflected by the IREM industry survey.

Real Estate Taxes:

The subject's 2015-2016 real estate taxes were previously stated as $8,767 in the real estate tax section of this report, and this tax liability applied in the cash flow analyses. **The appraisers note that the Alamance County taxes for 2014-2015 ($4,241) have not been paid. For the purposes of this analysis, it is assumed that these taxes are paid prior to any sale, and they are not included in the cash flow expenses.**

Insurance Premium:

The subject's 2014 insurance expense (June to June 2014-2015) was $0.19 per square-foot. The 2013 insurance expense as well as the prior year was about $0.23 per square-foot. The average over the four-year period was $0.21 per square-foot. IREM reports a range of $0.12 to $0.50 per square-foot depending upon property location, age and size. The overall median expense ranges between $0.20 and $0.26 per square-foot. The subject's history is well within the range quoted by insurance agents for buildings of its age and design. Therefore, we are estimating a base year expense of $0.23 per square-foot of total net rentable area or $3,536 annually.

Maintenance/Repairs/Reserves/Building Services:

This category includes repair activities associated with normal operations. The repairs included but are not limited to plumbing, electrical, security system, roof, parking lot, HVAC and exterior. It also includes replacing short-lived items as this type of expenditure is considered as an allowance for reserves for replacement (typically a capital expenditure). Other items included in this category include decorating, some upfit costs, maintenance contracts for HVAC, plumbing and other similar items. It also includes landscaping, window washing, snow/ice removal, pest control, lawn maintenance, and similar service items. Tenant alterations occur as leases roll over and are included in this category.

The subject's expense history reports an average maintenance expense of about \$0.79 per square-foot of total rentable area. This expense is variable since short-term items require replacement at varying rates. Further, the number of tenants and length of tenancy affects reupfit/redecorating costs. The subject property is in fair to average condition, and although the interior has received some refurbishing, but further reconditioning is needed to attract tenants and attain market rent. Some of the HVAC components appear dated, and part of the roof may require replacement over a typical 10-year holding period. An allowance is also included for modest suite refurbishing between tenants. In this market, tenants typically lease space "as is," but for most properties, the finishes are in good condition with only touch-up necessary. The IREM summary for the region indicates a wide range for this expense, approximately \$1.28 to \$3.42 per square-foot with a median of about \$2.00. This does not include replacement reserves.

It is noted that the subject's expense history is well below observed expense levels. Furthermore, our examination of this expense for several older properties shows an expense of about \$1.35 per square-foot of total rentable area as more representative. This allocation, however, does not include replacement reserves. The building is aging, and over the holding period, some capital repairs are likely. Therefore, after a review of reserve allowances published by RealtyRates, a reserves allowance of \$0.50 per square-foot is concluded. This relatively low reserved reflects that in the mid-2000s some capital items were replaced. Therefore, the total maintenance/repairs/reserves expense is estimated at \$1.85 per square-foot of total rentable area.

Utilities:

All normal utilities except telephone are included in this expense category (gas, electric, heating/air conditioning and water/sewer). The subject has averaged about \$1.63 per square-foot of net rentable area (excluding Verizon) over the past two years. The IREM survey reports median utility costs generally ranging from about \$1.30 to \$2.20 per square-foot. The median utility cost for the Greensboro metro area is \$1.60 per square-foot. Considering the subject's history, we are estimating a utility expense of \$1.65 per square-foot of net rentable area (13,136 SF) exclusive of Verizon. The Verizon space is separately metered, and the tenant pays the expense. **For purposes of this report, we are assuming that the space remains separately metered regardless of tenancy.**

Janitorial:

This category generally includes all types of garbage disposal, dumpster rental, cleaning, supplies and any janitorial contracts. The subject's most recent history shows an expense of about \$0.92 per square-foot of occupied area. We have examined local expense comparables, and this expense is typical. The expense includes janitorial and trash collection. This expense has increased only slightly over the past two years but is likely to rise in coming years. For purposes of this analysis, a first year expense of \$1.00 per square-foot is used. This expense is applicable only to the occupied space (4,526 SF), and it increases with absorption. Verizon provides their own janitorial service subject to the renewal probability.

Management Fee/Leasing Commissions:

Day-to-day handling of building management including the arrangement for maintenance items, monitoring leases, marketing available space, collecting rents, and similar expenses are considered in this category. Management fee is typically a percentage of collected rental income. Discussions with local property managers indicate management fees for the subject of about 6% are typical.

Additionally, we are considering leasing commissions in this category. Since vacancy is projected over the holding period, a significant leasing commission expense would result until tenancy was stabilized. Managing agents typically assign an additional charge for handling lease negotiations. It includes various marketing functions as well as any commission split. Generally leasing commissions represent 3% to 6% of the annual contract rent over the initial lease term but not renewals. The magnitude of the commission expense is also dependent upon the stability of any current and future tenancies. As a building ages, it becomes progressively more difficult to lease and turnover generally increases. This drives leasing commission expenses upward. These commissions are intermittent, so an aggregate annualized allowance for leasing commissions is applied as a percentage of effective gross income as part of a combined management/leasing expense. Given the subject's characteristics, an annualized leasing commission allowance of 2% is considered reasonable. An examination of the subject's history shows that the management fee has ranged from 7.9% to 10% including leasing commissions. The adopted total expense of 8% of effective gross rental income is consistent with the subject's historical and market observations.

General, Administrative and Miscellaneous:

This category includes all of the telephone, legal, accounting, office supplies, legal fees, and other expenses. The subject's history shows an expense of $0.36 to $0.47 per square-foot of net rentable area an average of $0.34 per square-foot. The expense per square-foot of net rentable area is somewhat lower than expected since it is somewhat tenant dependent. IREM reports a median administrative expense of approximately $0.49 per net rentable square-foot for the Greensboro area and $1.00 for the region. These figures, however, include items considered in other categories; e.g., management. Given the history of the subject, an annual administrative/miscellaneous expense of $0.40 per square-foot appears reasonable.

Summary:

With income and expenses projected, the following summarizes the subject's "as is" income and expense statement. The "as is" statement reflects the current condition of the property utilizing the expenses stated above and prorated as necessary. It also reflects average vacancy for the year which accounts for absorption of vacant space and includes both contract rent and project income for the vacant space based on market rent.

"AS IS" INCOME/EXPENSE STATEMENT Year Ending July 2016 Burlington Executive Plaza 236 North Mebane Street Burlington, NC		
Potential Gross Rental Income (PGRI) Verizon Space (2,236 SF) Contract Rent and Rent for vacant space (13,136 SF)		 $ 39,935 152,574
Total Potential Gross Rental Income		$192,509
Less: Vacancy/Collection Loss		- 92,269
Effective Gross Income (EGI)		$100,240
Less Expenses:		
Real Estate Taxes	$8,767	
Insurance	3,536	
Maintenance/Repairs/Reserves	28,438	
Utilities	21,674	
Janitorial	5,192	
Management/Leasing Commissions (8%)	8,019	
General, Administrative, Miscellaneous	6,149	
Total Operating Expenses		$81,775
Net Operating Income (NOI)		$18,465
Expenses/SF Net Rental Area		$5.32
NOI/SF		$1.20
Expenses as % of EGI		81.6%

Treatment of the Income - Discounted Cash Flow Analyses

As noted earlier, a value for the subject "as is" is estimated by using a discounted cash flow technique (DCF). The subject property is not stabilized, and the lease-up period is lengthy. DCF is the only method that fully reflects current income, lease-up and associated costs over a typical holding period, in this case, ten years.

Income/Expense Projection Period and Growth Rates:

For the subject, a 10-year projection or holding period is utilized given its current occupancy. Because of historically low rates of return over recent years, rate compression is observed, and holding periods are declining. Recent investor surveys show average holding periods for office buildings of about 8 to 8.5 years. For purposes of this analysis, a 10-year holding period is adopted because of current market conditions in Alamance County with respect to modest demand, barriers to liquidity, lengthy anticipated lease-up period and characteristics of small office property investors.

The assumptions associated with changes in income, expenses, and vacancy are outlined as follows:

1. Currently the subject has a vacancy rate of 56% which equates to 8,610 square feet of the non-Verizon space. We have estimated stabilized vacancy as 25% of effective gross income. At noted earlier, we are projecting that the difference in current and stabilized vacancy will take four years to absorb and is phased in equal proportions per year. For the subject's total vacant area, about 47% is on the second floor which is expected to increase absorption time. A review of annual office absorption for the Alamance County market over the past several years tends to show net absorption, excluding large single buildings, of about 3,000 to 7,500 square feet. This net absorption is for the entire county market. Notwithstanding, the majority of office demand is in Burlington but concentrated in the west/southwest. The net absorption comes from a total available vacant space inventory of more than 74,000 square feet, and the subject competes within this inventory. The absorption rate may be optimistic given the recent history of the property. Given the subject's current occupancy and projected economic demand for office space, stabilized vacancy of 25% appears reasonable unless dramatic positive changes in economic conditions occur which is not considered likely at this time.

   The absorption rate is not meant to be precise, only an average per year. Any one particular year could vary, since the combination of suites sizes absorbed cannot be predicted. The vacancy allowance applied for the first four years of the "as is" cash flow is the "average" for the year because the timing of absorption during year cannot be quantified. Also incorporated into the vacancy estimate is the probability that the Verizon may renew their lease at the end of the current 5-year term (7/31/2021). Although Verizon has occupied the space for 25 years, changes in the company, their data center requirements, and technology in general imply a greater probability of non-renewal than in the past. Furthermore, it is unknown whether any renewal options exist. We have assigned a renewal probability of 60% to the Verizon lease. The vacancy allowance is weighted by the renewal probability Years 6 through 11 of the holding period.

2. The subject's contract rent is within the market range. It is reflected in the cash flow along with the contract rent for the Verizon space. Income for vacant space is incorporated at the previously discussed market rates.

3. All income and expenses are projected to increase at an annual rate of 2% except management fee with remains constant at 8% of effective gross income. This is consistent with the escalation built-in to the Verizon lease and rent comparable that show escalations. Furthermore, current investor surveys state show that income for office properties is expected to grow from 0% (no increases) to no more than 4%. Expenses show an anticipated growth range of 0.5% to 3%. Although the subject market area is likely to remain stable, some upward movement in rental income is likely over the 10-year holding period. The increases may occur sporadically, but the intension of our projections is to "smooth" the changes over time. Expenses will likely rise as projected. Although it is impossible to foresee what inflationary rates will be, it is realistic to assume some increase. In terms of a "market value" estimate, it is not as important for the cash flow projections to materialize, as it is for them to simulate the typical assumptions of potential purchasers (investors) in today's market. Traditionally, investors have been more optimistic than prudent, but that pattern was interrupted by changes in the economy as a result of the financial crisis and past recession.

4. The janitorial expense varies with occupancy. Vacant space requires essentially no janitorial service.

5. The income and expense projections are made over a typical 10-year holding period. Also incorporated in the projections is an 11th year cash flow. The 11th year is used to estimate the reversion or sale price at the end of the holding period, a required input for the DCF. Generally, the reversion estimate is calculated using a direct capitalization of the 11th year's net operating income.

The following chart illustrates the income and expense projections for the subject, "as is," over the projection period. Rents are reflected as received at year-end, although they would be remitted on a monthly basis. Likewise, expenses are recognized as expended on an annual basis at year-end. The contract rental income, market rent, stabilized rent, phased absorption and expense levels previously discussed are incorporated into the projections.

INCOME/EXPENSE PROJECTIONS
"AS IS" CASH FLOW ANALYSIS
BURLINGTON EXECUTIVE PLAZA
236 NORTH MEBANE STREET
BURLINGTON , NORTH CAROLINA

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	Stabilized YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11
FISCAL YEAR ENDING JULY 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
POTENTIAL GROSS RENTAL INCOME (PGRI)											
Verizon (2,236 SF)	$39,935	$39,935	$40,734	$41,548	$42,379	$43,227	$44,091	$44,973	$45,873	$46,790	$47,726
Contract Rent & PGRI for Vacant Space (13,136 SF)	$152,574	$152,839	$155,896	$159,014	$162,194	$165,438	$168,747	$172,122	$175,564	$179,075	$182,657
TOTAL PGRI	$192,509	$192,774	$196,630	$200,562	$204,574	$208,665	$212,838	$217,095	$221,437	$225,866	$230,383
VACANCY ALLOWANCE	92,269	76,932	62,662	47,803	40,549	52,258	53,303	54,369	55,457	56,566	57,697
EFFECTIVE GROSS INCOME	$100,240	$115,843	$133,967	$152,759	$164,025	$156,407	$159,535	$162,726	$165,980	$169,300	$172,686
EXPENSES:											
Real Estate Taxes	$8,767	$8,942	$9,121	$9,304	$9,490	$9,679	$9,873	$10,071	$10,272	$10,477	$10,687
Insurance	3,536	3,606	3,678	3,752	3,827	3,904	3,982	4,061	4,142	4,225	4,310
Maintenance/Repairs/Reserves	28,438	29,007	29,587	30,179	30,782	31,398	32,026	32,667	33,320	33,986	34,666
Utilities	21,674	22,108	22,550	23,001	23,461	23,930	24,409	24,897	25,395	25,903	26,421
Janitorial	5,192	6,654	8,173	9,749	10,664	11,457	11,686	11,920	12,158	12,401	12,650
Management & Leasing Commissions (8%)	8,019	9,267	10,717	12,221	13,122	12,513	12,763	13,018	13,278	13,544	13,815
General Administrative/Miscellaneous	6,149	6,272	6,397	6,525	6,656	6,789	6,925	7,063	7,204	7,348	7,495
TOTAL EXPENSES	$81,775	$85,857	$90,225	$94,731	$98,002	$99,670	$101,663	$103,696	$105,770	$107,886	$110,043
NET OPERATING INCOME (NOI)	$18,465	$29,986	$43,743	$58,028	$66,023	$56,737	$57,872	$59,029	$60,210	$61,414	$62,643

Note: Chart has formulas which calculate adjustments and value indications. What may appear as math errors is the result of rounding and showing calculations without decimal places.

Yield Requirements:

Discounting the periodic net income over the previously described period (10 years) to calculate present value is the next step of this analysis, and it begins by choosing an appropriate rate. This rate should be reflective of present market conditions (typical investor perceptions relative to the desirability of a property for investment purposes, liquidity of the investment, risk associated with actually receiving the income, etc.). An investor has the option of investing in "safe" securities that normally have low rates and excellent liquidity, or higher risk, lower liquidity securities that command higher rates.

Direct extraction of rates from improved property sales is one method for estimating rates. In this case, there is insufficient local data from which such rates could be extracted. Although such data (if available) may be relevant, it reflects the past expectations of benefits from an investor perspective and may not be a reliable indicator of present expectations. *The Appraisal of Real Estate*, 12th Edition, published by the Appraisal Institute, states that "the estimation of yield rates for discounting cash flows should focus on the prospective or forecast yield rates anticipated by typical buyers and sellers of comparable investments." Therefore, comparative yield data published by Real Estate Research Corporation (RERC) is utilized to estimate an appropriate yield rate giving consideration to the subject's specific characteristics.

Yield rates are composites of overall rates, equity rates, interest rates, internal rates of returns, etc. Average yield rates tend to be approximately 1% to 2% higher than overall rates, and they include provisions for changes in income/expenses, potential resale of the assets, changes in market conditions and other factors. Even though yield and capitalization rates are different, they are interrelated.

There are no known properties similar to the subject in Alamance County that have sold as investment properties over the past few years from which a current overall rate can be estimated. The majority of office building acquisitions by investors in this area occurred prior to 2008. Since then, very few sales have occurred except for net leased medical office buildings, owner occupied properties, foreclosures, and auctions. Regardless, our review of regional historical data (2008 to present) indicate OARs ranging from about 7.4% to 11.8%. The lowest rates are observed for the newest buildings with high credit tenants under longer term leases located in premier suburban office park locations. The higher rate sales tend to be problem or older properties in secondary locations and/or distressed sales. The known OAR sales imply a broad range (8.4% to 13.8%) for yield rates, but by their nature, they are historical indications rather than anticipated expectations.

RERC surveys properties by tier. First tier includes new or newer quality properties in prime locations. Second tier represents aging, formerly first tier without functional problems and in good to average locations. Third tier properties are older and have functional deficiencies and/or marginal locations. The subject is classified as a Tier 3 property.

RERC indicates that yield rates for eastern region, third tier office properties range from 8% to 13.0% with an average of 10.5%. RERC ranks the investment climate for office buildings as mid-scale, essentially a neutral position. Overall, there is a modest range between the buy (29%), sell (38%) or hold (33%) opinions of survey participants for suburban offices. Given the RERC criteria, the subject is expected to require a yield rate in the top third of the reported range, say 11% to 13%.

Another important factor to consider is the rate of return on alternative investments. The following chart summarizes yield rates on various investment opportunities as of July 3, 2015. The information is taken from *US Financial Data* published by the Federal Reserve Bank of St. Louis.

Alternative Investment Instruments

Instrument	Yield Rate
1) 5-Year Treasury bonds	1.65%
2) 10-Year Treasury bonds	2.38%
3) 30-Year Treasury bonds	3.15%
4) Corporate Aaa bonds	4.23%
5) Corporate Baa bonds	5.22%
6) Municipal bonds	3.85%

The rates have declined over the past year but only by about 20 basis points. The relative difference in the rates is attributable to risk associated with the investment. In the RERC survey, the intermarket yield spreads for real estate vis-a-vis capital markets were 3.9% for Corporate Aaa bonds, 3.1% for Corporate Baa bonds, and 5.5% for 10-Year Treasury bonds. These large spreads reflect the difference between yields and risk for bonds versus improved properties. The yield rates implied for real property, considering the spread between bonds and real estate, reflect a general range of yield rates approximating 7.9% to 8.3% for investment grade properties versus small investor properties. Therefore, the anticipated rate for a small, older office building in a secondary market like Burlington would be well above that indicated for metro market investment properties represented by these return parameters.

In estimating a rate for the subject, the following observations are considered:

1. General office demand in Alamance County/Burlington is concentrated in the west/southwest sections of Burlington. This area has a very high preference level. The general area has a higher income demographic, the newest uses in the city, and very good transportation linkages and identity. The location is stable with a superior balance of supply and demand. Nearly all other areas are either oversupplied or have little need for office properties. Demand is low with the exception of medical and/or government related facilities. (Negative)

2. The subject is an older property in fair to average condition. Although adequately maintained, at the end of the holding period, structurally it will be more than 80 years old. Although updated and renovations have occurred to reduce the effective age, it will likely require increasing maintenance. Nonetheless, the structural components, particularly the exterior, are durable and relatively easy to maintain. (Neutral)

3. The subject has a two-story design with functional deficiencies especially with respect to the percentage of rentable to gross area (efficiency ratio). This low ratio increases overall expense relative to effective gross rental income. Furthermore, the second floor is accessed via stairwells at each end of the building (no elevator) and restrooms are shared by nearly all units. Notwithstanding, there is ample on-site parking with good proximity to the entrances, offsetting factors. Some of the land (platted outparcels) may be excess, but no demand is evident to support that possibility. They have been available decades. (Positive)

4. The subject's neighborhood characteristics have changed over the years. It has become an area of very low demand, and the surrounding neighborhood is composed of older, inconsistent uses. Although the subject is just east of the CBD, it has lower income demographics and older properties which include underutilized and/or vacant industrials. The location has reduced identity. Very little new development has occurred over the past ten to 20 years, particularly in the subject's specific location. (Negative)

5. The subject is currently experiencing very high vacancy which has persisted for at least four years despite some economic recovery. With low demand, absorption of vacant space is prolonged, and net income produces low return. (Negative)

6. The subject currently has a "credit" tenant (Verizon) occupying 14.5% of the space. Tenant improvements are substantial, and the lease has been renewed several times with last 5-year renewal beginning August 1, 2015. At this point, however, the rent on the space is at the top of the market range. Should Verizon vacate at lease end, substantial reupfit is required. Typically, this lease would create both liquidity and value. In this case, the advantage is somewhat offset since it is unknown if additional renewal options are available or if renewal is likely given the fairly rapid changes in technology. The risk of vacancy for the space is considered using probability. Nonetheless, Verizon is currently providing about 42.4% of the contract rent while occupying only 14.5% of the space. At the projected year of stabilized occupancy, the Verizon lease will still produce about 20.7% of potential gross income, a significant amount. Regardless, there will be only one year remaining in the lease; i.e., only one year left of "guaranteed" income from the lease and space. If absorption and rent levels are better than expected/estimated over the next five or more years, then the Verizon lease has less importance. If projected levels, however, are worse because the economy has stagnated or declined into a new recession, the Verizon lease has greater dominance but only for a short time, and the expense ratio will escalate. Regardless, the next five years of essentially guaranteed income of $40,000+ does create value. (Positive)

7. The subject is one of the few buildings in Burlington that has small tenant spaces. Although this fills a niche for small businesses, this sector remains negatively impacted by economic conditions, and recovery is problematic. Lending to small businesses for operating expense, expansions and/or start-up is very restrictive. Small spaces lease at much higher rates (per square-foot) partly because the associated overall expenses can be higher. (Negative to Neutral)

8. Even though the subject has a credit tenant and potential for increased occupancy, any investor purchasing the property would recognize that substantial improvements in the overall condition and aesthetic appeal of the building are necessary to attract new tenants. Structurally the property appears average, but some of the common area and certain units require refurbishing. Although unit changes are more likely immediately prior to occupancy after a lease is signed, a purchaser would consider these costs. They can only be estimated after a thorough due diligence period that includes inspections by qualified contractors, etc., and development of a pre-purchase goal for the building.

9. Perhaps the single most important factor influencing the yield rate for the subject is the current economic conditions. Liquidity has eroded, and credit (debt) financing for a high vacancy property can be difficult. Furthermore, many of the small local investors have become burdened with poorly performing properties, and acquiring additional properties is a lower priority, particularly as a result of equity requirements for financing. (Negative)

Considering the age, size, occupancy and location, a yield rate of 12.0% is considered applicable to accurately reflect the risk inherent in the subject in the "as is" analysis. From an investor's perspective, a property like the subject would have low appeal. The current 5-year Verizon lease does provide a modest incentive for purchase and rehabilitation, but the traditional strong impact of this type of credit tenant is significantly offset by the factors previously discussed.

Equity Reversion:

The discounted cash flow analysis for the subject requires an estimate of the reversion or resale value of the property at the end of the holding period. This is estimated by capitalizing an anticipated eleventh year's income anticipated by a potential purchaser.

The RERC survey reports that third tier offices have a range of terminal rates from approximately 7.7% to 12% with an average of 9.9%. Terminal rates are generally 0.5% to 1.5% greater than the going-in rate depending upon perceived risk. RERC reports going-in rates of 7% to 11% with an average of 9.2. Similarly, a review of the differential between terminal rates and yield rates shows a generally similar differential as expected.

The subject buildings will be 80+ years old at the end of the 10-year holding period. The overall condition and functional utility are expected to remain adequate. Regardless, it will require increasing maintenance and additional renovation. Furthermore, the location may or may not improve depending upon goals of the local government. With the subject most recent history and forecasts of future economic conditions in general, achieving investor expectations with respect to rent levels and occupancy for the subject has enhanced uncertainty. Given the subject's characteristics, a terminal rate of 11% is believed prudent and adopted for use in the "as is" analysis. The adopted rate includes consideration of sale commissions since this has a minor impact on value ten years hence due to high discounting and rounding.

The chart in this section summarizes the discounted cash flow analysis for the subject "as is" using the adopted 12% discount rate and 11% terminal capitalization rates. Based on the DCF, an "as is" value indication of **$450,000** is adopted.

"AS IS" DISCOUNTED NET INCOME CASH FLOW ANALYSES
BURLINGTON EXECUTIVE PLAZA
236 NORTH MEBANE STREET, BURLINGTON, NC
1 PAYMENT / YEAR END OF PERIOD PAYMENTS @ 12.00%

PERIOD	CASH FLOW		FACTOR	PRESENT WORTH
1	$18,465		0.892857	$16,486
2	$29,986		0.797194	$23,904
3	$43,743		0.711780	$31,135
4	$58,028		0.635518	$36,878
5	$66,023		0.567427	$37,463
6	$56,737		0.506631	$28,745
7	$57,872		0.452349	$26,178
8	$59,029		0.403883	$23,841
9	$60,210		0.360610	$21,712
10	$61,414		0.321973	$19,774
TOTALS	$511,507			$266,117
REVERSION	$569,000	X	0.321973	$183,203
PRESENT WORTH OF INCOME AND REVERSION				$449,320
	Discount (yield) Rate		12.00%	
	Terminal Cap Rate		11.00%	
	Implied Value SF Bldg		$29.23	

SALES COMPARISON APPROACH

As noted in the Valuation Methodology, the Sales Comparison Approach is not developed in this analysis. Typically, this approach involves a direct comparison between the subject and recently sold similar properties. These comparisons are typically made with price per square-foot physical unit of comparison and/or an effective gross income multiplier (EGIM), an economic unit of comparison.

Due to small market size, low demand economic conditions, and stability in the Burlington office sector user base over time, there are an insufficient number of sales to employ the Sales Comparison Approach. The market was researched, and the only recent sales discovered were small office buildings purchased for owner occupancy and REO dispositions. To our knowledge, no multi-tenant investment office properties of a larger size (10,000+ SF) have sold over the past three years in true market and/or "arms-length" transactions. Discussions with two prominent brokers in Burlington stated they knew of no larger office buildings sold in the open market as investment purchases in their recent memory. Older sales and other locations were researched, but those sales were too dissimilar in age/condition, economics and ownership interest to provide a credible and reliable analysis for the subject.

In order to assess the availability of data, a search of tax records, discussions with local brokers, and a review of sales posted through online sources were performed. Over the past three years, a total of 21 office oriented properties were identified. Of those, eighteen were less than 7,000 square feet in size, and nearly all were purchased for owner occupancy. Many of the sales were condominium units, older houses converted to offices, or small single tenant buildings. Of the sales identified, the average size was 9,260 square feet, and the median was 3,000 square feet. The range of sale prices was very broad. For example, some small, newer office condominiums sold in excess of $100 per square-foot. Converted houses were in the $60 to $70 per square-foot range. For most of the other properties, the range was generally $20 to $40 per square-foot.

The following are examples of the reviewed sales. One is chosen to illustrate the higher end of the range and one to show the lower end. The properties in between these two examples are very similar in overall characteristics. The primary reasons they sold within the middle range are newer age, smaller sizes and superior locations. It is noted that we could not obtain income/expense information about these properties. The data for each sale are taken from public records and visual inspection.

Sale #1

This property is located at the northeast corner of Carolina Avenue and South Main Street just west of the CBD of Burlington (1037 S. Main Street). It is a brick, two-story building constructed in 1956 and has 4,802 square feet. The site is 0.235 acre. The building has been extensively remodeled and is in very good condition. The building has two insurance companies as tenants. One unit appears to be an owner-occupant. It sold on January 13, 2015 at an indicated sale price of $288,000 or $59.97 per square-foot. We could find no information indicating a brokerage firm was involved in the sale.

Sale #2

This property is located along the southern margin of South Church Street between 5th and 6th Streets in the western section of the Burlington CBD. A portion of the site extends southward and fronts Spring Street. This property is a 0.58-acre tract improved with a two-story, concrete and brick office building constructed in 1953. The building has a total of 9,933 square feet with the upper floor accessed via a stairway. The building appears to be in fair to average condition. There is a separate front entrance for the second floor. The space is divided into three suites, and the entire building is sprinklered. The building was formerly occupied by Fisher Wealth Management but was vacant at the time of sale. On-site parking is adequate but located primarily at the rear of the building. The property sold on June 26, 2015 at an indicated sale price of $120,000 or $12.08 per square-foot. It was originally listed at $300,000 with several asking price reductions. Available information indicates that the property will be at least partially owner occupied.

500 S. Main St., Burlington, NC

In addition to the above examples, we are aware, however, of one particular multi-tenant investor property that sold recently. The property is located at 500 South Main Street in Burlington. It is a concrete, 3-story structure built in 1972 that has 29,688 square-feet. The property sold at auction in October 2014, and the transaction closed on December 3, 2014. The starting bid was $350,000. We could not verify the sale price or obtain any information concerning the current occupancy or income. The tax office and register of deeds indicate a price of $1,155,000 or $38.90 per square-foot. The property had previously sold on March 25, 2013 at an indicated price of $1,181,000 or $39.78 per square-foot (not an auction, but no details available). The building is in very good condition, and it is a 1.38-acre corner site located in the "heart" of the Central Business District. The primary tenant is Wells Fargo Bank whose lease extends through September 2024. Obviously, this property is not comparable to the subject. Furthermore, when a property of this quality, both construction and tenancy, sells at auction, regardless of the circumstances, it implies volumes about the marketability of investment properties in the Burlington market.

Overall, the poor quality and quantity of the data and the lack of market sales of larger investor properties are limiting with respect to application of the Sales Comparison Approach. The characteristics of the sales are highly divergent from the subject in design, age/condition, size, economics, and especially location. After attempting a comparison analysis, credible, meaningful, and reliable results could not be concluded. Therefore, the sales comparison analysis was rejected. Furthermore, for a strictly income property like the subject that is likely years away from stabilized occupancy, the Sales Comparison Approach is not the best indicator. For stabilized income properties with consistent characteristics, the Sales Approach can be beneficial. In this case, the subject's characteristics and poor data inhibit a credible analysis.

RECONCILIATION AND CONCLUSION OF FINAL MARKET VALUE ESTIMATE

The preceding analysis focused on deriving a value estimate for the subject through the traditional Income Capitalization Approach. As noted earlier, the Cost and Sales Comparison Approaches were not employed in valuing the office property due to inapplicability and data constraints, Notwithstanding, the Income Approach is the most direct and reliable method for estimating the market value of a property like the subject that is not experiencing stabilized occupancy.

The comparable rental data are fair at best but allow for an adequately supported estimate of the subject's market rent. An examination of the rent comparables shows that the subject's blended average rent for the current occupancy is essentially reflective of market rent. The history of expenses for the subject is sufficiently documented and provides a reasonable basis for estimating future expenses for most items. The expenses are also supported by the IREM expense survey and a review of historical data for some local properties. It is emphasized that estimating future individual expense items lacks precision. Nonetheless, it is not so important that each expense be precisely determined. Rather, the projection of the total expense level relative to collected income (effective gross income) is more important. Although the expense ratio for the subject is at the upper end of the range, it is reasonable given the property's age, design and history.

In the Income Approach, the "as is" market value estimate was developed using discounted cash flow analysis. As noted earlier in this report, although possible, direct capitalization is not truly suitable for estimating a value for a non-stabilized, income property. The DCF analysis particularly beneficial in estimating an "as is" value. In DCF the quantity, variability, timing and duration of cash flows are specified. The assumptions with respect to income and expenses are clearly presented and followed. The DCF analysis requires forecasts for growth rates and yield requirements which are adequately supported by a review of historical market data, when available; reviewing market surveys that reflect current investor criteria; and evaluating competing returns on alternative investments instruments such as bonds. It is not required that the property actually attain the projected income levels. Rather, it is important that the projections are consistent with investor expectations since they are the buyers and sellers. The cash flow projections over the holding period easily incorporate the subject's contract rent, especially the Verizon lease rent, market rent for vacant space, and the subject's four-year transition period before stabilized occupancy. Overall, the estimated value is considered consistent with market expectations and is considered credible and directly quantified.

In addition to the standard appraisal methods, *USPAP* requires that any contracts, listings, or sales of the subject occurring over the past three years be analyzed. Currently, the subject property is offered for sale by Ms. Margaret Stephens, an experienced broker with Keller Williams Realty in Burlington. The current list price is $649,900 and represents a price of $42.27 per square-foot of rentable area or a price of $24.78 per square-foot of gross building area (26,222± SF). It is noted that the current list price has been reduced. About one month ago, Ms. Stephens confirmed that the original list price was $795,000. Since that time, the appraisers have reviewed data shown on various internet sites. It was during these reviews, that the change was observed. For informational purposes, the following are two sites that are currently presenting the property for sale.

Keller Williams Realty:
http://search.burlingtonkw.com/nc_baar/kw_832/index.cfm?action=listing_detail&property_id=87762&searchkey=2e8482c2-ffee-bb36-ec76-6e2f069c44f4
Realtor.com:
http://www.realtor.com/realestateandhomes-detail/236-N-Mebane-St_Burlington_NC_27217_M60198-45710

Based on our estimate of value, the list price apparently seems to reflect a value that would more closely align with a stabilized property than one with only 46% occupancy. Given the subject's characteristics, both physical and economic, it is our opinion that a price at that level is not achievable at this time. Notwithstanding, it is not unusual to observe commercial list prices that are well above the actual market value. In this economic environment, many brokers have stated that sellers have unrealistic expectations. It is also not unusual for properties to be listed at prices above market value in order to create negotiating opportunities for both sellers and buyers. Sale to list price ratios for commercial properties vary broadly. As a result of our analyses, we conclude that the current list price has no significant importance in estimating a current "as is" value for the subject.

As a result of our analyses, it is our opinion that the "as is" market value of the leased fee interest in the subject office property, as July 9, 2015, the date of last inspection, subject to the enclosed definitions, assumptions and limiting conditions, and excluding the value of the two outparcels, was:

FOUR HUNDRED FIFTY THOUSAND DOLLARS
($450,000)

ESTIMATES OF EXPOSURE AND MARKETING TIMES

Exposure Time

As noted earlier, the Definition of Market Value in this report assumes that a property is exposed on the open market for a reasonable amount of time and that a due diligence effort was made to sell the property. Exposure time is defined by the *Dictionary of Real Estate Appraisal*, Fourth Edition, 2002, as published by the Appraisal Institute as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of appraisal."

Exposure time differs depending upon real estate types, value ranges and market conditions. In order to estimate a reasonable exposure time, we have examined very limited data of historical sales of office properties and discussed sales of such properties with brokers that market this type of property. These sources indicate that some segments of the office market have improved. Smaller properties have nearly always been more active than larger properties. In a small submarket area like the subject, however, sales are infrequent due to inferior location as well as extended ownership and holding periods. Moreover, some properties in the Burlington area are never actually marketed in the traditional sense, but they are the result of "behind the scene" negotiations between owners or business partners. Demand in the office market for Alamance County is concentrated in west Burlington. The subject is located in a low demand area composed primarily of old industrial properties with scattered commercial uses along major streets and surrounding by modest income residential areas. Based on historical information and characteristics of the subject, the exposure time required to sell the property prior to the date of appraisal is estimated to be at 24 to 36+ months.

Marketing Time

Reasonable marketing time is defined the *Dictionary of Real Estate Appraisal*, Fourth Edition, 2002, published by the Appraisal Institute as "an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions."

The office market for large and small properties has improved over the last few years. Nonetheless, demand is significantly and substantially concentrated in west/southwest Burlington. Other areas have experienced modest and intermittent improvement, but most have remained relatively stagnant. In general, the office market is small, and potential buyers are typically local investors or owner-occupants. The subject is an older property with significant inefficiencies. The current layout is primarily designed for small businesses, a market segment substantially impacted by past and current economic conditions. Although the environment appears to be slowly improving for small business, recovery is very modest. Anticipated economic conditions are not expected to change dramatically over the next few years, particularly for a building like the subject. The low demand location is likely to continue to receive market resistance.

Based on our analysis, the subject's market appeal is considered below average, particularly since stabilized occupancy is likely a few years away. Nonetheless, the one factor that may significantly improve the subject's marketability is the recent 5-year renewal by the property's major tenant, Verizon. With five full years of this lease at a remarkable lease rate, there may be some investors with sufficient capital to upgrade the remaining rentable area and intensive marketing efforts. Regardless, it is our conclusion that a marketing time of 24 to 36+ months may be required to sell the subject. It is noted that estimating a marketing time in this economic environment and given the characteristics of the subject is highly subjective.

APPRAISERS' CERTIFICATIONS

The appraisers signing this report certify the following to the best of their knowledge and belief.

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are the appraisers' personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. The appraisers have no present or prospective interests in the property that is the subject of this report and no personal interests with respect to the parties involved.

4. The appraisers have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. Engagement of the appraisers in this assignment was not contingent upon developing or reporting predetermined results.

6. The appraisers' compensation for completing the assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics & Standards of Professional Appraisal Practice* of the Appraisal Institute, the *Uniform Standards of Professional Appraisal Practice* as promulgated by the Appraisal Foundation, and *Interagency Appraisal and Evaluation Guidelines* published by the Federal Deposit Insurance Corporation.

8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

9. The appraisers made personal inspections of the property that is the subject of this report.

10. No one provided significant real property appraisal assistance to the appraisers signing this certification and report.

11. As of the date of this report, Terry B. Dalrymple has completed the continuing education program of the Appraisal Institute. Further, he is currently licensed and certified as a General Real Estate Appraiser under the laws of the State of North Carolina (Certificate #A519). Linda C. Hurst is currently licensed and certified as a General Real Estate Appraiser under the laws of the State of North Carolina (Certificate #A7178). The appraisers signing this report have the experience and education to competently complete the assignment.

12. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan.

13. We have performed an appraisal of the subject property within the past three years (2/2014) for the same client. No other services, as appraisers or in any other capacity, regarding the property that is the subject of this report have been performed within the three-year period immediately preceding this assignment.

Linda C. Hurst

Terry B. Dalrymple, MAI, SRA
Certified General Real Estate Appraiser
N.C. Certificate #A519

Linda C. Hurst
Certified General Real Estate Appraiser
N.C. Certificate #A7178

TERRY B. DALRYMPLE STATE CERTIFIED NORTH A519 CAROLINA REAL ESTATE APPRAISER GENERAL APPRAISER

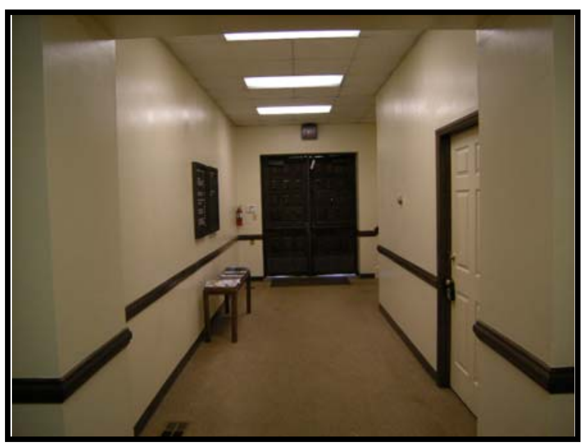
LINDA CHRISTINE HURST CERTIFIED NORTH A7178 CAROLINA REAL ESTATE APPRAISER GENERAL APPRAISER

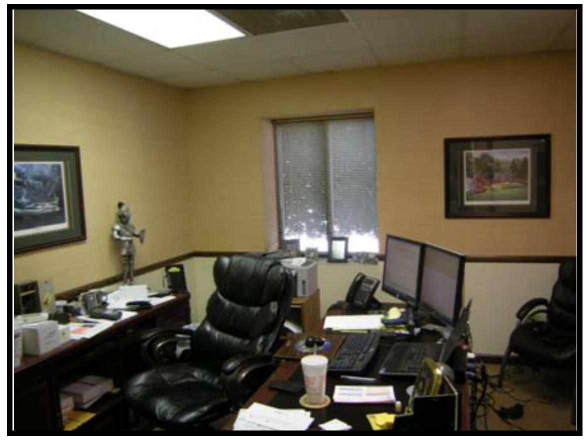
ADDENDUM

PHOTOGRAPHS OF SUBJECT AND ADJOINING STREETS
TYPICAL EXTERIOR VIEWS OF SUBJECT BUILDING

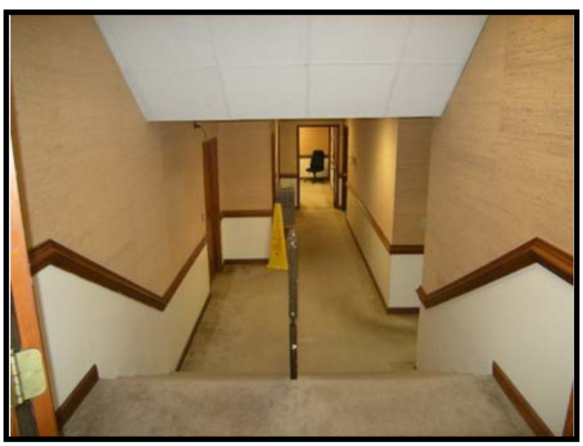



TYPICAL INTERIOR VIEWS OF SUBJECT BUILDING

Be Money WiSe




<u>VIEW OF OUTPARCEL A</u>

<u>VIEW OF OUTPARCEL B</u>

HAWKINS STREET - EAST

HAWKINS STREET - WEST

N. MEBANE STREET - NORTHEAST

N. MEBANE STREET - SOUTHEAST

BROAD STREET - NORTHEAST

BROAD STREET - SOUTHWEST

Doc ID: 004437320002 Type: CRP
Recorded: 03/31/2006 at 02:44:26 PM
Fee Amt: $1,817.00 Page 1 of 2
Excise Tax: $1,800.00
Alamance, NC
DAVID J.P. BARBER REGISTER OF DEEDS
BK 2393 PG 247-248

GENERAL WARRANTY DEED

REVENUE STAMPS: $1800.00
TM 31/15/100
Pin8875229801

Prepared By: Jill Starling Britt
Wishart, Norris, Henninger & Pittman, P.A.

Return to Grantee: 18200 Yorba Linda Blvd Ste 101
Yorba Linda, CA 92886
NORTH CAROLINA
ALAMANCE COUNTY

THIS DEED made this 30th day of March, 2006, by and between William A. Hawks and wife, Virginia P. Hawks, Grantor and TMG Equities, LLC, a California limited liability company, Grantee. The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

WITNESSETH:

That the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has and by these presents does grant, bargain, sell and convey unto the Grantee in fee simple, all of that certain tract or parcel of land more particularly described as follows:

A certain tract or parcel of land in the City of Burlington, Burlington Township, Alamance County, North Carolina, adjoining North Broad Street, Hawkins Street, North Mebane Street, Ireland Street and others and more particularly described and bounded as follows:

BEGINNING at an iron stake at the intersection of the southeastern margin of the 66 foot right of way of North Broad Street, with the northeastern margin of the 66 foot right of way of Hawkins Street; running thence with the southeastern margin of North Broad Street, North 53° 24' East 400.95 feet to an iron stake, corner with the City of Burlington; thence with the City of Burlington, South 32° 04' East 211.85 feet to an iron stake; thence again with the City of Burlington, North 53° 25' East 150.24 feet to an iron stake, corner with the City of Burlington in the western margin of the 66 foot right of way of Ireland Street; thence with the western margin of Ireland Street, South 00° 08' West 236.45 feet to an iron stake at the intersection with the northwestern margin of North Mebane Street; thence with the northwestern margin of North Mebane Street, South 53° 24' West 393.00 feet to an iron stake at the intersection with the northeastern margin of Hawkins Street; thence with the northeastern margin of Hawkins Street, North 36° 36' West 400.75 feet to the POINT OF BEGINNING AND CONTAINING 3.92 ACRES, more or less. This description was obtained from a survey by Harold B. Spoon, Registered Land Surveyor, dated September 10, 1981.

9/17.

TO HAVE AND TO HOLD the aforesaid lot or parcel of land and all privileges and appurtenances thereto belonging to the Grantee in fee simple.

And the Grantor covenants with the Grantee, that Grantor is seized of the premises in fee simple, has the right to convey the same in fee simple, that title is marketable and free and clear of all encumbrances, and that Grantor will warrant and defend the title against the lawful claims of all persons whomsoever except for the exceptions hereinafter stated.

Title to the property hereinabove described is subject to the following exceptions:

This conveyance is subject to easements, rights of way, and restrictive covenants, if any, appearing of record in the Alamance County Registry and further subject to ad valorem taxes which have been prorated between the parties hereto with the Grantee herein agreeing and assuming to pay same when due.

IN WITNESS WHEREOF, the Grantor has hereunto set his hand and seal, or if corporate, has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, the day and year first above written.

William A. Hawks (SEAL)
WILLIAM A. HAWKS

Virginia P. Hawks (SEAL)
VIRGINIA P. HAWKS

NORTH CAROLINA
ALAMANCE COUNTY

I, Amy H Dunn, a Notary Public of said County, do hereby certify that WILLIAM A. HAWKS AND WIFE, VIRGINIA P. HAWKS personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 3) day of March, 2006.

Amy H Dunn
Notary Public Amy H Dunn

My Commission Expires: 03/8/11

AMY H. DUNN
NOTARY PUBLIC
Alamance County
North Carolina

Rent Roll

cep - Burlington Executive Plaza
As of Date: 06/18/2015
Select By: Move In Date

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Unit	Unit Type	Code	Name	Sqft	Potential Rent	Actual Rent	Rent/Sqft	Deposit	Move In	Move Out
101		101	James Strickland Solutions	1,400.0	1,200.00	1,200.00	0.86	100.00	06/01/14	
102-5			VACANT	2,350.0	0.00					
103			VACANT	0.0	0.00					
106			VACANT	132.0	0.00					
107		107	Rhonda Wallace Wallace	264.0	245.00	245.00	0.93	200.00	06/01/14	
110		110	MCI	2,236.0	3,262.68	3,327.93	1.49	0.00	06/01/14	
115			VACANT	330.0	365.00					
120			VACANT	528.0	0.00					
121		121	David C. Johnson Johnson	264.0	340.00	340.00	1.29	200.00	06/01/14	
123		123	Ron C. Rau Jr. Alcohol	750.0	500.00	525.00	0.70	500.00	06/01/14	
124		124	Juana Njoku Health	264.0	315.00	315.00	1.19	315.00	06/01/14	
125			VACANT	264.0	0.00					
126		watkingl	Glenda Watkins	264.0	325.00	300.00	1.14	300.00	01/09/15	
128		128	Rick Waldron Waldron	264.0	340.00	340.00	1.29	200.00	06/01/14	
129		129	Vivian Timmons Genesis	264.0	340.00	340.00	1.29	340.00	06/01/14	
130		130	Steve Barton Family Servic	264.0	310.00	310.00	1.17	200.00	06/01/14	
140		140	James L. Collins Concept	528.0	615.00	615.00	1.16	100.00	06/01/14	
210		210	MCI	0.0	0.00	0.00	0.00	0.00	06/01/14	
225			VACANT	0.0	0.00					
230-1			VACANT	255.0	325.00					
230-2			VACANT	294.0	0.00					
230A			VACANT	875.0	710.00					
240			VACANT	946.0	0.00					
245A			VACANT	200.0	208.33					
245B			VACANT	200.0	0.00					
245C			VACANT	282.0	0.00					
260			VACANT	968.0	0.00					
27			Total	14,386.0	9,401.01	7,857.93	0.55	2,455.00		
12			Total Occupied	6,762.0	7,792.68	7,857.93	1.16			
44.44			% Occupied	47.00	82.89	83.59				
15			Total Vacant	7,624.0	1,608.33		0.21			
55.56			% Vacant	53.00	17.11					

Income-12 Statement (Cash)
Burlington Executive Plaza - (cep)
January 2015 - June 2015

Account Name	Jan	Feb	Mar	Apr	May	Jun	Total
INCOME							
RENT INCOME							
Rent	8,766	7,468	8,410	7,833	7,833	7,833	48,142
NET RENT INC	8,766	7,468	8,410	7,833	7,833	7,833	48,142
OTHER INCOME							
Utility REFUND						113	113
Insurance Premiu		289					289
TOTAL OTHER		289				113	402
TOTAL INCO	8,766	7,757	8,410	7,833	7,833	7,946	48,544
EXPENSES							
DIRECT EXPENSES							
Maintenance & Re	255	290	2,173	211		145	3,074
Plumbing						435	435
Cleaning	561	747	495	968	545	760	4,076
Pest Control		665					665
Snow/Ice Removal			125				125
Landscape Mainte		125					125
Management	653	621	673	627	627	627	3,827
Alarm Monitoring S	556	45	45				646
Insurance	289				607		896
Mortgage Payment	4,000	4,686		4,403			13,089
Electricity	524	2,296	4,133	1,287	1,192		9,431
Gas	570	839	636	639	27	67	2,778
Water & Sewer	317		87		140		543
Trash Removal	116	116	116	120	120	120	706
TOTAL DIRECT	7,840	10,431	8,482	8,254	3,256	2,153	40,416
GENERAL & ADMINI							
Taxes & Licenses				1,200	1,000	1,000	3,200
TOTAL G & A EXPEN				1,200	1,000	1,000	3,200
TOTAL EXPE	7,840	10,431	8,482	9,454	4,256	3,153	43,616
NET INCOME	926	-2,674	-72	-1,621	3,576	4,793	4,928

Income-12 Statement (Cash)
Burlington Executive Plaza - (cep)
June 2014 - December 2014

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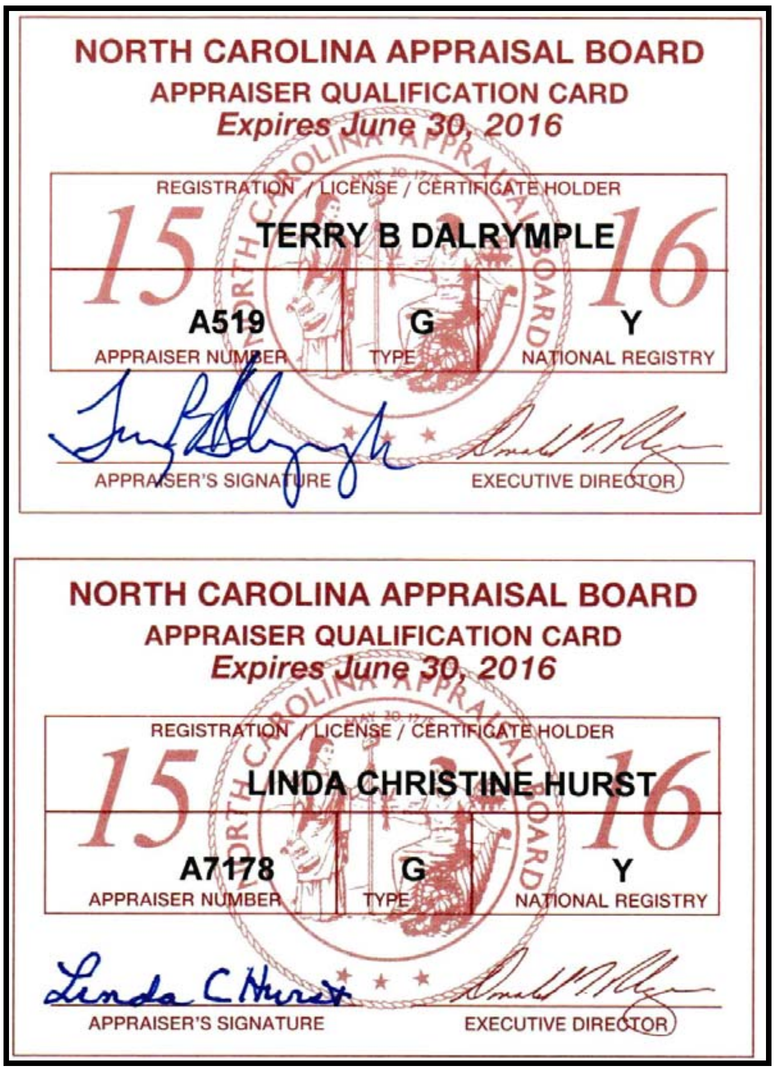
Account Name	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
INCOME								
RENT INCOME								
Rent	680	9,933	8,383	8,158	8,991	8,366	8,358	52,868
NET RENT INC	680	9,933	8,383	8,158	8,991	8,366	8,358	52,868
OTHER INCOME								
Court Costs-Charg					126			126
Miscellaneous Inc							-300	-300
TOTAL OTHER				-60	126		-300	-234
TOTAL INCO	680	9,933	8,383	8,098	9,117	8,366	8,058	52,634
EXPENSES								
DIRECT EXPENSES								
Maintenance & Re	90	665	90	330		250	100	1,525
Plumbing				194	72			266
Cleaning			393	530	614	450	450	2,437
Painting					300			300
Management	34	795	671	653	719	669	645	4,185
Court Costs/Filing				126				126
Insurance			578	289	285		867	2,019
Mortgage Payment		4,886	5,132			2,330	12,559	24,906
Electricity		2,141	2,021	2,130	1,543	1,469	1,908	11,212
Gas		44	47	47	47	48	178	411
Water & Sewer		41		101	42	94	363	642
Trash Removal		116	116	116	116	116	161	739
TOTAL DIRECT	124	8,687	9,047	4,514	3,739	5,425	17,230	48,767
TOTAL EXPE	124	8,687	9,047	4,514	3,739	5,425	17,230	48,767
NET INCOME	556	1,245	-664	3,583	5,378	2,941	-9,173	3,867



NORTH CAROLINA APPRAISAL BOARD
APPRAISER QUALIFICATION CARD
Expires June 30, 2016

REGISTRATION / LICENSE / CERTIFICATE HOLDER

15 TERRY B DALRYMPLE 16

A519	G	Y
APPRAISER NUMBER	TYPE	NATIONAL REGISTRY

APPRAISER'S SIGNATURE EXECUTIVE DIRECTOR

NORTH CAROLINA APPRAISAL BOARD
APPRAISER QUALIFICATION CARD
Expires June 30, 2016

REGISTRATION / LICENSE / CERTIFICATE HOLDER

15 LINDA CHRISTINE HURST 16

A7178	G	Y
APPRAISER NUMBER	TYPE	NATIONAL REGISTRY

Linda C Hurst

APPRAISER'S SIGNATURE EXECUTIVE DIRECTOR

QUALIFICATIONS

Terry B. Dalrymple

Appraisal Designations: MAI, SRA

Education:
- Bachelor of Science, Economics, University of North Carolina, Greensboro, North Carolina, August 1983.
- Completed graduate course work for Master of Arts in Economics, University of North Carolina, Greensboro, North Carolina, 1978 - 1981.
- Bachelor of Arts, Biology, University of North Carolina, Greensboro, North Carolina, May 1975. Completed postgraduate work in Microbiology, NC State University, Raleigh, NC (1975 - 1976), and University of North Carolina, Greensboro, NC (1976 - 1977).

Appraisal Related Courses and Seminars:
- Residential Valuation
- Standards of Professional Practice Parts A and B
- Capitalization Theory and Techniques Parts A and B
- Report Writing and Valuation Analysis
- Highest and Best Use Applications
- Environmental Considerations in Real Estate
- Real Estate Law of Real Estate Appraisers
- Appraisal Consulting
- Appraisal Regulations of the Federal Banking Agencies
- Special Purpose Property Valuation
- Regression Foundations and Applications
- Private Appraisal Assignments
- Land Valuation Adjustment Procedures
- Understanding 1031 Tax Free Exchanges
- Supporting Capitalization Rates
- Managing Commercial Real Estate
- Watershed Protection
- Conservation Easements and Other Land Preservation Techniques and Applications
- Appraising from Blueprints and Specifications
- 2-Day Appraisal Curriculum Overview
- Appraisal Case Law
- Uniform Standards of Professional Appraisal Practice (USPAP) Mandatory Update (2014)
- Evolution of Finance and the Mortgage Market
- Real Estate Appraisal Principles
- Basic Valuation Procedures
- Case Studies in Real Estate Valuation
- Business Practices and Ethics
- Commercial Construction Overview
- Environmental Hazards in Residential Properties
- Appraising Apartments
- Appraisal Practices for Litigation
- Discounted Cash Flow Analysis
- The Appraisal of Local Retail Properties
- Appraisal of Nonconforming Uses
- Analyzing Operating Expenses
- Valuation of Detrimental Conditions in Real Estate
- Information Technology and the Appraiser
- Dynamics of Office Building Valuation
- Real Estate and Taxes
- The Appraiser as an Expert Witness
- Condemnation Appraising: Basic Principles and Applications
- Appraisal Critiques From Lender and Practicing Appraiser Perspectives
- What Clients Would Like Appraisers to Know
- Real Estate Finance, Statistics and Valuation Modeling
- Foreclosure Basics For Appraiser

Employment:

April 1992 to Present:	Dalrymple Associates, Inc. Greensboro, North Carolina President; General Real Estate Appraiser
April 1984 to April 1992:	John McCracken & Associates, Inc. Greensboro, North Carolina Real Estate Fee Appraiser

Typical Clients:

Financial institutions, condemning authorities, federal and state agencies, real estate developers, individuals, law firms, various trusts, and major corporations. A representative sample of specific clients include: Financial Institutions - Wells Fargo Bank, Bank of America, Bank One, Branch Banking & Trust, Suntrust Bank, First Citizens Bank, Mercantile Bank, Carolina First Bank, Marshal & Isley Bank; Law firms - Carruthers & Roth, Bell Davis & Pitt, Gabriel Berry & Weston, Brooks Pierce McLendon Humphrey & Leonard, Maupin Taylor & Ellis and Northen Blue; Corporations - Sunoco Inc., R.H. Barringer, Battleground Restaurant Group, Brown Investment Company, Starmount Company, Tanger Industries, Krispy Kreme, Carolina Steel, Lazy Boy Furniture, American Corporate Real Estate Inc., Sara Lee, ChemCentral, PPG, Staubach Company, Wysong & Miles, and Carolina Biological Supply; and Governmental Agencies - Guilford County, General Services Administration, City of Greensboro, State of North Carolina.

Professional Experience/Assignments:

Valuation of all types of land and income-producing properties including offices, subdivisions, apartments, industrials/manufacturing, general commercial, restaurants, apartment complexes and various special-purpose uses. Particular areas of expertise include: large manufacturing plants and distribution facilities, national/regional chain restaurants, major subdivisions, valuation of partial interests, net leased investment grade properties, and analysis of and impact resulting from environmentally impacted properties. Other assignments and consultations include condemnation, depreciation studies, ad valorem tax consulting, estate planning, marketability research, and rezoning hearings. Assignments have been completed throughout North Carolina, northern South Carolina and south-central Virginia. Qualified Expert Witness - US Bankruptcy Court, Middle District NC

Professional Affiliations and Community Service:

Member Appraisal Institute - MAI Designation (Certificate #9676) since 1992; SRA Designation (Certificate #2322) since 1988
Certified General Real Estate Appraiser (Certificate No. A519) - State of North Carolina since 1991
Licensed Real Estate Broker in North Carolina (License #49722) since 1978
Guilford County Planning Board, 1996 - 2005; Vice Chairman - 2000 to 2004, Chairman 2004-2005
Guilford County Multi-jurisdictional Development Ordinance Committee, 2000 - 2005, Chairman 2004-2005
Guilford County Advisory Board for Environmental Quality; Land Use Seat, 1992-1997
Former Member - American Real Estate and Urban Economics Association
Former Member - Greensboro Board of Realtors®

QUALIFICATIONS

Linda C. Hurst

Professional Licenses: NC Certified General Real Estate Appraiser (Certificate # A7178)

Education: Bachelor of Science, Business/Real Estate, University of Colorado, Boulder, Colorado - 1972.

Appraisal Related Course and Seminars:
Numerous appraisal courses and seminars have been completed over the past three decades. A representative sampling of courses and seminars are cited as follows:

Appraisal Institute Courses (1976 - 1993)
Real Estate Investment Analysis
Industrial Valuation
Litigation Valuation
Case Studies in Valuation
Report Writing and Valuation Analysis
Standards of Professional Appraisal Practice
Rural Valuation
Capitalization Theory and Techniques I & II
Residential Valuation
Appraisal Principles 1A and 1B

N.C. Real Estate Appraisal Licensing/Certification Courses
Introduction to Real Estate Appraisal
Valuation Principles and Procedures
Applied Residential Property Valuation
Introduction to Income Property Appraisal
Advanced Income Capitalization Procedures
Applied Income Property Valuation
Uniform Standards of Professional Appraisal Practice (USPAP)

Recent Seminars
- USPAP Mandatory Update (2014)
- Private Appraisal Assignments
- Appraising in a Changing Market
- Risky Business: Ways to Minimize Liability
- Appraisal of Land Subject to Ground Lease
- Appraisal Case Law III
- Current Issues in Appraising
- Appraiser Liability
- Complex Appraisal Assignments
- Disciplinary Cases: What Not to Do

Employment:

1994 - Present	Partner - Dalrymple Associates, Inc., Greensboro, NC
1983 - 1994	Owner/Commercial Appraiser - Appraisal Consulting Services, Greensboro, NC
1982 - 1983	Contract Commercial Appraiser - Forsyth County Tax Department, Winston-Salem, NC
1977 - 1981	Department Supervisor/Commercial Appraiser, Boulder County Tax Department, Boulder, Colorado
1975 - 1976	Corporate Real Estate Associate, United Banks of Colorado, Denver, Colorado
1973 - 1975	Commercial Loan Administration/Processing, Security Pacific Mortgage Corporation, Denver, Colorado

Professional Experience/Assignments:

Valuation of all types of land and income-producing properties including offices, subdivisions, apartments, industrials/manufacturing, commercials, restaurants, and various special-purpose uses. Particular areas of expertise include: large manufacturing plants and all industrial facilities, real estate analysis for tax and estate planning, major subdivisions and large apartment complexes. Other assignments and consultations include site selection, feasibility studies, ad valorem tax consulting, and marketability research. Assignments have been completed in New York, Pennsylvania, Texas, Arizona, California, Florida, Colorado, Alabama and throughout North Carolina and South Carolina.

RIMS Customer: Wells Fargo
RETECHS #: WF-CWS-15-008967-01-1

-Award Information

Date Awarded: 5/28/2015
Canceled: No
Fee: $2,850.00

Directly Awarded: No
Delivery Date: 6/25/2015

Job Attachments:
There are currently no job attachments

-Bid Information

Proposed Fee: $2,850.00
Signatory Information: Terry Dalrymple

Proposed Delivery Date: 6/25/2015
Office Location: Greensboro, NC

Prior Services: Have you or your company performed or provided any professional services pertaining to -the subject property within the prior three years, as an appraiser or in any other capacity, or is your company presently involved with the management, leasing, disposition, or any similar service regarding the subject property. If Yes, please provide details in the Comments field.
Yes

Bid Comments: We appraised this property for Wells in Jan 2014. This is an atypical office building in a tertiary location of Burlington. There was one major tenant, Verizon, that contributed about 35% of the gross income but the lease expires in July 2015. Should the lease not be renewed, the impact is obvious. We notice RIMS stated that lease info was not available. Given the status of this property, obtaining this information may be problematic. We are well familiar with this building, the neighborhood and the Burlington market.

-RFP Information

Purpose Of Request: Pre-Foreclosure
Response Deadline: ASAP
Desired Delivery Date: 6/26/2015

RFP Contact: Sheila Russell (NC-COL)
Contact Phone: 704-374-6062

ADDRESSEES:

First name	Last name	Company	Address	
Sheila	Russell (NC-COL)	Wells Fargo RETECHS	401 S Tryon St 26th Floor	Charlotte, NC 28202

Total Addressees: 1

DISTRIBUTION:

Number Of Copies	First Name	Last Name	Company	Address	
1	WILLIAM	SCARGLE (RGBK-CMG)	Wells Fargo (RGBK-CMG)	820 RED BANKS RD	GREENVILLE, NC 27858

Total # Hard Copies: 1

SCOPE OF SERVICES: **Required Analysis**

Potential Market Changes

Due to concerns with changing market conditions and trends, we are requiring your report analysis to consider:

1. Market Participant Interviews: Discussions with real estate market participants (buyers, sellers, property managers, real estate agents/brokers). Reference these interviews in a dedicated section, and report and analyze the most pertinent comments and how they impact the subject value with Item No. 2 below.

2. Overall Capitalization Rate Sustainability: We are interested in the market"s opinion of trends and catalysts for potential changes in Overall Rates (OARs#. Specifically, what are market participants" observations on the likely impact of expected changes in interest rates, rents, supply & demand dynamics, the scarcity of comparable investments, excess investment capital, etc., on cap rates in the future? Please provide a discussion framed by market participant interviews for: #a) the potential direction and magnitude of cap rate movement; (b) the timeframe in which this may occur; and (c) how this may impact market value. Be specific to the subject property type and location, and avoid boilerplate commentary. For non-income producing (e.g., owner/user) properties, comment on a potential buyer"s purchase criteria and the effect on value of factors such as fluctuating interest rates. Reference these opinions in a dedicated report section with the Market Participant Interviews (Item No. 1 above).

3. Comparable Listings: In addition to consummated comparable sales and leases, listings should be considered, with the most pertinent items reported, analyzed and incorporated within your market data, including any impact relative to flood insurance requirements.

4. Strengths and Weakness: Include a Strengths & Weaknesses section within the appraisal that focuses on the subject property, and its product type and market on a micro and macro level.

Scope of Work

2.A. Appraisal: Two Approaches to Value - Appraisal Report:
1.USPAP Appraisal Report 2.Preparer inspects subject - unless otherwise instructed 3.Preparer provides two most meaningful approaches to value in a summary format 4.Preparer determines and states within the report, as described within their scope and subject to their extraordinary assumptions and hypothetical conditions - if applicable, the value conclusions - conclusions is credible. 5.Additional services - as instructed- please reference LOB requirements.

Reporting of Non-Realty Value Components

All appraisal reports must disclose if non-real property is included in any value premise(s). If applicable, the report should:

1. Identify and Describe Non-Realty Components: If it is necessary to include non-real property in the valuation, it must be described in a dedicated (property description) report section and segregated into two categories:
A. Personal Property (FF&E, M&E, etc.). And,
B. Intangible Property (business enterprise components).
NOTE: The source(s) for identification of non-realty items should be cited. This could include: appraisers inspection, property contact interview, inventory list, etc.

2. Value Allocation for Non-Realty Components: The contributory value of non-realty items should be allocated (and deducted) within each reported value premise. Separate value allocations should be segregated in accordance with item 1.A. and 1.B. above.

Should the appraiser determine the contributory value of the non-realty components is nominal, they must nonetheless still be identified and the rationale for their being considered nominal explained. Nominal is defined as a contributory value that does not materially impact the market value of the real estate. The sources and methodology for value allocations should be explained (e.g. new or depreciated book value, personal property and/or business appraisal, cost breakdown, Marshal Valuation Service, etc.).

Apartment Complex example: For existing, unfurnished apartments with basic kitchen and laundry packages, the appraiser must describe all non-realty components. The appraiser may conclude there is only nominal value attributable to the furnishings, fixtures and equipment (FF&E) and as such a separate value allocation would not be required. However, for furnished apartments, newly constructed or proposed unfurnished apartments, or any project where FF&E value is not considered nominal, a separate value allocation for FF&E components is required.

Owner-Occupied Property

Highest & Best Use (H&BU): All appraisal reports should specify the most probable buyer profile (e.g. user, investor or both) and what they would do with the property to maximize value.

Owner-Occupied Property: Similar to properties held in leased fee estate, owner occupied properties must be valued presuming a knowledgeable buyer is involved in a transaction. Many properties can appeal to an investor or an owner user under certain market conditions.

Leased Fee Value: If RETECHS has requested the Leased Fee interest be valued for a property that is occupied or partially occupied by an owner and/or their affiliates, this lease should be considered within the As Is value premise. In the event, the Leased Fee interest has been requested for owner-occupied property, a Fee Simple value premise in accord with directive below shall additionally be provided.

Fee Simple Value: If all or a part of the subject is currently owner occupied (or owner affiliate occupied) without lease(s), the current owner's (or owner affiliates) occupied portions of the subject should be assumed: This premise is based on the Extraordinary Assumption that the owner affiliated leased space is vacant as of the effective value date.

-Vacant as of the effective date of value
-Available for a potential purchaser to use in accord with the H&BU conclusion (e.g. occupy, rent, lease, reposition etc.)

For owner-occupied properties, please reference Owner-Occupied Valuation Guidelines within the Appraisal General Requirements.

Report Type: Appraisal Report (summary)
Report Format: Narrative

VALUATION SCENARIOS:

Valuation Premise	Premise Qualifier	Property Interest	Comment
Market Value	As-Is	Leased Fee	Bank does not have lease or expense information.

GENERAL PERFORMANCE STANDARDS **Appraisal General Requirements**

SPECIFIC PERFORMANCE STANDARDS **APP-11 REGIONAL BANKING**

-Property Information

Project Name:	TMG EQUITIES/ BURLINGTON EXECUTIVE PLAZA
Property Description / Construction Type:	Professional Office building with office space
Property Comment:	Professional Office building with office space
Property Type:	HG2 - Office - Office Building-Low-Rise - A one- to six-story office building.
Address:	236 N Mebane Street, Burlington, NC 27217
County:	Alamance
Improvement Size (Primary):	25,616 SF
Land Size:	2 Acres
Number Of Tenants:	8
Occupancy:	40%
Parcel Numbers:	136497
Current Use:	Professional Office Space
Number Of Buildings:	1
Year Built:	1942
Year Renovated:	1983
Property Status:	Existing
Property Tenancy:	Multi Tenant Investor
Parking Type:	Surface Parking
Listed for Sale?:	No
Green Certifications:	N/A

WELLS FARGO

The information contained in this award, along with the information contained in the **General Appraisal Requirements, Specific Performance Standards, and the General Contractual Requirements** referenced in the RFP, as well as all other RFP information, serve as the contract for services to be rendered. If, within 12 months of this assignment date, the vendor is contacted to appraise the subject property by any other party than Wells Fargo RETECHS, vendor agrees to (1) notify Wells Fargo RETECHS in writing and (2) receive a written reply from RETECHS approving this request.

Unless specifically stated otherwise, information provided by the bank or borrower in conjunction with this assignment shall be considered confidential and may not be used except as necessary for the completion of this assignment. Additionally, such information may not be shared or provided to any individual or entity except as necessary for the completion of this assignment, or as required by law or as mandated by appropriate professional standards or organizations such as USPAP and the Appraisal Institute.

This Statement of Work and Award is entered into as of the date of the award by and between Wells Fargo Bank, N.A. (Wells Fargo) and the awarded contractor, pursuant to the Master Agreement for Real Estate Services, dated September 15, 2010; all terms of which are incorporated herein by reference.

Note: Failure to deliver is subject to penalties as defined in the Master Service Agreement. Immediately contact Sheila Russell (NC-COL) 704-374-6062 for any holds, delays, or further required information.

1. Project Name: TMG EQUITIES/ BURLINGTON EXECUTIVE PLAZA
2. Description of Services: As indicated in the RFP
3. Performance Period
   Start Date: 5/28/2015
   End Date (if known): 6/25/2015
4. Work Site: 236 N Mebane Street, Burlington, NC 27217
5. Total Costs and Fees: $2,850
6. Wells Fargo Job Manager: Sheila Russell (NC-COL)

Property Access and Contact Information:

Todd Edwards

336-228-0132
toddedwards@gmail.com

Please make contact immediately for access to the property

Include the following statement in the Letter of Transmittal and Intended Use section of the report:

Wells Fargo reserves the right to use the report for the purposes of syndication with other financial institutions or securitization.

Delivery Instructions:
(Unless otherwise specified in the attached addendum)

All valuation services requested, which include the report with signatures, all associated exhibits, and any other pertinent supporting documentation, shall be delivered online via RIMSCentral to Wells Fargo Bank-RETECHS, and (if appropriate) via a hard copy to the Wells Fargo Banker or representative. In no case, will any valuation services ever be **solely delivered to a Wells Fargo Banker or representative without written authorization** from RETECHS. In addition, upload the final invoice separately for payment. The following guidelines provide more specific instructions:

1. Upload to RIMSCentral, under the appropriate assignment, a PDF APPRAISAL REPORT to include:
    - The Recipient information [name, address, etc]
      Wells Fargo Bank – RETECHS
      Sheila Russell (NC-COL)
      401 S Tryon St, 26th Floor
      Charlotte, NC 28202
      WF-CWS-15-008967-01
    - Vendor digital signature
2. Upload to RIMSCentral a copy of the appraiser's state license / certification as an addendum to the appraisal report.
3. Upload to RIMSCentral any other property information used to complete the assignments as stated in the Request for Proposal (RFP)
4. Upload to RIMSCentral the Original Invoice addressed to:

   Wells Fargo Bank RETECHS
   Sheila Russell (NC-COL)
   401 S Tryon St, 26th Floor
   Charlotte, NC 28202
   704-374-6062

Note: *If uploading the documents to RIMSCentral is* ***not feasible****, please contact RIMSCentral for upload assistance, or the RETECHS Job Manager, Sheila Russell (NC-COL), for additional delivery instructions.*

If hard copies were requested per the RFP, only upon authorization via e-mail from a RETECHS representative is the vendor to deliver hard copy or copies:

Deliver to: WILLIAM SCARGLE (RGBK-CMG)
D0246-020
820 RED BANKS RD
GREENVILLE, NC 27858
252-439-8703

Additional Requirements may be specified in an attached addendum.

ADDENDUM