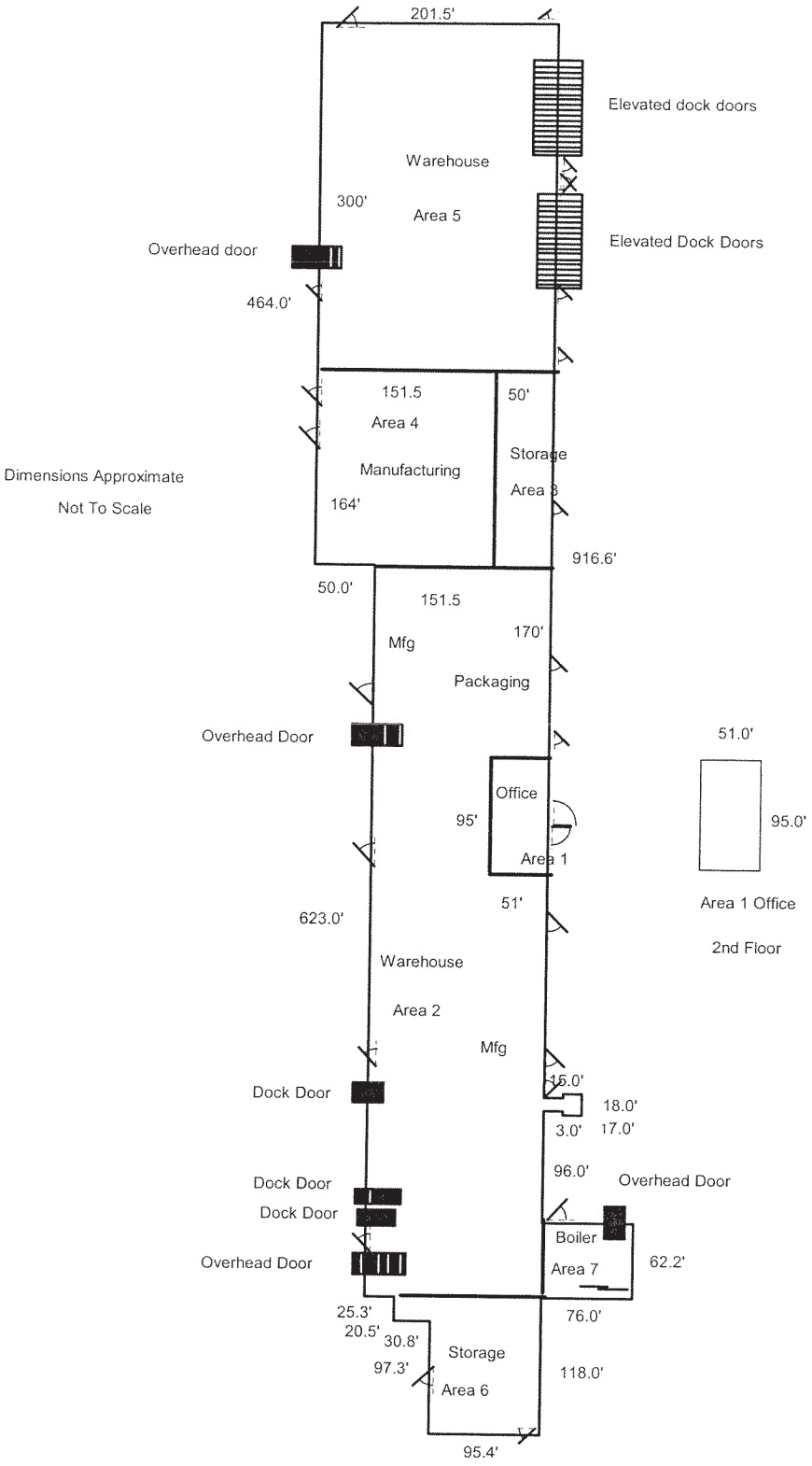
Building Sketch (Page - 1)

Borrower/Client			
Property Address			
City	County	State	Zip Code
Lender			



William D. Otto Spence, MAI, SR/WA, CCIM, MS
Wm. D. Otto Spence Real Estate

Building Sketch (Page - 2)

Borrower/Client			
Property Address			
City	County	State	Zip Code
Lender			

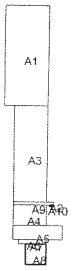
SKETCH CALCULATIONS		
	A1 : 201.5 x 464.0 =	93496.0
	A2 : 17.0 x 3.0 =	51.0
	A3 : 151.5 x 452.6 =	68568.9
	A4 : 151.5 x 96.0 =	14544.0
	A5 : 227.5 x 62.2 =	14150.5
	A6 : 151.5 x 0.2 =	30.3
	A7 : 126.2 x 20.5 =	2587.1
	A8 : 95.4 x 97.3 =	9282.4
	A9 : 183.5 x 12.0 =	2202.0
	A10 : 17.0 x 3.0 =	51.0
	First Floor	204963.2
	A11 : 51.0 x 95.0 =	4845.0
	Second Floor	4845.0
	Total Living Area	**209808.2**

TABLE OF CONTENTS

ADDENDA:

EXECUTIVE SUMMARY

LOCATION:	1010 Keller Drive New Salisbury, (Harrison County), Indiana 47161
PROPERTY RIGHTS APPRAISED:	Those of the fee simple estate.
PURPOSE OF APPRAISAL:	To estimate the market value of the subject property as of March 11, 2008.
FUNCTION OF APPRAISAL:	To be used to establish the market value of the subject property for purchasing/lending purposes.
TAX IDENTIFICATION:	Harrison County Assessor's Parcel Identification Numbers: 006-04649-00, 006-04650-00, 006-04648-00, and 006-04647-00
ZONING:	I-2, Heavy Industry District
PROPERTY TYPE:	Improved site with Industrial Facility
HIGHEST AND BEST USE:	Industrial Use
SITE SIZE:	46.882 Acres / 2,042,180 Square Feet
DESCRIPTION OF SITE:	A site with relatively level topography. The subject site has frontage on a public maintained roadway, Keller Drive and Norfolk Southern Railway. The site is irregular in shape (design).
DESCRIPTION OF IMPROVEMENT:	An industrial manufacturing facility containing 209,808 square feet of gross building area. Built in 1973 with two (2) additions in 2000 and in 2005.
VALUATION:	
Cost Approach	**$4,000,000**
Sales Comparison Approach	**$3,100,000**
Income Approach	**$3,260,000**
Final Indication of Value	**$3,100,000**
EFFECTIVE DATE:	**March 11, 2008**
INSPECTION DATE:	**March 11, 2008**
DATE OF REPORT:	**April 1, 2008**

CLIENT:

Tammy Coyle Markland
Traditional Bank
49 West Main Street
Mount Sterling, Kentucky 40353

APPRAISERS:

William D. Otto Spence, MAI, SR/WA, CCIM, MS
General Real Property Appraiser
Wm. D. Otto Spence Real Estate
642 South Second Street, Crescent Centre #1109
Louisville, Kentucky 40202
Peter McLeod Margerum
Certified Real Property Appraiser
Opponopoly RES
P.O. Box 782
Prospect, Kentucky 40059

SUBJECT:

1010 Keller Drive
New Salisbury, (Harrison County), Indiana 47161
Site Area of 46.882 Acres
Part of the Southwest quarter of Section 29, the Southeast quarter of the Southeast quarter of Section 30, the Northeast quarter of the Northeast quarter of Section 31, and the Northwest quarter of the Northwest quarter of Section 32, Township 2 South, Range 4 east, Jackson Township, (Harrison County), Indiana
Harrison County Assessors Parcel Identification Numbers:
006-04649-00, 006-04650-00, 006-04648-00, and 006-04647-00
New Salisbury, (Harrison County), Indiana 47161
of Record in Instrument Number 200410718

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to provide the appraisers' best estimates of the value indications dealing with market worth of the subject real property as of the effective date. The term of Market Value must be addressed. ***Market value*** is defined by the federal financial institutions regulatory agencies as follows:

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

(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.

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

INTENDED USE OF REPORT

This appraisal is intended to assist the client, Traditional Bank, with establishing the market value of the subject property for investment purposes. The market value of this report will be used in establishing lending requirements for the subject property if they decide to accept the subject property as collateral for a commercial loan.

INTENDED USER OF REPORT

The intended user of this appraisal report is Traditional Bank. The appraisal report may be received or read by parties beyond the release of the original report to Tammy Coyle Markland of Traditional Bank. However, the client-appraiser relationship is between Tammy Coyle Markland of Traditional Bank and William D. Otto Spence, MAI, SR/WA, CCIM, MS and Peter McLeod Margerum; with Traditional Bank, having been consulted and instructed on conditions of the appraisal report. A future reader or holder of this appraisal report is only a reader without the prior written consent of both the appraisers and Traditional Bank to use this report. Any self-implied and/or potential user of this report, outside of William D. Otto Spence, MAI, SR/WA, CCIM, MS and Peter McLeod Margerum; and Traditional Bank, should seek and obtain professional guidance and advice in evaluating this appraisal report.

INTEREST VALUED

To clearly establish the value of the subject property, we have considered the possible influence of the leased fee estate, leasehold estate and the fee simple estate in valuing the subject property. The subject property is currently owner-occupied with no existing leases that would prohibit the subject site and improvements from generating market rental rates.

Leased Fee Estate. A leased fee estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the leases. The subject property is not encumbered by a lease agreement.

Leasehold Estate. A leasehold estate is the interest held by a lessee (the tenant or renter) through a lease transferring specified rights, including the right of use and occupancy, for a stated term under certain conditions. In this case, the relationship of contract rent to market rent would influence the

value of the leasehold. As described, the contract rent would be equal to the market rent; therefore, there would be no value for the leasehold estate for the subject property.

Fee Simple Estate. A fee simple estate is the absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. When the market rates and the contract rates are equal, the values of the fee simple estate and leased fee estate are typically equal. Small residential and commercial properties in the subject neighborhood are purchased without considering the influence of market rental rates, because of the short term of the leases. Therefore, the true value of the subject property is in the fee simple estate.

EFFECTIVE DATE OF VALUE

The effective date of the appraisal report is March 11, 2008.

DATE OF REPORT

The date of the report (the date the report is prepared) is April 1, 2008.

APPRAISAL DEVELOPMENT AND REPORTING PROCESS

In preparing this appraisal, the appraisers:

- observed (inspected) the subject site;
- gathered and confirmed recorded information from assessor's office on the subject property;
- gathered and confirmed recorded information from the zoning office concerning existing and potential zoning regulations;
- gathered and obtained deed descriptions of the subject property;
- applied the deed description to a Deed Runner analysis;
- searched the local MLS data base for vacant land sales;
- searched courthouse records and other sources of vacant land sales;
- gathered data from the subject neighborhood on vacant land sales;
- confirmed information from the subject neighborhood on vacant land sales;
- observed (inspected) vacant land sales;
- selected vacant land comparables from vacant land sales;
- applied the Sales Comparison Approach to the vacant land sales to arrive at an indication of value.
- gathered data from the local, regional and national market sources on new construction projects of industrial buildings;
- confirmed information from the local, regional, and national market sources on cost estimates for industrial building;
- observed (inspected) comparable new industrial buildings;
- applied the Cost Approach to arrive at an indication of value.

- gathered data from the local, regional and national market area on industrial building sales;
- confirmed information the local and regional market area on industrial building sales;
- observed (inspected) comparable industrial building sales;
- selected industrial building comparables from industrial building sales;
- applied the Sales Comparison Approach to arrive at an indication of value.
- gathered data from the local, regional and national rental market data on industrial buildings;
- confirmed information from the local, regional, and national rental market area on industrial buildings;
- observed (inspected) comparable rental industrial buildings;
- selected industrial building comparables from rental industrial buildings;
- applied the Income Approach to arrive at an indication of value.
- Reconciled the approaches to a final reconciliation of the report.

In preparing this appraisal, we have considered the three approaches to value, and have determined that the Sales Comparison Approach, the Cost Approach, and the Income Approach are all appropriate methods of estimating the market value of the subject property.

This Complete Appraisal Summary Report is recapitulation of the appraisers' data, analyses, and conclusions. Supporting documentation is retained in the appraiser's files for security reasons and requests from sources of data. Some information dealing with individual comparables were not published in this appraisal report because of the business influence of the providers of the data.

DESCRIPTION OF REAL ESTATE APPRAISED

Market Area Analysis

As defined in *The Appraisal of Real Estate, Twelfth Edition,* published by the Appraisal Institute, a neighborhood is "a group of complementary land uses". Social, economic, governmental, and environmental forces affect the subject property's neighborhood. These forces influence the use and value of properties in the vicinity of the subject, which, in turn, directly affect the use and value of the property. In order to analyze the effect of these forces, the appraisers identify the area within which these forces influence use and value in the same way as the subject, and this area is commonly called a neighborhood.

Regional Data

The subject property is situated outside the City Limits of Corydon, in central Harrison County, in the southern part of the State of Indiana. The southern portion of the State of Indiana, which includes the counties of Clark, Floyd, Harrison, Scott, and Washington are part of the Metropolitan Statistical Area. The counties of Bullitt, Hardin, Henry, Jefferson, Larue, Meade, Nelson, Oldham, Shelby, Spencer, and Trimble compose the Metropolitan Statistical Area for the State of Kentucky. The Ohio River establishes the state boundary between Kentucky and Indiana. The Metropolitan

Statistical Area (MSA) number for the City of Louisville, (Jefferson County), Kentucky is 31140. The state code is 18 and the county code is 061. The census tract coding for the subject's section of the county is 0602.00.

The region is defined by the following boundaries. This area is bound on the north by the Indiana counties of Clark, Scott, and Washington. The Indiana county of Harrison and the Kentucky County of Meade are on the western border of the market. The southern boundary is defined by Hardin County, Larue County, and Nelson County. Spencer County, Shelby County, and Trimble County bind the eastern boundary.

Louisville, Kentucky is the economic center for the region. In the past, manufacturing was the largest employer. The service sector has replaced manufacturing as the largest employment sector. United Parcel Service, Inc., located at the Louisville International Airport is the area's largest employer. As UPS has grown over the past decade, numerous other distributors have located to the area to take advantage of the distribution network.

Louisville's central location and excellent Interstate and highway system allows for exceptional distribution and transportation abilities. Louisville is connected north-south by Interstate 65. This provides good linkage to Indianapolis and Chicago to the north and Nashville, Tennessee to the south. Interstate 64 is an east-west corridor that connects Louisville with Saint Louis, Missouri on the west and Lexington, Kentucky and Charleston, West Virginia on the east. Interstate 71 is a north-south link to Cincinnati and Columbus, Ohio. CSX and Norfolk Southern provide good railroad access throughout the region. The Jefferson Riverport International in Louisville and the Port of Indiana-Jeffersonville in Jeffersonville, Indiana provide good access to maritime shipping.

The recent merger of the Louisville and Jefferson County governments has streamline local government and helped to reduce red tape. Both the State of Kentucky and the State of Indiana are considered pro-growth and often provide incentives for new business.

Conclusion of the Regional Area

The Louisville, Kentucky region has excellent linkage to surrounding markets via the interstate highway system, Louisville International Airport, railroad, and maritime access. UPS has had a positive influence in attracting national distributors to the area. Low business cost and pro-growth governments are also assets to the market. Continued downturn in the automotive industry will negatively affect the two local Ford Motor Company assembly plants and associated suppliers. The leisure/hospitality industry has been making the most recent gains. Real estate values in the area remain flat with a slight over supply in all segments. Overall growth will continue to be stagnant and economic recovery will be slow.

Harrison County Neighborhood

The subject neighborhood is located in and around Corydon, (Harrison County) Indiana, approximately twenty-three (23) miles west of the Louisville Central Business District (CBD) of

Louisville, Kentucky. The City of Louisville and Jefferson County is the economic base for the subject neighborhood and adjoining counties.

Corydon is the county seat for Harrison County, Indiana and serves as the health care and retail shopping center for the neighborhood. Major employers in Harrison County include Caesars Indiana, Tyson Foods Incorporated, South Harrison Community School Corporation, Wal-Mart Supercenter, Harrison County Hospital, Icon Metal Forming, Blue Rive Services, North Harrison Community School Corporation, Kindred Health and Rehab, Norstam Veneers, Daramic Incorporated, Fred Smith Sore Fixtures, Speed Flex, and Lucas Oil Products. Caesars Indiana, which opened in November 1998, has had a significant impact on employment (2,100 employees) and tax revenue for the county government. The Chamber of Commerce of Harrison County list the labor force in 2006 as 19,700 with 18,754 employed and an unemployment rate of 4.8 percent. The Labor Division is as follows: Retail Trade - 21%, Accommodations, Entertainment, and Food Services – 17%, Services – 16%, Manufacturing 15%, Government 9%, Agriculture 7%, Construction 6%, Financial, Insurance, Real Estate – 3%, Transportation & Utilities – 3%, and Other – 3%.

Population estimates, according to the United States Census Bureau, for Harrison County in 2006 was 36,992, up 7.8% from the 2000 census. Median household income for 2004 was $46,893 slightly above the state and national median income. The Southern Indiana Realtors Association's MLS states the median sales price for single family housing in Harrison County for 2007 was $119,000, which is a slight decrease from $122,000 in 2006.

For the purpose of this report, the neighborhood boundaries are delineated as the adjoining county list which is Jefferson County, Kentucky and Floyd County, Indiana on the east, Bullitt County, Kentucky and Meade County, Kentucky on the south, Crawford County, Indiana on the west, and Floyd County, Indiana and Washington County, Indiana on the north. The subject/local area is divided into four portions.

The northwestern portion of the neighborhood consists of a mixture of agricultural uses, special-purpose properties, commercial development, industrial development, and residential development. Commercial development is concentrated on Indiana State Road 64, which is the major east-west traffic artery in this portion of the neighborhood. Commercial developments along these corridors consist of convenience stores, retail centers, restaurants, and branch banks. Special-purpose properties in this portion of the neighborhood include churches and public parks. Residential development in this portion of the neighborhood consists of single-family residences located in the residential development or on large tracts of land. The communities located in this area include the unincorporated communities of Depauw and Ramsey.

The southwestern portion of the neighborhood consists of a mixture of agricultural uses, special-purpose properties, commercial development, and residential development. Commercial development is located along Indiana State Road 135 and Indiana State Road 62. Commercial development in this portion of the neighborhood consists of convenience stores, retail stores, and restaurants. Special-purpose properties in this portion of the neighborhood include churches, and public parks. Residential development in this portion of the neighborhood consists of single-family

residences located in the residential development or on large tracts of land. The towns located in this area include Central, Mauckport, and New Amsterdam.

The northeastern portion of the neighborhood consists of a mixture of agricultural uses, commercial development, special-purpose properties, and residential development. Commercial development is located along Indiana State Road 135, Indiana State Road 64, and U.S. Highway 150. Commercial development along this corridor consists of convenience stores, retail centers, restaurants, and branch banks. Special-purpose properties in this portion of the neighborhood include churches and public parks. Residential development in this portion of the neighborhood consists of single-family residences located in the residential development or on large tracts of land. This area includes the unincorporated community of New Salisbury and the town of Crandall.

The southeastern portion of the neighborhood consists of a mixture of agricultural uses, commercial development, industrial development, special-purpose properties, and residential development. Commercial development is concentrated on Indiana State Road 135, just south of the Interstate 64 interchange, which is the major north-south traffic artery in this portion of the neighborhood. The Indiana State Road 135 corridor retains its influence from the area referred to as Corydon, which includes uses of land for commercial and industrial purposes. Corydon, the county seat of government, serves as the area retail, health care, and governmental center. Special-purpose properties in this portion of the neighborhood include churches, golf courses, and public parks. This portion of the neighborhood is anticipated to experience continued growth in the next few years as demand for residential properties in Harrison County continues.

The subject property is located in the northeastern portion of the neighborhood west of State Road 135 and South of State Road 64. More specifically, the subject property is located west of Keller Drive/Louisville-New Albany-Corydon Railroad, and south of the Norfolk Southern Railroad. The area consists mainly of large tracts of land utilized in farming and single-family residential uses. Commercial, retail, and industrial operations are located along Indiana State Road 64 and Indiana State Road 135 near the junction of these roads.

Conclusion of the Local Area

The subject property's local area is rural with good linkage and access to the Interstate Highway System. Growth is currently stable and property values have had a slight decline as compared to the national trends. There are three manufacturing operations in the local area that are connected to the automotive industry. Lucus Oil Products and Martinrea's ICON Metal Forming operation are currently operating successfully. Tower Automotive, which manufactures chassis frames for Ford Motor Company, has ceased operation and the manufacturing building and supporting site is currently for sale. Overall growth will continue to be stagnant and economic recovery will be slow.

SITE DESCRIPTION

Access, Boundaries, Topography and Size

The subject site is an interior site located in the aforementioned neighborhood. The subject site is situated approximately one-mile southwest of the intersection of Indiana State Road 135 and Indiana State Road 64. Indiana State Road 135 is a direct link into Corydon and Interstate 64, 4.75 miles southwest of the subject property.

The subject site is located on the west side of Keller Drive. The subject property is bound on the east by Keller Drive, the Louisville-New Albany-Corydon Railroad, and a property owned by Robert and Milissa Sawtelle. The latter property is improved with a single-family dwelling. The Norfolk Southern Railroad borders the subject property on the north. A vacant tract owned by Mark Haas borders the western and southern boundaries. The subject site has frontage on Keller Drive.

A railroad spur previously served the subject property. This spur was mostly removed during a building expansion in 2000. Remnants of the spur remain on the extreme northeastern portion of the site between the Norfolk Southern Railroad and the property owned by Robert and Melissa Sawtelle. See attached addendum plat.

The subject property consists of the 46.882-acre tract (2,042,180 square feet) described. The site area is irregular in shape. The land area is based upon the deed description and tax records that indicate the total land area as 46.882 acres. The site contains a 209,808 square foot warehouse, office, and manufacturing building. Other improvements to the site include a kiln, water reservoir for fire suppression, pump house, waste treatment facility, barn, and an exterior employee break building. The site has asphalt and gravel parking areas on the eastern side of the subject site.

The topography of this site is relatively level in the areas surrounding the vertical (building) improvements. The extreme western portion is gently rolling with the slopes and elevations falling and raising from natural grades. The overall description of the site is average and development friendly. **Sinkholes are prevalent in the neighborhood as evidenced along the western portion of the subject site. See attached topographical map addenda.** Soil conditions appear to be typical for the neighborhood. The site is wooded along the western and southern perimeter.

Utilities

The subject site has access to the available public utilities in the neighborhood, which include electricity, water, and telephone.

Ramsey Water Company provides water service. The water service is from a ten-inch main at Keller Drive. Ramsey Water Company is located at 415 Highway 64 NW, Ramsey, Indiana 47166. The telephone number is (812) 347-2551. Published news reports from The Courier-Journal newspaper dated March 1, 2008 indicate that Ramsey Water Company is seeking a 25.8 percent rate increase Indiana Utility Regulatory Commission (IURC) Cause No. 43413.

Harrison Rural Electric Membership Cooperative provides the three-phase, 277/480-volt service to the property. Their mailing address is Post Office Box 517, Corydon, Indiana 47112. The telephone number is (812) 738-4115. No other public utilities have been extended onto the property.

Waste Water Treatment

The subject site is not served by a public sanitary sewer system. Because of the rural nature of the neighborhood, public sanitary sewer service will not be available within the foreseeable future. An on-site wastewater treatment plant treats the wastewater from the industrial improvement of the subject property. This is wastewater from sinks, toilets, and water fountains. This system is designed to break down solids, aerate the wastewater, and then pump the wastewater into a lagoon where it is exposed to ultraviolet radiation (sunlight). Additionally the current owners hold a permit, from Indiana Department of Environmental Management (IDEM) that allows excess wastewater from the lagoon to be pumped/ sprayed/applied to five surrounding land areas. The treatment plant and lagoon are located near the western boundary of the site. The treatment plant was operating on day of inspection. **See attached addendums for permit and location.**

Water Reservoir for Fire Suppression System

The subject site has a two hundred thousand (200,000) gallon water reservoir that is utilized for the fire suppression system for the industrial improvement of the subject property. The reservoir is contained in an earthen mound that is lined and covered. The electric and diesel-fueled pumps are housed in a detached concrete block building located at the southeastern end of the industrial improvement, adjacent to the reservoir.

Flood Zone Issues

The subject property is located in a FEMA-identified FIRM Map Number 180085 0004B, Zone X, which has an effective date of November 1, 1995. This site is not in the 100-year flood plain.

Zoning

The zoning for the subject property is controlled and regulated by Harrison County Planning Commission Office at the mailing address of 124 South Mulberry Street, Corydon, Indiana 47112. The telephone number is (812) 738-3958. According to Zoning Maps and documents, the subject site is zoned I-2, Heavy Industrial District.

The I-2, Heavy Industrial District is intended to provide a land use category for a wide variety of manufacturing, warehousing and commercial/service uses.

Encroachments and Easements

There were no adverse encroachments noted on the day of the inspection. The appraisers walked the property; there were no visual adverse conditions due to encroachments. The appraisers did

note a gravel road that has been used in the past to connect Keller Drive to an adjoining property to the west. Though there is a sign prohibiting use, there is not a significant barrier to restrict the continued use of the roadway. No easement is described in the subject property deed.

Environmental Statement

At the time of our inspection of the subject site, there were no indications of contamination from toxic wastes. As appraisers, we are not qualified to judge the presence, absence, or extent of, contamination from toxic waste or materials. The value reported in this appraisal report is done so explicitly under the assumption that neither the site, nor improvements thereon, is contaminated with any substance, or material, which would have a negative impact on property values. On the day of our inspection, numerous locations on subject site contained wood debris, used shelving and metal-wheeled flats, and used tires. Also according to employees, a large pile of wood chips/saw dust remains were buried on site. Evidence of soil disturbance was noted along the western side of the site. **See attached pictures.** The appraisers were provided a list of chemicals deemed hazardous material. The attached list of materials is a purchase summary from Akzo Nobel Coatings Incorporated dated January 1, 2007 through December 31, 2007. **See attached addendum.**

Conclusion of Site Description

The subject site has average linkages, and average locational factors. The proximity to Interstate 64 and the City of Corydon are positive qualities of this site. The traffic linkage to Interstate 64 is good. The subject site has a railroad spur that extends onto the site. Most of the spur has been removed. Though it is not currently utilized, availability of rail service is a positive influence on the subject site for various marketing conditions.

If the subject site were vacant and available for development, this site would be a very desirable tract for development of an industrial improvement.

IMPROVEMENTS DESCRIPTION

Exterior of Improvement

The subject site is vertically improved with one central industrial manufacturing improvement and three supporting detached improvements. The improvements currently function to serve as an industrial manufacturing facility for Child Craft Industries Inc.

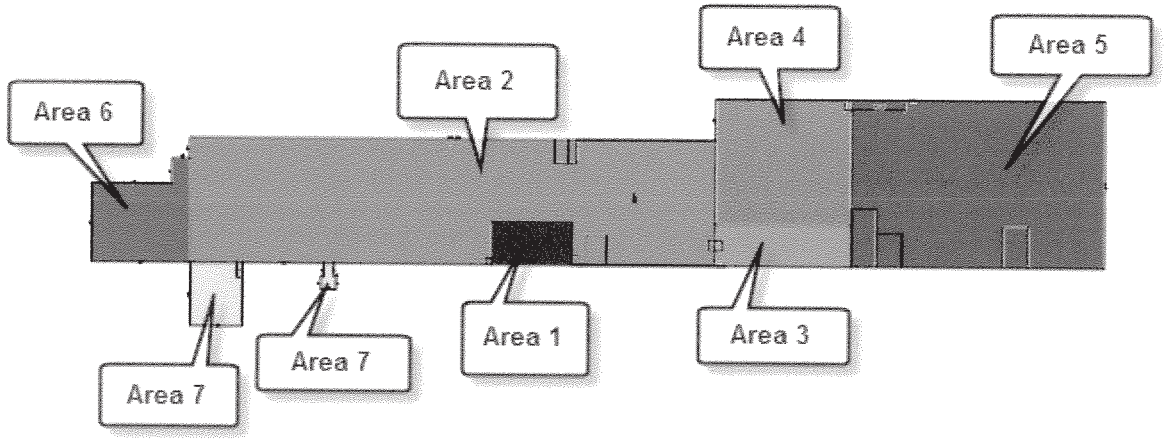
According tot the Harrison County Assessors Office records, the central improvement was originally constructed in 1973 as 177,608 square feet. A building addition of 18,100 square feet was constructed in 2000. The most recent building addition of 14,100 was constructed in 2005. The age of the building sections scale from 3 to 35 years. The weighted average actual age of improvements is 31 years.

The central industrial manufacturing improvement consists of 209,808 square feet of gross building area above grade. This improvement supports the manufacturing, packaging, office, warehouse, storage, delivery, and utility space for Child Craft Industries.

The central improvement has been designed and constructed into sections to provide functionality for the improvement to support various uses as a manufacturing facility.

The central industrial manufacturing improvement is constructed on concrete slab. The improvement consists of a steel frame and concrete block superstructure with concrete block and insulated metal panel encasement. The roof consists of a metal truss support and ribbed steel deck structure which is covered by a rubber membrane roof cover system with a layer of rock aggregate covering to protect the exterior roof system from external elements. The exterior veneer consists of insulated metal panel and masonry block. The improvement has metal eaves and soffits, and metal gutters and downspouts.

In order to accurately describe the central industrial manufacturing improvement, the appraisers have divided the improvement into seven areas based upon use and construction of the improvements. The exterior analysis focuses on Area 1, Area 2, Area 3, Area 4, Area 5, Area 6 and Area 7. See illustration below. The three accessory buildings are identified and described separately from the central industrial manufacturing improvement.



Area 1

Current Use	Area 1 contains 9,690 square feet of professional finish office space
Architectural Style	Two story office
Actual Age	Built 1973 per Harrison County Assessors Office records, 35 years
Effective Age	10 to 15 years
Est. Remaining Physical Life	15 to 25 years

Exterior

Foundation	Poured concrete footings
Exterior Wall Veneer	Decorative concrete block, painted (front exterior elevation of building) The balance of exposed exterior walls in this area is contained inside Area 2.
Roof Type/Cover	Flat roof/rubber membrane, rock ballast
Window Type	Eight fixed single-section thermal sealed glass in metal frames Nine fixed two-section thermal sealed glass in metal frames
Doors	Double door, glass and metal frame entry doors
Other Exterior Improvements	Two story covered portico, 14' depth x 32' width
Eave Height	22' approximate from grade
Gutters	Metal gutters and downspouts
Deferred Maintenance	None observed
Deterioration	None observed
Quality	Average
Condition	Average

Area 1 Summary

This building area is located slightly left of the front wall mid-point of the entire length of the principal improvement. This area is constructed inside the front wall plane of Area 2, and has an exterior dimension of approximately fifty-one (51) linear feet by ninety-five (95) linear feet. The first level has 4,845 square feet on the first level and the equal of 4,845 square feet on the second level. This area has a front exterior veneer that is consistent with the balance of veneer on the front of the improvement. This area is visually differentiated from the balance of construction by its two-story covered portico entry, sidewalk access from the parking area, glass doors, window sections, lighting and signage.

Area 2

Current Use	Area 2 contains 89,975 square feet of manufacturing and storage space
Architectural Style	One story
Actual Age	Built 1973 per Harrison County Assessors Office records, 35 years age
Effective Age	20 to 25 years
Est. Remaining Physical Life	35 to 45 years

Exterior

Foundation	Poured concrete footings
Exterior Wall Veneer	Decorative concrete block, painted (front elevation of building) Insulated vertical metal panel, painted (rear elevation of building) Unfinished concrete block (left rear elevation end cap extension of fire wall)
Roof Type/Cover	Flat roof/rubber membrane, rock aggregate
Window Type	Thirty one horizontal sliding single-pane glass in metal frames (rear elevation)
Exterior Ventilation Penetrations	Six louvered ventilation fixtures (rear elevation)
Entry Doors	Four metal entry doors on the front elevation Four metal entry doors on the rear elevation
Dock Doors, Rear Elevation	One 10' width x 15' height metal overhead door at grade One 8' width x 9.5' height wood dock door (poor condition), 4' elevation over sunken dock entry, with load leveler plate, and adjacent drain pit Two 8' width x 10' height metal dock doors, 4' elevation over sunken dock entry, with load leveler plates. One 16' width x 16' height metal overhead door at grade
Other Exterior Improvements	10' x 17' metal shed overhang over rear entry door 16' x 30' poured concrete pad at rear door 12' x 60' concrete driveway and retaining walls at sunken dock door entry 20' x 62' concrete driveway and retaining walls at sunken dock door entry Brick masonry construction enclosure for hopper and conveyor mechanical system (486 square feet included in GBA)
Eave Height	22' approximate from grade
Gutters	Metal gutters and downspouts
Deferred Maintenance	Two gutter downspouts damaged, front elevation Deteriorated paint on metal panel veneer, rear elevation wall veneer and left elevation soffits
Deterioration	Typical rust on metal panels due to paint deterioration, rear elevation Rust on metal panels due to paint deterioration on left elevation soffits Deteriorated wood construction overhead dock door Damaged brick on hopper/conveyor enclosure
Quality	Average
Condition	Average

Area 2 Summary

This building area is located in the left section of the entire length of the principal improvement. This area has a dimension of approximately one hundred fifty-one point five (151.5) linear feet by six hundred twenty-three point two (623.2) linear feet, excepting the inset area of Area 1, plus the hopper/conveyor mechanical room. This area is exposed on the front and rear of the building, with the exception of Area 1 on the front elevation. This area has a front exterior veneer that is consistent with the balance of veneer on the front of the building, and a rear veneer that is consistent with the balance of veneer on the rear of the building. The left end of the building is part of the concrete block firewall extending from the front to the rear of the building, and from the foundation through the roof section. This area is visually blended with the balance of construction.

The vertical metal panel veneer on the rear elevation has aged paint that results in some exposure of metal materials. Metal is rusting, originating in ridged surface areas. This wall surface should be repaired and painted in the near term. Total surface area approximates 13,700 square feet. Estimated cost to complete is $25,000.

The metal soffits on the left elevation, above the adjacent Area 6 roofline, have aged paint that results in exposure of metal materials. Metal is rusting. This surface should be repaired and painted immediately. Total surface area approximates 800 square feet. Estimated cost to complete is $1,500, based on Marshall/Swift cost estimates.

One gutter on the front elevation has a damaged elbow at the discharge. One gutter on the front elevation needs an extension of approximately 10' and a discharge elbow. Estimated cost to repair is $350.

The conveyor/hopper house appears damaged from impact. The affected block construction area approximates 50 square feet, and includes a corner. Estimated cost to repair is $1,200.

The deteriorated overhead dock door on the rear elevation needs replacement. Estimated cost to replace is $1,200.

All cost estimates are based on Marshall Valuation Service cost estimates, and should be confirmed with contractor professionals.

Area 3 and Area 4

Current Use	Area 3 contains 8,200 square feet of manufacturing and storage space Area 4 contains 24,846 square feet of manufacturing and storage space
Architectural Style	One story
Actual Age	Original construction of 18,946 square feet was built 1973 per Harrison County Assessors Office records. Building addition of 14,100 square feet was built 2005 on the rear of Area 4, per Harrison County Assessors Office records. Weighted average actual age is 22 years
Effective Age	10 to 15 years
Est. Remaining Physical Life	35 to 45 years

Exterior

Foundation	Poured concrete footings
Exterior Wall Veneer	Decorative concrete block, painted (front elevation of building) Insulated vertical metal panel, painted (rear elevation of building) Unfinished concrete block (left rear elevation end cap extension of fire wall)
Roof Type/Cover	Flat roof/rubber membrane, rock ballast
Window Type	Seven horizontal sliding single-pane glass in metal frames (rear elevation)
Exterior Ventilation Penetrations	Four louvered ventilation fixtures (rear elevation)
Entry Doors	One metal entry door on the front elevation to Area 3 Two metal entry doors on the rear elevation to Area 4
Other Exterior Improvements	25' x 50' poured concrete pad and stem wall containment for drum storage
Eave Height	22' approximate from grade
Gutters	Metal gutters and downspouts
Deferred Maintenance	None visible
Deterioration	None visible
Quality	Average
Condition	Average

Area 3 and Area 4 Summary

These building areas are located right of the central area of the entire length of the principal improvement. These areas are combined because they are similar use, within a horizontal plane from front to rear. These areas have a dimension of approximately one hundred and sixty-four (164) linear feet by two hundred one point five (201.50) linear feet. Area 3 is exposed on the front of the building. This area has a front exterior veneer that is consistent with the balance of veneer on the front of the building. Area 4 is exposed on the rear of the building. This area has an exterior veneer that is relatively new as compared to the balance of veneers, and is physically consistent with the balance of veneer on the rear of the building. The left end of the building is part of the concrete block firewall extending from the front to the rear of the building, and from the foundation through the roof section. These areas are visually blended with the balance of construction.

Area 5

Current Use	Area 5 contains 60,450 square feet of manufacturing and storage space
Architectural Style	One story
Actual Age	Original construction of 42,350 square feet was built 1973 per Harrison County Assessors Office records. Building addition of approximately 18,100 square feet was built 2000 on the rear and right end of Area 5, per Harrison County Assessors Office records. Weighted average actual age is 27 years
Effective Age	10 to 15 years
Est. Remaining Physical Life	35 to 45 years

Exterior

Foundation	Poured concrete footings
Exterior Wall Veneer	Decorative concrete block, painted (front elevation of building) Insulated vertical metal panel, coated (rear and right side elevation of building)
Roof Type/Cover	Flat roof/rubber membrane, rock ballast
Entry Doors	One entry door with concrete steps on the front elevation One entry door with metal steps on the front elevation One entry door at grade on the front elevation One entry door with concrete steps on the right side elevation One entry door at grade on the right side elevation One entry door at grade on the rear elevation
Dock Doors, Front Elevation	Six 8' width x 10' height metal overhead doors, 4' elevation over gravel truck parking area, with load leveler plates Six 8' width x 10' height wood overhead doors, 4' elevation over gravel truck parking area, four with load leveler plates, two without
Dock Doors, Rear Elevation	One 10' width x 13' height metal overhead door at grade
Eave Height	22' approximate from grade, 26' approximate from gravel truck parking area
Gutters	Metal gutters and downspouts
Deferred Maintenance	None visible
Deterioration	None visible
Quality	Average
Condition	Average

Area 5 Summary

This building area is located at the right end of the central improvement. This area has a dimension of approximately two hundred (200) linear feet by three hundred (300) linear feet, and is placed on the right end, extending from the front to the rear elevation of the building, and terminates at its left end, at a firewall separation from Area 3 and Area 4. This area has a front exterior veneer and side and rear exterior veneer that is consistent with the balance of veneer on the building. The rear and side veneer sections have an exterior veneer that is relatively new as compared to the balance of veneers, and is physically consistent with the balance of veneer on the building. This area is visually blended with the balance of construction.

The overhead bay doors provide access for warehouse and loading areas for tractor-trailers. Each bay door is approximately four (4) linear feet above the grade of the gravel parking/staging area. All doors except bay doors #3 and #4 are equipped with load leveler plates. Each bay door is

trimmed with padding to protect the doors and frames from impact of tractor-trailers and serve a built-in weather seals. There is one ten (10) foot by thirteen (13) foot drive in bay door located at the rear elevation. The building eave height is 22' from normal grade, and 26' height from the tractor-trailer dock grade.

Area 6

Current Use	Area 6 contains 11,889 square feet of storage space
Architectural Style	One story
Actual Age	Built 1973 per Harrison County Assessors Office records, 35 years
Effective Age	20 to 25 years
Est. Remaining Physical Life	20 to 25 years

Exterior

Foundation	Poured concrete footings
Exterior Wall Veneer	Decorative concrete block, painted (front elevation of building) Insulated vertical metal panel, coated (rear and left side elevation of building)
Roof Type/Cover	Flat roof/rubber membrane, rock aggregate
Entry Doors	One entry door at grade on the left elevation One entry door at grade on the rear elevation
Other Exterior Improvement	24' x 95' covered shed area (poor condition with no contributory value) 30' x 50' concrete bin storage with 7' height x 60' length concrete wall 8.8' x 13.3' block storage room (117 square feet not included in GBA, no value)
Eave Height	17' approximate from grade
Gutters	Metal gutters and downspouts
Deferred Maintenance	Deteriorated paint on metal panel veneer, rear elevation Deteriorated metal shed roof cover Block construction storage room
Deterioration	Gutters on front elevation Rust on metal panel veneer Deteriorated metal shed roof cover Interior of block construction storage room, door and window
Quality	Fair
Condition	Less than average

Area 6 Summary

This building area is located at the left end of the central improvement. This area has a dimension of approximately ninety-five point four (95.4) linear feet by one hundred and eighteen (118) linear feet, plus an addition of twenty point five (20.5) linear feet by thirty point eight (30.8) linear feet at the right rear elevation. This area is placed on the left end of the principal improvement, extending from the front to the rear elevation of the building, and terminates at its right end at a wall separation from Area 2. This area has a front exterior veneer and side and rear exterior veneer that is consistent with the balance of veneer on the building.

A covered shed area attached to the left end exterior is in poor condition. The roof panels have rusted and are failing. There is a room structure on the shed roof that is in poor condition and is not accessible due to safety reasons. There is a twenty-four (24) linear foot by ninety-five (95) linear foot concrete pad beneath the shed roof that is suitable for equipment parking or materials storage. There are two large doors on the left side that originally provided exterior access from the shed area that are boarded closed with plywood.

There is concrete storage pads with concrete walls constructed on the front elevation designed for storage of scrap materials.

There is a block wall construction storage room outside the building area, attached to a common block wall extension. This was used as a small office room, but is no longer in use and has had electric utilities disconnected. The room is now simply shell construction. There is no value to this improvement because of its condition and functional utility.

This building section is visually blended with the balance of construction.

The vertical metal panel veneer on the rear elevation has aged paint that results in some exposure of metal materials. Metal is rusting, originating in ridged surface areas. This wall surface should be repaired and painted the near term. Total surface area approximates 2,000 square feet. Estimated cost to complete is $3,600.

Gutters on the front elevation have deteriorated to the point of complete failure, and should be replaced immediately. There are approximately 118 lineal feet of gutters. Estimated cost to replace is $1,300.

Due to the lack of functional utility of the concrete block storage room, there is no economical use or value, and no repairs are recommended.

All cost estimates are based on Marshall Valuation Service cost estimates, and should be confirmed with contractor professionals.

Area 7

Current Use	Area 7 contains 4,758 square feet of mechanical room storage (boiler room)
Architectural Style	One story
Actual Age	Built 1973 per Harrison County Assessors Office records, 35 years
Effective Age	20 to 25 years
Est. Remaining Physical Life	35 to 45 years

Exterior

Foundation	Poured concrete footings
Exterior Wall Veneer	Decorative concrete block, painted (side elevations) Insulated vertical metal panel, painted (front elevation of building)
Roof Type/Cover	Flat roof/rubber membrane, rock aggregate
Entry Doors	One entry door at grade on the right elevation One sliding double-door at grade on the left elevation
Dock Doors	One 10' width x 14' height metal overhead door at grade, right elevation
Other Exterior Improvement	Mechanical system piping
Eave Height	29' approximate from grade
Gutters	Metal gutters and downspouts
Deferred Maintenance	Impacts on metal panel veneer, front elevation
Deterioration	Gutters deteriorated
Quality	Average
Condition	Average

Area 7 Summary

This building area is located near the left end of the central improvement, outset from the front wall plane of the central building improvement. This area has a dimension of approximately sixty-two point two (62.2) linear feet by seventy-six point five (76.5) linear feet. This area has a front exterior veneer and side exterior veneer that is consistent with the balance of veneer on the building. This building area is used as a mechanical storage room for the boiler heat system.

There is exterior piping to allow supply of ground wood used as a combustible fuel source for the steam heat boiler mechanical system. The piping originates at an adjacent external mechanical hopper assembly that stores and meters delivery of the ground wood product to the boiler system.

Gutters on the left elevation have deteriorated to the point of complete failure, and should be replaced immediately. There are approximately 76 lineal feet of gutters. Estimated cost to replace is $1,100.

The impacts on the metal panel veneer are not significant, some tears have been patched, and these conditions have no negative affect on value or use. There are no repairs recommended.

All cost estimates are based on Marshall Valuation Service cost estimates, and should be confirmed with contractor professionals.

Pump House

Current Use	The pump house contains fire suppression equipment in 794 square feet of mechanical room storage not included in the GBA
Architectural Style	One story
Actual Age	Built 1973 per Harrison County Assessors Office records, 35 years
Effective Age	20 to 25 years
Est. Remaining Physical Life	35 to 45 years

Exterior

Foundation	Poured concrete footings
Exterior Wall Veneer	Decorative concrete block, painted
Roof Type/Cover	Shed roof/Rolled roofing
Entry Doors	One entry door at grade on the front
Eave Height	9' approximate from grade
Deferred Maintenance	None observed
Deterioration	None observed
Quality	Average
Condition	Average

Pump House Summary

The pump house contains water pumps and mechanical equipment to provide the water sprinkler fire suppression needs for the central improvement. The pump house is a 794 square foot building improvement constructed above grade on a poured slab foundation and floor. There is a diesel-fuel backup pump in the event of a power outage.

Wood Storage Building (Formerly Kiln)

Current Use	The wood storage building is used for scrap wood storage and contains 5,104 square feet not included in the GBA
Architectural Style	One story
Actual Age	Unknown, estimated 20+ years
Effective Age	20 years
Est. Remaining Physical Life	10 years

Exterior

Foundation	Poured concrete footings
Exterior Wall Veneer	Metal and wood
Roof Type/Cover	Flat/Cover not visible, commonly metal
Doors	Horizontal sliding doors at the front and rear
Eave Height	17' approximate from grade
Deferred Maintenance	Wall panels
Deterioration	Wall panels
Condition	Fair

Wood Storage Building Summary

This building was designed as a wood drying kiln used in a manufacturing process. The kiln use has been discontinued and the mechanical systems to operate as a kiln have been removed or disconnected. This improvement is currently used as a storage building for wood scrap that is converted to a ground-wood fuel source for combustion in a steam boiler system used to heat the central industrial manufacturing building improvement. This storage building contains 5,104 square feet of gross building area on one level above grade. The front and rear of the building has sliding doors for access.

There are some sidewall panels on the left elevation that are damaged as a result of wood materials or equipment impact. Normally; these wall panels would be protected by a metal veneer, but it appears as though portions of the original construction have been removed, exposing the existing panels that were originally inside the perimeter. This improvement is in fair condition, but has good functionality for storage use.

There are no repairs recommended, considering the overall quality and functional use.

Employee Break Room Building

Current Use	The Employee Break Room Building contains 336 square feet not included in the GBA.
Architectural Style	One story
Actual Age	Unknown, estimated 20+ years
Effective Age	20 years
Est. Remaining Physical Life	10 years

Exterior

Foundation	Poured concrete footings
Exterior Wall Veneer	Metal panel, insulated
Roof Type/Cover	Gable roof/Metal panel
Doors	Wood entrance door on front
Eave Height	7' approximate from grade
Deferred Maintenance	None visible
Deterioration	None visible
Quality	Fair
Condition	Average

Employee Break Room Summary

This is a wood stud frame and metal veneer detached shed for employee break use. This building is constructed at grade on a poured concrete foundation and floor. The interior is finished with exposed insulation panels. The building contains minor furniture, television, microwave and an electric heater.

Exterior (Building) Summary

The building improvements are designed as an industrial manufacturing facility. The construction is similar to predominant construction that occurred in the mid 1970's. While new construction buildings designed for industrial manufacturing offer more efficient floor plans, construction materials and mechanical systems, the subject has good functionality for industrial manufacturing use.

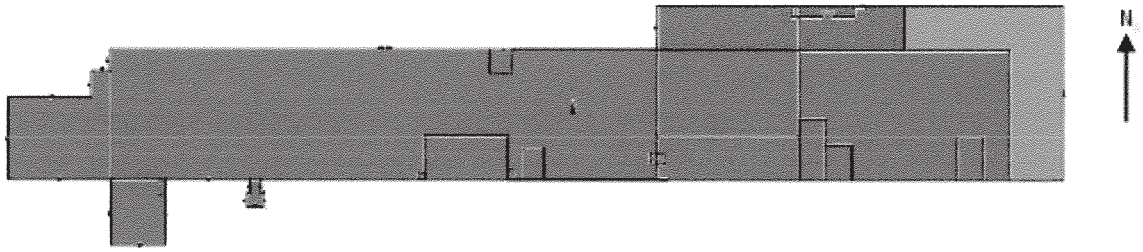
The building exterior is in average overall condition. The items observed with deferred maintenance or deterioration are common for similar age and use buildings. While there are no critical items observed requiring immediate repair, prudent management of the real estate and building asset will dictate ongoing maintenance and repair of these items.

Gutters on the front elevation drain unprotected to grade. Earth erosion has occurred as a result, the eroded areas should be filled and drain leaders should be installed.

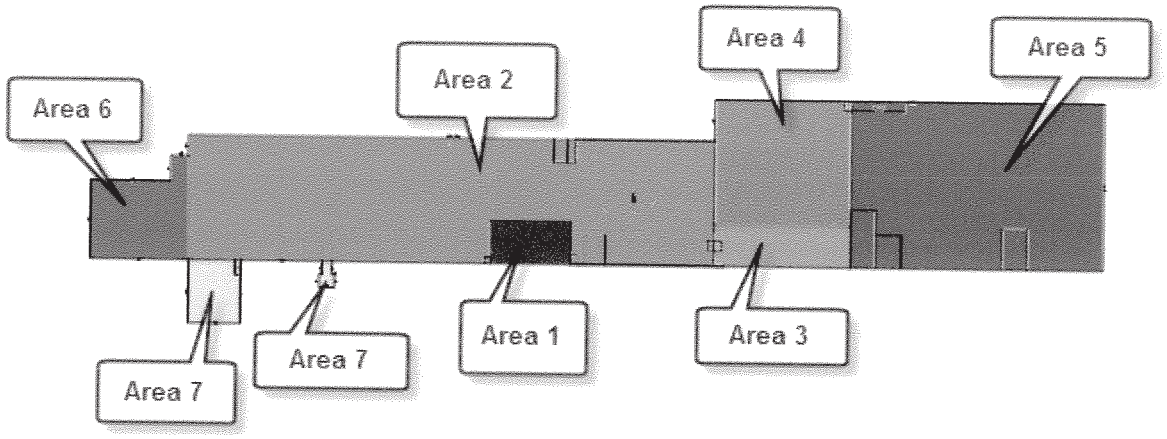
Interior of Improvement

The interior improvements include front two-story sales and office area containing 9,690 square feet of gross building area. The remaining building area is production, storage, shipping and receiving, and mechanical areas containing 200,118 square feet. The improvements have a total gross building area of 209,808 square feet. Included in the remaining building area is finished office space in the shipping and receiving area, and a quality assurance lab in the manufacturing/storage area. These areas are not included in the finished office space calculation due to their perimeter being wood frame construction rather than a more permanent concrete block construction. These areas are considered support space associated directly with the manufacturing process, the norm for this property type.

According to PVA records, the subject property was originally constructed in 1973 and has had two recent expansions. The original structure is indicated by the red shaded areas on the below sketch, the green area identifies the first building expansion in 2000, and the blue area is the most recent expansion in 2005.



For descriptive purposes, the building is subdivided into seven (7) areas. Defined area descriptions are based on directions of right and left of the main finished office area (Area 1), and front and back of the subject improvement. The appraisers are using the terms north, east, south, and west wall based on the orientation of the improvement sketch rather than the actual orientation of the improvement as positioned on the subject site.



The following grid shows the relationship between the percentage of gross building area of the defined area and the percentage of gross building area of the improvement. The floor plan is unique and difficult to measure. Dimensions are approximate and not to scale.

Area	Use Type	Gross Area of Use	% of Gross Building Area of Use
Area 1 - Office Area	Finished office	9,690'	4.6%
Area 2 - Manufacturing/Storage	Manufacturing/storage	89,975'	42.9%
Area 3 - Packaging Area	Manufacturing/storage	8,200'	3.9%
Area 4 - Manufacturing	Manufacturing/storage	24,846'	11.8%
Area 5 – Shipping, Receiving and Warehouse	Shipping, receiving, warehouse	60,450'	28.8%
Area 6 - Storage	Storage	11,889'	5.7%
Area 7 - Mechanical Rooms	Mechanical	4,758'	2.3%
	Totals-	209,808'	100%

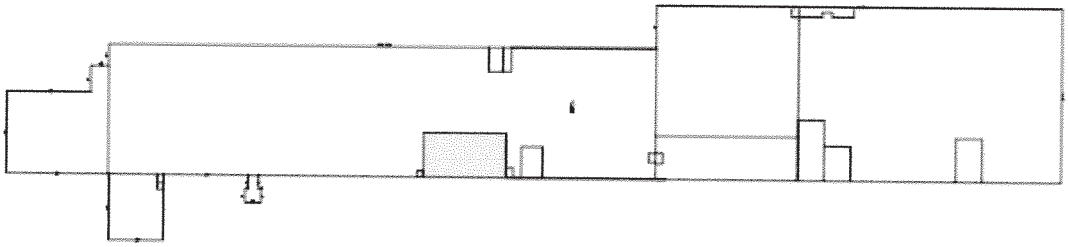
The following grid shows the relationship between the percentage of gross building area of the specific use and the percentage of gross building area of the improvement.

Use Type	Gross Area of Use	% of Gross Building Area of Use
Finished office	9,690'	4.6%
Manufacturing/storage	183,471'	87.4%
Storage	11,889'	5.7%
Mechanical	4,758'	2.3%
Totals-	209,808'	100%

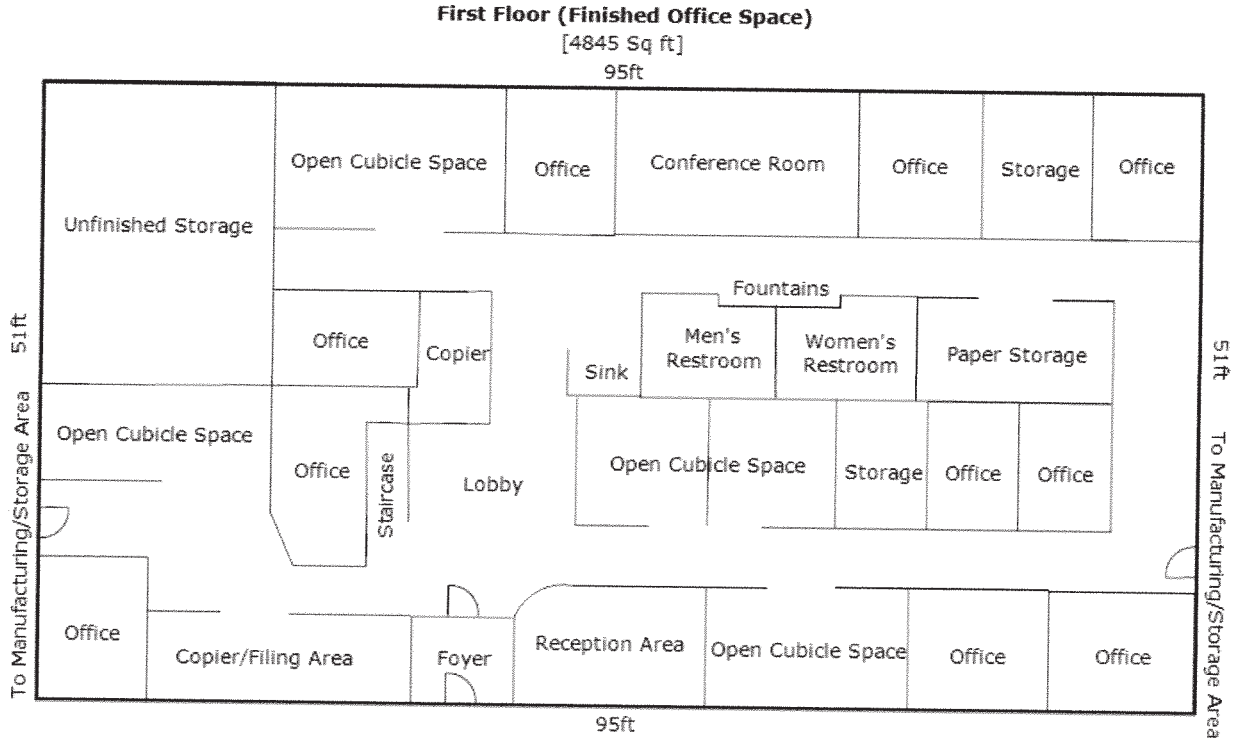
FINISHED OFFICE AND MANUFACTURING DESCRIPTIONS

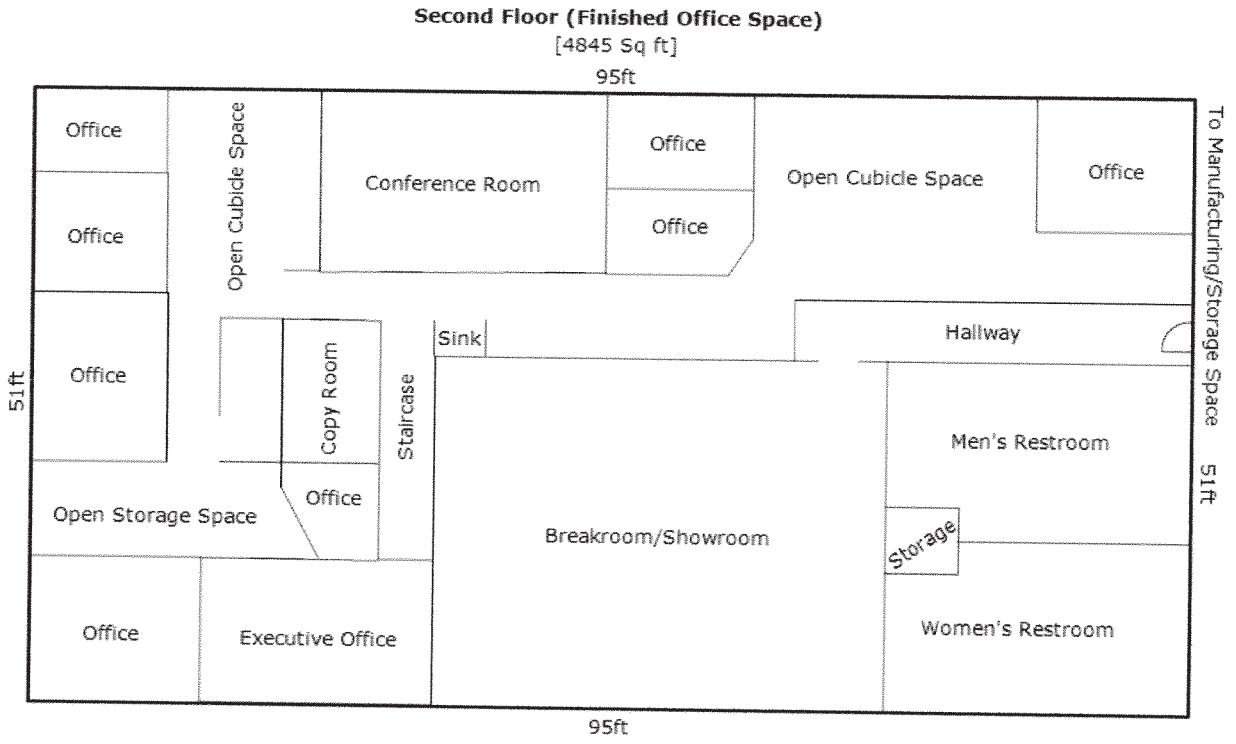
Area 1: Finished Office Space

The finished office space is located on the west elevation of the subject improvement approximately in the middle of the building. The area is a two-story design with a lobby, offices, sales areas, conference rooms, break room, storage, restrooms, and hallways. The area has a total gross building area of 9,690 square feet with 4,845 square feet on each level. Executives and support staff use this area. The yellow shading on the sketch of the subject improvements below indicates the two-story footprint area included in the description.



A sketch of the first floor and second floor finished office space is shown below.





Below is a description of construction materials, and heating and cooling used for area one. Levels one and two, and the foyer, lobby and reception areas all have similar construction materials.

Walls	Painted concrete block and/or painted drywall
Ceilings	2'x 4' grid system w/lay-in acoustical tile, 8.5' height Painted drywall with 9' height in foyer
Floor Covering	Resilient tile or Commercial grade carpet
Lighting	2'x4' lay-in fluorescent fixtures, plus (8) recessed lights – (4) in reception, (2) in foyer, and (2) in lobby (14) recessed lights in hallway left of lobby
Doors	Varies, see below for specifics
Windows	Varies, see below for specifics
Heating	Forced-air (electric) furnace – Carrier Located in a furnace room, exterior of finished office area, enclosed in framing w/unfinished drywall, concrete floor, metal door, and sprinkler Electric space heater at floor level in reception area
Cooling	Central air-conditioning, units located on roof

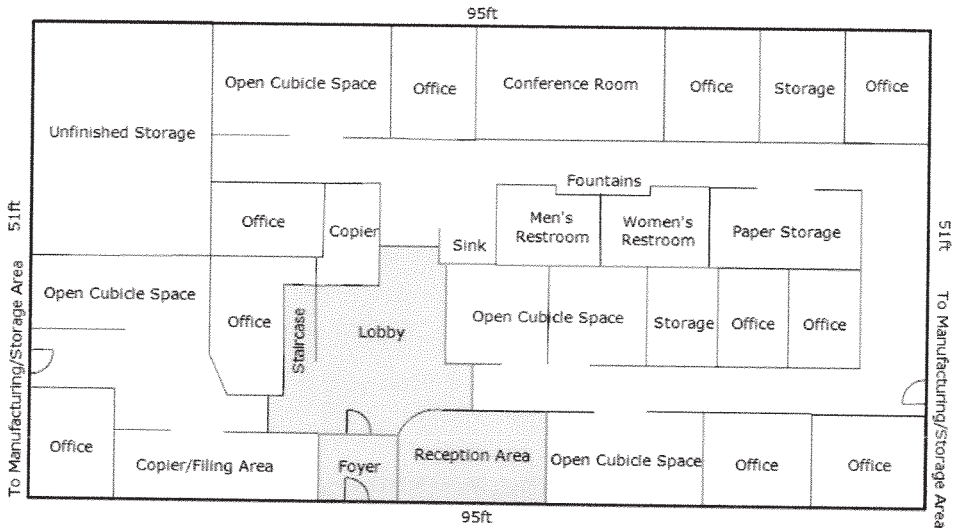
Safety Features — Fire extinguishers, fire alarms, emergency lights, lighted emergency exit signs and sprinklers – hallway

Sprinklers (wet system) – all enclosed offices, cubicle spaces, and restrooms, fire alarm switch located in lobby

Condition — Average to good market condition

Area 1: Level One – Foyer, Lobby & Reception

This area includes an entrance from the exterior, which leads into a foyer area, lobby area, and reception area. The area is shaded in yellow on the sketch below.



Construction materials are the same as section above except for those listed below.

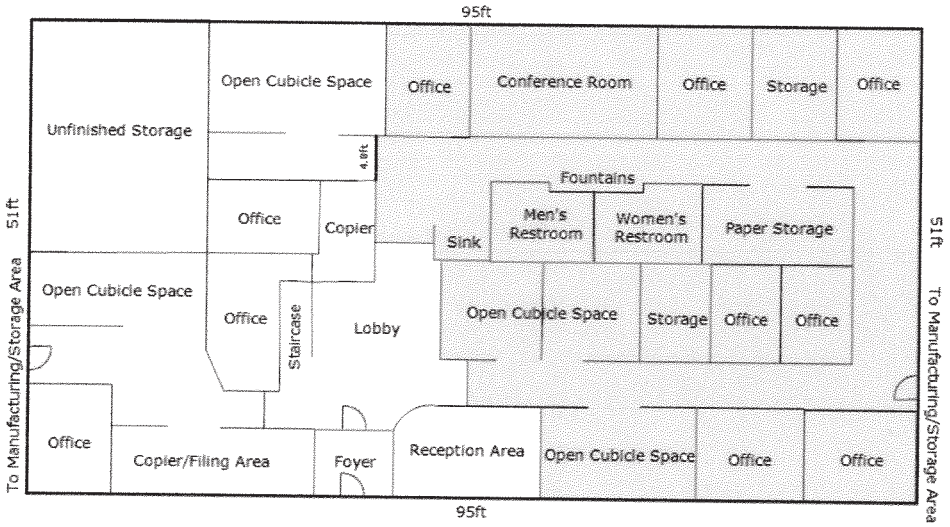
Windows — (4) 2.5'W x 6'H – located in reception area, single-pane, thermopanes, metal frame

Doors — Two sets in Foyer leading to Lobby
Exterior – double, steel doors with windows above
Interior – 7' H, double, steel frame doors framing single-pane glass
2 sidelights, single pane

Staircase — Leading to second floor, wood steps and risers

Area 1: Level One – Right of lobby

This area includes seven (7) enclosed office with doors, a conference room, storage room, paper storage area, open cubicle space with 5' tall half-walls, men's and women's restrooms, sink, water fountains, and supporting hallways. The area is shaded in yellow in the sketch.

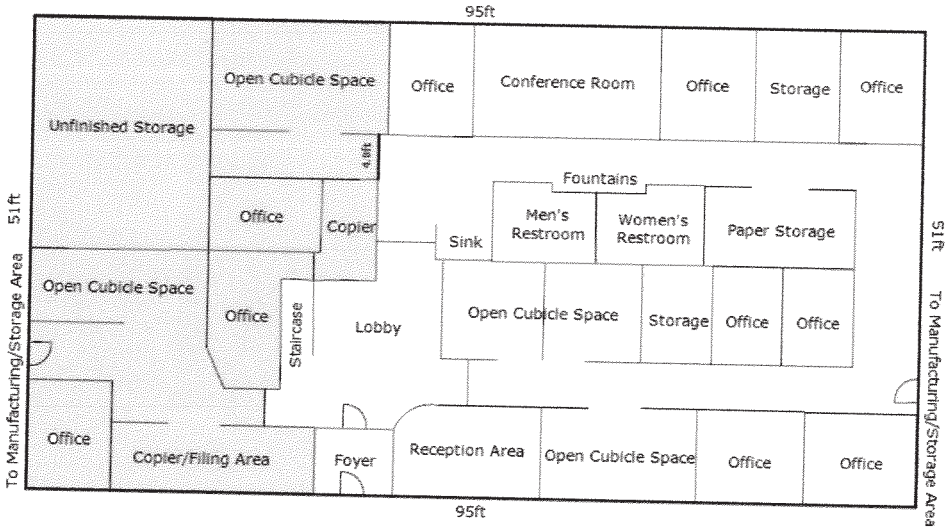


Construction materials are the same as previously mentioned, except for those listed below. Additional, this area includes men's and women's restrooms, which are discussed below.

Windows	(4) 2.5'W x 6'H – located in front cubicle area, single-pane, thermopanes, metal frame
Doors	Enclosed offices one of three types – wood hollow core, wood hollow core with glass, or steel hollow core
Restrooms	Separate Men's & Women's Women's finished with 1 toilet w/grab bars, mirror and sink, emergency lights Men's finished with 1 toilet w/grab bars, mirror and sing, emergency lights (2) Drinking fountains outside of restrooms
Condition	Average to good market condition; however, appraisers noted small water stain on ceiling tile by cubicle office space

Area 1: Level One – Left of lobby

This area includes seven (4) enclosed office with doors, unfinished storage area, copy room, open cubicle space with 5' tall half-walls, and supporting hallways. The area is shaded in yellow in the sketch.

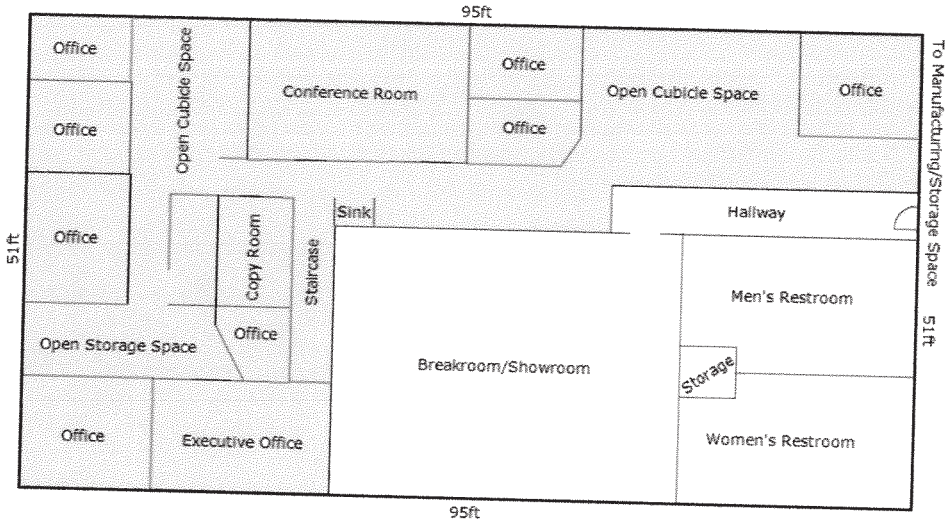


Construction materials are the same as previously mentioned, except for those listed below. Additional, this area includes an unfinished storage area, which is discussed below.

Windows	(3) 3.5'W x 2.7'H – located in copier/filing area (1) 3.5'W x 2.7'H – located in enclosed office Double- pane, thermopanes, metal frame
Doors	Enclosed offices – wood hollow core with glass
Storage Room	Unfinished concrete block walls, open ceiling, resilient tile floor, fluorescent lighting
Condition	Average to good market condition

Area 1: Level Two – Office and Conference Room Areas

This area includes seven (9) enclosed office with doors, conference room, copy room, open cubicle space with 5' tall half-walls, and supporting hallways. The area is shaded in yellow on the sketch.

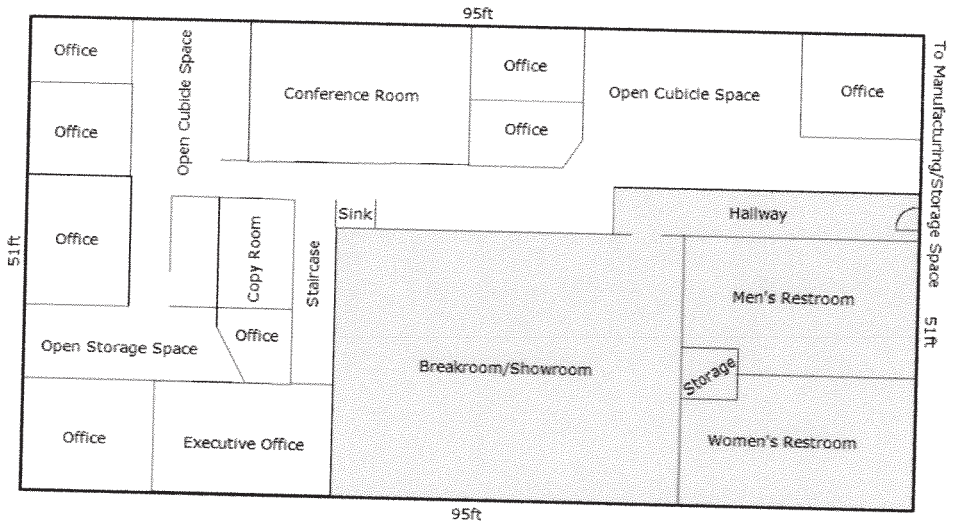


Construction materials are the same as previously mentioned, except for those listed below. Additional, this area includes an unfinished storage area, which is discussed below.

Windows	(3) 3.5'W x 2.7'H – located in CEO office (1) 3.5'W x 2.7'H – located in enclosed office Double- pane, thermopanes, metal frame
Doors	On enclosed offices 1 of 3 types – wood hollow core, wood hollow core with glass, or steel hollow core
Condition	Average to good market condition

Area 1: Level Two – Break room/Showroom and Restroom Area

This area includes a break room/showroom, men's and women's restrooms, and supporting hallway. The break room/showroom is currently setup with vending machines, microwaves, and tables. The area is also used to display finished merchandise for sales purposes. The supporting hallway extends in a north-south direction to set of metal stairs on the outside of the office area to access the manufacturing and storage areas. The area is shaded in yellow on the sketch.



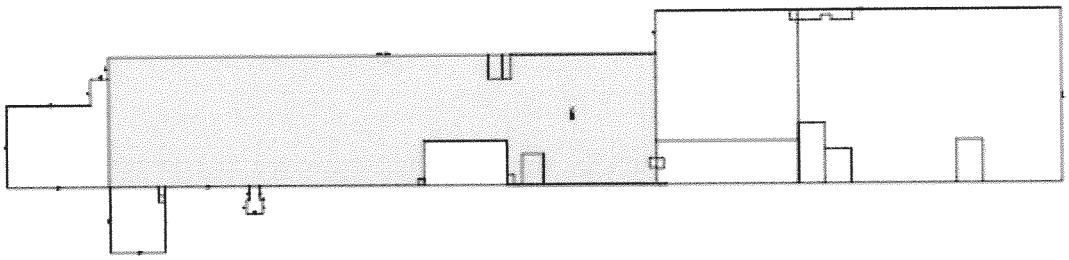
Construction materials are the same as previously mentioned, except for those listed below. Additional, this area includes men's and women's restrooms, which are discussed below.

Windows	(5) sets (10) total- 3.0'W x 6.2'H – located in breakroom Single-pane, thermopane, metal frame
Doors	Double door design, steel hollow core construction leading into hallway from office area and out to manufacturing floor. Metal hollow core doors to restrooms
Floor Covering	Resilient tile
Lighting	(6) 8'long florescent lights in break room, 2'x4' lay-in fluorescent fixtures
Restrooms	Separate Men's & Women's Women's finished with (3) stalls, (4) sinks, (9) mirrors, (2) 8' florescent lights, and storage closet Men's finished with (3) stalls, (2) urinals, (4) mirrors, (4) sinks, (2) 8' florescent lights, and storage closet
Additional	(3) vending machines (personal property) (3) microwaves (personal property) (7) candy machines (personal property)

Condition	Average market condition. Appraisers note water stains by windows and upon entering men's restroom and inside women's restroom

Area 2: Manufacturing/Storage Area

This area is considered manufacturing and storage space with supporting offices, quality assurance lab, and mechanical rooms. The yellow shading on the sketch of the subject improvements below indicates the area included in the description.



This area is used primarily for manufacturing/production and storage. The area located to the left of the main finished office space (Area 1) is used primarily for woodworking. This area is well lit with overhead lighting. Lighting includes (2) rows of 10 (total of 20) high intensity discharge lights and (2) rows of 4 (total of 8) high intensity discharge lights. The storage area located to the left of the Foreman's office area has older fluorescent lighting, is not adequate, and may cause safety concerns. The lighting creates clarity deficiencies for foot traffic and forklift operators in this area. The manufacturing area located to the right of the Foreman's Office area has superior updated lighting. Part of this area is also used for product packaging. The appraisers noted two roof leaks in the manufacturing (woodworking area) near the boiler room.

This area is part of the older section of the improved structure. There are four main beams including the support beams on the top of the exterior supporting walls. The ceiling is made up of metal support beams, metal truss joists, and metal panels for roof decking. The ceiling height of the general warehouse space scales from 20.8 feet to 21.4 feet. This is defined as the vertical distance between the top of the poured concrete slab floor to the bottom of the overhead beams. The following is the measurements for the ceiling height starting with the exterior support wall on the south elevation nearest the main finished office space (Area 1).

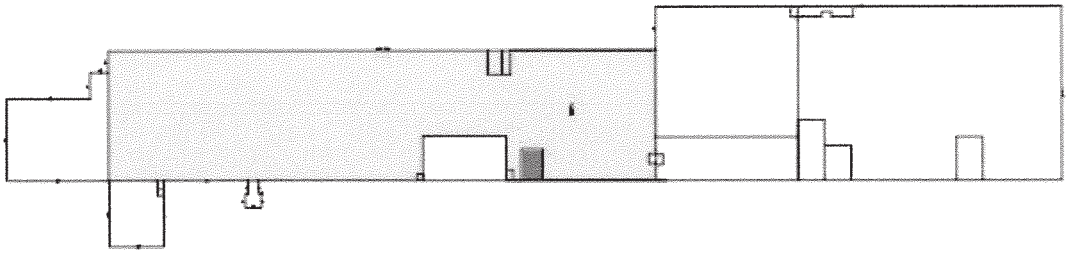
Beam 1	20.8' to beam, 22.3' to ceiling
Beam 2	20.9' to beam, 22.9' to ceiling
Beam 3	21.4' to beam, 23.4' to ceiling
Beam 4	wall prevents measurement to beam, 23.8' to ceiling

Flooring for the area is sealed concrete. Part of the manufacturing and case packing area also have resilient tile; however, it is showing signs fatigue with cracking, peeling, and missing tiles. Exterior walls are concrete block on the south elevation and metal panel walls on the north elevation. The area is designed to be expanded to the north. Dividing walls between (Area 3),

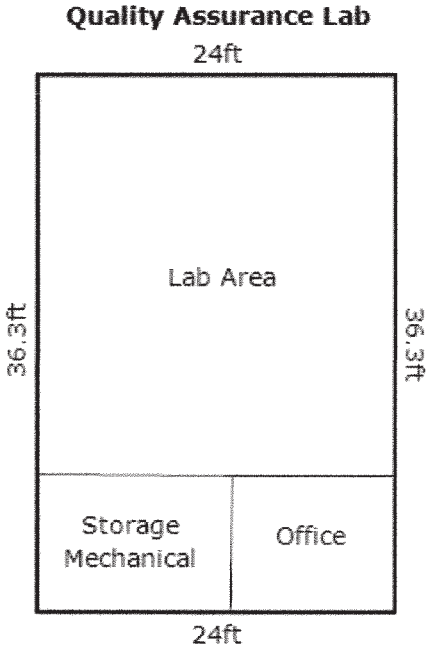
(Area 4), and (Area 10) is unfinished concrete block. Overhead doors separate the areas.

Area 2: Quality Assurance Lab

The Quality Assurance Lab is located in close proximity to the main finished office space. The area is not included in the finished office space gross building area calculation due to its inferior quality of construction. The perimeter walls are wood frame with plywood exterior covering. The area is one-story with mezzanine storage above. The red shading on the improvement sketch below indicates the area.



The area is divided into three (3) sections including the open lab area, the manager's office area, and a mechanical/utility/storage room. The gross building area for the lab is 871 square feet with a lab area of 648 square feet, office area of 101 square feet, and a mechanical/storage room of 122 square feet. A layout of the area is provided in the following grid.



Lab Area

Walls	Exterior – unfinished plywood Interior - painted drywall
Ceilings	2'x 4' grid system w/lay-in acoustical tile, Height 9.0'
Doors	Masonite with window
Floor Covering	Unfinished sealed concrete
Heating	Force-air (electric) located in mechanical room
Cooling	Window a/c unit
Lighting	2'x4' lay-in fluorescent fixtures
Safety features	Sprinklers (wet system)

Manager's Office

Walls	Exterior – painted concrete block Interior - painted drywall
Ceilings	2'x 4' grid system w/lay-in acoustical tile, Height 9.0'
Doors	6- panel Masonite w/o door handle or door stop
Floor Covering	Unfinished sealed concrete
Heating	Force-air (electric) located in mechanical room
Cooling	Window a/c unit from QA lab
Lighting	2'x4' lay-in fluorescent fixtures
Safety features	Sprinklers (wet system)

Mechanical/Storage Room

Walls	Exterior – unfinished concrete block Interior - unfinished drywall
Ceilings	Unfinished with a height of 11.4'
Floor Covering	Sealed concrete
Heating	Force-air (electric) located in mechanical room

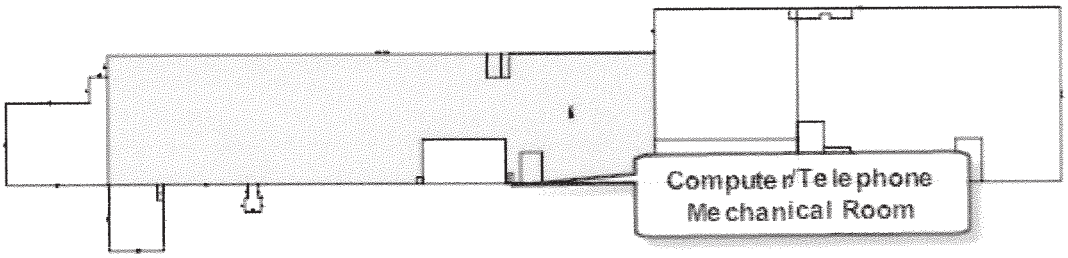
Cooling	Window a/c unit from QA lab
Additional	Rheem return air handler unit Working refrigerator – no brand label (old)

Mezzanine Storage Space

The Quality Assurance Lab has mezzanine storage space on the second level. The area is approximately 871 square feet of storage area and has wood decking, metal railings, and metal stairs for access.

Area 2: Computer/Telephone Mechanical Room

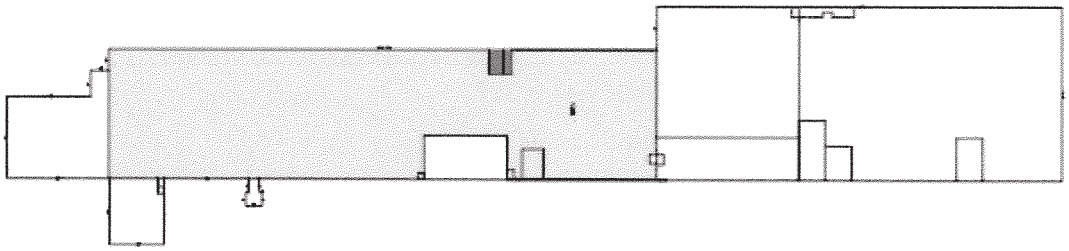
Located right of the main finished office area, and accessed through the manufacturing/storage area just outside of the entry door to the main finished office space (Area 1). The area is used for computer servers and the telephone system. The red shading on the improvement sketch below indicates the area.



Walls	Painted concrete block walls
Ceilings	Unfinished wood frame
Door	Steel hollow core
Floor Covering	Unfinished sealed concrete
Heating	Steam heat with ceiling hung units
Cooling	None
Lighting	Florescent light
Safety Features	Sprinkler
Windows	None
Additional	Mezzanine storage above room w/wood decking
Condition	Average market condition with no apparent deferred maintenance issues

Area 2: Foreman's Office/Storage

Foreman's office/storage area is located along the north elevation wall. The area is not included in the finished office space gross building area calculation due to its inferior quality of construction. The perimeter walls are wood frame with plywood exterior covering. The area has a two-story design with an office and storage space on the first level and enclosed storage on the second level. There are 448 square feet of office and storage space on the first level and 728 square feet of storage space on the second level. There is a safety sink and vending machine located below the cantilevered overhead storage area. The red shading on the improvement sketch below indicates the area.



Office area –Foreman's office

Walls	Painted plywood
Ceilings	Unfinished plywood
Doors	Screen door w/windows
Floor Covering	Finished concrete
Heating	Steam heat from ceiling hung unit heaters
Cooling	Window a/c unit
Lighting	(1) 8' florescent light

First level storage room

Walls	Painted plywood
Ceilings	Unfinished plywood
Doors	6 panel, steel door
Floor Covering	Finished concrete
Heating	Steam heat from ceiling hung unit heater

Cooling	None
Lighting	(1) 8' florescent light

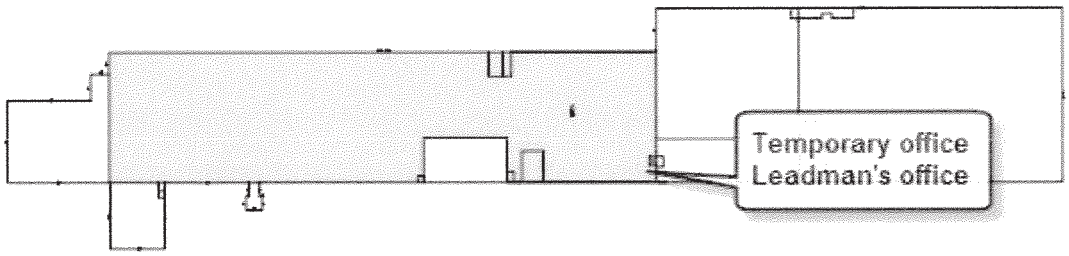
Second level storage area

Walls	Painted plywood
Ceilings	Unfinished plywood
Floor Covering	Unfinished wood decking

Storage area is accessed with a set of wood stairs in the first level storage room. Metal pier foundation supports cantilever a portion of the storage area. The area includes approximately 728 square feet of storage space.

Area 2: Temporary office area –Leadman's office

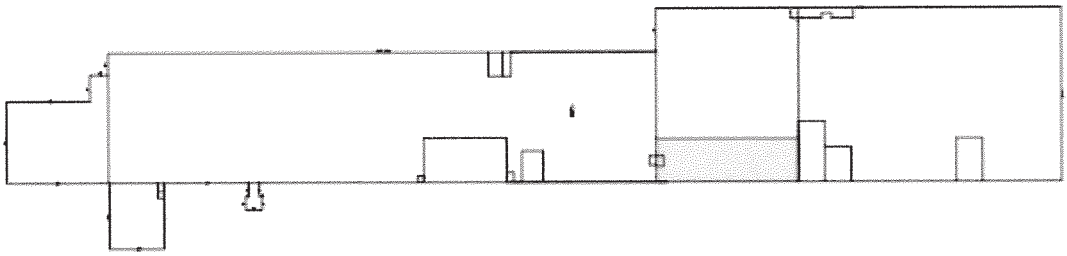
This office area is a temporary/portable office located on the dividing wall between the manufacturing/storage area and the crib packing area. The red shading on the improvement sketch below indicates the area.



Walls	Metal structure w/windows
Ceilings	Metal panel
Doors	Metal w/window
Floor Covering	Unfinished sealed concrete
Heating	Steam heat from ceiling hung unit heaters
Cooling	Window a/c unit
Lighting	(1) 8' florescent light
Safety	Sprinkler
Condition	Average market condition with no apparent deferred maintenance issues

Area 3: Packaging Area

The packaging area is currently used for crib packing. The area has concrete block perimeter walls, and is bordered by manufacturing/storage space to the left, manufacturing space to the north, and the shipping/receiving area to the east. The area is accessed by overhead metal doors, which are designed to automatically shut in the event of a fire. The left concrete wall, north concrete wall, and the right concrete wall are firebreak walls, which penetrate through the roof structure. The yellow shading on the improvement sketch below indicates the area.

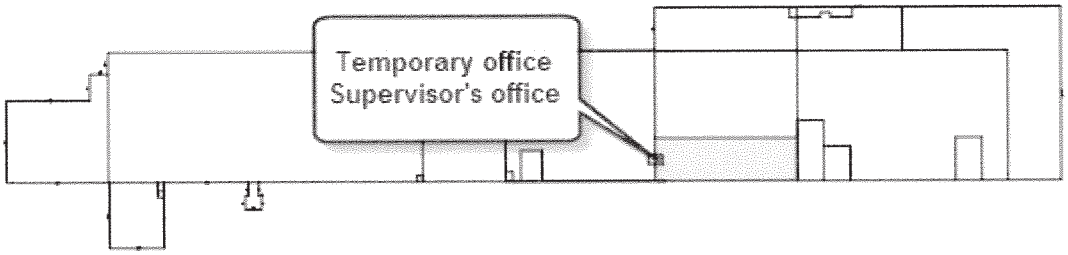


The ceiling is made up of metal support beams, metal truss joists, and metal panels for roof decking. The ceiling height of the general warehouse space scales from 20.9 feet to 22.8 feet. This is defined as the vertical distance between the top of the poured concrete slab floor to the bottom of the overhead beams. The following is the measurements for the ceiling height starting with the exterior support wall.

Flooring	Unfinished sealed concrete
Lighting	1 row (5 lights) high intensity discharge lights
Walls	Unfinished concrete block
	Dividing walls between
Heating	Steam heat with ceiling hung unit heaters
Cooling	None
Condition	Average market condition with no apparent deferred maintenance issues

Area 3: Temporary office area- Supervisor's office

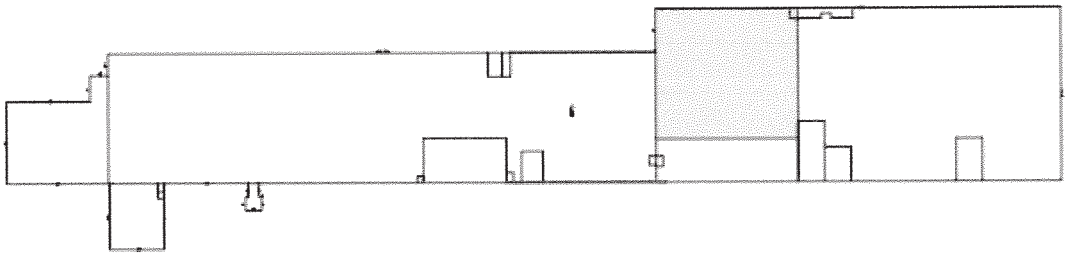
Office area is a temporary/portable office located on the dividing wall between the manufacturing/storage area and the crib packing area. The red shading on the improvement sketch on the next page indicates the area.



Walls	Painted pressboard & painted concrete block exterior,
	Painted drywall, interior
Ceiling	Finished drywall
Doors	Steel hollow core
Floor Covering	Resilient tile
Heating	Steam heat with ceiling hung unit heaters
Cooling	Window a/c unit
Lighting	(1) 8' florescent light
Windows	(2) single pane glass
Safety features	Sprinkler
Condition	Average market condition with no apparent deferred maintenance issues

Area 4: Finish Area

The finish area is used primarily for production. The area is divided into two sections, which includes the manufacturing area and the supporting temporary office as described below. The yellow shading on the improvement sketch below indicates the area.

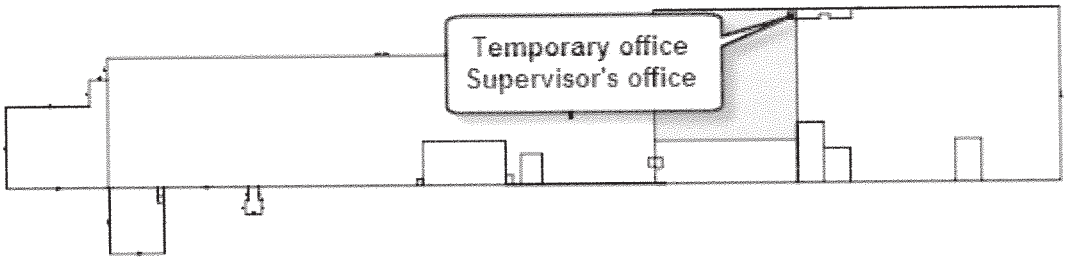


The area is used for the staining or painting of wood products. The northern-most section of the area was expanded in 2005 to provide additional space. There is a visual difference in the physical condition and age of ceiling joists, roof decking, and exterior wall covering. The other noticeable difference is the updated lighting in the area. The perimeter of the space includes a metal exterior wall on the north elevation to accommodate future expansion, and concrete block walls on the east side, south side, and west side. The area is accessed by overhead metal doors, which are designed to automatically shut in the event of a fire. The left concrete wall, south concrete wall, and the right concrete wall are firebreak walls, which penetrate through the roof structure. The ceiling is made up of metal support beams, metal truss joists, and metal panels for roof decking. The ceiling height of the general warehouse space is 20.8 feet. This is defined as the vertical distance between the top of the poured concrete slab floor to the bottom of the overhead beams. The following is the measurements for the ceiling height starting with the exterior support wall.

Flooring	Unfinished sealed concrete
Lighting	(7) high intensity discharge lights
Heating	Steam heat with ceiling hung unit heaters
Cooling	None
Safety features	Emergency lights and sprinklers
Condition	Average market condition with no apparent deferred maintenance issues

Area 4: Temporary office- Supervisor's office

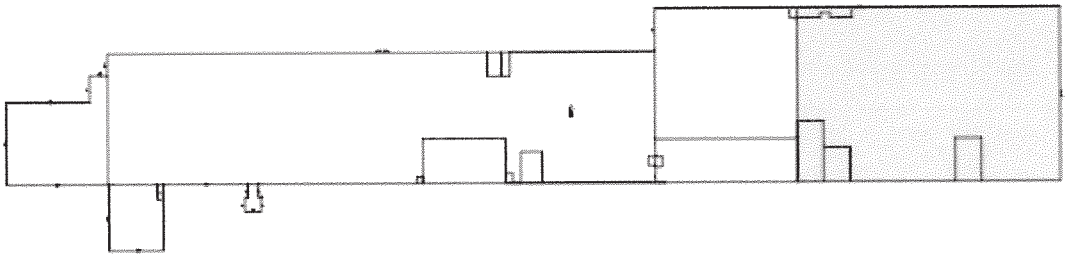
The office area is a temporary/portable office located on the dividing wall between the manufacturing area and the shipping and receiving area. The red shading on the improvement sketch below indicates the area.



Walls	Painted pressboard, painted concrete block dividing wall, metal exterior Painted drywall interior
Ceiling	Finished drywall
Doors	Metal hollow core with window
Floor Covering	Resilient tile
Heating	Steam heat
Cooling	None
Lighting	(1) 8' florescent light
Safety features	Sprinkler
Condition	Average market condition with no apparent deferred maintenance issues

Area 5: Shipping and Receiving Area

This area is used primarily for shipping and receiving; however, there are separated areas for warehouse parts storage, warehouse storage, shipping and receiving office space, and men's and women's restrooms. The yellow shading on the improvement sketch below indicates the area.



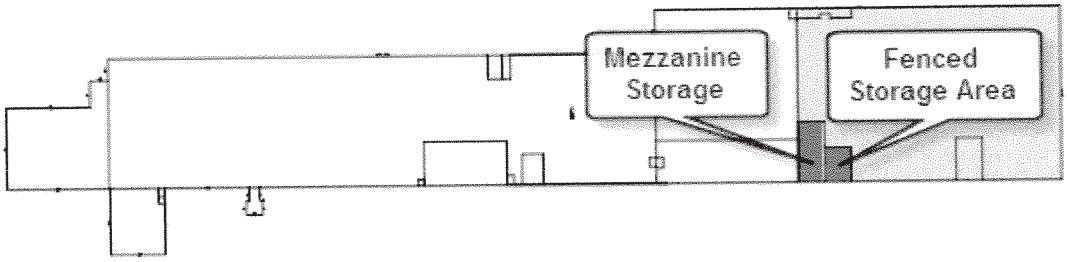
The area is used for the storage of parts and product and for shipping and receiving. The north and west elevations were both expanded in the early 2000's to provide additional space. There is a visual difference in the ceiling joists, roof decking, and exterior wall covering. The other noticeable difference is the updated lighting in the area. The new area is well lit with overhead lighting. The storage area, located to the left of the recent expansion area has older fluorescent lighting, and is not adequate, and may cause safety concerns. The lighting creates clarity deficiencies for foot traffic and forklift operators in this area.

The perimeter of the space includes a metal exterior wall on the north and east elevations to accommodate future expansion. The area has a concrete block wall on the west and south sides. The area is accessed by overhead metal doors, which are designed to automatically shut in the event of a fire. The ceiling is made up of metal support beams, metal joists, and metal panels for roof decking. The ceiling height of the general warehouse space scales from 20.8 feet to 21.6 feet. This is defined as the vertical distance between the top of the poured concrete slab floor to the bottom of the overhead beams. The following is the measurements for the ceiling height starting with the exterior support wall.

Beam 1	20.8' to beam, 22.4' to ceiling
Beam 2	20.7' to beam, 22.9' to ceiling
Beam 3	21.2' to beam, 23.4' to ceiling
Beam 4	21.6' to beam, 24.0' to ceiling
Flooring	Unfinished sealed concrete
Lighting	North wall area well lit with two (2) rows of six (6) high intensity discharge lights East wall area well lit with (2) rows of 11 (22 total) high intensity discharge lights Center section poorly lit with 8'florescent lights
Walls	North exterior wall (rear) metal, changes after loading bay door North exterior wall after loading door- lower metal 7.5'height then metal with insulation to ceiling South exterior wall (front) unpainted concrete block
Heating	Steam heat with ceiling hung unit heaters
Cooling	None
Condition	Average market condition with no apparent deferred maintenance issues

Area 5: Storage Warehouse Parts Area

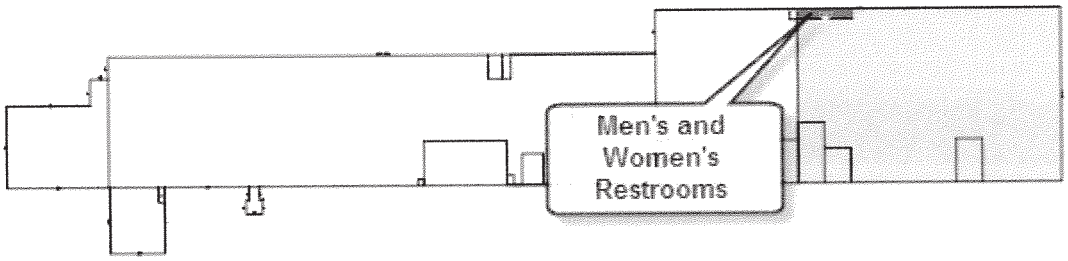
The storage warehouse parts area is fenced for secure storage. The fenced area is approximately 30'x40' (1,200 square feet) with an additional 30'x70'(2,100 square feet) elevated mezzanine storage space. The red shading on the improvement sketch below indicates the area.



The lower level storage area uses metal chain link fencing. The mezzanine area has a metal deck floor supported by metal support columns. There is a metal staircase to access the upper level.

Restrooms

This area includes men's and women's restrooms with storage closets, water fountain, and mezzanine storage. The red shading on the improvement sketch below indicates the area.



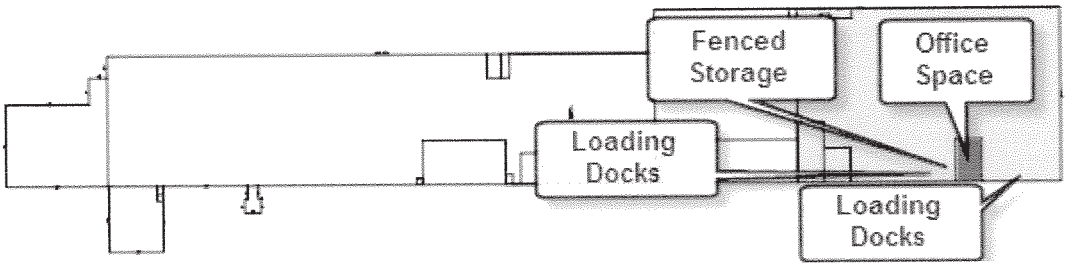
The area is finished with painted concrete block walls, 2'x 4' tile drop ceiling, and sealed concrete floor. There is a water fountain outside of the restrooms. The following is a description of the restrooms. Between the restrooms is a storage closet with a Reliance 30-gallon, electric water heater and mop sink.

Women's Restroom	2 sinks, 2 mirrors, 4 stalls (1 handicap accessible), sprinklers, emergency lights
Men's Restroom	2 sinks, 2 mirrors, 3 stalls (1 handicap accessible), 2 urinals, sprinklers, emergency lights

The area above the restrooms is used for mezzanine storage. A portable set of metal stairs is used for access. There are no permanent stairs attached. The area has a gross building area of 688 square feet.

Area 5: Shipping and Receiving Area

The shipping and receiving area includes space for storage of product until shipping, office space for support staff, secured fenced shipping and receiving area for UPS orders, and loading docks. The red shading on the improvement sketch below indicates the area.

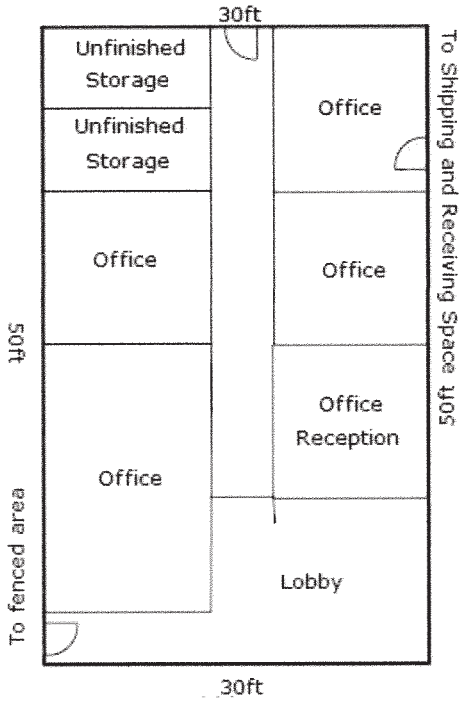


The fenced area is approximately 30'x50' (1,500 square feet) and again uses chain-link fencing. The area is located adjacent to the left side of the shipping and receiving offices. The area is used to hold UPS orders in a secure area.

Area 5: Shipping and Receiving Offices

The shipping and receiving offices are not included in the finished office space gross building area calculation due to its quality of construction. The perimeter walls are wood frame with painted plywood exterior covering.

Shipping and Receiving Finished Office Space
[1500 Sq ft]



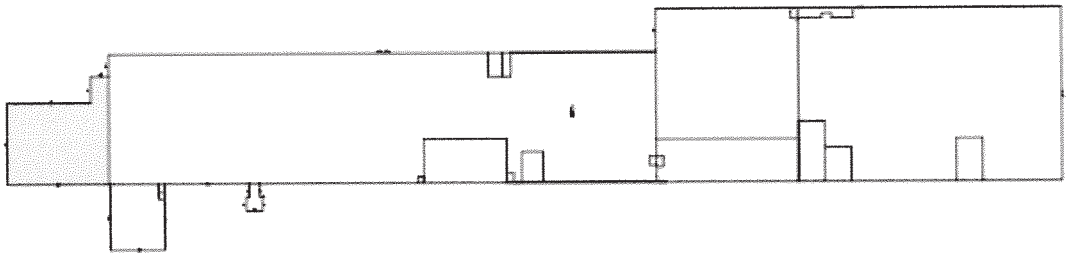
Below is a description of construction materials, and heating and cooling used for area five.

Walls	Painted drywall interior Painted plywood exterior
Ceilings	2'x 4' grid system w/lay-in acoustical tile with a 8.5' height
Doors	Wood hollow core- interior Metal hollow core from office area to production floor Steel with window from lobby to exterior
Floor Covering	Resilient tile
Heating	Steam heat with ceiling hung unit heaters
Cooling	Central air-conditioning, roof top units
Lighting	2'x4' lay-in fluorescent fixtures
Safety Features	Sprinklers (wet system) – all enclosed offices, hallway and lobby
Windows	Four 2.5'W x 6'H -located in front lobby area, single-pane, metal frame
Storage Rooms	Unfinished framed walls, open ceiling, wood doors
Layout	(5) enclosed offices w/doors (doors vary see above) (2) enclosed storage rooms (2) hallways/lobby
Condition	Average market condition with no apparent deferred maintenance issues

The area near the exterior loading doors is heated with down draft steam forced air heaters. The down draft is to provide protection from the cold during the winter months while loading and unloading deliveries. The ceiling height in the area is 20.8' to the base of the beam and 21.3' to the ceiling. The area has sealed unfinished concrete flooring and concrete block exterior walls.

Area 6: Storage Area

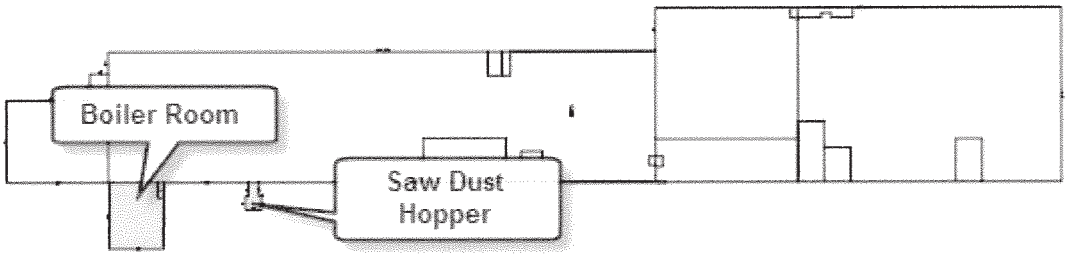
The area designated as the storage area is located on the far left of the improved structure. The area is one of the older sections of the improvement and has inferior building characteristics as compared to the other areas. The yellow shading on the improvement sketch below indicates the area.



This area of the improvement has a lower ceiling height of 14' to the base of the roof structure. Due to the lower height the space is not suitable for modern warehouse storage systems. The area is used mainly for equipment storage and servicing. The metal roof panels and joists appear to be inferior in condition and quality to the other sections of the improvement. There is plywood covering the end of the building over existing doors. Lighting is inadequate with fluorescent fixtures. The area has an unfinished concrete floor in fair condition. Roof leaks were apparent, and one section of the south wall appeared to have some minor water damage.

Area 7: Mechanical Room Area(s)

The area designated as the mechanical room area(s) includes the boiler room and the sawdust hopper area. The yellow shading on the improvement sketch below indicates the area.

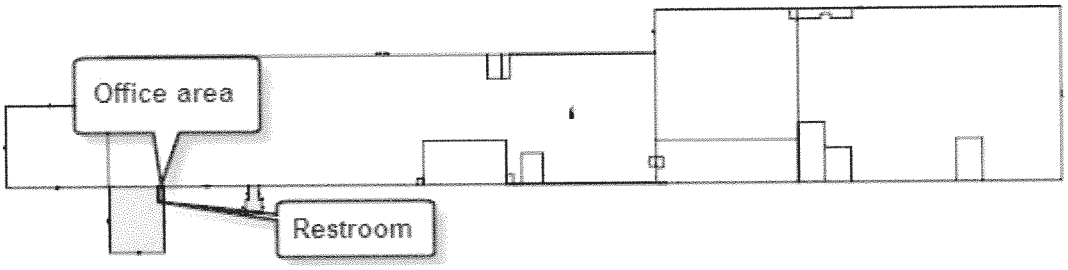


The boiler room includes space for the mechanicals including the boiler and pumps, as wells as a temporary office and restroom. The ceiling height in the boiler room is 27.5' to the base of the beam and 29.5' to the ceiling.

Flooring	Unfinished sealed concrete
Lighting	Fluorescent
Walls	Perimeter walls are concrete block

Heating	Steam heat with ceiling hung unit heaters
Cooling	None
Door	Metal hollow core, broken door handle needs to be repaired

Area 7: Temporary office area – Supervisor's office



Walls	Painted Wood
Ceiling	Painted wood
Doors	Metal hollow core
Floor covering	unfinished concrete
Heating	Steam heat
Cooling	Window a/c unit
Lighting	(1) 8' florescent light

Restroom

Walls	Unpainted concrete block walls
Ceiling	Open ceiling
Flooring	Concrete flooring
Doors	Steel, hollow core door
Fixtures	(1) sink, (1) mirror/medicine cabinet, (1) stall
	Select State 30-gallon, gas water heater

Mechanicals of Improvement

Heating Cooling

Heating is supplied by two (2) heating sources. Combination heating and air conditioning units service the office areas. The remainder of the building is heated by a hot water boiler system.

The original heat system was installed in 1973. While this system is no longer in use, maintenance personnel indicate it can be put back into service if needed. The system used diesel fuel or fuel oil as a combustible fuel for boiler heat. Interview with maintenance personnel indicate the combustible fuel sources are not economically efficient as compared to the current system, and this system was taken out of service. With the exception of the fuel source, this system performed in the same manner as the current heat system.

The functioning heat system was installed in 1979. It is comprised of a steam-producing boiler that uses ground wood as a combustion source for heat. The ground wood is drawn from the exterior storage hopper to the combustion chamber. Water is heated and converted to steam. The steam is piped by overhead piping at pressures between 100 and 125 PSI to the manufacturing building. There are strategically placed heat exchangers with fans that blow heat to areas of the plant.

This heat system was also used to heat the wood drying kiln. When the kiln was shut down, the heat system was diverted from this building.

Dust Collection System

The manufacturing area of the plant, area 2, is serviced by a dust collection system. Ductwork is connected to the wood working equipment in this area. The sawdust is transported through the ductwork to two (2) cyclone dust collectors located on the exterior of the building. See attached pictures. Donaldson Torit manufactured these dust collectors. The sawdust is then transported from these dust collectors to a cyclone dust storage bin outside the boiler room. **This equipment is considered "trade fixtures" and is not considered in the valuation of the improvement.**

Office Heating and Cooling Systems

Six (6) combination heating and cooling units are located on the roof to service the main office area. A separate air handler is located adjacent to the southern end of the first level office. The cooling unit is located on the roof. There are two (2) other electric-fired furnaces located in the personnel areas that have central air conditioning units on the roof structure. Brand name on most of the central air-conditioning units is Carrier.

Hot Water Heaters

There are four (4) hot water heaters that provide hot water to restroom areas. One is located on the upper office area and services the office restrooms. The other units are located in the restrooms in the production and warehouse area.

Electrical Service

The Harrison Rural Electric Membership Cooperative provides the electric service. The building has three-phase, 277/480-volt service throughout.

Plumbing

Ramsey Water Company provides water service. Supply lines are copper tubing. Wastewater is transported through polyvinyl chloride (PVC) pipes to waste water treatment plant.

Summary of Interior of Improvements

The overall condition of the interior of the improvements is average to good market condition. The appraisers noted roof leaks in the finished office space area (Area 1), the older manufacturing/storage space near the mechanical room (Area 2), and the storage area (Area 6). Area 6 has the most physical deterioration, and is only used for general storage.

The finished office space is in average to good condition and has a functional layout and design. Finishing materials for the finished office space and the manufacturing/storage space area are typical of the market. Some areas of the manufacturing/storage area have been improved with high intensity discharge lighting, which improves the overall safety and utility of that area.

ASSESSED VALUATION AND TAXES

The subject property is legally described as Part of the Southwest quarter of Section 29, the Southeast quarter of the Southeast quarter of Section 30, the Northeast quarter of the Northeast quarter of Section 31, and the Northwest quarter of the Northwest quarter of Section 32, Township 2 South, Range 4 east, Jackson Township, Harrison County, Indiana as recorded in Instrument 200410718. The subject property is also identified in the Harrison County Assessors office with the Tax Identification Numbers 006-04649-00, 006-04650-00, 006-04648-00, and 006-04647-00. The Harrison County Assessor's office has a mailing address 300 North Capitol Avenue, Corydon, Indiana 47112. The telephone number is (812) 738-4280. According to Assessors records, the total site area is 46.882 acres, which is contained in one undivided parcel.

Assessments for the purpose of real property taxation are set under the authority of the Harrison County Assessor. The subject property is identified as being in Harrison County, the State of Indiana. The current yearly tax for the subject property is $45,920.70 for Tax Identification Numbers 006-04649-00, 006-04650-00, 006-04648-00, and 006-04647-00.

In 2005 the Harrison County Council awarded the company 10-year tax abatement on their new investment in the facility.

LEGAL DESCRIPTION & HISTORY OF THE SUBJECT PROPERTY:

The subject property is described as a portion of the property contained in the General Warranty Deed between The Keller Manufacturing Company, Incorporated; an Indiana corporation, having an address of 1010 Keller Drive, New Salisbury, Indiana 47161, as party of the first part (Grantor); and Child Craft Industries, Incorporated, an Indiana corporation, having an address of 501 East Market Street, Salem, Indiana 4797-0444, as party of the second part (Grantee) as recorded in Instrument 200410718 on file in the Harrison County Recorders office at the mailing address of 300 North Capitol Avenue, Courthouse Room 204, Corydon, Indiana 47112. The telephone number is (812) 738-3788. This Deed was made and entered into on December 7, 2004.

The appraisers are unaware of any other recorded transfers involving the subject property in the past 5 years.

The appraisers are unaware of any listings. According to the buyers and sellers, the marketing of the subject property was by word of mouth and contacts in the trade association. A professional real estate firm did not market the availability of the subject property. The appraisers have been provided with an unsigned Letter of Intent. This is an Acquisition of Business and Assets of Seller and does not allocate an amount for the real estate.

The subject property is assumed to be recorded under property compliance, and to have met regulations for legal purposes. This compliance, however, must ultimately be determined by official acknowledgment of a legal attorney, or legal representative of the clients.

HIGHEST AND BEST USE

Highest and best use is defined as "that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal, or alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value."

The definition above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue; however, unless and until the land value in its highest and best use exceeds the total value of the property in its existing use.

Implied within this definition is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also, implied is that the determination of the highest and best use results from the appraisers' judgement and analytical skill, i.e., that the use determined from analysis represents an opinion, not a fact to be found.

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value), another appropriate term to reflect highest and best use would be most probable use. In the context of investment value, an alternative term would be most profitable use.

As defined above, highest and best use must be considered in two situations: 1.) the highest and best use of the site ***as if vacant*** and 2) the highest and best use of the property ***as improved***.

The first situation assumes that a parcel of land is vacant or that it can be made vacant through the demolition of any improvements. The subject property is truly a vacant site which best suits the definition of ***as if vacant.*** The fundamental issue in this situation is the determination of the type of improvements, if any that should be constructed upon the land if it were vacant. The concept underlying this analysis is that the existing use on the site may not be the highest and best use. The land very well be suitable for a much higher and more intense use than the existing use.

The second situation focuses on the highest and best use of a property ***as improved***. The key issues in this analysis are whether the property as improved should be maintained as is, renovated, expanded, partly demolished or a combination of these approaches be applied to the improvements. The use that maximizes the investment property's net operating income on a long-term basis is its highest and best use.

Four criteria must be considered when estimating the highest and best use:

1. **Physically Possible.** This criterion considers the size, shape, area, topography, soils and utilities as they affect the development potential of the site. Highest and best use of the property "as improved" relates to physical characteristics such as quality of construction, maintenance and functional utility of the improvements.

2. **Legally Permissible.** This criterion considers the availability of entitlements under existing zoning, building codes, environmental regulations as well as long-term leases, deed restrictions or other recorded covenants, conditions and restrictions.

3. **Financially Feasible.** This criterion considers those uses that are likely to produce a return greater than the combined income needed to satisfy operating expenses, financial expenses and capital amortization. All uses, which are expected to produce a positive return, are regarded as financially feasible.

4. **Maximally Productive.** This criterion isolates the use, which provides the highest rate of return from all financially feasible uses.

Highest and Best Use as Though Vacant

1. **Physically Appropriate.**

The subject site is an interior site located in the aforementioned neighborhood. The subject property is situated approximately one-mile southwest of the intersection of Indiana State Road 135 and Indiana State Road 64. Indiana State Road 135 is a direct link into Corydon and Interstate 64, 4.75 miles southwest of the subject property.

The subject property is located on the west side of Keller Drive. The subject property is bound on the east by Keller Drive, the Louisville-New Albany-Corydon Railroad, and a property owned by Robert and Milissa Sawtelle. The latter property is improved with a single-family dwelling. The Norfolk Southern Railroad borders the subject property on the north. A vacant tract owned by Mark Haas borders the western and southern boundaries. The subject site has frontage on Keller Drive.

The subject property consists of the 46.882-acre tract (2,042,180 square feet) described. The site area is irregular in shape. The land area is based upon the deed description and tax records that indicate the total land area as 46.882 acres.

The topography of this site is relatively level in the area surrounding the improvements. The extreme western portion is gently rolling with the slopes and elevations falling and raising from natural grades. The overall description of the site is average and development friendly. Sinkholes are prevalent in the neighborhood as noted along the western portion of the subject property. Soil conditions appear to be typical for the neighborhood. The site is wooded along the western and southern perimeter.

The subject property has access to the available public utilities in the neighborhood, which include electricity, water, and telephone. Water connection is available from Keller Drive. No other public utilities have been extended onto the property. There is not a sewer connection available. No other public utilities have been extended onto the property.

The subject property is located in a FEMA-identified FIRM Map Number 180085 0004A, Zone X, which has an effective date of November 1, 1995. This site is not in the 100-year flood plain.

2. **Legally Permissible.**

It has been determined that the subject site currently carries the zoning designation of I-2; Heavy Industry District. The I2, Heavy Industrial District, is intended to provide a land use category for a wide variety of manufacturing, warehousing and commercial/service uses.

3. **Financially Feasible.**

Currently, from an observation of the various land use patterns prevalent in the neighborhood, it is obvious to the appraisers that there is a limited amount of land in the subject neighborhood that has been delegated to industrial purposes. We have considered the existing land use pattern in the

neighborhood, the market sales, survey data, and the casual observation from the subject neighborhood in determing the financial acceptability of the subject property. Occupancy levels and absorption rates in the neighborhood are typical of the surrounding markets and well-maintained industrial properties can expect to generate sufficient appreciation rates to cover debt as well as good return to the owner's' investment if the property is purchased at market rates.

The consideration of the subject site for commercial use or residential purposes would not be a logical evaluation. Commercial properties in this section of the neighborhood are not a feasible alternative because of zoning, exposure and surrounding land use in this marketplace. The surrounding residential uses and railroad traffic on Norfolk Southern Railroad and the Louisville, New Albany, and Corydon Railroad would be an adverse condition for the property being used for commercial purposes. Any type of residential purpose would not be a logical choice of development for this site.

4. **Maximally Productive.**

After evaluating the previous factors of topography, zoning and the demand influences in the subject neighborhood; an industrial use would produce the highest residual land value consistent with the rate of return warranted. The subject site should serve as a buildable site for industrial purposes, which would be supportive of the neighborhood, and surrounding marketplace. Such an industrial use would be financially feasible if it were operated for light industrial purposes. Thus, the maximally productive, and highest and best use of the site, as though vacant, would be as an industrial use.

Highest and Best Use as Improved:

1. **Physically Appropriate.**

The site contains a 209,808 square foot warehouse, office, and manufacturing building. Other supporting improvements to the site include a kiln, water reservoir and pump house for fire suppression system, waste treatment facility, barn, and an exterior employee break building. The site has asphalt and gravel parking areas on the eastern side of the subject property. From public records, it appears that the subject improvements have remained similar in use and nature since the early 1973. The utility of the original improvement and the two (2) additions have formed a functional industrial property for a single-tenant user or a multi-tenant user. The subject improvement is in average to good condition as established by the marketplace. The estimated effective age of the improvement is 20 to 25 years with an estimated remaining economic life of 35 to 45 years. The Marshall and Swift Cost Guide list this type of improvement as having a life expectancy of 45 years of total building life. This improvement represents recent construction trends; therefore, the effective age would be less than the actual age. Many properties of this type have an extended life expectancy in the southern Indiana marketplace due to the owner's level of upkeep and maintenance.

The construction materials of the improvements and design/layout show limited degrees of functional obsolescence. The level of maintenance and degrees of renovation are average or common for the subject neighborhood. The levels of updating and renovations to the

improvements should remain constant to allow the property to maximize the income potential of the property. The general upgrading of the improvements will continually allow the income potential to increase, and help achieve a higher occupancy rate. The subject improvement is currently functional as an income producing structure, such as its current use. The existing improvements, or one extremely similar to the existing improvements, would be reconstructed on the subject site, as a new construction project if the current improvements were destroyed. Improvements of greater gross building area or density could be constructed on the site due. The only changes would be more modern construction materials.

2. **Legally Permissible.**

It has been determined that the subject site currently carries the zoning designation of I-2 (Heavy Industry District). The I-2, Heavy Industry District is intended to provide a land use category for a wide variety of manufacturing, warehousing and commercial/service uses.

The subject property is a legal conforming property as verified with the Harrison County Planning Commission Office. This property is conforming in regards to minimum lot area, lot width, minimum dwelling site size, front yard requirements, side yard requirements, rear yard requirements, floor area ratio, minimum dwelling site front yard setback, minimum dwelling site side yard setback, minimum dwelling site rear yard setback, density and on-site parking.

3. **Financially Feasible.**

Currently, from an observation of the various improvements prevalent in the neighborhood, it is obvious to the appraisers that there is a limited amount of properties in the subject neighborhood that have been delegated to industrial purposes. We have considered the existing rental patterns in the neighborhood, the market sales, survey data, and the casual observation from the subject neighborhood in determining the financial acceptability of the subject property. Occupancy levels and absorption rates in the neighborhood are typical of the surrounding markets and well-maintained industrial properties can expect to generate sufficient appreciation rates to cover debt as well as good return to the owner's' investment if the property is purchased at market rates.

The existing improvements on the subject property have a financially feasible use as an industrial property. The improvement has been constructed and designed to industrial purposes. This neighborhood has a stable demand for heavy industrial purposes.

4. **Maximally Productive.**

After evaluating the previous factors of quality of construction, maintenance, functional utility of improvements, demand influences in the subject neighborhood; a continued use of the improvements for an industrial use would be the highest and best use of the property "as improved." The complete demolition of the existing improvements and redevelopment of the subject site would not result in a higher return to the land under the current property use. If the property use changed or the foundation of the improvement was completely destroyed, then an improvement with equal characteristics would be constructed on the site. Therefore, the highest

and best use of the subject property, as improved and currently used, is to continue to operate the property at its current use, which is an industrial use.

Conclusion of Highest and Best Use

Therefore, it is the opinion of the appraisers that all factors have been acceptable and/or positive and that the highest and best use of the subject site is for a residential permitted land use. Based upon the issues of: 1.) Physically appropriate issues of access, topography and vegetation, 2.) Legally permissible issues of utilities and lack of frontage, 3.) Financially feasible issues of supply and demand for industrial sites, and 4.) The greatest rate of return or maximally productive development would be the development of the subject site for industrial use, to add conformity with the surrounding land uses.

SUMMARY OF ANALYSIS AND VALUATION

Cost Approach

The cost approach has three main categories which are: 1) vacant site value "as if vacant", 2) reproduction or replacement cost new and 3) accrued depreciation. It is that approach in appraisal analysis, which is used to evaluate the cost to develop the existing improvements of the subject property as compared to other existing properties as well as newly constructed and proposed industrial projects with the same utility. The approach is also referred to as the summation approach because the three categories of this approach are added and subtracted to indicate a final value for this approach.

Vacant Site Value "as if vacant"

Valuation principles of substitution are fundamental to the vacant site valuation or Sales Comparison Approach for the site analysis. It is that approach in appraisal analysis, which is based on the proposition that an informed purchaser will pay no more for property than the cost of acquiring an existing property with the same utility. The approach also involves the valuation principles of anticipation, contribution, and increasing and decreasing returns.

The appraisers have examined market substitutes and sale patterns of competitors in the market area. The appraisers have analyzed vacant land sales in order to derive an indication of value for the subject property via the sales comparison approach for the site analysis.

The subject site is situated approximately one-mile southwest of the intersection of Indiana State Road 135 and Indiana State Road 64. Indiana State Road 135 is a direct link into Corydon and Interstate 64, 4.75 miles southwest of the subject site.

The subject site is located on the west side of Keller Drive. Keller Drive, the Louisville-New Albany-Corydon Railroad, and a property owned by Robert and Milissa Sawtelle bind the subject site on the east. The latter property is improved with a single-family dwelling. The Norfolk

Southern Railroad borders the subject site on the north. A vacant tract owned by Mark Haas borders the western and southern boundaries. The subject site has frontage on Keller Drive.

A railroad spur previously served the subject site. This spur was mostly removed during a building expansion in 2000. Remnants of the spur remain on the extreme northeastern portion of the site between the Norfolk Southern Railroad and the property owned by Robert and Milissa Sawtelle. **See attached addendum plat.**

The subject site consists of the 46.882-acre tract (2,042,180 square feet) described. The site area is irregular in shape. The land area is based upon the deed description and tax records that indicate the total land area as 46.882 acres.

The topography of this site is relatively level in the area surrounding the improvements. The extreme western portion is gently rolling with the slopes and elevations falling and raising from natural grades. The overall description of the site is average and development friendly. Sinkholes are prevalent in the neighborhood as evidenced along the western portion of the subject site. Soil conditions appear to be typical for the neighborhood. The site is wooded along the western and southern perimeter.

The subject site has access to the available public utilities in the neighborhood, which include electricity, water, and telephone. Water connection is available from Keller Drive. No other public utilities have been extended onto the subject site.

The subject site is located in a FEMA-identified FIRM Map Number 180085 0004A, Zone X, which has an effective date of November 1, 1995. This site is not in the 100-year flood plain.

The I-2 zoning, Heavy Industrial District, is intended to provide a land use category for a wide variety of manufacturing, warehousing and commercial/service uses.

We have researched properties in the surrounding local area and throughout areas of comparable economic trends within the subject neighborhood. We evaluated courthouse records of the subject neighborhood, the Multiple Listing Service of the Southern Indiana Realtors Association Realtors, historical data of real estate professionals in the marketplace (realtors/appraisers) and builders to find market substitutes.

The four (4) vacant land sales were selected from the subject neighborhood and were analyzed based on changes/differences in their marketplace.

1010 Keller Drive, owned by Mark Haas or Comparable number 1 adjoins the subject site. This is an irregular shaped site, which contains 26.684 acres. This property is zoned I-2. This property transferred on May 11, 2007 from Keller Manufacturing to Mark Haas, as recorded in the General Warranty Deed in Instrument 200703021 for a consideration of $50,000. The topography of the site is gently rolling covered with trees and vegetation. This site has an irregular shape with two multi-acre sections at the northern and southern ends of the property connect by a narrow section. There are numerous sinkholes on this site. The property was

remnants of the parent tract sold to Child Craft Industries in 2004. This is not a developmentally friendly site. This property remains vacant.

1010 Keller Drive or Comparable number 2 is situated on the east side of the Louisville, New Albany, and Corydon Railroad east of the subject site. This property is irregular in shape that is relatively level and is devoid of trees and vegetation, which contains 6.397 acres. This property is zoned I-2. This property transferred on May 5, 2004 from Keller Manufacturing to Triple A Woodworking, as recorded in the General Warranty Deed in Instrument 200410254 for a consideration of $45,000.

Lot 7 Chamber Lane or Comparable number 3 is situated south of Quarry Road near Interstate 64 in the Chamber of Commerce of Harrison County Industrial Park. This property has frontage on Corydon Ramsey Road. This is a rectangular shaped site, which contains 7.252 acres. This property transferred on May 22, 2007 from Harrison County Chamber of Commerce to Eber and Milligan Construction Company, Incorporated, as recorded in the General Warranty Deed in Instrument 200703454 for a consideration of $215,000. This property is zoned I-1. The topography of the site was relatively level and absent of trees. This property remains unimproved.

Lot 4 on Quarry Road or Comparable number 4 is situated south of Quarry Road near Interstate 64 in the Chamber of Commerce of Harrison County Industrial Park. This is an irregular shaped site, which contains 8.154 acres. This property is zoned I-1. This property transferred on April 30, 2007 from Harrison County Chamber of Commerce to Shireman Properties, LLC, as recorded in the General Warranty Deed in Instrument 200702760 for a consideration of $215,000. The topography of the site was relatively level and absent of trees. This property remains unimproved.

The appraisers have selected the price per acre as the unit of comparison for this analysis. Due to the overall site size of the subject property and comparable properties, a comparison unit based on price per square foot would not be a logical unit of comparison. The appraisers have examined the value per front foot but were unable to develop a logical scale; this market is very limited in market examples of value established by value per front foot. A large number of vacant land properties and improved properties, sale with limited or shared frontage in this neighborhood.

A real estate agent, closing attorney, real estate appraiser, representative of the seller, seller, buyer or a representative of the buyer was contacted in the research of the market comparisons used in this report. After physically inspecting the market comparable sales used in this report, we feel that the land comparable sales used in this appraisal report are excellent indicators of market value for the subject site in regards to market activity.

A summary of the data on the vacant land sales is included in the following table:

Vacant Land Valuation of 1010 Keller Drive As of March 11, 2008					
Location **Current Owner**	**1010 Keller Drive** **Child Craft Property**	**1010 Keller Drive** **Haas Property**	**1010 Keller Drive Triple A Woodworking Property**	**Lot 7 Chamber Lane** **Harrison County Industrial Park**	**Lot 4 on Quarry Road** **Harrison County Industrial Park**
Comparable	**Subject**	**#1**	**#2**	**#3**	**#4**
Sale Price	Not Applicable	$50,000	$45,000	$215,000	$245,000
Extra Costs	0	-0-	-0-	-0-	-0-
Vacant Site Value	Not Applicable	$50,000	$45,000	$215,000	$245,000
Sales or Financing Concessions	-0-	-0-	-0-	-0-	-0-
Property Interest	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Condition of Sale	Typical	Typical	Typical	Typical	Typical
Adjusted Price	Not Applicable	$50,000	$45,000	$215,000	$245,000
Site Area (Acres)	46.882 Acres	26.684 Acres	6.397 Acres	7.252 Acres	8.154 Acres
Price per Acre ($/Acre)	Not Applicable	$1,874	$7,035	$30,060	$30,047
Zoning	I-2	I-2/Equal	I-2/Equal	I-1/Equal	I-1/Equal
Date of Sale	03/11/2008	05/11/2007	11/18/2004	05/22/2007	04/30/2007
Time Adjustment	Not Applicable	0%	+6.55%	0%	0%
Adjusted Price Per Acre	Not Applicable	$1,874	$7,495	$30,060	$30,047
Location	Average	(=) Average	(=) Average	(-) Superior	(-) Superior
Site Size	Average	(+) Inferior	(+) Inferior	(+) Inferior	(+) Inferior
Accessibility	Average	(+) Inferior	(=) Average	(-) Superior	(-) Superior
Utility	Average	(+) Inferior	(=) Average	(-) Superior	(-) Superior
Topography	Average	(+) Inferior	(=) Average	(-) Superior	(-) Superior
Gross Adjustment	Not Applicable	++++	+	-+---	-+---
Adjusted Value Indication/Acre	**Subject**	$1,874	$7,495	$30,060	$30,047

When considering market reactions to the elements of comparison, which are: "Sales or Financing Concessions"; "Property Interest"; "Condition of Sale"; "Date of Sale"; "Location"; "Site Size"; "Accessibility"; "Utility" and "Topography." The market substitutes give a true value indication for the unit of comparison for the subject site.

All elements of comparison were considered as equal between the subject site and comparable properties except "Date of Sale"; "Accessibility" and "Topography." The individual characteristics of each comparable property were compared to the value qualities of the subject site. The comparable properties were adjusted to the subject property. The (+) symbol in the market grid indicates that the comparable property is "Inferior" and would require a positive adjustment to bring the comparable property upto equal comparison of the subject. The (-) symbol in the market grid indicates that the comparable property is "Superior" and would require a negative adjustment to bring the comparable property down to the comparison of the subject. The (= or 0%) symbol in the market grid indicates that the subject property and comparable property are equal in comparison terms.

The comparable sales were adjusted for "Date of Sale" at an appreciation rate of 5% per year, which was obtained from surveying property owners, appraisers and developers in the marketplace and transfer of properties from 2003 to 2006. Property values in the Harrison County marketplace have continued to experience no appreciation from 2006 through 2007; this is established by researching trends in the real estate marketplace.

Comparables 1 and 2 have the same zoning as the subject property, I-2, Heavy Industry. Comparables 3 and 4 have zoning classifications, I-1 (Light Industry) that are inferior to the subject's zoning.

Comparables 1 and 2 have similar locational qualities as compared to the subject. Comparables 3 and 4 are considered superior due to their proximity to Interstate 64. Comparables 3 and 4 have sanitary sewer available and are considered more desirable properties because of distance to supporting amenities.

Site size of the comparables range from 6.397 acres to 26.684 acres. Typically in the market, the increase in the number of acres will result in a lower cost per acre.

The topography of comparables 3 and 4 are relatively level and are considered superior to the subject property. These properties would have a greater return because the higher amount of developable land. Comparable 1 has an undulating topography that is not developmentally friendly.

Recent sales data were somewhat limited due to few recent sales of properties with similar zoning, physical, and locational characteristics. The adjusted scale of values for vacant land is from $1,874 to $30,060. Comparables one is not a developmentally friendly site would represent the extreme lower end of value for this assignment. Comparable 2 is the most similar sale as compared to the subject because of topography, zoning, and proximity. Comparable 3 and 4 are considered superior to the subject due to their location near the interstate road system and public sanitary sewers. These properties represent the upper range of value for the subject site. Comparable two's $7,495 per acre would be considered a good indication of value. The market value of the subject site should be rounded to $7,500 per acre. Therefore, the indicated value on a per acre basis is equal to the site area of the property; 46.882 acres, times the indicated value of $7,500 per acre, which is equal to $351,615.00 which is rounded to **$350,000**.

Replacement Cost-New of the Improvements

Included within this section of the report are the calculations utilized in arriving at a value through the use of the Cost Approach. These calculations have been generated using data obtained through a physical observation of the vertical improvements in conjunction with cost data supplied by the Marshall Valuation Service (MVS). This service is a national publication which employs actual costs incurred in the construction of properties throughout the country. These costs include normal interest on building funds during the construction period as well as any processing fees or service charges, all sales taxes on materials, site preparation costs including processing fees for foundation and backfill, installation of utilities from structure to lot line figured for a typical setback, the contractor's overhead and profit including job supervision, worker's compensation, fire and liability insurance, unemployment insurance, etc. Costs were also considered by those supplied by the borrower based on local construction costs and bids from local contractors. The appraisers reviewed the costs and consulted with local developers and contractors as to the accuracy of the data.

Actual Estimated Cost Figures

Not included in the actual estimated figures are the costs of the land or miscellaneous costs such as legal fees, property taxes, and marketing costs to create original occupancy, as these are typically considered costs of doing business. A table is shown below as a breakdown of the costs as supported by comparable new construction projects.

Construction of Proposed 160,000 Square Feet Building Estimated Cost Figures (per comparables)	
Excavating work	$160,000.00
Rock and driveway	$146,700.00
Water hookup	$5,000.00
Septic System	$250,000.00
Building package	$3,510,000.00
Sprinklers	$315,000.00
Insulation	$26,700.00
Electrical	$540,000.00
Plumbing	$200,000.00
Doors	$240,000.00
Windows	$226,700.00
Drywall	$80,000.00
Phone systems	$10,700.00
Concrete work	$1,900,000.00
Erecting building	$850,000.00
Finish package	$360,000.00
Heating and air	$800,000.00
Miscellaneous cost	$27,000.00
Site plan preparation	$14,700.00
Total	**$9,662,500.00**

The cost estimate of replacement cost-new for the existing industrial improvement rounded to the nearest square foot is $60.39 per square foot of gross building area (rounded from 60.390625). The replacement cost-new of the existing improvement would be $12,670,300 ($60.39 per square foot multiplied by the 209,808 square feet of gross building area equal $12,670,305.12 which is rounded to $12,670,300).

Total direct and indirect replacement cost-new of improvements indicate the capital expenditures and costs that are directly and indirectly related to the construction of the improvements on the site. Direct costs are defined as those expenditures for the labor and materials used in the construction of improvements. Indirect costs are defined as those expenditures or allowances that are necessary for construction, but are not typically part of the construction contract.

The third element of new construction besides direct and indirect costs is entrepreneurial incentive. Entrepreneurial incentive is defined as a market-derived figure that reflects the amount an entrepreneur expects to receive for his or her contribution. We could not find any market examples of properties transferring from the original developer to a new buyer of recently constructed commercial properties to judge the degree of entrepreneurial incentive in this market. The only way that we could determine an entrepreneurial incentive or profit was to survey local developers and investors to measure their expectations of profits on their investments in new construction.

In our past experience, we have seen that profits for entrepreneurial ability has generally been in the scale of 10% to 20%. We feel that a 20% entrepreneurial incentive is justified for the subject property. A major factor affecting these profits is the degree of risk involved in that particular venture, obviously a greater degree of risk demands a greater degree of profit. At this point, 20% of the total cost-new of the direct and indirect costs of the improvements is added to the cost estimate. The replacement cost-new estimate of the direct and indirect costs is $12,670,300; therefore, the entrepreneurial profit would be $2,534,061 for this construction project. The cost-new of construction for the existing improvements of the subject property as determined by local construction costs as of March 11, 2008 is $15,204,361; which was rounded to $15,200,000.

Marshall & Swift Cost Approach

Not included in the MVS figures are the costs of the land or miscellaneous costs such as legal fees, property taxes, and marketing costs to create original occupancy, as these are typically considered costs of doing business.

Based on the actual costs of various types of construction, details of which are contained in the appraiser's files, and prior utilization of MVS, the appraisers are of the opinion that this service can and does provide a reasonable and useful degree of accuracy in estimating reproduction costs for properties as the subject improvement.

The MVS cost estimates have been evaluated and a summary of this analysis is found on page 65 of this report. We have concluded that the existing improvements on the site can be classified as Average – Average Class C Manufacturing. According to Marshall Valuation Service, Class C buildings are characterized by masonry or reinforced concrete (including tilt-up) construction. The

walls may be load-bearing, i.e., supporting roof and upper floor loads, or non-bearing with open concrete, steel, or wood columns, bents or arches supporting the load. Floors and roofs are supported on wood or steel bar or web joists or trusses, or the floor may be a concrete slab on the ground. Upper floors or roofs may be of concrete plank, steel deck, or wood. Concrete bond beams and pilasters frequently strengthen bearing walls. Included in this classification are Uniform and Basic Building Code Type III (noncombustible wall), Standard Code Type V and ISO Classes 2 and 4, and those Class 5 and 6 buildings which have load-bearing walls without or Unprotected Noncombustible, Joisted or Unprotected Masonry, or Ordinary or Unprotected one-hour and to include certain two-hour or mill construction (heavy timber).

This classification is found in Section 14, Page 15 of the Marshall Valuation Service cost guide. The subject improvement has qualities that could qualify the construction as "Average" or "Good" type. After evaluation of construction materials, we feel that the correct classification is that of "Average" type. The factors that influenced this decision were: (Exterior Walls) concrete walls on three of four sides, metal (steel) panels on rear side of structure, simple windows, simple trim, (Interior Finish) drywall, trim, tile, average restrooms, (Lighting, Plumbing and Mechanical) average lighting and standard system, plumbing and (Heat) steam or hot water plus warm and cool air (zoned). Based on MVS guidelines, the subject improvement is of average quality for the surrounding market.

The MVS estimate of replacement cost-new for the existing improvement is $55.00 per square foot of gross building area. The replacement cost-new of the improvement would be $11,539,440 ($55.00 per square foot multiplied by the 209,808 square feet of gross building area equal $11,539,440). The cost figure is based on a base of $55.00, per section 14 page 15.

The replacement cost new does not include the cost of a wet sprinkler system of $1.50 per square foot, or $314,712.00.

The average story height of the improvement as described in the MVS booklet is fourteen (14) feet or 4.27 meters. The typical story height of the subject improvement is twenty-two (22) feet or greater which is an additional cost of construction of $2,157,740.37 over the base cost. The total gross building area of the existing improvement is 209,808 square feet. Area 6 has a story height of seventeen (17) linear feet, which contains 11,889 square feet of gross building area. This area would require a height multiplier of 1.064 for this area. The remaining area would have an average story height of twenty-two (22) linear feet, which contains 175,061 square feet of gross building area. This area would require a height multiplier of 1.181 for this area. Area 7 has a story height of twenty-nine (29) linear feet, which contains 4,758 square feet of gross building area. This area would require a height multiplier of 1.357 for this area. A portion of Area 5 has a story height of twenty-six (26) linear feet, which contains 18,100 square feet of gross building area. This area would require a height multiplier of 1.281 for this area.

The subject improvement has a perimeter of two thousand nine hundred and sixty-three (2,963) linear feet. The existing improvements would require a floor area – perimeter multiplier of 0.887 for a perimeter of 2,963 linear feet and 209,808 square feet of gross building area. The perimeter adjustment will reduce the cost of construction of the improvements by $1,583,343.84. This can be

attributed to the linear design of the layout of footprint. The number of stories multiplier for the subject improvement are defined within the base (or average) of the indications by the MVS recommendations.

The adjusted square foot replacement cost-new is then adjusted by "Current Cost" and "Local" multipliers. The "Current Cost" multiplier is 1.01 as shown in Section 99, Page 3 with an effective date of March 2008. The current cost multipliers are used to bring the published sections of Marshall Valuation Service Cost Guide up-to-date and document actions of the new construction market based on increase and decrease of materials for construction. The multiplier of 1.01 is determined by the property being located in the Central Division, Class "C" property type and in Section 14 of March 2008.

The "Local" multiplier of .97 is shown in Section 99, page 8 with an effective date of March 2008. The local multiplier is used to bring national cost estimates in-line with local construction estimates. The multiplier of .97 is determined by the property having proximity to Louisville, Kentucky, United States, and situated in the southern area of Indiana with Class "C" construction.

The adjusted replacement cost-new of $12,428,548.53 is multiplied by 1.01 (current cost multiplier) and then multiplied by 0.97 (local cost multiplier) to determine a final adjusted replacement cost new as indicated by the MVS guidelines of $12,179,977.56; or $58.05 per square foot of gross building area. Therefore, the replacement cost-new by this approach is $12,179,977.56 for the structure of the existing improvement with 209,808 square feet of gross building area. This indicates a replacement cost-new of $58.05 per square foot of gross building area for direct and indirect construction costs.

Total direct and indirect replacement cost-new of improvements indicates the capital expenditures and costs that are directly and indirectly related to the construction of the improvements on the site. Direct costs are defined as those expenditures for the labor and materials used in the construction of improvements. Indirect costs are defined as those expenditures or allowances that are necessary for construction, but are not typically part of the construction contract.

The third element of new construction besides direct and indirect costs is entrepreneurial incentive. Entrepreneurial incentive is defined as a market-derived figure that reflects the amount an entrepreneur expects to receive for his or her contribution. We could not find any market examples of properties transferring from the original developer to a new buyer of recently constructed commercial properties to judge the degree of entrepreneurial incentive in this market. The only way that we could determine an entrepreneurial incentive or profit was to survey local developers and investors to measure their expectations of profits on their investments in new construction.

In our past experience, we have seen that profits for entrepreneurial ability had generally been in the scale of 10% to 20%. We feel that a 20% entrepreneurial profit is justified for the subject property. A major factor affecting these profits is the degree of risk involved in that particular venture, obviously a greater degree of risk demands a greater degree of profit. At this point, 20% of the total cost-new of the direct and indirect costs of the improvements is added to the cost estimate. The replacement cost-new estimate of the direct and indirect costs is $12,179,977.56; therefore, the

entrepreneurial profit would be $2,435,995.51 for this construction project. The cost-new of replacing the structures of the subject improvements as of March 11, 2008 is $14,615,973.07 which would be rounded to $14,616,000.

In summary, we feel that the two methods for establishing the cost new of the subject improvements are well supported at $15,200,000 (contractor's estimate) and $14,616,000 (MVS estimate). The appraisers have used the estimate of the MVS because of the stronger documented support.

Accrued Depreciation

From the estimate of the replacement cost-new, there must be deductions for accrued depreciation resulting from the factors influencing the subject improvements. As noted in the description of the subject improvements from the physical inspection, there are deferred maintenance items which need attention. The overall condition of the improvements is average to good.

Accrued depreciation is defined as the loss in value from the reproduction or replacement cost of improvements that may emanate from physical deterioration, functional obsolescence, external obsolescence, or any combination of these sources. There are no adverse functional or external influences affecting the existing improvements. The existing improvements could easily be converted to another use at this site.

The actual age of the existing improvements is between 4 to 35 years with a weighted average actual age of 31 years. The effective age of the improvement is between 25 to 30 years, and the estimated remaining economic life is 45 years. The Marshall and Swift Cost Guide lists this type of improvement as having a life expectancy of 45 years of total building life. This improvement represents recent construction trends; therefore, the effective age would be near the actual age.

The MVS life expectancy guidelines, typical building lives, of Manufacturing of Average Class C construction is 45 years. This is illustrated in Section 97, Page 7 of the Marshall Valuation Service cost guide. As noted in the Improvement Section of the report, there is $35,250 of deferred maintenance associated with the physical aspects of the subject improvements. Also, the physical depreciation (deterioration) can be estimated by using the age/life method (25/45 or 55.56%). Due to the subject having an effective age of 25 and the total remaining physical life of 45 years; then the short/long lived physical depreciation would be $8,100,401.71. The external depreciation is allocated as twenty (20%) of the total adjusted cost new or $2,923,194.61.

The total accrued depreciation is subtracted from the replacement cost-new to indicate the value of the depreciated improvement. When $11,058,846.32 is subtracted from $14,615,973.07; the difference is $3,557,126.75. This difference between these two values is the actual value retained in the Cost Approach based on neighborhood, market, management and quality/type of construction. Therefore, the value of the existing improvement is $3,557,126.75.

After the depreciated value of the existing improvement has been established at $3,557,126.75; we add the value of the vacant site ($350,000) and site value of improvement ($150,000) to indicate a final value indication for the Cost Approach by the Marshall Service at $4,057,126.75 which is rounded to **$4,000,000**.

Cost Approach
Replacement Cost-New (Marshall and Swift Cost Guide Figures)
1010 Keller Drive
New Salisbury, (Harrison County) Indiana 47161
March 11, 2008

Direct and Indirect Cost of Structures – (MVS Cost Figures)		
Area 1 of 9,690 Sq. Ft.		
Area 2 of 89,975 Sq. Ft.		
Area 3 of 8,200 Sq. Ft.		
Area 4 of 24,846 Sq. Ft.		
Area 5 of 60,450 Sq. Ft.		
Area 6 of 11,889 Sq. Ft.		
Area 7 of 4,758 Sq. Ft..		
Total Area of 209,808 Square Feet @ $55.00 per square foot		$11,539,440.00
Sprinklers of 209,808 Square Feet @ $1.50 per square foot		$314,712.00
(Adjusted above the base of 1.00 for height above 14' feet)		
4,758 Sq. Ft. @ $55.00 x 0.357		$93,423.33
11,889 Sq. Ft. @ $55.00 x 0.064		$41,849.28
18,100 Sq. Ft. @ $55.00 x 0.281		$279,735.50
175,061 Sq. Ft. @ $55.00 x 0.181		$1,742,732.26
Adjusted Direct & Indirect Cost New after Height Adjustment		$14,011,892.37
(Adjusted below the base of 1.00 for floor area – perimeter)		
$14,011,892.37 x 0.113		<-$1,583,343.84>
Adjusted Direct & Indirect Cost New after Perimeter Adjust.		$12,428,548.53
Current Cost Multiplier of 1.01		
Local Area Multiplier of 0.97		x 0.98
Adjusted Direct & Indirect Cost New after Adjustments		$12,179,977.56
Plus Entrepreneurial Incentive (20%)		$2,435,995.51
Total Replacement Cost New of Improvement		$14,615,973.07
Deduction for Accrued Depreciation		
Physical Depreciation		
Deferred Maintenance	$35,250.00	
Short/Long lived Physical Depreciation	$8,100,401.71	
Functional Obsolescence	--0--	
External Obsolescence	$2,923,194.61	
Total Accrued Depreciation		$11,058,846.32
Depreciated Value of Improvement		$3,557,126.75
Plus Site Value		$350,000.00
Site Improvements (drainage, paving, etc.)		$150,000.00
Value Indication of the Cost Approach		$4,057,126.75
	SAY . . .	**$4,000,000.00**

Sales Comparison Approach

Valuation principles substitution is fundamental to the Sales Comparison Approach. It is that approach in appraisal analysis, which is based on the proposition that an informed purchaser will pay no more for property than the cost of acquiring an existing property with the same utility. The approach also involves the valuation principles of anticipation, contribution, and increasing and decreasing returns.

The subject site is vertically improved with one central industrial manufacturing improvement and three supporting detached improvements. The improvements currently function to serve as an industrial manufacturing facility for Child Craft Industries Inc.

According tot the Harrison County Assessors Office records, the central improvement was originally constructed in 1973 as 177,608 square feet. A building addition of 18,100 square feet was constructed in 2000. The most recent building addition of 14,100 was constructed in 2005. The age of the building sections range from 3 to 35 years. The weighted average actual age of improvements is 31 years.

The appraisers have analyzed eight (8) sales of similar properties in order to derive an indication of value for the industrial improvement of the subject property by the Sales Comparison Approach. Below is list of comparable sites the appraisers considered.

- Sale comparable one located at 3301 Cline Road, Corydon, Indiana, four miles southwest of the subject. The building contains a total of 350,000 SF with 18,000 SF in office space. Site has rail access. Building has a fire suppression system.
- Sale comparable two located at 5171 Maritime Road, Jeffersonville, Indiana, twenty-three miles east of the subject. The building contains a total of 280,279 SF with 22,879 SF in office space. Site does not have rail access. Building has a fire suppression system.
- Sale comparable three located at 1000 Commerce Drive, Shelbyville, Kentucky, forty-six miles southeast of the subject. The building contains a total of 253,125 SF with 3,300 SF in office space. Site has rail access.
- Sale comparable four located at 987 U.S. Hwy 421 Greensburg, Indiana, seventy-nine miles northeast of the subject property. The building contains a total of 195,000 SF with 12,500 SF in office space. Site does not have rail access. Building has a fire suppression system.
- Sale comparable five located at 804 Hazlett Street Anderson, Indiana, one hundred twenty-seven miles northeast of the subject property. The building contains a total of 200,000 SF with 8,000 SF in office space. Site has rail access.
- Sale comparable six located at 250 Brenner Street Bowling Green, Kentucky, eighty-eight miles southwest of the subject. The building contains a total of 180,000 SF with 10,500 SF in office space. Site does not have rail access.
- Sale comparable seven located at 751 International Drive, Franklin, Indiana, eighty-four miles north of the subject. The building contains a total of 286,555 SF with 13,800 SF in office space. Site does not have rail access.

- Sale comparable eight located at 7825 American Way, Anderson, Indiana, one hundred twenty one miles northeast. The building contains a total of 117,379 SF with 8,300 SF in office space. Site does not have rail access.

When considering market reactions to the elements of comparison, which are: "Sales Concessions"; "Financing Concessions"; "Property Interest"; "Condition of Sale"; "Date of Sale"; "Location"; "Site Size"; "Zoning"; "Topography"; "Accessibility"; "Design/Utility"; "Condition" and general "Improvement" characteristics or qualities. The market substitutes give a true value indication for the units of comparison for the subject property.

Upon further investigation of the comparables, several were found to have significant differences that would exclude their use as market comparables. Comparable sale five has building sections that date to the late 1800's. This comparable is also located in a floodway. Comparable sale six has an immediate market area that is significantly superior to the subject's area. The building is also superior in quality and verification of pertinent characteristics was not possible. Comparable sale seven is also considered to be in a superior market area. Comparable sale eight's reported sale price did not match disclosure because the sale included several additional properties.

The Sales Comparison Approach grid compares the subject property to the four (4) market comparables that are most similar to the subject property. A real estate agent, real estate appraiser, representative of the seller, seller, buyer or a representative of the buyer was contacted in the research of the market comparisons used in this report. After evaluating the improved comparable sales used in this report, and talking with a minimum of one party involved in the transfer of the real estate, we feel that the improved comparable sales used in this appraisal report are excellent indicators of market value for the subject property in regards to market activity and compatibility. These are suitable market substitutes because these sales are utilized as industrial facilities, have similar quality of construction, and have similar locational characteristics as compared to the subject.

A summary of the data on the industrial building sales is included in the following table:

Sales Comparison Approach for 1010 Keller Drive, New Salisbury, Indiana Total Gross Building Area (GBA): 209,808 Square Feet					
Location	**1010 Keller Drive New Salisbury, IN**	**3301 Cline Road Corydon, Indiana**	**5171 Maritime Road Jeffersonville, Indiana**	**1000 Commerce Drive Shelbyville, KY**	**987 U.S. Hwy 421 Greensburg, Indiana**
Property	**Subject**	**Comparable #1**	**Comparable #2**	**Comparable #3**	**Comparable #4**
Sale Price	Unknown	$4,803,907	$2,000,000	$4,400,000	$2,000,000
Sales Concessions	None Known	-$0-	-$0-	-$0-	-$0-
Adjusted Sale Price	Unknown	$4,803,907	$2,000,000	$4,400,000	$2,000,000
Gross Building Area	209,808	350,000	280,279	253,125	195,000
Unadj. $/GBA	Unknown	$13.72	$7.14	$17.38	$10.26
Financing Concessions	None Known	-$0-	-$0-	-$0-	-$0-
Property Interest	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Condition of Sale	Typical	Typical	Typical	Typical	Typical
Adjusted Sale Price	Not Applicable	$4,803,907	$2,000,000	$4,400,000	$2,000,000
Date of Inspection/Sale	03/11/2008	10/13/2005	09/30/2003	05/10/2006	03/19/2007
Adjustment $	Not Applicable	+$91,300 (+1.9)	+$241,800 (+12.09%)	-$0-	-$0-
Adj. Sale Price	Not Applicable	$4,895,207	$2,241,800	$4,400,000	$2,000,000
Adj. $/GBA	Not Applicable	$13.99	$8.00	$17.38	$10.26
Location	Average	Average	Average	Average	Average
Adjustment $	Not Applicable	-$0-	-$0-	-$0-	-$0-
Adj. Sale Price	Not Applicable	$4,895,207	$2,241,800	$4,400,000	$2,000,000
Adj. $/GBA	Not Applicable	$13.99	$8.00	$17.38	$10.26
Site Size / Acre	46.882 Acres	39 Acres	30 Acres	15 Acres	38.85 Acres
Land-to-Building Ratio	9.73 to 1.00	4.85 to 1.00	4.66 to 1.00	2.58 to 1.00	9.4 to 1.00
Zoning	I-2	I-2	I-2	I-2	I-2
Zoning Adjustment	Not Applicable	-$0-	-$0-	-$0-	-$0-
Topography	Relatively Level	Average/Equal	Average/Equal	Average/Equal	Average/Equal
Site Adjustment $	Not Applicable	+$59,000	+$125,000	+$240,000	+$60,000
Adj. $/GBA	Not Applicable	$14.15	$8.44	$18.33	$10.56
Accessibility	Average	Average	Average	Average	Average
Year Built	1973	1989	1997	1985	1962
Design/Utility	Average	Average	Average	Average	Average
Adjustment $	Not Applicable	-$346,800(.7%)	-$260,000(-11%)	-$968,000(-22%)	+$450,000(+22%)
Adj. Sale Price	Not Applicable	$4,607,407	$2,106,800	$4,640,000	$2,510,000
Adj. $/GBA	Not Applicable	$13.16	$7.52	$17.38	$12.87
Condition	Average	Average	Average	Average	Average
Adjustment $	Not Applicable	0%	0%	0%	0%
Adj. $/GBA	Not Applicable	$13.16	$7.52	$17.38	$10.26

The "Property Rights or Interest" commonly transferred in the deeds for this property type in this marketplace is fee simple.

All Comparable sales were adjusted for "Date of Sale" at an appreciation rate of 5% per year through February 2006. Appreciation from February 2006 is flat in this market at the current time. This rate is obtained from surveying property agents, owners, appraisers and developers in the marketplace. Do to the lack of matched sales analysis, the individuals surveyed were given the greatest consideration is determining that a five percent appreciation rate through February 2006 is supportive of this marketplace.

The subject property and comparable sales share similar qualities in "Location"; there are some differences between comparables and subject; however, the differences would not warrant adjustments after equal consideration.

The subject property and comparable sales share similar qualities in "Site Size" and "Topography."

The subject property and all comparable sales share similar qualities in "Zoning.

The subject property and comparable sales share similar qualities in "Construction Appeal" and "Design/Utility". Comparable sale 4 had environmental contamination. Cost to cure was not available. Comparable sale 2 was originally listed at $6,995,000. This sale was reduced to $4,000,000 after six months on the market and was sold at a discount for $2,000,000 after exposure of eleven months.

The appraisers have selected the price per square foot as the unit of comparison for this analysis. Due to the nature of the existing improvement and the existing zoning for industrial purposes, the value of price per square foot of gross building area would be best suited for the marketplace in determining a market value for this property.

Based on the gross building area of the comparables; these sales indicated an adjusted scale of value at $13.16; $7.52; $17.38; and $10.26 per square foot of gross building area; respectively.

In this comparison, Comparables number 1 and 3 are given the most weight because of proximity, locational factors, similarity in condition, and site issues, respectively. We feel that the value of the subject property would be at the middle of the value scale of $15.00. There are a limited number of truly comparable industrial properties within the time frame of this assignment. An active competitor in the subject marketplace is comparable 1, 3301 Cline Road that has a listing price of $5,300,000. Therefore, the indicated value on a per square foot basis is equal to the gross building area of the property used for industrial purposes of 209,808 square feet, times the indicated market value of $15.00 per square foot, which is equal to $3,147,120 or rounded to **$3,100,000**.

Income Approach

When establishing value through the use of the Income Approach, there are two principle methods available to the appraisers. The first method is referred to as the direct capitalization method. This method involves establishing an appropriate ratio between net operating income to value, based on transactions of similar properties in the marketplace, as well as taking into consideration current investor expectations and the availability of financing. This method is very appropriate when the property in question is anticipated to present a very stable cash flow for the foreseeable future, and is not affected by significant rates of appreciation or depreciation.

The second method is referred to as the discounted cash flow analysis. When dealing with a property for which the income stream is anticipated to fluctuate due to the expiration of leases, or additional absorption, or when dealing with properties in a market in which significant appreciation or depreciation can be discounted, the discounted cash flow method is preferred. In this method the net operating income for the property over a typical holding period is projected.

In addition, the probable net proceeds from the resale of the property at the end of the holding period must be projected. This total income stream (annual net operating income plus net proceeds from resale) is then valued and provide a yield, which is acceptable within the marketplace. As in determining the overall capitalization rates above, the appropriate yield is measured through a comparison of anticipated yields for similar properties which have sold, indications as provided by current investor expectations, and the availability and quality of financing.

The appraisers have utilized the direct capitalization method as the method of estimating the value of the subject property by the Income Approach.

Market Rates for Industrial Properties

In order to determine the market value of a property through the use of the Income Approach, the appraisers must first determine current market rental rates by locating comparable properties, which are occupied on a rental basis. The appraisers were able to establish current market rental rates based on the rental rates of similar industrial manufacturing developments with similar variations of use throughout the marketplace. In establishing current market rental rates for the subject, the appraisers analyzed comparable rental data from over five (5) competing industrial manufacturing facilities throughout the subject neighborhood. The comparable rental data indicated that rental rates of similar industrial manufacturing properties in the subject neighborhood were within a competitive scale given the locations of the comparable industrial developments researched for this appraisal. The surrounding and competing market place has a primary supply of units scaling in sizes of 100,000 square feet to 350,000 square feet. All five (5) of the comparable industrial manufacturing improvements, were similar in layout, and were located within similar economic settings. The appraisers talked with the property owner or property manager of the industrial manufacturing properties. These comparable properties were designed and constructed as industrial manufacturing improvements.

The following table illustrates the comparable industrial manufacturing properties as well as their market rental rates by annual price per square foot. The appraisers have also consulted with many leasing agents within the Louisville and Jefferson County / Southern Indiana area that confirmed that $1.50 to $3.00 per square foot was a good indication of industrial manufacturing improvements within the subject area.

Comparable Market Rates Based on Annual Price Per Square Foot			
Location	**Type**	**Square Footage**	**Annual Price Per Sq Ft**
Southern Indiana	Industrial Manufacturing	300,000	$1.75
Southern Indiana	Industrial Manufacturing	200,000	$2.00
Southern Indiana	Industrial Manufacturing	150,000	$2.25
Central Kentucky	Industrial Manufacturing	250,000	$2.00
Central Kentucky	Industrial Manufacturing	200,000	$2.00

The appraisers are limited in the amount of information that is available for publication on the comparables used to determine market rental rates and conditions. The appraisers have evaluated unit size and unit mix in similar industrial manufacturing improvements within the same or similar market areas included in the preceding table. Per the units available all units have similar design and public off street parking areas. Of the comparable properties researched for market rental data, all were located within competitive market areas as determined by the appraisers to be the same or similar to the location of the subject improvement.

The differences in the rental prices per square foot per year could be attributed to utilities paid by property owners or the overall condition of the improvements analyzed by the appraisers. The annual price per square foot for the comparable market rates of industrial manufacturing improvements scale from $1.75 to $2.25. Industrial manufacturing improvements were selected to be analyzed for the comparable market information because of the uses of the improvement. The subject improvement consists of one (1) industrial manufacturing improvement with a gross building area above grade of 209,808 square feet.

The market comparables provide an annual price per square foot, which the appraisers feel to demonstrate a good indication of rental rates for comparable units within the subject properties competitive market. The subject property's rental rates, in turn, are considered to be consistent with those of competitors in the market area; therefore, the rental rate of the subject property should demonstrate market rental rate of $2.00 per square foot with the tenant paying all utilities.

Potential Gross Income

The subject improvement consists of one (1) industrial manufacturing facility. The gross building area above grade is 209,808 square feet. The market comparables have provided an annual price per square foot, which the appraisers feel to demonstrate a good indication of rental rates for comparable units within the subject's competitive market. The subject property's rental rates, in turn, are considered to be consistent with those of competitors in the surrounding

marketplace. Therefore, the proposed rental rate of the subject property demonstrates an estimated market value per square foot, which is consistent with that of the market comparables.

The total annual potential gross income for the subject property based on a projected lease is $419,616, which is based on $2.00 per square foot. This is the total of annual income, which is generated through the rental of the subject property containing approximately 209,808 square feet of gross building area. The potential gross income illustrates attainable income at 100% occupancy at market rental rates.

Vacancy and Credit Loss

After the potential income has been established there is a deduction of ten (10%) to account for the potential loss of income due to vacancy and credit loss. In the opinion of the appraisers, the potential gross income is based on rental forecasts that have been proven by comparable properties within the competitive marketplace. The ten (10%) percent vacancy, rent, and credit loss estimate deemed to the appropriate percentage that is reflective of typical market operations of a industrial property of this size. In most markets, the closer the rental rates reflect the market, the more competitive the market becomes.

Effective Gross Income

Effective Gross Income (EGI) is the anticipated income from all operations of the real property after allowance is made for vacancy and credit (collection) loss. After deducting a ten (10%) expense for vacancy and credit loss, the effective gross income (EGI) of the property is $377,654.40. The effective gross income is the actual forecasted income to support the expenses of operations.

Operating Expenses

The periodic expenditures necessary to maintain the real property and continue the production of the effective gross income are referred to as the operating expenses. The operating expenses are determined as those, which are used for appraisal purposes which may differ from accounting or owner reporting of expenses. The appraisers have analyzed and reconstructed the expense categories to develop typical expense expectancy for the subject property on an annual accrual basis.

The operating expense categories have been divided into fixed expenses and variable expenses. Some of these operating expense categories may overlap due to the nature of the expense and type of expense.

Fixed Expenses

The fixed expenses for the subject improvement are real estate taxes and property insurance. These fixed expenses are operating expenses that generally do not vary with the occupancy and have to be paid whether the property is occupied or vacant.

Real Estate Tax Expense

The tenant would pay the current tax liability of the subject property. The future tax liability of the subject property will increase to the stated consideration in the deed of transfer; therefore, the tax liability will increase accordingly if the subject improvement transfers ownership.

Insurance Expense

The tenant would pay the insurance expense.

Variable Expenses

The variable expenses for the subject property are utility expense (water, electric), repairs and maintenance, and accounting/legal, and management expense. These variable expenses are operating expenses that generally vary with the level of occupancy or the extent of service provided.

Utility Expense (Gas & Electric)

The tenant would pay the utility expense for private gas service and common electrical service.

Utility Expense (Water)

The tenant would pay the utility expense for water and sewer usage.

Repairs and Maintenance Expense

The tenant would pay the expense for repairs and maintenance. The repairs and maintenance expense is commonly linked to the reserves or replacement expense. Many properties in this market simply have a repairs account, which covers all repairs and reserves. Allowance for reserves for replacement has not been included into this category to allow for the periodic replacement of short-lived items.

Management Expense

The expense for management is estimated at $18,900.00. There have been no allocations for management fees in the historical records of the subject property.

Three (3) management companies in this section of southern Indiana were contacted to obtain market management rates. Management expense has been estimated at 5% of the effective gross income (EGI). This allowance for management of 5% of the EGI (or $18,900.00) is based on management fees in the surrounding marketplace. This management allowance takes into consideration marketing and leasing costs.

Accounting and Legal

The expense for accounting is based on information provided by the owner at $500.00 per year. The allowance for accounting and legal fees of $500.00 per year is based on the occurrence of filing, tax accounting, and lease contracts for the operation of the property.

Summary of Expenses

These total fixed and operational expenses indicate 5.14% of the effective gross income, which is within the scale for industrial properties of this type throughout the market area.

Conclusion of the Income Approach

The result is a net operating income (NOI) of $358,254.00. There are a number of methods used to determine a capitalization rate to apply towards a stabilized income stream. Capitalization rates obtained through the band of investment (commonly referred to as the build-up approach) and those derived from comparable sales, are the most often utilized. The act of surveying local investors is a method of verifying the effectiveness of the two previous methods.

The band of investment or build-up approach was used to determine an indicated overall capitalization rate. This method develops a weighted rate of the mortgage and equity components of the investment. The weighted rate of the mortgage component is based on the required loan-to-value ratio and the annual mortgage constant. The annual mortgage constant is based on a 20-year loan term with a 7.50% interest rate (scale: 7.00% to 8.00%). The weighted rate of the equity component is based on the required down payment of equity in the investment and the required equity dividend (investment rate) for the equity in the investment. Based on investment requirements of local lenders, investors and property operators, an overall capitalization rate by this method would be 9.73%. This would indicate a value of $3,681,952.72, which is rounded to $3,682,000.

Band of Investment

	% of Total Investment		Rate	Weighted Rate
Mortgage Component	0.80	X	0.0967	0.077337
Equity Component	0.20	X	0.1000	0.020000
Overall Capitalization Rate				0.097337

The best source to derive a market capitalization rate is through market extraction. Overall rates from sales of industrial manufacturing buildings were considered. The scale of market examples were from 9.5% to 12.5%.

The appraisers also surveyed market investors and real estate professionals whom stated that an 10.5% to 11.5% capitalization rate would be desired and expected in the marketplace. Given the fact that this property is located in a rental neighborhood, which has a limited demand for industrial zoned properties, an indicated 11.0% capitalization rate would be appropriate. Capitalization of the net operating income at 11.0% results in a market value through the use of the Income Approach of $3,256,854.55; which was rounded to **$3,260,000**.

INCOME APPROACH **As Of March 11, 2008** **For** **1010 Keller Drive**		
Potential Gross Income		
Potential Gross Income: 209,808 Sq. ft. @ $2.00 per ft		**$419,616**
Less Vacancy and Credit Loss (10%)		($41,962)
Effective Gross Income (EGI)		**$377,654**
Expenses	Real Estate Taxes	$-0-
	Insurance	$-0-
	Utility Expense (Gas & Electric)	$-0-
	Utility Expense (Water/Sewer)	$-0-
	Repairs and Maintenance	$-0-
	Management Fee (5%)	$18,900
	Accounting/Legal	$500
Total Operating Expenses (5.14%)		$19,400
Net Operating Income (NOI)		**$358,254**
Capitalized @ 11.00%		Divided by 0.110
Indicated Value by Income Approach		$3,256,854.55
Rounded To		$3,260,000.00

RECONCILIATION AND VALUE CONCLUSION

The Cost Approach (@$4,000,000), Sales Comparison Approach (@ $3,100,000) and Income Approach (@ $3,260,000) were given weight in the final estimation of value. All approaches to value were deemed applicable to this assignment due to the age and nature of the improvement along with substantial available market data available for the appraisers for each approach.

The Cost Approach was given weight based on the four (4) vacant land sales and strong support for the demand to purchase industrial zoned properties in this marketplace. The subject site includes approximately 46.882 acres of land with one (1) improvement having 209,808 square feet of gross building area above grade. The appraisers talked with a national builder and developer whom constructs similar superstructures for industrial manufacturing improvements. The appraisers used the Marshall Valuation Service along with information obtained from Class "C" structures, concrete estimates from a professional concrete engineer and consultant, to establish a valid replacement cost of the subject improvements in the process of completing this approach. Based on the available information in this marketplace, the Cost Approach is given a considerable amount of weight in the reconciliation process. The final sale of the subject property may not obtain an entrepreneurial profit of twenty (20) percent.

The Sales Comparison Approach was given weight due to the confirmed sales of similar properties in the marketplace. There were eight (8) comparable sales researched and confirmed by the appraisers. Of these eight (8) comparable sales, four (4) were displayed in a market grid with an adjusted scale of $7.52 to $17.38 per square foot. These sales provide direct market evidence of property transactions between buyers and sellers in the market area. The appraisers used the value per square foot to determine a market value for the subject property. The appraisers feel the comparable sales provided a good indication of price per square foot as compared with similar and competitive properties in the southern Indiana marketplace. The appraisers feel that the comparables used in this approach were the best available market comparables at this time. The Sales Comparison Approach was given weight because of the strength and availability of the improved comparable sales within the market.

The Income Approach was given weight in this comparison because of income indicators and information obtained from leasing agents in the subject marketplace. The appraiser analyzed the market area, and was able to establish market rental rates from five (5) competing rental properties with similar size and utility. A typical investor would consider purchasing this property based on the market rates and the forecasted income stream. The non-conservative aspects of the market influence the income rates and overall capitalization rates. The appraisers have consulted with local investors in the marketplace that are requiring a cap rate of eleven percent (11%) on industrial properties of this type. The appraisers view the subject as a highly desirable industrial investment property, which is why the income approach is given weight in the final value conclusion.

As a result, the market value of the subject property is equal to **$3,100,000**.

CERTIFICATION OF VALUE

The undersigned do hereby certify that, except as otherwise noted in this appraisal report:

1. To the best of our knowledge and belief, the statements of facts contained in this appraisal report are true and correct.

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

3. We have no present or prospective interest in the property which is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

4. The appraisal assignment was not based on the requested minimum valuation, a specific valuation, or the approval of a loan. Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

5. We certify that, to the best of our knowledge and belief, 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 and the Standards of Professional Appraisal Practice of the Appraisal Institute.

6. We certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

7. We do not authorize the out-of-text quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraisers signing this appraisal report.

8. William D. Otto Spence, MAI, SR/WA, CCIM, MS has been certified by the Kentucky Real Estate Appraisers Board as a Certified General Real Property Appraiser - Certificate No. 000698 and by the Indiana Professional Licensing Agency as a Certified Real Property Appraiser Indiana General Certified Real Estate Appraiser #CG49300068

9. As of the date of this report, William D. Otto Spence, MAI, SR/WA, CCIM, MS has completed the continuing education program of the Appraisal Institute.

10. William D. Otto Spence, MAI, SR/WA, CCIM, MS inspected the subject property, researched the comparable sales used in this appraisal report and wrote the unedited appraisal report.

11. No one provided significant professional assistance to the persons signing this report.

12. No personal property, fixtures, or intangible items that are not real property were included in the market value.

13. This appraisal assignment is a Complete Appraisal reported in a Summary Appraisal Report.

14. Peter McLeod Margerum has been certified by the Kentucky Real Estate Appraisal Board as a Certified Real Property Appraiser – Certificate Number 000937 and by the Indiana Professional Licensing Agency as a Certified Real Property Appraiser - Indiana Certified Real Property Appraiser #CR49500163.

15. Brian R. Rock, Glen D. Katz, Jeremy Harmon, and Amy Rawson inspected the subject property, helped with comparable verification & selection, and wrote portions of the unedited appraisal report.

Taking into consideration all of the pertinent factors which affect value, it is the recommendation of this report that the market value of the subject property, as of March 11, 2008, is as follows:

*** * * * THREE MILLION ONE HUNDRED THOUSAND DOLLARS * * * ***
($3,100,000)

William D. Otto Spence, MAI, SR/WA, CCIM, MS
Kentucky General Real Property Appraiser #000698
Indiana General Certified Real Estate Appraiser #CG49300068

Peter McLeod Margerum
Kentucky Certified Real Property Appraiser #000937
Indiana Certified Real Property Appraiser #CR49500163

Brian R. Rock
Kentucky General Real Property Appraiser #004093

Glen D. Katz
Kentucky General Real Property Appraiser #001533

Amy Rawson
Kentucky Associate Real Property Appraiser #004105
Indiana Appraiser Trainee #TR40800980

Jeremy T. Harmon
Kentucky Associate Real Property Appraiser #003914

ASSUMPTIONS AND LIMITING CONDITIONS

This is a Summary Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraisers are not responsible for unauthorized use of this report.

It is assumed that title to the property herein appraised is good and merchantable, and in fee simple. The value is reported without regard to questions of title, boundaries, encroachments, environmental regulations, licenses, or other matters of a legal nature unless noncompliance has been stated, defined, and considered in the appraisal report.

Our analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Unless otherwise stated in this report, no responsibility is assumed for subsoil conditions which would render the property more or less valuable as no tests were made.

Unless otherwise stated in this report, the appraisers did not observe the existence of hazardous material, which may or may not be present on the property. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions, and the client is urged to retain an expert in this field, if desired.

The physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. Further, no liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made.

The data contained herein is all the data we considered necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors, which might influence the value of the subject property, and we reserve the right to update the value conclusion as new information is presented.

Due to rapid changes in external factors, the value estimate is considered reliable only as of the date of the appraisal. Further, the value is estimated under the assumption that there will be no international or domestic political, economic, or military actions that will seriously affect real estate throughout the country which are not reasonably foreseeable as of this date.

The value estimate assumes that the property is under responsible ownership and has competent and prudent management.

Value is reported in dollars on the basis of the currency prevailing on the date of the appraisal. The current purchasing power of the dollar is the basis for the value reported.

On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.

The distribution of the total valuation between land and the improvements applies only under the existing program of utilization and conditions stated in this report. The separate valuations for land and building must not be used in conjunction with any other appraisal and is invalidated under other programs of utilization or conditions, or if used in making a summation appraisal.

Disclosure of the contents of the appraisal is governed by the Bylaws and Regulations of the professional organizations with which the appraisers are affiliated.

This appraisal was prepared by Wm. D. Otto Spence Real Estate and consists of trade secrets and commercial or financial information which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4). Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the appraisers, professional designations, reference to any professional appraisal organizations, or this firm), shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state agency, or instrumentality of the United States without the previous written consent of the appraisers; nor shall it be conveyed by anyone to the public through advertising, public relations, news, or other media, without the previous written consent and approval of the appraisers.

If the appraisers' signatures in this report are not in original ink, as opposed to a duplicating process, the report is invalid.

The appraisers are not required to give testimony in court with reference to the subject property unless further arrangements are made.