



SUMMARY APPRAISAL REPORT

OF

Land Property Located at:
3015 W. Cato Springs Road
Fayetteville, AR

Prepared For the Exclusive Use Of

University of Arkansas
321 Administration Building
Fayetteville, AR 72701

Prepared By

Archie Glynn Flynn
State Certified General Appraiser

Belote & Associates
PO Box 389
Fayetteville, Arkansas 72702-0389
Value Estimated As Of July 26, 2012 "As Is"

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Troy Belote MAI • Nikki Belote Bradley



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REAL ESTATE APPRAISERS

APPRAISALS • ANALYSIS • COUNSELING • MARKET FEASIBILITY

July 31, 2012

University of Arkansas
ATTN: Mr. James Ezell
321 Administration Building
Fayetteville, AR 72701

RE: Appraisal of Land located at 3015 W. Cato Springs Road, Fayetteville, AR

Dear Mr. Ezell:

In accordance with your engagement letter, I have appraised the Fee Simple interest in the property referenced above. The purpose of the appraisal is to estimate the Market Value of the subject property. This report is to assist the client in Financing. I believe, based on the assumptions employed the value conclusion represents a market price achievable within 12 months prior to the effective date. No personal property value is included in this opinion.

MARKET VALUE CONCLUSION

Appraisal Premise	Interest Appraised	Effective Date	Value Conclusion
As Is	Fee Simple	July 27, 2012	\$1,030,000

This report and the final estimates of value are intended solely for your information and assistance for the function stated above, and should not be relied upon for any other purpose. Neither our report nor any of its contents nor any reference to the appraisers of our firm, may be included or quoted in any document, offering circular or registration statement, prospectus, sales brochure, other appraisal, loan or other agreement without Belote & Associates prior written approval of the form and context in which it will appear.

Respectfully submitted,



EXECUTIVE SUMMARY

SUMMARY OF MAJOR FACTS & CONCLUSIONS

Subject Property:	Cummings Farm 3015 W. Cato Springs Road Fayetteville, AR		
Property Type:	Undeveloped Land		
Report Type:	Summary Report Format		
Interest Appraised:	Fee Simple Interest		
Appraisal Date:	July 31, 2012		
Value Date:	July 27, 2012		
Inspection Date:	July 27, 2012		
Zoning:	RPZD, Residential Planned Zoning District		
Tax ID/APN:	multiple numbers (see site section)		
Value Descriptions:	A complete cost approach was not applicable. An income approach was not applicable for this appraisal. A complete sales approach was applied.		
Sales Comparison Approach Value:	\$1,030,000		
Reconciliation:			
Appraisal Premise	Interest Appraised	Effective Date	Value Conclusion
As Is	Fee Simple	July 27, 2012	\$1,030,000

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CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- 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.
- I have no present or contemplated future interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
- I have made a personal inspection of the property that is the subject of this report.
- I had no one else provided significant professional assistance in the development of the conclusions contained in this report.
- I have not performed a previous appraisal service as an appraiser or in any other capacity of the subject property within three years prior to this assignment.
- The Appraiser has established sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- My value conclusion and other opinions expressed herein are not based on a requested minimum value, a specific value or approval of a loan.
- 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.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report I have completed the Standards and Ethics Education of the Appraisal Institute for Associate Members.
- As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

July 31, 2012

Archie Glynn Flynn

Assumptions and Limiting Conditions

Assumptions

This appraisal and report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
1. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
2. Responsible ownership and competent management are assumed.
3. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on the or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

Limiting Conditions

This appraisal and report has been made with the following general limiting conditions:

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. The appraiser, by reason of this appraisal, is not required to give further consultations or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, or other media without the prior written consent and approval of the appraiser.
5. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
6. Any value estimates provided in the report apply to the entire property, and any pro-ratio or division of the total into fractional interests will invalidate the value estimate, unless such pro-ratio or division of interests has been set forth in the report.
7. In the case of any proposed improvements, the value estimate assumes that the proposed improvements have been completed unless otherwise stipulated. Any construction is assumed to conform to the building plans referenced in this report.
8. This appraisal was prepared by Belote & Associates, Inc. and consists of trade secrets and commercial or financial information which is privileged and confidential and exempted from disclosure under 5 U.S.C. 522 (b) (4). Please notify Belote & Associates, Inc. of any request for reproduction of this appraisal report.
9. The property owner furnished certain items and information to the appraiser which may be described in this report, included in the addenda as copies, or retained in the appraiser's work file. It has been assumed that the information is correct unless otherwise stated in this report. If for any reason the information furnished was inaccurate, it could affect the results of this appraisal.
10. Limitations on liability.
 - (a) The liability of the appraiser is limited to the client only and to the fee actually received. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, as specifically identified within the body of this report, the client shall make such party aware of all limiting conditions and assumptions of the assignment.
 - (b) Under no circumstances shall any appraisers identified with, or in the employ of, Belote and Associates, or Belote and Associates as a corporation, be liable for any losses or damages whatsoever, whether in contract, tort or otherwise, from the use of, or reliance on, the information contained in this report, to any persons or entities, except as

specifically identified within this report. Belote and Associates makes no representations about the accuracy, reliability, completeness or timeliness of the material included in this report, except to the client as specifically identified within the body of this report. The use of this report by any other persons or entities is at your own risk.

- (c) For purposes of this appraisal, persons or entities other than the specifically identified client shall include any successors, related companies, their clients or employees, partners, representatives, principals, agents, or third-party providers.
- (d) The appraiser is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property - physically, financially, and/or legally. In the case of limited partnerships, syndication offerings, or stock offerings in real estate, the client agrees that if any lawsuit brought by a lender, partner, part owner, tenant, or other party, results in any award or settlements of any type in such suit regardless of outcome, **that the client, who is the intended sole recipient of this report, will hold the appraiser completely harmless in any such action.**
- (e) This Agreement shall all be governed and construed in accordance with the laws of the State of Arkansas applicable to agreements made to be performed in Arkansas. You agree that any legal action or proceeding between Belote and Associates and/or its agents or representatives and you, for any purpose concerning this Agreement or the parties' obligations hereunder, shall be brought exclusively in a federal or state court of competent jurisdiction sitting in Arkansas. Any cause of action or claim you may have with respect to this appraisal report or agreement must be commenced within one (1) year after the effective date of this appraisal, and within one (1) year after the claim or cause of action arises, or such claim or cause of action is barred. Belote and Associates failure to insist upon or enforce strict performance of any provision of this Agreement shall not be construed as a waiver of any provision or right. Neither the course of conduct between the parties nor trade practice shall act to modify any provision of this Agreement.

Acceptance of and/or use of this appraisal report by the client or any third party constitutes acceptance of the above assumptions and limiting conditions.

SCOPE OF WORK

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser’s responsibility to determine the appropriate scope of work. USPAP defines the scope of work as:

The amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following:

- the degree to which the property is inspected or identified;
- the extent of research into physical or economic factors that could affect the property;
- the extent of data research; and
- the type and extent of analysis applied to arrive at opinions or conclusions.

The following information defines the Scope of Work taken by the appraiser(s):

Report Type:	Summary Report
USPAP Reporting Type Description:	In addition, the report was also prepared to conform to the requirements of the Code of Professional Ethics of the Appraisal Institute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations.
Inspection:	The inspection date was made as of July 27, 2012.
Market Analysis and Market Conditions:	Regional, city, county, and neighborhood data were based on information available from city offices and, where available, the local Chamber of Commerce. In developing approaches to value, market data was collected from various sources.
Highest and Best Use:	The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.
Cost Approach Analysis:	A complete cost approach was not applicable.
Income Approach Analysis:	An income approach was not applicable for this appraisal.
Sales Comparison Approach Analysis:	A complete sales approach was applied.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to develop an opinion of Market Value, for the exclusive use of our client, as identified below.

Definition of Market Value

Market value is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. A current economic definition agreed upon by agencies that regulate federal financial institutions in the United States of America is:

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States 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.¹

INTENDED USE OF THE APPRAISAL

The use or function of this appraisal report is to provide an opinion of market value to be used as one of the basis for Acquisition Analysis.

IDENTIFICATION OF THE CLIENT

This report has been prepared for the exclusive use of The University of Arkansas. The use of this report by any other entities or persons may result in misinterpretations and/or invalid conclusions.

INTENDED USER OF THE REPORT

The intended user of this report is Client. The depth of the discussion contained in this report is specific to the needs of the client as identified above. The appraiser is not responsible for unauthorized users of this report.

IDENTIFICATION OF THE APPRAISED PROPERTY

Address:

3015 W. Cato Springs Road
Fayetteville, AR

Location:

The subject property is located on the west side of W. Cato Springs Road south of the W. Cato Springs Road and I540 interchange in the southwestern edge of Fayetteville, Arkansas.

¹ This definition is from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and August 24, 1990, as adopted by other major lending and regulatory bodies.

History of ownership

Chambers Bank obtained title to the subject property via Warranty Deed 2010-26593. This was a deed in lieu of foreclosure by South Pass Development Company. Prior to this transfer South Pass Development Company had held continuous title for a period greater than thirty-six months.

Current Listing Information

Other than the above mentioned contracts or transactions, our research of the local MLS system produced no current or pending listings of the subject property within the previous 36 months.

REGIONAL AND CITY ANALYSIS

Introduction

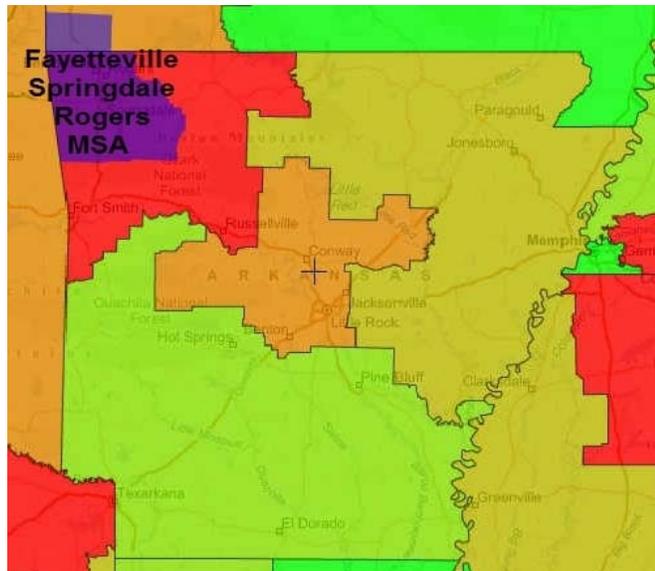
The value of real estate is influenced by the demand for its use. This demand depends on:

1. the population of the market that the real estate serves,
2. the effective purchasing power of this population, and
3. its desire to own real estate.

Demand may change for various types of real estate and between real estate and nonrealty investment sources.

Trade Area Identification

The Fayetteville-Springdale-Rogers Metropolitan Statistical Area is a four-county area including three Arkansas counties and one Missouri County anchored by the Arkansas cities of Bentonville, Rogers, Fayetteville and Springdale. The MSA is the sixth fastest growing MSA in the nation. Constituent counties of the MSA include Benton County, Madison County, Washington County and McDonald County.



The area is the home of the largest university in the State and is the trade and economic center for much of Northeast Oklahoma as well as surrounding counties in Arkansas.

The Fayetteville-Springdale-Rogers Metropolitan Statistical Area (MSA) remains one of the overall fastest growing communities, experiencing growth 3.5 times the national average and 13.7% greater than the State of Arkansas as a whole from 1990 to the present. Arkansas Center for Business and Economic Research estimates 1,100 people move to the MSA monthly, which correlates to a 3.6% annual rate of growth.

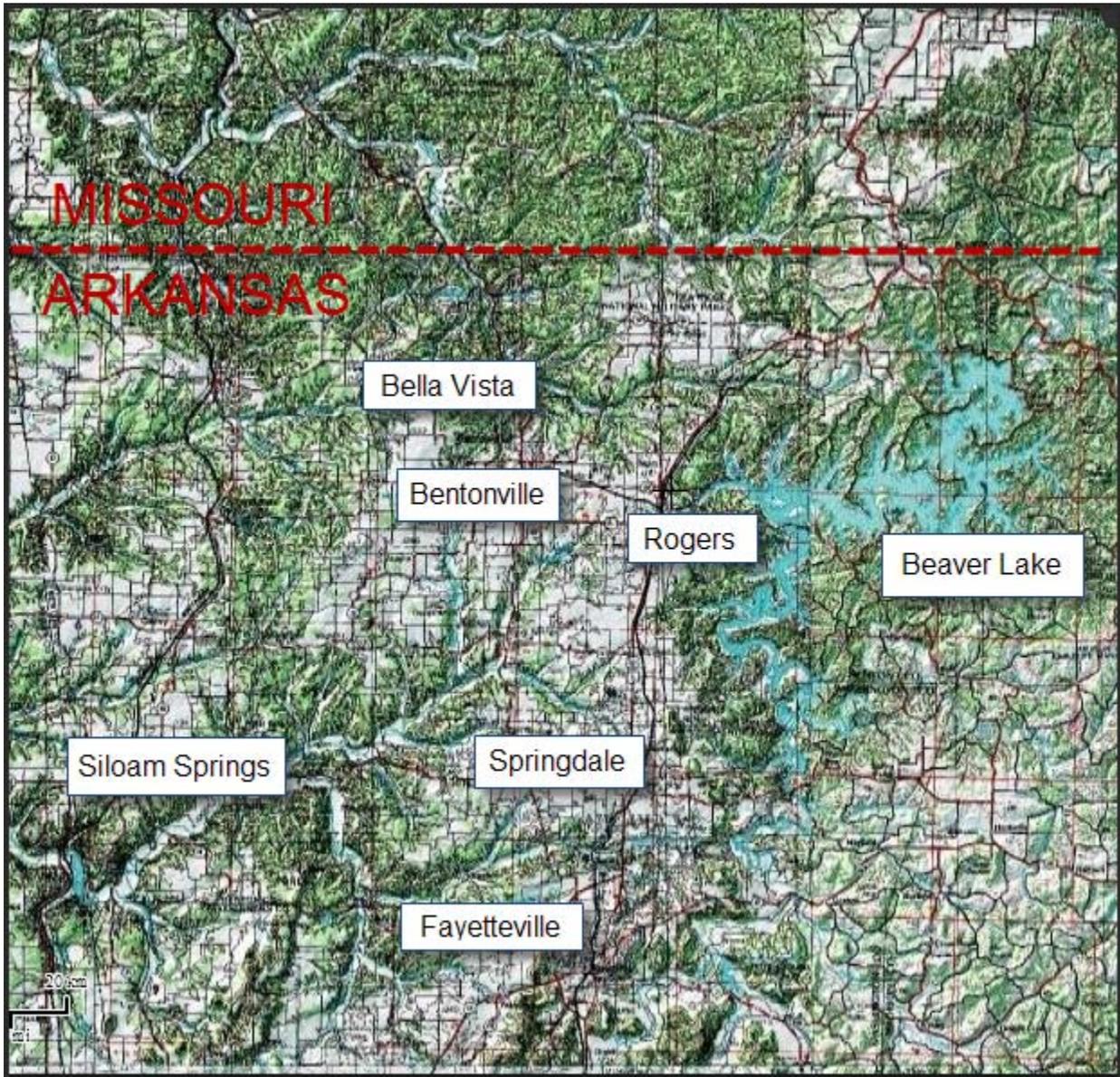
Area Topography

The elevation of Washington and Madison Counties varies from 1,000 to 1,700 feet. In general, the topography is rough along the western, eastern, and northwestern boundaries. Extending through the heart of the county, from the Oklahoma line to Springdale, is a plateau-like area consisting of rolling, but reasonably level, terrain. The City of Fayetteville, located in the edge of the Boston Mountain Range, is quite hilly.

The topography of Benton and McDonald Counties ranges from broad upland divides separated by areas of rolling hills in the western and central parts of the county to rocky, rough, steeper hills in

AREA AND NEIGHBORHOOD ANALYSES

the east. Much of the eastern one-third of the county is covered by Beaver Reservoir. Most of the land area in Bentonville and Rogers is level to gently rolling with hilly areas to the east and north.



Area Climate

Northwest Arkansas has a moderate climate with a variety of temperatures. Because of the extremes that can occur, provisions must be made in heating and cooling systems over and above the requirements of cities located further south.

Agricultural

While there are a variety of agricultural pursuits in Northwest Arkansas, poultry and cattle production are the most significant. Washington County ranks as the number one county in the state in the production of broilers. It ranks second in egg production, and third in turkey production. The State of Arkansas ranks first, fifth, and sixth, respectively, in the entire country in the production of

AREA AND NEIGHBORHOOD ANALYSES

these items. Meanwhile, Benton County ranks as one of the highest cattle production counties in the state.

Population Characteristics

Northwest Arkansas MSA Fayetteville-Springdale-Rogers, AR-MO Metropolitan Statis... Geography: CBSA			
Summary	2000	2010	2015
Population	347,045	461,723	508,663
Households	131,939	174,403	192,015
Families	92,903	119,701	130,803
Average Household Size	2.57	2.59	2.60
Owner Occupied HUs	87,884	116,209	128,369
Renter Occupied HUs	44,055	58,194	63,646
Median Age	33.4	34.9	35.5
Total Housing Units	144,435	198,013	221,983
Vacant Housing Units	12,496	23,610	29,968
Average Home Value	\$116,131	\$163,222	\$195,978

Currently, 58.7 percent of the 198,013 housing units in the market area are owner occupied; 29.4 percent, renter occupied; and 11.9 percent are vacant. In 2000, there were 144,435 housing units- 60.8 percent owner occupied, 30.5 percent renter occupied and 8.7 percent vacant. The annual rate of change in housing units since 2000 is 3.13 percent. Median home value in the market area is \$124,624, compared to a median home value of \$157,913 for the U.S. In five years, median home value is projected to change by 3.64 percent annually to \$149,048. From 2000 to the current year, median home value changed by 3.41 percent annually.

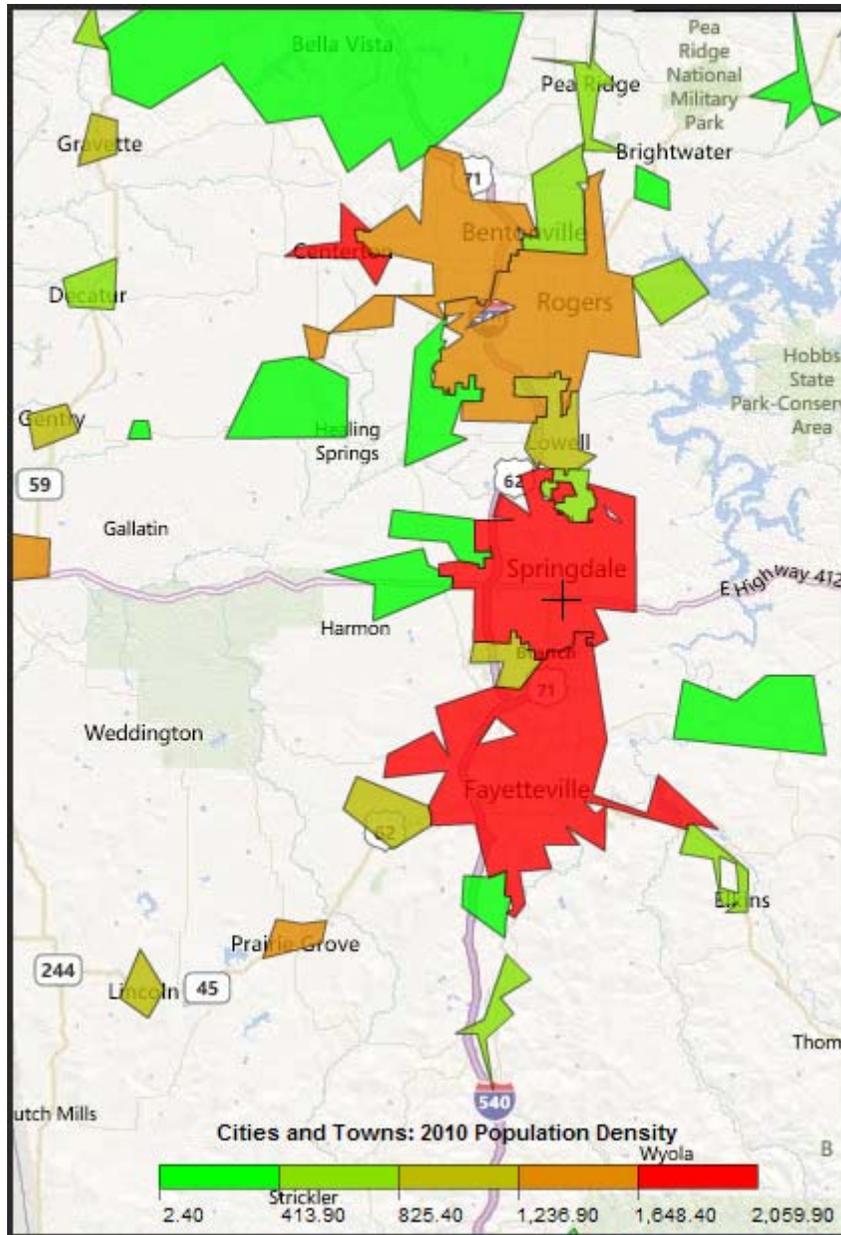
2010 Population 25+ by Educational Attainment	
Total	295,991
Less than 9th Grade	6.0%
9th - 12th Grade, No Diploma	8.8%
High School Graduate	33.6%
Some College, No Degree	21.6%
Associate Degree	6.1%
Bachelor's Degree	15.8%
Graduate/Professional Degree	8.2%

About ½ of the population over the age of 25 are high school graduates, and about 30% have achieved some type of secondary higher-level educational degree.

Consumers in this area spend about 23% of their income on shelter, and about 38% on retail goods.

CONSUMER SPENDING	
Retail Goods:	37.7%
Shelter:	23.1%
Food at Home:	7.0%
Health Care:	6.0%
Entertainment/Recreation:	5.1%
Food Away from Home:	5.0%
HH Furnishings & Equipment:	2.8%
Travel:	2.7%
Apparel & Services:	2.5%
Investments:	2.5%
TV/Video/Sound Equipment:	1.9%
Education:	1.8%
Vehicle Maintenance & Repairs:	1.5%
Computers & Accessories:	0.3%

AREA AND NEIGHBORHOOD ANALYSES



The cities of Fayetteville and Springdale are the most densely populated

Employment and Income

The Industry Projections Table below is from the Short-Term Industry Projections Program. The industries in this table are based on the North American Industry Classification coding system. The 2010 Base Employment is an estimate of the number of jobs in the industries in 2010, and the 2012 Projected Employment is the number of jobs expected to be in those industries in 2012. The Net Growth is the total number of jobs an industry is expected to gain or lose over the 2010-2012 period. The Percent Growth is the percent change in the number of jobs in an industry over the 2010-2012 periods.

AREA AND NEIGHBORHOOD ANALYSES

NAICS Title	2010 Estimated Employment	2012 Projected Employment	Net Growth	Percent Growth
Total Self-Employed and Unpaid Family Workers, Primary Job	123,959	124,382	423	0.34%
Natural Resources and Mining	19,879	20,244	365	1.84%
Construction	46,416	48,160	1,744	3.76%
Manufacturing	158,280	158,603	323	0.20%
Trade, Transportation, and Utilities	230,240	230,997	757	0.33%
Information	15,416	14,658	-758	-4.92%
Financial Activities	48,600	47,922	-678	-1.40%
Professional and Business Services	115,340	119,799	4,459	3.87%
Education and Health Services	287,477	295,716	8,239	2.87%
Leisure and Hospitality	94,869	96,259	1,390	1.47%
Other Services (Except Government)	42,484	42,578	94	0.22%
Government*	98,215	98,466	251	0.26%

*Does not include State and Local Government Education and Hospitals, these are included with Education and Health Services.

The Labor Market Information Section of the Arkansas Employment Security Department recently released the following information for Arkansas as well as the Northwest Arkansas area. Overall, the NWA area has 3.2% lower unemployment than the U.S. and 1.8% lower unemployment than the state as a whole.

Year	Period	Area	Adjusted	Preliminary	Labor Force	Employment	Unemployment	Unemployment Rate
2012	Apr	United States	Not Seasonally Adjusted	Not Preliminary	153,905,000	141,995,000	11,910,000	7.7
2012	Apr	Arkansas	Not Seasonally Adjusted	Preliminary	1,385,600	1,290,000	95,600	6.9
2012	Apr	Fayetteville-Springdale-Rogers, AR-MO MSA	Not Seasonally Adjusted	Preliminary	241,225	228,550	12,675	5.3

AREA AND NEIGHBORHOOD ANALYSES

Economy

Economic forces are also significant to real property values. The fundamental relationships between current and anticipated supply and demand as well as the economic ability of the population to satisfy its wants, needs, and demands through its purchasing power all contribute to the demand for real estates.

The 2010 Milken Institute recently ranked the Fayetteville-Springdale-Rogers area as the 43rd best-performing area in the U.S. The Institute ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The components include job, wage and salary, and technology growth. In most years, these give a good indication of the underlying structural performance of regional economics.

Retirees

The region has mild winters, good proximity to Branson, Missouri (entertainment) and one of the top retirement communities in the Midwest, known as Bella Vista. It has a number of outstanding golf courses, a large clubhouse and many other features that has attracted over 10,000 residents. Most of these are middle and upper level management retirees from the Midwest and east. Most retired people have moved to Northwest Arkansas from outside areas in an effort to escape overcrowding, pollution, and high property taxes.

Entertainment and Leisure

Northwest Arkansas has a number of attractive golf courses, fishing streams, lakes, hiking trails and parks. The area has an abundant water supply (Beaver Lake) as well as economical utilities. These factors have created a favorable atmosphere to attract visitors to the area. Because of the area's favorable climate and relatively clean ecology, as well as its natural scenic beauty, an increasing number of tourists visit the Ozarks each year.

Crystal Bridges Museum of American Art opened in 2011. The museum, founded by Alice Walton, encompasses approximately 100,000 SF. It was envisioned as a premier national art institution dedicated to American Art and artists, learning and community gatherings. The museum is expected to draw tourists from the region and nationally, with an anticipated 250,000 visitors annually.

Due to the moderate climate, it is not unusual to be able to play golf 365 days a year in Northwest Arkansas. There is no set closed season, courses close temporarily due to snowfall or extended temperatures below freezing. There are seven public courses and fourteen private or semi-private courses. Stonebridge Meadows and Prairie Creek have made "Top Ten" lists for best public courses in Arkansas, while The Blessings ranked in the top private courses.

New retail developments in Northwest Arkansas include Pinnacle Hills Promenade, a new lifestyle center (outdoor mall) through a joint venture between General Growth Properties (GGP) and the Pinnacle Group. The million square foot facility, located in Rogers, includes stores such as Dillard's JC Penney, and Coach, and upscale restaurants such as PF Chang's. New retailers announced are Williams Sonoma and Pottery Barn.

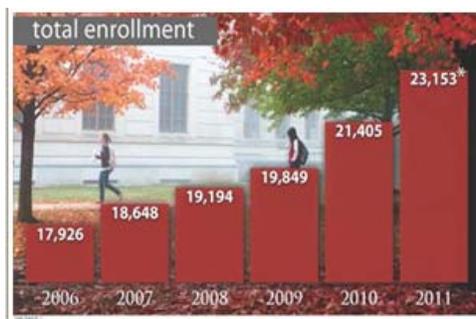
AREA AND NEIGHBORHOOD ANALYSES

Fayetteville, the historical retail hub of Northwest Arkansas, holds the Northwest Arkansas Mall and many “big box” chain stores, such as Target, Home Depot, Wal-Mart, Best Buy, and Kohl’s. A new Malco Theater opened in 2007.

Pinnacle Hills Promenade has spawned further development in the area, including new hotel space, which added more than 1,000 rooms. The majority of the hotel space is expected to serve Wal-Mart vendors. The entrance of Westin is evidence to the strength of the hotel market. Recent Embassy Suites addition of 100 rooms makes it the largest hotel in the state. In addition, the Embassy recently opened the John Q. Hammons Convention Center, which holds up to 125,000 people.

Government and Institutional Factors

A significant portion of the economic base of the region can be attributed to its having the main campus of the University of Arkansas at Fayetteville. Founded in 1871, the University is now among the top 50 colleges and universities in the country as measured by the number of national merit scholars in attendance. The state’s only major research university offers 216 undergraduate and graduate programs in nine schools. Enrollment has increased 23% over the past five years, and there are ± 23,000 students currently housed in the city providing a ready market for apartments, goods and services. Nationally, the U of A is ranked within the top 150 research universities, yet the institution continues to hold a place among America’s 100 Best College Buys.



The Washington and Benton County areas have a significant number of nationally renowned health care facilities that employ highly respected health care professionals.²

NAME	ADDRESS	CITY	STATE	ZIP	COUNTY
Northwest Medical Ctr	609 W Maple Ave	Springdale	AR	72764	WASHINGTON
Washington Regional	3215 N Northhills Blvd	Fayetteville	AR	72703	WASHINGTON
Mercy Health Ctr	3101 SE 14th St	Bentonville	AR	72712	BENTON
MANA Health Svc	3344 N Futrall Dr	Fayetteville	AR	72703	WASHINGTON
Highlands Oncology Group	3232 N Northhills Blvd	Fayetteville	AR	72703	WASHINGTON
Fayetteville Diagnostic Clinic	3344 N Futrall Dr	Fayetteville	AR	72703	WASHINGTON
University of Arkansas-Health	525 N Garland Ave	Fayetteville	AR	72701	WASHINGTON
Northwest Medical Ctr	3000 Medical Center Pkwy	Bentonville	AR	72712	BENTON
VA Medical Ctr-Fayetteville	1100 N College Ave	Fayetteville	AR	72703	WASHINGTON
Mercy Medical Ctr	2710 Rife Medical Ln	Rogers	AR	72758	BENTON

Industry

Northwest Arkansas’ employment base is anchored by four major employers: Wal-Mart, Tyson, JB Hunt and the University of Arkansas.

² Source: STDBonline.com

AREA AND NEIGHBORHOOD ANALYSES

Wal-Mart's suppliers and vendors have established offices in the area as well and are responsible for most of the growth. Wal-Mart is the largest employer in the area, employing 24,000 employees in Northwest Arkansas, a 20% increase from 2006. Wal-Mart has created a unique work environment in Northwest Arkansas where many of the vendors/suppliers to Wal-Mart have located an office to service the Wal-Mart account. Companies such as Proctor and Gamble and Campbell's Soup have relocated their regional office from Dallas to Northwest Arkansas because Wal-Mart is their single largest account.

Located in Springdale, Tyson Foods began in the 1930's as a family-owned chicken delivery business, growing to become one of the largest producers of meat in the world. Tyson currently employs 8,300 in Northwest Arkansas. With the acquisition of International Beef and Pork (IBP) Tyson has grown to 114,000 employees with revenues of 26 billion. The company constructed a new corporate office in Springdale in 2006.

JB Hunt: JB Hunt's corporate office in Lowell has grown and spawned companies such as "Transplace", a third party logistics service company. JB Hunt employs 16,000 people, 2,623 of those in Northwest Arkansas, and operates approximately 10,000 tractors and 45,000 trailers. Revenues exceed \$2 billion.

University of Arkansas: The University of Arkansas has grown 25% in the last decade. The university received a billion dollars from a fund raising campaign through the matched efforts of the Wal-Mart foundation matching funds program and plans to use a large portion of the money to transform the university into a research university, thus expanding the area's economic base by becoming more diversified with higher wage jobs.

OTHER MAJOR INDUSTRIES - Fayetteville-Springdale MSA

<u>Company Name</u>	<u>Product</u>	<u>Approximate Employment</u>
Simmons Industries	Poultry, pet food, turkey	2,500
McKee Baking Company	Snack cakes	2,500
Peterson Industries	Poultry	2,500
George's, Inc.	Poultry	2,500
Campbell Soup Company	Frozen dinners, entrees	2,500
Rogers Tool Works	Carbide compacts	1,000
Gates Rubber Company	Rubber belts	1,000
Franklin Electric	Electric motors	1,000
First Brands Corporation	Glad plastic bags/wrap	1,000
Easco Hand Tools, Inc.	Metal forging hand tools	1,000
Superior Industries	Car aluminum wheels	750
Lowes Home Supply	Building materials	600
Allen Canning Company	Canned vegetables	500
Cargill, Inc.	Turkey processing	500
Cooper Communities	Resorts	500

AREA AND NEIGHBORHOOD ANALYSES

Outreach Publications, Inc.

Greeting cards, stationary

500

Source: *Local Chamber of Commerce and state labor reports.*

In the past, NW Arkansas seemed to be immune from the type of job loss that was occurring in other parts of the country, but according to the 2nd quarter 2010 Skyline Report, the first quarter of that year saw the destruction of about 1,300 jobs in the area, a decline of approximately 1% in non-farm employment. Still, significant and steady increases are expected in Education and Health Services, Leisure and Hospitality and Government job sectors over the next few years.



The **Northwest Arkansas Workforce Investment Area** includes the counties of Baxter, Benton, Boone, Carroll, Madison, Marion, Newton, Searcy, and Washington.

Long-Term Employment Projections

Projected Industry Growth
2008-2018

Industry	Estimated Employment	Projected Employment	Numeric Change	Percent Change
Total Employment, All Jobs	270,059	318,377	48,318	17.89
Natural Resources and Mining	1,835	1,521	-314	-17.11
Construction	10,804	11,739	935	8.65
Manufacturing	38,426	41,190	2,764	7.19
Trade, Transportation, and Utilities	53,716	62,831	9,115	16.97
Information	3,257	3,377	120	3.68
Financial Activities	9,878	11,780	1,902	19.25
Professional and Business Services	33,489	40,347	6,858	20.48
Education and Health Services	48,691	65,814	17,123	35.17
Leisure and Hospitality	22,965	28,620	5,655	24.62
Other Services (Except Government)	7,825	9,673	1,848	23.62
Government (Excluding State/Local Education & Hospitals)	11,116	14,226	3,110	27.98

Note: Totals may not add due to rounding.

Commercial Real Estate Market Summary for Benton/Washington Counties

Highlights from the Fourth Quarter of 2011³

In the second half of 2011, 195,062 total square feet of commercial space were absorbed, while 20,305 new square feet were added, leaving a net positive absorption of 174,757 square feet in the Northwest Arkansas market.

In the office submarket, 77,630 square feet became occupied in Northwest Arkansas, with a net positive absorption of 57,325 square feet. The office vacancy rate remained constant at 19.5 percent in the fourth quarter of 2011.

In the office/retail market, there was positive net absorption of 45,930 square feet. The vacancy rate declined accordingly to 18.8 percent from 19.9 percent.

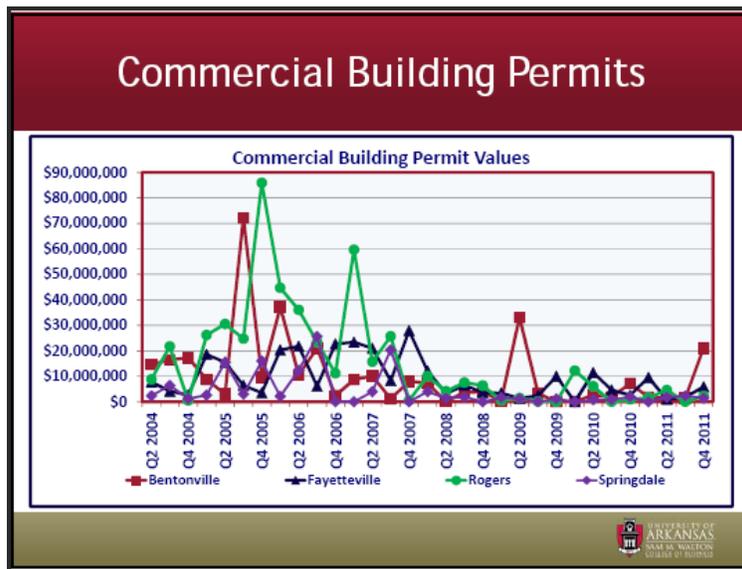
Within the retail submarket, 139,245 square feet became occupied, while no new square feet entered the market, and the Northwest Arkansas vacancy rate decreased to 13.1 percent.

³ (Source: Skyline Report, Center for Business and Economic Research, Sam M. Walton College of Business, University of Arkansas, Fayetteville, Arkansas.)

AREA AND NEIGHBORHOOD ANALYSES

The warehouse submarket experienced positive absorption of 42,206 square feet. Springdale led in this submarket with 116,133 square feet of net positive absorption, but Lowell experienced the greatest amount of vacancies with a net negative absorption of 226,174. The Northwest Arkansas warehouse vacancy rate decreased to 21.2 percent in the fourth quarter of 2011 from 22.0 percent in the second quarter of 2011.

A total of 20,305 square feet of competitive commercial property were added to the Northwest Arkansas market, all of which was office space. From June 2011 to November 2011, \$37.1 million in commercial building permits were issued in Northwest Arkansas. For comparison, there were \$45.3 million in permits from December 2010 to May 2011.



Cost of Living

The overall Cost of Living Index for Fayetteville-Springdale-Rogers, AR Metro Area is 87. Housing is typically the largest living expense and the Fayetteville-Springdale-Rogers, AR Metro Area Housing Index is 95. Childcare is usually the next biggest part of a household budget with an Index of 71. The Taxes Index for Fayetteville-Springdale-Rogers, AR Metro Area is 70. The other price indexes for Fayetteville-Springdale-Rogers, AR Metro Area include Food Index at 100, Healthcare Index at 100, Transportation Index at 88, and Other Necessities Index at 97.

AVERAGE OVERALL INDEX	
Fayetteville-Springdale-Rogers, AR ...	87
Arkansas	84
All Cost of Living	100

AREA AND NEIGHBORHOOD ANALYSES

Prices

Northwest Arkansas prices tend to follow the general national trend as reflected by the Consumer Price Index. Land values have generally decreased in the past few years. Rates of decrease vary, of course, depending on property location, demand and other factors. Construction costs have increased moderately in terms of inflationary dollars in the past twenty months. The likely trend of prices is slowly downward.

The US Department of Labor has released the following Consumer Price Indexes for the period shown: Construction costs have also increased. Marshall Valuation Service reports the following annual changes in various types of building construction. The index represents a multiplier to be applied to the previous year's cost to bring it current:

CONSUMER PRICE INDEX		
(1967 = 100)		
<u>Year</u>	<u>Index</u>	<u>% Change</u>
May-06	606.5	---
May-07	622.9	2.71%
May-08	648.9	4.18%
May-09	640.6	-1.28%
May-10	653.6	2.02%
May-11	676.9	3.57%
May-12	688.4	1.70%
Average for past 5 years		2.10%

(Series: CUUR0000.AA0)

RELATIVE COST AND CHANGE BY CONSTRUCTION CLASS

Date of	Construction Type					
	Class C		Class D		Class S	
	Relative	Annual	Relative	Annual	Relative	Annual
<u>Cost</u>	<u>Cost</u>	<u>Change</u>	<u>Cost</u>	<u>Change</u>	<u>Cost</u>	<u>Change</u>
Jul-06	1.122	--	0.912	--	0.892	--
Jul-07	1.076	-4.28% ▲	0.948	3.74% ▲	0.942	5.26%
Jul-08	1.050	-2.48% ▲	0.963	1.61% ▲	0.971	3.01%
Jul-09	1.031	-1.84% ▲	0.990	2.70% ▲	1.049	7.48%
Jul-10	1.024	-0.68% ▲	0.964	-2.67% ▲	0.974	-7.76%
Jul-11	1.000	-2.40%	1.000	3.57%	1.000	2.63%
5 year average		-2.34%		1.79%		2.12%

Based on data provided by Marshall Valuation Service

Construction activity is considered a significant indicator of real estate trends. The following table compares residential building permits of the most recent quarter with the previous year's quarter.

AREA AND NEIGHBORHOOD ANALYSES

Benton and Washington Counties Number and Average Value of Residential Building Permits Q4 2011 and Q4 2010				
City	Q4 2011 Number of Building Permits	Q4 2010 Number of Building Permits	Q4 2011 Average Value of Building Permits	Q4 2010 Average Value of Building Permits
Bella Vista	6	3	\$206,167	\$198,600
Bentonville	92	49	\$241,141	\$239,932
Bethel Heights	0	0	--	--
Cave Springs	12	10	\$246,613	\$308,062
Centerton	9	13	\$283,654	\$207,105
Decatur	0	0	--	--
Elkins	0	0	--	--
Elm Springs	2	1	--	--
Farmington	4	4	\$141,669	\$229,054
Fayetteville	45	62	\$210,211	\$198,395
Gentry	0	1	--	\$70,000
Goshen	2	1	\$234,520	\$96,272
Gravette	0	0	--	--
Greenland	0	0	--	--
Johnson	1	0	\$696,799	--
Lincoln	1	0	\$120,000	--
Little Flock	1	0	\$535,696	--
Lowell	9	4	\$287,999	\$219,850
Pea Ridge	0	1	--	\$252,264
Prairie Grove	4	13	\$76,500	\$95,077
Rogers	51	46	\$184,442	\$191,037
Siloam Springs	11	8	\$102,373	\$126,550
Springdale	33	17	\$257,980	\$234,174
Tontitown	0	1	--	\$476,319
West Fork	1	0	\$31,000	--
Northwest Arkansas	284	234	\$222,383	\$206,553

Transportation

Vital to the growth of Northwest Arkansas is the development on XNA regional airport, which opened in 1998 and now serves 1,200,000 passengers per year. The airport has direct flight to eighteen major cities. An expansion project is currently in progress to expand all aspects of the airport.

New highway systems have been constructed in the last decade to link Tulsa to the west and I-40 to the south. Future plans are to connect north to Kansas City and eventually link as far south as New Orleans, Louisiana. Once the road is complete, it will become Interstate 49. Projects planned for the next decade include the Springdale By-Pass, which will loop to the north of Highway 412 coming from Tulsa and the Bella Vista By-Pass, which will loop west between Bentonville and Bella Vista. The 2030 proposed network calls for a western loop, by passing the congested I-540 corridor.

Government and Political Considerations

Governmental, political and legal activities can have a significant effect on value. Public services, zoning and building codes, fiscal policies and taxes are considered under this category.

All major cities have full time fire and police departments. The two county sheriff offices provide police protection to some of the smaller towns and rural areas. Due to recent growth trends, all of the cities are upgrading their infrastructure. This involves streets, sewage treatment and water lines. The area is fortunate to have Beaver Lake as a regional water source. It has the capacity to serve

AREA AND NEIGHBORHOOD ANALYSES

almost twice the current population. A water distribution system, known as the Two-ton Water Loop System, has recently been completed to provide additional capacity to the western portions of Benton and Washington Counties.

Area schools are currently being expanded to provide adequate facilities to handle recent growth. Some overcrowding exists but efforts are being made to alleviate the problem. On balance, the school system is considered adequate.

All of the major cities have zoning and building codes. Building codes are similar to the Southern Building Code guidelines. The counties do not, at the present time, have comprehensive building codes. Both counties do have planning boards that review development in the areas of the county outside corporate city limits.

Growth and expansion in the region has created a need for expansion of services and infrastructure. Various taxes have been approved by area voters to finance these expenses.

These include sales taxes, bonds, and millage rate increases. Overall, the taxes in the MSA remain higher than the national average⁴.

Economy	Fayetteville-Springdale-Rogers, AR	United States
Sales Taxes	8.92%	6.00%
Income Taxes	6.94%	5.02%

Conclusions:

It is painfully clear that the Northwest Arkansas community is experiencing significant hardships with regard to lenders and their relationships with local developers. Unemployment rates are rising as jobs are disappearing. Economists report that local home values have experienced significant negative appreciation.

The dwindling numbers of commercially improved property sales and developable vacant land sales, beginning in 2007, continue to steadily falling off in achievable prices and exhibit escalating days on the market.

The decline of the national economy has begun to have an effect on the once bulletproof Northwest Arkansas area. The local economic base, once rock steady, is now in a state of flux. On a positive note, the deficiency of building permits could ultimately prove to be a positive sign that supply and demand conditions might trend toward homeostasis in late 2012.

The regions continued growth and steadily improving economic conditions, relatively low unemployment and improved transportation facilities continue to aid development interest. On balance, the area has an abundant water supply as well as other economical utilities. While periodic downturns may take place, the inherent strengths of the region should provide a buffer against major or prolonged recessions.

⁴ Sperling's Best Places, www.bestplaces.net.

AREA AND NEIGHBORHOOD ANALYSES

NEIGHBORHOOD ANALYSIS

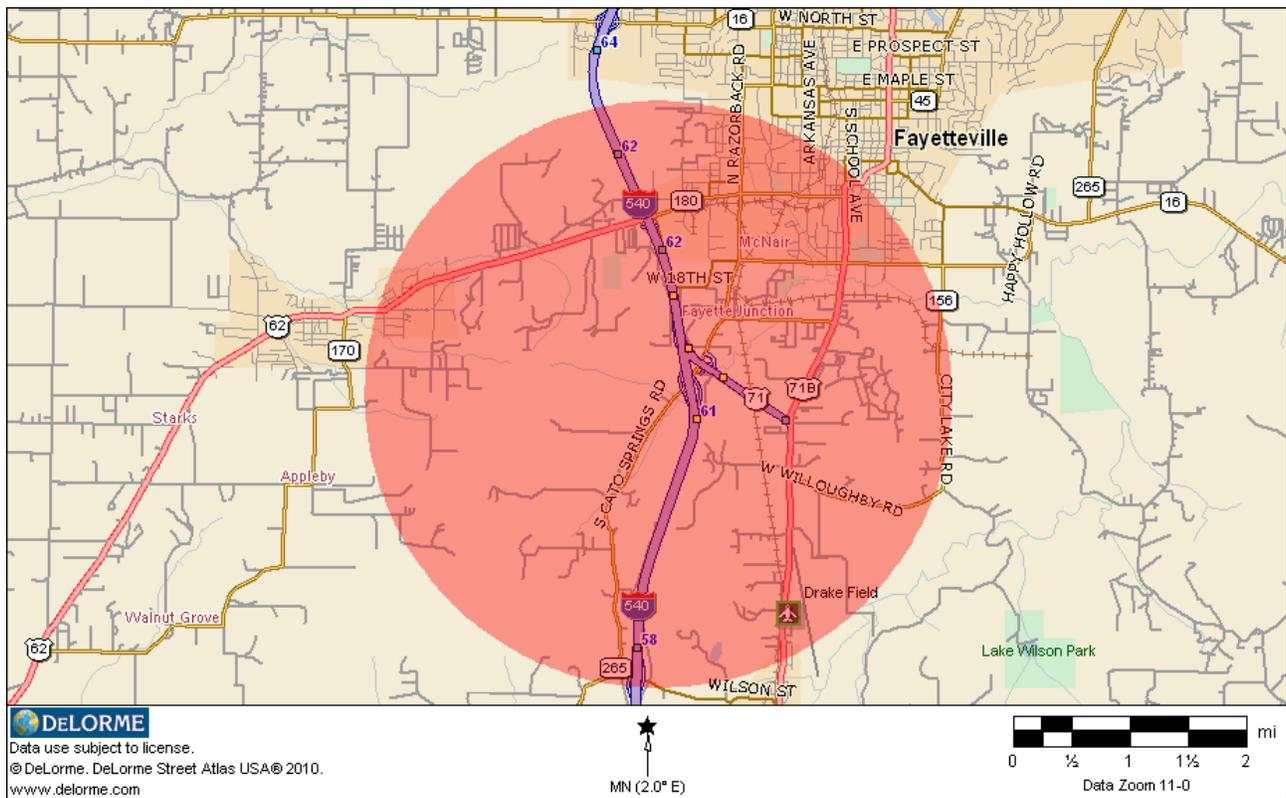
General Information

The subject property is located on the west side of W. Cato Springs Road west of the W. Cato Springs Road and the I540 interchange in the southwestern edge of Fayetteville, Arkansas.

The neighborhood is approximately 20% built up. The immediate area is 20% built up and the location is rated as average. Maintenance levels are good with no evidence of deterioration.

Boundaries

The neighborhood's physical boundaries are, for purposes of this appraisal, defined as those properties lying within a 2 ½ mile radius.



GENERAL DEVELOPMENT

General Development within the neighborhood consists of mostly residential properties and open agricultural type land. Most of the residential development within close proximity of the subject ranges from 5 to 15 years old, more or less. Along the subject property street, land uses are primarily agricultural. Other land uses within close proximity to the subject include recreational (public golf course, residential and commercial along the main thoroughfare).

Immediate Neighborhood Trend:

Change in present land use is likely, with continued development toward residential properties.

AREA AND NEIGHBORHOOD ANALYSES

Social Considerations

Population density is medium, with education levels varying with high school graduates to college level. Age levels are predominately young marrieds. Employment type is mixed, with some white and blue collar workers. The area is convenient to shopping along with medical and recreational facilities.

Economic Items

The area is predominately owner occupied, single family residences. Property values appear to be stable, and the effective ages of the existing properties is approximately 10 years. The area is experiencing some new construction interest.

Environmental Elements

The neighborhood is mixed with varying building sizes, types and uses. No obvious detrimental factors, nuisance or hazards were noted at the time of viewing.

Conclusions

My neighborhood inspection and analysis indicates the subject property is in a largely agricultural area with a slow transition toward residential uses. I did not discover any major adverse items that would detract from the utility or value of the subject. Based on current trends, overall property values should slowly increase with continued population growth over the next 5 to 10 years.

SITE DESCRIPTION



A site is defined as:

Site⁵ — Land that is improved so that it is ready to be used for a specific purpose.

Pertinent data regarding the subject site is as follows.

Location

The subject property is located on the west side of W. Cato Springs Road east of the W. Cato Springs Road and I540 interchange in the southwestern edge of Fayetteville, Arkansas.

⁵ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. (Chicago; Appraisal Institute, 2002), page 266.



Surroundings

The immediate surrounding properties are primarily residential of varying age and density. The University of Arkansas campus is located to the northeast of the subject.

Easements and Encroachments

Ordinary utility easements are evident. Other than typical utility easements the appraisers observed no adverse easements or encroachments. No adverse possession items or encroachments were observed or visible at the time of my inspection.

Site Improvements

The subject property is improved with typical agricultural perimeter and cross fencing suitable for livestock production. In addition the subject has two improved structures.

The first is an older frame dwelling. The Washington County Tax Assessors' Office lists the construction years as 1881. The dwelling has been vacant for some time and is in disrepair. According to the tax parcel the dwelling has a gross living area of ±2,328 SF. This improvement is at the end of its economic life and has no contributory value.



The second structure is a frame agricultural building that was last used as a horse barn, which was divided into stalls. This structure has minimal contributory value for agriculture uses.

Environmental Hazards

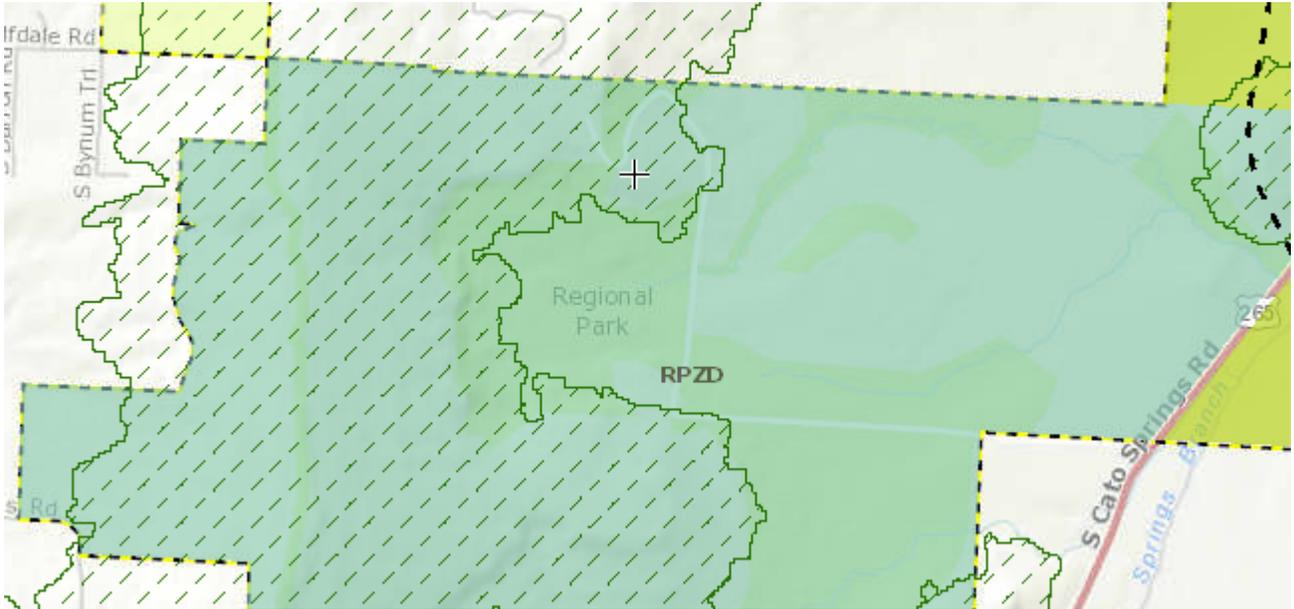
The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions.

The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials or environmental conditions on or around the property that would negatively affect the property.

There were no obvious detrimental, or potentially detrimental, conditions, such as toxic waste. The site has not, to the best of my knowledge, ever been used as an industrial area and is not adjacent to chemical storage facilities. There is no visible sign it has been used as a dump site or that it is in proximity to an area designated as a superfund site by state or federal government. Also, no evidence was discovered indicated the use of asbestos or other hazardous materials in the basic structure. It would be prudent to consult an expert in the detection of hazardous materials to verify the absence of such items before investing in, or lending on, this property.

Zoning and Other Restrictions on Use

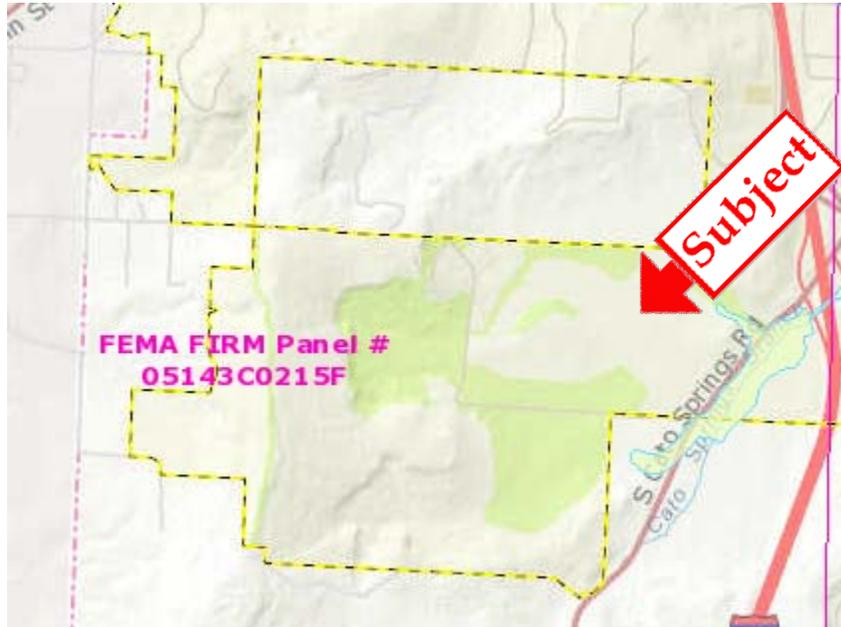
ZONING MAP



City maps and Planning officials confirm the subject property is zoned RPZD.

Flood Conditions

According to the available FEMA maps and the Fayetteville GIS the subject property lies outside any identified flood plain or floodway.



HIGHEST AND BEST USE ANALYSIS

Introduction

Highest and Best use is defined as:

Highest and best use⁶ — The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Four criteria are examined in order to determine the highest and best use of the subject property. The criteria and their applicability to the subject, both “as vacant” and “as improved” are as follows:

- **Legally Permissible:** *a legally permissible use is determined primarily by current zoning regulations. However, other considerations such as long-term leases, deed restrictions, and environmental regulations may preclude some possible highest and best use.*
- **Physically Possible:** *the size, shape and topography affect the uses to which land may be developed. The utility of a parcel is dependent on its frontage and depth. Sites with irregular shapes may be more expensive to develop, and topography or subsoil conditions may make utilization too costly or restrictive. Highest and best use as improved also depends on physical characteristics such as condition and utility.*
- **Financially Feasible:** *the use of the property is analyzed to make a determination as to the likelihood that the property is capable of producing a return which is greater than the combined income needed to satisfy operation expenses, debt service, and capital amortization. Any use that is expected to produce a positive return is classified as financially feasible.*
- **Maximally Productive:** *the use that provides the highest rate of return among financially feasible uses is the highest and best use. The use of the land must yield a profitable net return, and the quantity of land devoted to any specific use must be limited to that quantity which will yield a maximum return to each owner.*

Highest and Best as Vacant

Legally Permissible: With the subject site being vacant and available for use, the current zoning would be the legal restraint on what improvements could be placed on the site.

Physically Possible: The size, shape, and terrain is not conducive for many types of development. The utilities serving the subject site are adequate for many uses. The property is clearly visible from the subject property street, and the accessibility to the rest of the competing market is Average. The subject site physical aspects do not impose apparent physical limitations on development, considering the location of the AE Floodway/Floodplain.

Financially Feasible: Financially feasible refers to legal uses which are physically possible and have a sufficient demand to produce a positive

⁶ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th Ed. (Chicago: Appraisal Institute, 2010)

HIGHEST AND BEST USE ANALYSIS

return. Once the physically possible and legally permissible potential land uses have been determined, the next step in estimating the highest and best use is to determine which uses are economically feasible.

Maximally Productive: With consideration to the highest legal use as allowed by the zoning regulations, the consideration must be given to the financial consequences of building other uses on the site. The returns to the investor can be tested to establish which would return the most to the site.

The financial return is tested and an analysis is made of a cash-on-cash return of the legal uses. The cost of operations of the possible property types is approximately the same on a percentage basis.

Highest and Best Use Summary

The subject neighborhood is a community location within Fayetteville and Washington County. Predominate land use in the area is changing from agricultural to residential uses.

The present agricultural uses and holding until future development demands represent the Highest and Best use of the subject site, both “as vacant” and “as improved”.

THE APPRAISAL PROCESS

Current appraisal standards recognize three basic approaches to real estate value. These are identified as the Cost, Income, and Sales Comparison Approaches.

The Cost Approach to value is developed by two fundamental opinions: the value of the land and the value of the improvements to the land. Initially, the current fair market value of the land is estimated as if unimproved and capable of being put to its highest and best use. The reproduction or replacement cost new of the improvements, less any depreciation, is then added, along with any contributory value of the site improvements. The validity of the resulting value estimate is impacted to varying degrees by the accuracy of the cost estimates and the depreciation estimate. The structures on this parcel are physically and functionally obsolete; this approach to value is not applicable to this assignment.

The Income Approach measures value by capitalization of the net income from the real estate. The potential gross income is first estimated based on data derived directly from the market. Deductions are then made for vacancy and collection loss, and normal operating expenses. The resulting net income figure is then converted to a value estimate by any one of several capitalization methods. Due to the undeveloped nature of the property, as well as the lack of comparable land leases, this approach to value is not applicable to this assignment.

The Sales Comparison Approach is based on comparison between the subject property and similar properties which sold within a reasonable period prior to the date of appraisal, and which are capable of providing insight into the valuation of the subject property. Units of comparison are examined and developed and after making the appropriate adjustment for differences such as Location and physical characteristics, are then applied to the subject to derive an indication of value. Critical in this valuation methodology, is the availability of sufficient market comparables with which to make valid comparisons. This approach to value provides the basis for my analysis

SALES COMPARISON APPROACH

Definition and Discussion of Methodology

The Sales Comparison Approach is defined as:

Sales Comparison Approach⁷ — A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.

A major premise of the Sales Comparison Approach is that the market value of a property is directly related to the prices of comparable, competitive properties. It is assumed that a typical purchaser will not pay more to buy a property than it will cost to buy a comparable substitute property. The price a typical purchaser pays is usually the result of an extensive shopping process in which he is constantly comparing available alternatives.

Meanwhile, the seller usually tries to obtain the highest possible price for his property, based on his knowledge of the market. Thus, even though individual sales sometimes deviate from a market norm, a sufficient number tend to reflect the pattern of purchasers and sellers in the market. In applying the sales comparison approach the appraiser takes five steps:

1. Seeks out similar properties for which pertinent sales, listings, offerings and/or rental data are available.
2. Qualifies the prices as to terms, motivating forces and bona fide nature.
3. Compares each of the comparable properties important attributes with the corresponding ones of the property being appraised, under the general division of time, location and physical characteristics.
4. Considers all dissimilarities in terms of their probable effect upon the sales price.
5. Formulates an opinion of the relative value of the property being appraised as compared with the price of each similar property.

Pursuant to this assignment, research was conducted through courthouse records, brokers, realtors and lenders to locate recent sales transactions involving properties similar to the subject. The market transactions listed on the following pages were considered and analyzed in estimating the subject property's value.

⁷ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th Ed. (Chicago: Appraisal Institute, 2002), page 255.

VALUATION - SALES COMPARISON APPROACH

Definition and Discussion of Methodology

The Sales Comparison Approach is defined as:

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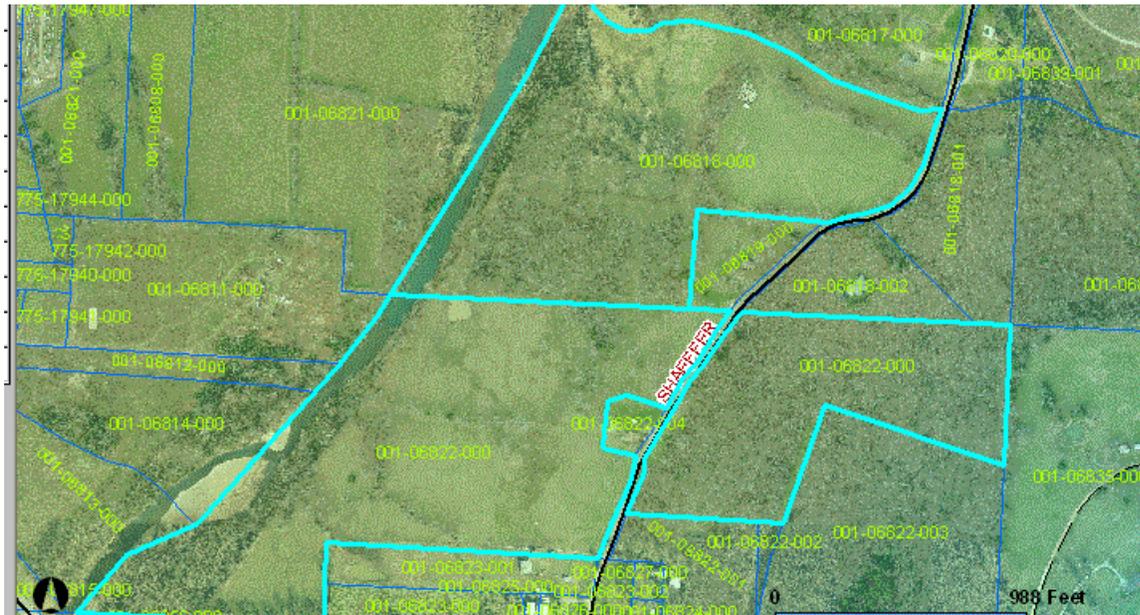
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⁸ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th Ed. (Chicago: Appraisal Institute, 2002), page 255.

VALUATION - SALES COMPARISON APPROACH

Land Sale No. 1



Property Identification

Property Type Agricultural, Agricultural-Undeveloped
Address 5475 S. Shaffer Road, Washington County, Arkansas

Sale Data

Grantor Barbara Bouck Trust
Grantee James Compton
Sale Date May 25, 2012
Deed Book/Page 2012/15810
Property Rights fee simple
Verification Other sources: Sales contract, seller agent

Sale Price \$332,280

Land Data

Zoning Rural residential/agriculture
Topography Rolling half wooded
Shape Irregular

Land Size Information

Gross Land Size 92.30 Acres

Indicators

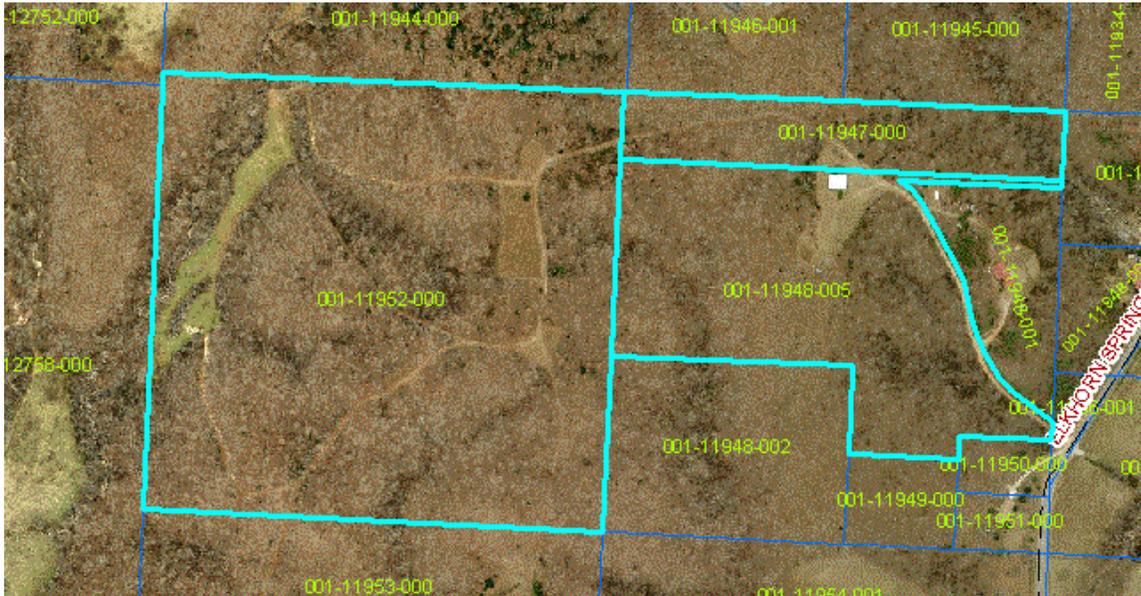
Sale Price/Gross Acre \$3,600 Actual

Remarks

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VALUATION - SALES COMPARISON APPROACH

Land Sale No. 2



Property Identification

Property Type Agricultural, Agricultural-Undeveloped
Address Elkhorn Springs, Washington County, Arkansas

Sale Data

Grantor Devin Colet
Grantee Johnathon Gean
Sale Date May 26, 2011
Deed Book/Page 2011/15307
Property Rights fee simple
Verification Other sources: Sales contract, seller agent

Sale Price \$197,000

Land Data

Zoning Rural residential/agriculture
Topography Rolling mostly wooded
Shape Irregular

Land Size Information

Gross Land Size 65.000 Acres

Indicators

Sale Price/Gross Acre \$3,031 Actual

Remarks

Improved with an Insulated steel shop valued at \$20,000.

VALUATION - SALES COMPARISON APPROACH

Land Sale No. 3



Property Identification

Property Type Agricultural, Agricultural-Undeveloped
Address Center Street, Elkins, Washington County, Arkansas

Sale Data

Grantor Jerry Jay
Grantee Yoder Family Trust
Sale Date December 17, 2010
Deed Book/Page 2010/37346
Property Rights fee simple
Verification Other sources: Sales contract, seller agent

Sale Price \$414,458
Upward Adjustment \$100,000 for terms of sale
Adjusted Price \$514,458

Land Data

Zoning Rural residential/agriculture
Topography Rolling mostly wooded
Shape Irregular

Land Size Information

Gross Land Size 190.000 Acres

Indicators

Sale Price/Gross Acre \$2,708 Adjusted

Remarks

Seller was unduly motivated by delinquent taxes and possible foreclosure opted for quick sale at 20% discount of market value.

VALUATION - SALES COMPARISON APPROACH

Land Sale No. 4



Property Identification

Property Type

Agricultural, Agricultural-Undeveloped

Address

Highway 16 East, Elkins, Washington County, Arkansas

Sale Data

Grantor

Glen Davault

Grantee

William Warnock

Sale Date

September 22, 2009

Deed Book/Page

2009/30586

Property Rights

fee simple

Verification

Other sources: Sales contract, seller agent

Sale Price

\$866,333

Land Data

Zoning

Rural residential/agriculture

Topography

Mostly open

Shape

Irregular

Land Size Information

Gross Land Size

300.81 Acres

Indicators

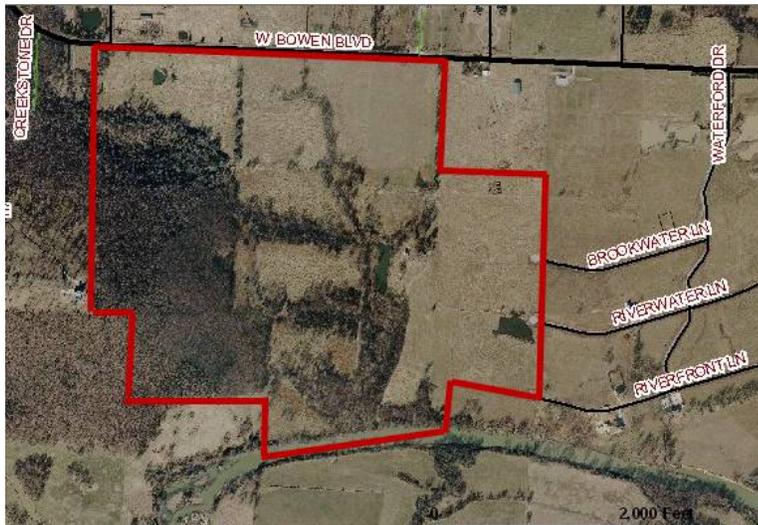
Sale Price/Gross Acre

\$2,880 Adjusted

Remarks

VALUATION - SALES COMPARISON APPROACH

Land Sale No. 5



Property Identification

Record ID 4521
Property Type Agricultural, Agricultural-Undeveloped
Address 2677 W. Bowen Blvd, Goshen, Washington County, Arkansas

Sale Data

Grantor Gaddy Investments LLC
Grantee NWA Big A LLC
Sale Date July 28, 2009
Deed Book/Page 2009/26448
Property Rights fee simple
Verification Other sources: Sales contract, seller agent

Sale Price \$2,400,000

Land Data

Zoning Rural residential/agriculture
Topography rolling
Shape Irregular

Land Size Information

Gross Land Size 320.000 Acres

Indicators

Sale Price/Gross Acre \$7,500 Actual or \$7,188 Adjusted

Remarks

The subject contained an older residence and livestock barn as well as livestock fencing and working pens. The sale was a short sale of a REO property and was slightly below market. An appraisal at the time the sales contract was executed indicated a land value of \$10,000 per acre.

VALUATION - SALES COMPARISON APPROACH

Land Sale No. 6



Property Identification

Record ID 5002
Property Type Land, Agricultural-Undeveloped
Address 1691 Dead Horse Mountain Road, Fayetteville, Washington County, Arkansas 72701
Location 23-16-30, 24-16-30
Tax ID 765-15268-351, 15268-101, 15202-000, 02329-000, 24107-100
Legal description Pt S-23 and S-24, T-16-W, R-30-W

Sale Data

Grantor Bank of Fayetteville, Farmer's Bank & Trust
Grantee CDS Farms, LLC
Sale Date February 28, 2012
Deed Book/Page 2012-5786
Property Rights Fee Simple
Conditions of Sale Typical
Financing Cash to seller
Sale History 5/3/2010-12415, CD to Grantor
Verification Other sources: Public records, Confirmed by Judy McDowell

Sale Price \$1,375,000
Cash Equivalent \$1,375,000
Adjusted Price \$1,375,000

Land Data

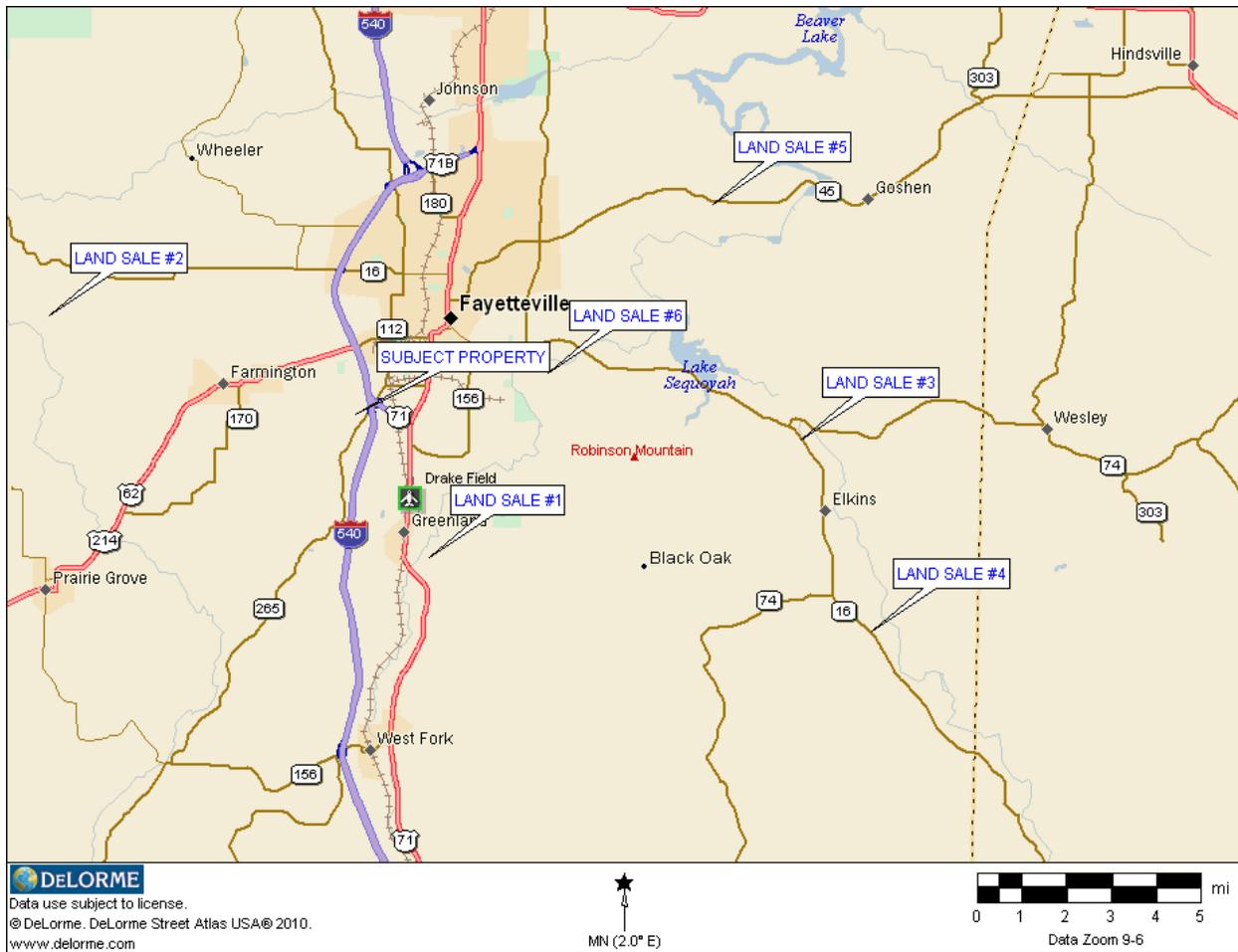
Zoning R-A, Residential-Agricultural
Topography Undulated
Utilities All city utilities available
Shape Irregular

VALUATION - SALES COMPARISON APPROACH

COMPARABLE LAND SALES SUMMARY TABLE

No.	Location	Sale Date	Price	Size in Acres	Price/ Acre
1.	Shaeffer Road	5/25/2012	\$332,280	92.3	\$3,600
2.	Elkhorn Springs	5/26/2011	\$197,000	65.0	\$3,031
3.	Center Street, Elkins	12/17/2010	515,458	190.0	\$2,708
4.	Hwy 16 East Elkins	9/22/2009	\$866,333	300.81	\$2,880
5.	2677 W. Bowen	07/28/2009	\$2,400,000	320.00	\$7,500
6.	1691 Dead Horse Mountain Road	02/28/2012	\$1,375,000	377.330	\$3,644

COMPARABLE LAND SALES MAP



Discussion and Analysis of Land Sales Data

Due to recent trends in the local real estate market (see Region Analysis Section of this report), no adjustments were attempted for market condition changes since the date of sale.

VALUATION - SALES COMPARISON APPROACH

All sales involved the transfer of the fee simple title, and held no unusual sales concessions or financing terms. Buyer reaction to differences in available properties are typically made in a “more (+) or less (-)” fashion, rather than specific percentage or dollar calculation; the indicators utilized above are presented in a similar manner in order to mimic the general market. However, adjustments have been made based on a paired sales analysis of similar type properties, on file with our office, as well as the subjective opinion of the appraiser based on experience and research.

Terms of Sale

Unusual terms of sale will, at times, affect the sales price. Sale #3 was considered not arm’s length. Thus it was adjusted upward for lack of marketing.

Rights Conveyed

If the rights conveyed are less than the complete bundle, the price paid could be affected. All of the sales involved the conveyance of a fee simple title. Thus, no adjustments were indicated.

Market Condition Changes since Date of Sale

Due to recent trends in the local real estate market (see Region Analysis Section of this report), no adjustments were attempted for market condition changes since the date of sale.

Locational Factors

Location is one of the most important characteristics of land. All sales were considered inferior to the subject location near the Cato Springs and I540 interchange and south Fayetteville.

Physical Characteristics

Zoning:

The subject is currently zoned RPZD which is superior to all sales requiring upwards adjustments.

Topography:

Sales #3 and #6 have major portion in a FEMA flood plain/way, thus these sales were adjusted upward for the subject superior topography.

Size:

Sales #4, #5 and #6 are much larger parcels requiring upward adjustments. It is historically proven that as size increases price tends to decrease per unit.

The following tabular analysis summarizes the sales data, together with the above discussed adjustments in a grid fashion.

VALUATION - SALES COMPARISON APPROACH

COMPARABLE LAND SALES ADJUSTMENT GRID

Description	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Total sales price	\$332,280	\$197,000	\$515,458	\$866,333	\$2,400,000	\$1,375,000
Less improvement contribution	0	0	0	0	0	0
Residual price to land	332,280	197,000	515,458	866,333	2,400,000	1,375,000
Rights conveyed	0	0	0	0	0	0
Terms of sale	0	0	0	0	0	0
Adjusted land price	332,280	197,000	515,458	866,333	2,400,000	1,375,000
Date sold	5/25/12	5/26/11	12/17/10	9/22/09	7/28/09	2/28/12
Market conditions adjustment	0	0	0	0	0	0
Adjusted price	332,280	197,000	515,458	866,333	2,400,000	1,375,000
÷ # acres	92.30	65.00	190.00	300.81	320.00	377.33
Price per acre	\$3,600	\$3,031	\$2,713	\$2,880	\$7,500	\$3,644
Other adjustments:						
Location	+	+	+	+	+	+
Depth						
Shape						
Zoning	+	+	+	+	+	+
Topography or flood plain			+			+
Frontage						
Corner influence						
Size				+	+	+
Adjusted price per acre	\$6,120	\$5,152	\$6,240	\$6,336	\$15,000	\$8,563

After adjustments, the data provides a per acre value range indication from \$5,152 to \$15,000. Sale #5 is the oldest sale and was an REO property. Sale #6 is the most recent and most comparable. In my opinion, a value toward the upper end the range is supported by the comparable sales data.

Thus: +/-121.33 acres @ \$8,500/acre = \$1,031,305

INDICATED VALUE BY SALES COMPARISON (rounded)

\$1,030,000

VALUATION - RECONCILIATION AND CONCLUSIONS

RECONCILIATION AND CONCLUSION OF VALUE

Reconciliation⁹ — The last phase of any valuation assignment in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value or a single point estimate..

The valuation methods utilized produced the following estimates:

INDICATED VALUE BY THE SALES COMPARISON APPROACH \$1,030,000

The Cost Approach

The Cost Approach is useful when a property is new or nearly new and the improvements represent the highest and best use of the land. It is based on the principal of substitution. A potential buyer might, as an alternative to purchasing the property, consider buying a similar sized parcel and construction an equivalent improvement. The primary limiting condition is an inability in this approach to consider conditions of financing the property, or measure various forms of depreciation that can be tied to actual market data.

The Income Approach

The Income Approach is usually considered the best indicator of market value for properties constructed to generate income when adequate data is available. The income stream can then be considered a "dividend" or a "yield" and compared with other competing investments.

The Sales Comparison Approach

The sales data provided in the Market Approach to Value provides another method of estimating value by comparison with other properties that have sold in the past. The approach is valid in that the data pertaining to these sales reflect a range of investment criteria that underlie transactions of similar properties. These criteria are closely tied to market conditions at the time of sale. This approach provides the basis for my analysis.

Final Conclusion

In arriving at a final value estimate, I considered the relative reliability of each approach as well as its relevance to the appraisal problem. In view of the reasoning used in the body of this report, and the data provided in support of this logic, I consider this study to be well correlated, and that the final value conclusion is reflective of market conditions underlying transactions of properties similar to the subject.

MARKET VALUE CONCLUSION

Appraisal Premise	Interest Appraised	Effective Date	Value Conclusion
As Is	Fee Simple	July 27, 2012	\$1,030,000

⁹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th Ed. (Chicago: Appraisal Institute, 2010).

MARKETING TIME

Reasonable marketing time is an estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. The reasonable marketing time is a function of price, time, use, and anticipated market conditions such as changes in the cost and availability of funds; not an isolated estimate of time alone.

A marketing time estimate was not requested or performed in connection with this appraisal.

REASONABLE EXPOSURE TIME

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. (See USPAP 1997 Edition, page 77.)

Exposure time is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. This statement focuses on the time component.

The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is substantiated by related facts in the appraisal process: supply/demand conditions as of the effective date of the appraisal; the use of current cost information; the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer); and the analysis of future income expectancy estimated from the effective date of the appraisal.

Exposure time research consisted of

- statistical information about days on market;
- information gathered through sales verification; and
- interviews of market participants.

Major consideration was given to the subject's highest and best use as well as location. Based on this analysis, as well as other data contained within this report, it was concluded that the subject property had a reasonable exposure time of 12 months.

RESUME AND QUALIFICATIONS OF A. GLYNN FLYNN

EDUCATION

- Graduate of Arkansas Tech University ,
- B.S., Agriculture Business.
-
- Graduate of the University of Arkansas,
- M. S., Agricultural Economics.

- Appraising the Single Family Residence; Arkansas State University
- Fundamentals of Real Property Appraisal; Arkansas State University
- Basic Income Techniques; Arkansas State University
- Advanced Techniques of Income Appraisal; Arkansas State University
- Ethics and Standards; Arkansas State University
- Residential Appraisal Update; The Columbia Institute
- Reviewing Complex Residential; The Columbia Institute
- Scope of Work; Appraisal Institute
- Analyzing Operating Expenses; Appraisal Institute
- Mortgage Fraud; RCI Career Enhancements
- USPAP Update Course (2008); RCI Career Enhancements
- 15 Hr. USPAP Update Course (2010); Appraisal Institute
- Business Practices & Ethics Appraisal Institute

- Advanced Income Capitalization (Aug. 2010) Appraisal Institute
- General Appraiser Report Writing (Nov. 2010) Appraisal Institute
- Advanced Concepts & Case Studies (Dec. 2010) Appraisal Institute
- General Appraiser Market Analysis and
Highest & Best Use (Feb. 2011) Appraisal Institute

- 15 Hr. USPAP Update Course (2012); The Columbia Institute

DESIGNATIONS/AFFILIATIONS:

Arkansas Certified General Appraiser, #CG1382

Member of the Appraisal Institute; Chicago, Illinois

PROFESSIONAL BACKGROUND

1/93 - 7/95

Research Specialist, Department Agriculture Economics University of Arkansas

8/95 - 6/96

Farm Management Specialist, University Extension, University of Missouri

8/96 - 5/98 8/02 - Present

Staff Appraiser, Belote and Associates

PARTIAL LIST OF CLIENTS SERVED

Arkansas State Bank of Siloam Springs

Arvest Bank

Bank of Fayetteville

BancorpSouth

Chambers Bank

Simmons First Bank

First Security Bank

Legacy Bank

US Bank

Bank of America

Bank of the Ozarks

City of Fayetteville

First Federal Bank

First Tennessee

First State Bank

Metropolitan National Bank

University of Arkansas

