

**APPRAISAL REPORT**

**AS OF**

September 16, 2016

**PREPARED FOR**

LACY FAMILY TRUST  
BIG CREEK CROSSING, LLC  
3736 Pebble Beach Drive  
Jonesboro, AR 72404

**PREPARED BY**

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September 23, 2016

LACY FAMILY TRUST  
BIG CREEK CROSSING, LLC  
3726 Pebble Beach Drive  
Jonesboro, AR 72404

**RE: Dan Avenue  
Jonesboro, Arkansas**

Mr. Tom Womack,

As you requested, I have conducted the required investigation, gathered the necessary data and made certain analyses that have enabled me to form an opinion of the "Market Value" of the fee simple estate in the above referenced subject property. The following Appraisal Report contains the legal description of the property as well as data gathered during my investigation and a detailed presentation of the methods of appraisal used in arriving at the final conclusion.

In addition to a physical observation and financial analysis of the subject property, other matters pertinent to the determination of market value have been examined. Such influences include the economic, governmental, demographic and environmental characteristics of the subject locale, with emphasis on the investigation and assessment of current and prospective market trends affecting the area. The accompanying narrative report delineates the results of the research process and the analysis provided details, the findings and conclusions. To aid in the descriptive process, various location maps, photographs and various other exhibits area provided. The essential elements in the explanation of the final value conclusion are provided within this narrative analysis.

This report has been prepared, to the best of my knowledge and ability, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The analysis performed is an application of the appraisal process, utilizing the Sales Comparison Approach.

Page Two

Certain assumptions underlie these analyses and certain conditions limit the use of this report and/or data contained herein. Your attention is directed to the "Limiting Conditions and Assumptions" section of this report for a detailed listing and explanation. The Limiting Conditions are incorporated herein for all purposes.

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

The subject property is a vacant tract of land containing 72.31 acres on Dan Avenue in the city of Jonesboro, Arkansas.

I certify that I have made a thorough review of the real property and that all data gathered during my research is believed to be reliable.

I further certify that I have no present or contemplated interest in the property concerned and that the fee for providing this report is in no way dependent or contingent upon the value conclusion. Based on the inspection of the property and the investigation and analyses undertaken, it is my opinion that the estimated "Market Value" of the fee simple estate interest in the subject property, "as is" of September 16, 2016 was:

**ONE MILLION ONE HUNDRED THOUSAND DOLLARS**  
**\$1,100,000**

Respectfully submitted,

Larry D. Clark, MAI, SRA  
State Certified General Appraiser, CG-0129 - Arkansas  
State Certified General Appraiser 1380300 G - Texas

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## SUMMARY OF PERTINENT FACTS AND CONCLUSIONS

Property:	A tract of vacant land on Dan Avenue, Jonesboro, Craighead County, Arkansas 72401
Gross Land Area:	72.31 acres or 3,149,824 square feet
Gross Building Area:	None included
Location:	Northwestern section of the city
Effective Date:	September 16, 2016
Date of Report:	September 23, 2016
Zoning:	R-1, Single Family Residential
Utilities:	Typical city services
Flood Data:	Zone AE Special Flood Hazard Area
Value Indications:	
Cost Approach:	N/A
Sales Comparison Approach:	\$1,100,000
Income Capitalization Approach:	N/A
<b>Final Estimated Value:</b>	<b>\$1,100,000</b>

## ASSUMPTIONS AND CONDITIONS

**Extraordinary Assumptions:** An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary Assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

This assignment was not completed under any Extraordinary Assumptions.

**Hypothetical Conditions:** That which is contrary to what exists but is supposed for the purpose of analysis.

Comment: Hypothetical Conditions assume conditions contrary to known facts about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis.

This assignment was not completed under any Hypothetical Condition.

### Professional Standards

All leading professional appraisal organizations, the U.S. Congress, all state legislatures and numerous legal jurisdictions recognize the Uniform Standards of Professional Appraisal Practice (USPAP), promulgated by the Appraisal Foundation. Revised annually to keep it contemporary, these standards set forth ethical practices and proper procedures for a competent appraisal.

### Supplemental Standards

Supplemental standards are requirements issued by government agencies, government sponsored enterprises or other entities that establish public policy which add to the purpose, intent and content of the requirements in USPAP that have a material effect on the development and reporting of assignment results. In this case, there are no supplement standards required for this appraisal assignment.

### Jurisdictional Exceptions

A jurisdictional exception is "an assignment condition established by applicable law or regulation which precludes an appraiser from complying with a part of USPAP." In this case, no jurisdictional exceptions have been invoked for this appraisal assignment.

## CERTIFICATION

1. The statements of fact contained in this report are true and correct
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analysis, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I have made a personal inspection of the properties that are the subject of this report.
9. No one provided significant real property appraisal assistance to the person signing this certification.
10. The use of the report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Larry D. Clark, has completed the continuing education program of the Appraisal Institute.

Larry D. Clark, MAI, SRA  
State Certified General  
Appraiser CG-0129 - Arkansas  
State Certified General  
Appraiser 1380300 G - Texas

Date: September 16, 2016

## PREMISES OF THE APPRAISAL

### DEFINITION OF VALUE

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

1. buyer and seller are typically motivated
2. both parties are well informed or well advised and each acting in what he considers his own best interest
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 property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

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<sup>1</sup> The Appraisal of Real Estate, Fourteenth edition, Page 59



## **PREMISES OF THE APPRAISAL**

### **OBJECTIVE AND DATE OF THE APPRAISAL**

The objective of this report is to estimate the market value of the rights and/or interests in the subject property as described in the section of this report entitled "Property Rights Appraised" under responsible, competent ownership. This analysis has been made as though the property were being used in strict conformance with applicable code requirements, zoning restrictions and environmental regulations

### **SCOPE OF THE APPRAISAL**

**INTENDED USE** – The intended use of this appraisal is for information for a lending decision by the client. The appraisal is to be used for no other purpose.

**INTENDED USER** - The intended user of this report is **Lacy Family Trust**.

### **SCOPE OF WORK**

The scope of this assignment and the underlying analysis is limited by the Contingent and Limiting Conditions as noted in this report. The following information and analysis were utilized during the preparation of this report.

The appraisal analysis is complete in several distinct phases; general data collection and analysis, neighborhood data collection and analysis, subject property data collections and analysis, highest and best use analysis, market data collections, verification and analysis, valuation and report preparation. Each phase will be applied as deemed appropriate by the appraiser.

#### **Information Sources**

The appraiser acquired information about the characteristics of the subject property from public sources, Sources of data included but are not limited to:

- Craighead County Tax Assessor
- Flood Maps of Jonesboro, Arkansas
- Zoning, Subdivision and Land Development Regulations from the City of Jonesboro, Arkansas
- Multiple Listing Service (MLS)
- The property owner's representative

## PREMISE OF THE APPRAISAL

### SCOPE OF WORK

(continued)

A series of specific steps are undertaken in order to complete each phase and are described as follows:

#### 1) **General Data Collection and Analysis**

The General data collection and analysis phase involves collection of data relating to national, regional and local trends and identification and analysis of the social, governments and environmental forces the market value of the subject property.

#### 2) **Neighborhood Data Collection and Analysis**

The neighborhood data collection and analysis phase entails inspection the subject neighborhood; collection of data related to growth trends, demographics, physical characteristics, available utilities, public improvements and services, etc.; and analyzing the collected data, focusing on its effect on the subject property

#### 3) **Subject Property Data Collection and Analysis**

In the subject property data collection and analysis, the appraiser inspected the subject property, which included an exterior inspection of the site, interviewed the property owner or his representative, maintenance personnel as applicable to obtain operating data; reviewed available site plans and obtained real estate taxes, zoning and other information from public sources and analyzed the functionality, conditions, etc. of the subject site.

The Appraisers cannot guarantee that the property is free of encroachments or easements and recommends further investigation and survey. Appraisers's conclusion of value is based upon the assumption that there are no hidden or unapparent conditions of the subject property that might impact the build-ability. Appraisers recommend due diligence be conducted through local building department and municipality to investigate build-ability and whether property is suitable for intended use. Appraisers make no representations, guarantee or warranties.

## PREMISES OF THE APPRAISAL

### SCOPE OF WORK

(continued)

#### 4) Market Data Collection and Analysis

In the market data collection and analysis phase the appraiser obtained and verified sales data for vacant land from public records. All data was verified when possible.

#### 5) Highest and Best Use Analysis

In Highest and Best Use analysis, I analyzed all previously obtained data with the framework of supply and demand, legal use, physically possible use, feasibility use and that use which is maximally productive as improved.

#### 6) Valuation

In the valuation phase, the Sales Comparison Approach was used to estimate land value. To estimate the market value for the subject property, I applied as applicable the Cost, Sales Comparison and Income Capitalization Approaches. These indications of value were then reconciled into a final estimate of market value.

#### 7) Report Preparation

The final phase of the appraisal process is report preparation, in which I prepared a narrative appraisal report in accordance with Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Ethics and in compliance with the specific request and needs of my client

This assignment is an Appraisal Report under Standard Rule 2-2 (a) as defined in the Uniform Standards of Professional Appraisal Practice (USPAP) of an appraisal performed under Standard Rule 1 of USPAP.

## PREMISES OF THE APPRAISAL

### SCOPE OF WORK

(continued)

As described in the Engagement Letter from our client is **Lacy Family Trust**, the scope of this Appraisal Report is the estimate the **Market Value** of the subject property “**AS IS**”. The intent of the Appraisal Report is to assist our clients in determining the market value of the subject property for use as an aid in real estate financial decision.

### CLIENT

**Lacy Family Trust** of Jonesboro, AR is the “**client**” in regard to this appraisal report and this report is intended solely for the use and benefit of said client. The Appraisers have no intent to benefit any other party.

**NOTE: This appraisal report is prepared for the sole and exclusive use and benefit of the appraiser’s client. No third parties are authorized to rely upon this report without the express written consent of the appraiser.**

The goal of an appraisal assignment is a credible opinion of value and not just the completion of an appraisal report.

## **PREMISE OF THE APPRAISAL**

### **PROPERTY RIGHTS APPRAISED**

The rights valued in this analysis are those associated with the fee simple estate, or all the rights that may be legally owned in the State of Arkansas, but subject to existing occupancy leases.

The fee simple estate interest is an absolute fee, a fee without limitations to any particular class of heirs or restrictions, but subject to limitations of eminent domain, escheat, police power and taxation. It is an inheritable estate.

Many appraisal assignments do, in fact, call for the valuation of the lessor's and lessee's combined rights, i.e., fee simple rights. However, the typical price paid for income producing property is for the lessor's interests, not the sales of the full fee simple rights. It follows, therefore, that the typical appraisal is not of the fee simple estate but of the leased fee estate. The term fee simple estate does not always mean the combination of the lessor's and the lessee's rights. From a strictly legal standpoint, fee simple refers to the estate of inheritance for the real property and not at all the combining of lease interest. In the valuation of leased fee estate, the property rights under appraisal may be defined as (an estate) subject to occupancy leases.

An encumbrance is an interest or right in real property which diminishes the value of the fee, but does not prevent conveyance of the fee by the owner. Mortgages, taxes and judgments are encumbrances known as liens. Restrictions, easements and reservations are encumbrances, though not liens.

As most real estate investments today utilize borrowed funds combined with equity contributions to finance their acquisitions, any valuation must assume the presence of mortgagee's rights. Such is the case in this analysis as the fee simple estate valued is assumed to have been created with some borrower funds "as current market rates" and is therefore subject to a mortgagee's interest.

In summary, the property has been valued as though owned in fee simple estate, subject to deed restrictions, bill of assurances, mortgages or other similar encumbrances or similar conditions, all at current market rates, but otherwise including all rights inherent in or attributable to the real property.

## **PREMISES OF THE APPRAISAL**

The objective of this analysis is to estimate the "Market Value" of the subject property. According to definition "a reasonable time is allowed for exposure in the open market." Exposure Time is "the time the property remains on the market. Estimate length of this being appraised would have 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 analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable time, but also adequate, sufficient and reasonable effort.

In my opinion, the estimated Exposure Time for the subject property would range from one to two years.

Marketing time for the subject is also estimated to be in the range of one to two years.

**PREMISES OF THE APPRAISAL**

**IDENTIFICATION OF THE PROPERTY**

The subject consists of land on Dan Avenue in Jonesboro, Craighead County, Arkansas 72401

The property is legally described as follows:

A part of the SE1/4 of Section 10 and a part of the NE1/4 of Section 15, all in Township 14 North, Range 03 East, in Jonesboro, Craighead County, Arkansas. A more detailed description can be found on the following page.

BIG CREEK CROSSING, L.L.C. /  
WILLIAM B. LACY, JR., FAMILY TRUST  
LEGAL DESCRIPTION

That part of the Southeast Quarter of Section 10 and that part of the Northeast Quarter of Section 15, all in Township 14 North, Range 3 East, lying West of Big Creek, being more particularly described as follows: Beginning at the South Quarter corner of said Section 10; run thence North 00°33' East 16.7 feet; run thence South 75°08' East 443.8 feet; run thence North 00°35' East 636.8 feet to a fence; run thence South 87°37' East along fence 225.5 feet; run thence South 01°08' East along fence 85.0 feet; run thence South 87°17' East 1220.4 feet to the centerline of Big Creek; run thence along said centerline the following calls: South 13°59' West 319.9 feet; South 16°30' West 352.0 feet; South 17°07' West 277.6 feet; South 30° 58' West 316.6 feet; South 25°07' West 313.3 feet; South 41°08' West 452.2 feet; South 46°42' West 287.9 feet; South 48°12' West 456.3 feet; South 58°40' West 525.1 feet; South 51°48' West 64.1 feet; run thence North 00°29' East 2214.8 feet to the true point of beginning, containing 72.31 acres, more or less. Subject to all utility easements or rights-of-way of record. Also, along with and subject to a Private Road easement shown and platted in Survey Book B at page 91 as Wheeler Brick First Addition.



## FACTUAL DATA

### AREA DATA

Geographically, Arkansas is approximately 1,300 miles from the East Coast and approximately 1,700 miles from the West Coast and 300 miles from the Gulf of Mexico. The State covers 53,000 square miles and is the 26<sup>th</sup> largest in size when compared to the rest of the nation. Approximately 55% of the State is covered in forest with another 500,000 acres of surface water. Recreational activities are a draw for new employment sources. Interstate 40 bisects the State east and west and ties the State to both the eastern and western coast. Interstate 30 travels southwest from Little Rock to Dallas, Texas. Arkansas is positioned in the south central section of the United States. The State does not have a major airline hub, but service from Little Rock and NWA Regional provides service to most major cities in the United States. Many of the smaller cities also have small airports with service to airline hubs. The central location of the State allows easy access from several states by ground transportation. The Arkansas River which also bisects the State from west to east is navigable. Barge traffic on the river connects ports in Pine Bluff, Little Rock, Russellville and Fort Smith. Employment is comparable to the rest of the United States. Typically, Arkansas employment has generally been good and trends only slightly above the national average.

The economy in the State generally consists of four (4) segments, industry, service, forestry and agriculture. Industry has clustered along Interstate 40 and the Arkansas River. Arkansas Foreign Trade Zone No. 14 is located in Little Rock. It is a special facility where foreign goods may be stored without custom duties.

The southeastern portion of the State produces enough rice to make Arkansas the largest exporter of that product in the nation. Farms constitute 47% of the land area or approximately 16 million acres. Other products include soybeans, cotton, vegetables and poultry. Timber harvesting is common in some areas with pine being the dominant standing saw timber. In addition to rice, soybeans and timber, other export products include bauxite and bromine which are mined in South Central Arkansas. Manufactured products range from television sets, paper products to steel.

The tax structure in the State is geared for industrial growth and is generally more favorable than more industrial states. Goods in transit, finished goods awaiting shipment, production and processing equipment and electrical power used for aluminum reduction are exempt from sales tax. Several revenue Bond Acts provide financing for new projects and expansion. The personal and corporate tax rates are graduated as shown on the following page.

## FACTUAL DATA

### REGIONAL AND AREA DATA

(continued)

#### Corporate Income Tax

1.0% of the first \$3,000  
2.0% of the next \$3,000  
3.0% of the next \$5,000  
5.0% of the next \$6,000  
6.0% over \$25,000

#### Personal Income Tax

1.0% of the first \$2,999  
2.0% of the next \$3,000  
3.0% of the next \$3,000  
4.50% of the next \$6,000  
7.0% over \$25,000

Real and personal property taxes are assessed at 20.0% of their market value. The millage rate varies across the State ranging from 27 to 88 mills and are set by local voters in the various cities, school districts and counties.

Arkansas has 43 State Parks, 5 National Parks and Historic Sites, 48 Forest Recreational Areas and 19 Corps of Engineers Project-use Area. Horse and greyhound racing provide additional draws for the gaming minded. Voters also approved a State Lottery, with games that began in late 2009. The State has an abundance of water related recreational activity, with recreational lakes and rivers located throughout the State.

#### Summary

Considering the general trends of movement of individuals and industry into warmer climates, and the available work force in Arkansas it seems that the State will continue its transition from a rural State to a mix of industry and agriculture. The economic base of the State is diverse and growth does not depend upon just the economic factor.

## FACTUAL DATA

### REGIONAL AND AREA DATA

(continued)

Jonesboro, Craighead County Arkansas is the county seat for Craighead County and is uniquely situated as the hub of northeast Arkansas and to some extent southeast Missouri. Distance by highway to major nearby cities include Little Rock, 130 miles; Dallas, 486 miles; Atlanta, 481 miles; Chicago, 490 miles; St. Louis, 236 miles; New Orleans, 409 miles and Tulsa, 403 miles.

The greater Jonesboro Metropolitan Statistical Area consists of Craighead, Greene, Jackson, Lawrence and Poinsett Counties.

The incorporated Cities of Craighead County are as follows:

Bay	Black Oak	Bono
Brookland	Caraway	Cash
Jonesboro	Lake City	Monette

#### Population

According to the most recent census (2013) Jonesboro has a population of 71,551, making it the 5<sup>th</sup> largest city in the State. The city had a population of 52,250 during the 2000 census.

The current census indicates Craighead County had a population of 101,488 in 2013

#### EMPLOYMENT OPPORTUNITIES

The diverse local economy of Jonesboro and Craighead County ranges from premier deli agriculture farming operations to modern manufacturing and industrial companies, a center of retail business, a regional medical facility, with a second one currently under construction and a major State University. Agriculture provides the base economy for the county, however, St. Bernard's Regional Medical Center, Arkansas State University and NEA Baptist Hospital are three of largest local employers.

The city of Jonesboro is the largest retail center for northeast Arkansas and southeast Missouri. The closest cities with large retail facilities are Memphis, TN (70 miles away) and Little Rock, AR (130 miles away)

The civilian labor force was estimate to be 63,090 in August of 2016.

## FACTUAL DATA

### REGIONAL AND AREA DATA

(continued)

Major employers of the city include

Company	Service	Employment
St. Bernard's Regional Medical	Hospital	2,100
Arkansas State University	Education	1,850
Wal-Mart Super Center	Retail	792
Nestle Prepared Foods	Manufacturing	725
NEA Baptist Memorial Hospital	Hospital	707
Jonesboro Public Schools	Education	700
Quad/Graphics	Manufacturing	650
Star/Tek	Customer care	600
Frito-Lay, Inc.	Manufacturing	575
City of Jonesboro	Government	561
Hytrol Conveyor	Manufacturing	513
NEA Baptist Clinic	Health care	500
Nettleton Public Schools	Education	437
Mid-South Health Systems	Health care	354
Thomas and Betts	Manufacturing	341

### TRANSPORTATION

The Jonesboro Municipal Airport is located in the eastern section of the city. The airport has a master plan which is currently being passed calls for a 7,000 foot runway. Currently the longest runway is a paved, lighted, high intensity approach, 5,600 foot runway. There is charter service available with single and multi-engine planes. The airport has one commercial air carrier Air Choice One with service to St. Louis, MO and Chicago, IL.

Rail – Southern Pacific, Union Pacific and Burlington Northern provide 24 hour rail service to the surrounding states.

Highways – Major highways leading into and out of the city of Jonesboro include United States Highways 49 and 63, State Highways , 18, 141, 226 and 351. Jonesboro is located approximately 44 miles from Interstate 55 and 63 miles from Interstate 40. Highway 63 is now a four lane with limited access from Jonesboro to Interstate 55.

Trucking/Motor Freight - Franchised interstate common carriers with terminal located in Jonesboro include, but are not limited to, Roadway Express, Arkansas Freightways, ABF

## FACTUAL DATA

### REGIONAL AND AREA DATA

(continued)

Freight Systems, Ind. P-I-E Nationwide and Yellow Freight Systems, Inc. There are 36 motor freight lines providing service to the city

Bus - The Jonesboro area is serviced by Greyhound Bus Lines. Charter bus service is available through Southern Coaches

Waterways - The nearest navigatable ports are on the Mississippi River in Osceola and West Memphis, Arkansas and Memphis, Tennessee. All have ports located within sixty five (65) miles of Jonesboro.

### GOVERNMENT

Jonesboro operates under the Mayor-City Council-City Planning Commission. The Mayor is elected by popular vote on a full time basis. The County operates by a County Judge/Quorum Court system

POLICE – The Jonesboro police department has approximately 154 officers with more than 30 radio-equipped patrol vehicles. Service is available to industrial plants outside the city limits.

FIRE PROTECTION – Jonesboro has an ISO fire rating of 3, with 112 paid fire fighters with more than 15 fire vehicle units.

### UTILITIES

Electricity – Electric service in Jonesboro is supplied by the City Water and Light which provides very competitive rates for its customers.

Water – The water supply for the city of Jonesboro is also supplied by City Water and Light.

Sanitary Sewer Systems Jonesboro operates a sewer system capable of handling approximately 9,000,000 gallons per day, with a surplus capacity of 4,500,000 GPD.

Telephone – AT&T and Ritter serves Jonesboro area utilizing electronic and digital central office switching equipment.

Nature Gas Center Point Entergy is a fully integrated gas utility serving approximately 700,000 customers in its five-state service area (Arkansas, Louisiana, Texas, Kansas and Oklahoma).

## FACTUAL DATA

### REGIONAL AND AREA DATA

(continued)

#### EDUCATION AND TRAINING

The Jonesboro Public School District is fully accredited by the North Central Association of Secondary Schools and Colleges and is rated "A" by the Arkansas Department of Education. Arkansas State University is located in Jonesboro. The University offers Associate, Bachelor, Master, Doctorate and Specialist degrees. The University is the second largest in the State. There are five (5) other universities and secondary colleges located within eighty miles.

#### CONCLUSION

The economic and social environment of Jonesboro and Craighead County is well established, diverse and expanding as businesses continually look for locations in the south where land, labor costs, taxation and education opportunities are favorable. Jonesboro qualifies on all points and accordingly has continued to grow even during recessionary periods. The local economy depends heavily on the economies generated by agriculture, retail business and medium sized manufacturing industries. However, the area economy is centered around St. Bernards Regional Medical Center NEA Baptist Hospital and Arkansas State University which are located in the city. It should be noted that NEA Baptist Hospital recently opened a new center on Johnson Avenue on January 12, 2014. This has created a large increase in commercial construction in that area.

St. Bernard's Hospital and Baptist Hospital are the two largest medical centers in northeast Arkansas. NEA Baptist recently opened a new large medical center on Johnson Avenue in the northeast section of the city. The closest hospitals of this size are located in Memphis, Tennessee (70 miles away) and Little Rock, Arkansas (130 miles away). This makes Jonesboro's medical facilities vital to all of northeast Arkansas and southeast Missouri, which has contributed greatly to the economic growth of the city.

The University has experienced exceptional growth during the last two decades. This factor not only benefits the entire area educationally but adds to the economic stability and growth for the city.

Though the agriculture economy has experienced relative recessionary periods, the economies generated by the retail business, medical center and university have maintained the overall economic well being of the Jonesboro area. The manufacturing sector has continued to be an asset, with continuous additions of new employers.

## **FACTUAL DATA**

### **REGIONAL AND AREA DATA**

(continues)

All of the benefits of the above industries contribute to a metropolitan area providing a diverse employment foundation that should continue to create a growing economic base for the city and county. Accordingly, property values have softened and marketing times increased during the previous downturn, however it is anticipated that the steady population increases experienced by both Jonesboro and Craighead Count will continue for the foreseeable future. The area has seen tremendous growth in commercial and residential development. The unemployment rate for the city was 4.6% in April of 2016. This is the lowest rate since the downturn in 2007. As the medical community and university continues to expand and retail growth continues to meet the expanding population base it is anticipated the employers will continue to relocate to the southern States due to the work ethic in the labor population and the favorable climate.

,

## **FACTUAL DATA**

### **MARKET AREA**

A market area is defined as:

The geographic or locational delineation of the market for a specific category of real estate, i.e. the area in which alternative, similar properties effectively compete with the subject property in the minds of probable, potential purchasers and users.<sup>2</sup>

The subject property is located in a mixed use type area of Jonesboro which is located in the northwestern section of the city. The neighborhood in which the subject is located is bounded on the north by the Jonesboro city limits, on the east by Gee Street, on the west by Interstate 555 and the south West Washington Avenue.

Major arteries providing access from the north and south is Gee Street and U. S. Highway 63. While access from the east is by West Johnson Avenue, Dan Avenue and West Washington Avenue.

All utilities have been extended throughout the area and are assumed to be available in capacities adequate to serve most normal or contemplated uses. Streets in the area are typically asphalted paved without concrete curbs, traffic is controlled by stop signs and electronic light signals. The neighborhood topography is generally level.

The neighborhood appears to be in a period of steady development and shows no signs of immediate decline or tremendous growth. The market area is best considered as a highway commercial area of the city. Most of the major financial institutions have either their main office or a branch located in Jonesboro. The major shopping centers, financial branches, retail strip centers, hotels, fast food restaurants and entertainment facilities are located in the retail market area, which is easily accessible via one of the principal thoroughfares from the neighborhood. With the continued growth of this area, the neighborhood should at worst remain stable, but properties in this locale will likely experience value increases, keeping pace with the overall economic trends.

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<sup>2</sup> The Appraisal of Real Estate, Fourteenth edition, Pages 163-164



## FACTUAL DATA

### SITE DATA

The subject site is an irregular shaped and consists of approximately 72.31 acres. The site is located off on the western right of way of Dan Avenue.

All utilities are available throughout the neighborhood and all services have been extended to the subject site and are assumed to provide capacities adequate to satisfy the needs of any allowable or likely uses on the subject site.

The topography of the subject site is generally level. The subject site is improved and graded in such a way that surface drainage is to the street. As best as can be determined from the Federal Insurance Administration Rate Map dated September 27, 1991 the subject is located within a **Zone AE Special Flood Hazard Area**, which is defined as an area inside the 100 year flood plain, therefore not requiring flood insurance for any improvements.

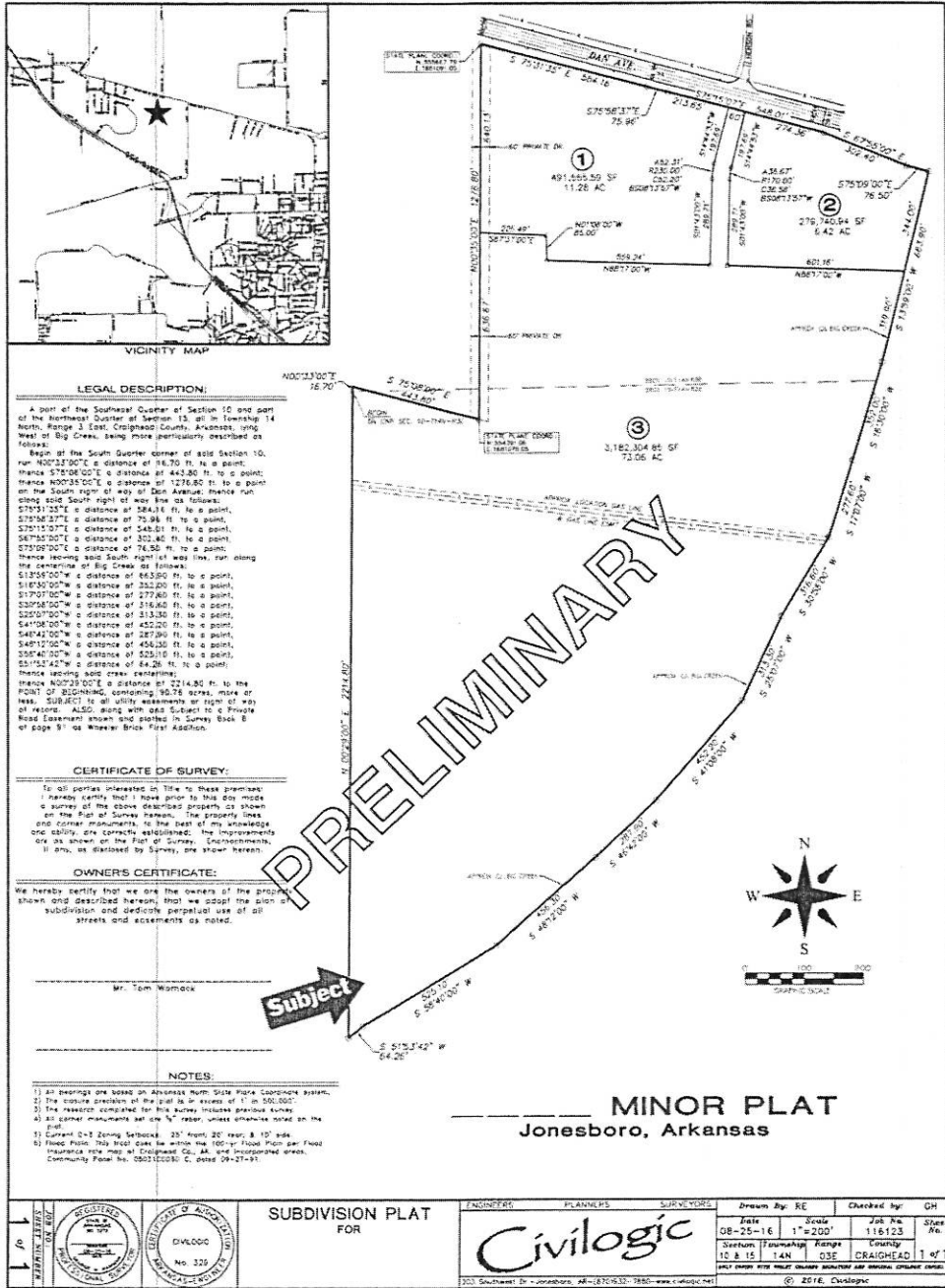
The exact soil composition is unknown, there are no know conditions which would render the site more of less valuable. The existing buildings in the immediate area do not indicate any structural failure or subsidence as a result of soil characteristics. It is assumed, therefore, that there are no unusual conditions in existence which would create unique or atypical construction problems. Your attention is drawn to the Limiting Conditions and Assumptions section of this report regarding the matter of soil stability.

**Flood Map**

Borrower	Lacy Family Trust				
Property Address	2801 Dan Ave				
City	Jonesboro	County	Craighead	State	AR Zip Code 72401
Lender/Client	Lacy Family Trust				



Form MAP FLOOD - "TOTAL" appraisal software by a la mode, inc. - 1-800-ALAMODE



**VICINITY MAP**

**LEGAL DESCRIPTION:**

A part of the Southeast Quarter of Section 10 and part of the Northwest Quarter of Section 15 all in Township 14 North, Range 3 East, Crawford County, Arkansas, and West of Big Creek, being more particularly described as follows:

Begin at the South Quarter corner of said Section 10, run N00°23'00"E a distance of 18.70 ft. to a point; thence S7°08'00"E a distance of 443.80 ft. to a point; thence N00°23'00"E a distance of 1276.80 ft. to a point on the South right-of-way of Oak Avenue, thence run along said South right-of-way line as follows:

S7°51'24"E a distance of 584.14 ft. to a point,  
 S7°58'27"E a distance of 75.98 ft. to a point,  
 S7°15'57"E a distance of 545.61 ft. to a point,  
 S47°35'00"E a distance of 352.40 ft. to a point,  
 S7°59'00"E a distance of 76.55 ft. to a point;  
 thence leaving said South right-of-way line, run along the centerline of Big Creek as follows:

S12°55'00"W a distance of 663.00 ft. to a point,  
 S18°30'00"W a distance of 352.00 ft. to a point,  
 S17°07'00"W a distance of 377.80 ft. to a point,  
 S30°40'00"W a distance of 516.60 ft. to a point,  
 S25°07'00"W a distance of 313.30 ft. to a point,  
 S41°08'00"W a distance of 452.00 ft. to a point,  
 S48°42'00"W a distance of 287.90 ft. to a point,  
 S48°12'00"W a distance of 454.30 ft. to a point,  
 S58°40'00"W a distance of 523.10 ft. to a point,  
 S51°52'42"W a distance of 64.26 ft. to a point;  
 thence leaving said creek centerline:

thence N00°23'00"E a distance of 2214.80 ft. to the POINT OF BEGINNING, containing 30.76 acres, more or less. SUBJECT to all utility easements or right-of-ways of record. ALSO, along with said Subject to a Private Road Easement shown and plotted in Survey Book B of page 91 of House Bill, First Session.

**CERTIFICATE OF SURVEY:**

I, as all parties interested in this to these premises hereby certify that I have prior to this day made a survey of the above described property, as shown on the Plat of Survey hereon. The property lines and corner monuments, to the best of my knowledge and ability, are correctly established; the improvements are as shown on the Plat of Survey. Encroachments, if any, as disclosed by Survey, are shown hereon.

**OWNERS CERTIFICATE:**

We hereby certify that we are the owners of the property shown and described hereon, that we accept the plat of subdivision and dedicate perpetual use of all streets and easements as noted.

Mr. Tom Wismack

**NOTES:**

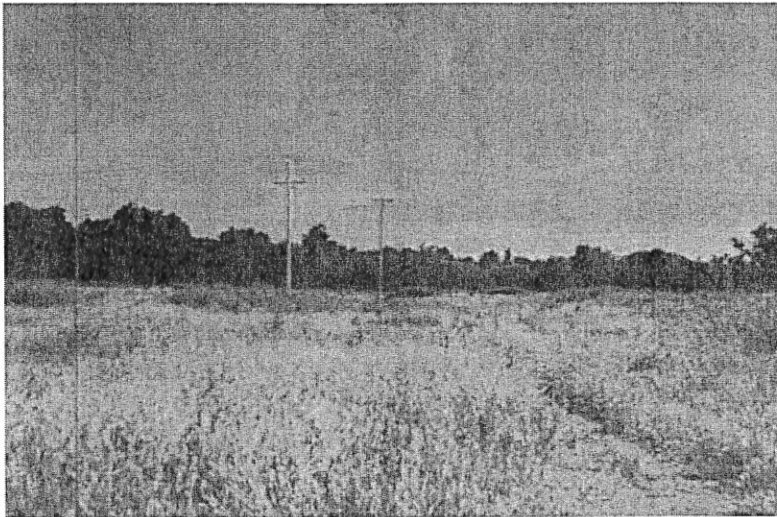
- 1) All bearings are based on Arkansas North State Plane Coordinate system.
- 2) The course precision of this plat is in excess of 1 in 500,000.
- 3) The record compiled for this survey includes partial curves.
- 4) All corner monuments set are "in" record, unless otherwise noted on the plat.
- 5) Current 2nd Zoning Subcode, 23' front, 20' rear, & 10' side.
- 6) Flood Plain: This tract shall be within the 100-year Flood Plain per Flood Insurance Rate Map #1, Crawford Co., Ark. and incorporated areas. Community Pool No. 080102030, C, page 09-27-97.

**PRELIMINARY**

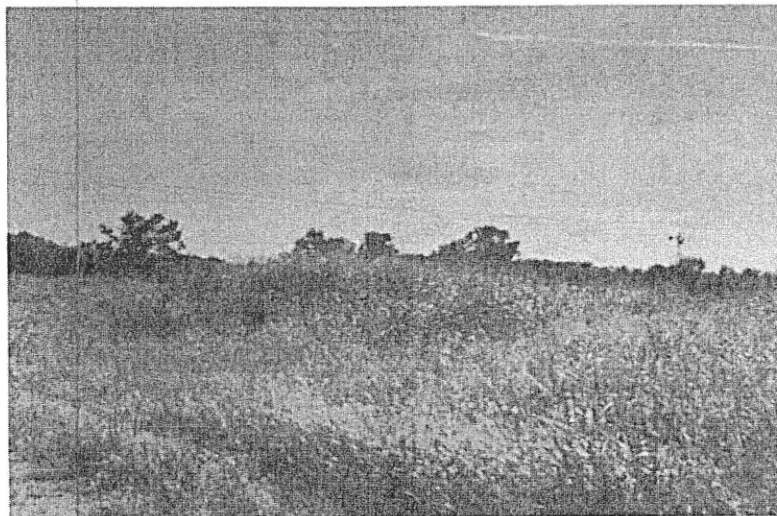
**MINOR PLAT**  
**Jonesboro, Arkansas**

		<p><b>SUBDIVISION PLAT</b> FOR</p>	<p>ENGINEERS PLANNERS SURVEYORS</p> <p>303 Southwest D - Jonesboro, AR - (501) 937-1885 - www.civilogic.net</p>	<p>Drawn By: RE</p> <p>Task: 08-25-16</p> <p>Scale: 1"=200'</p> <p>Sheet No: 116123</p>	<p>Checked by: CH</p> <p>Task: 08-25-16</p> <p>Scale: 1"=200'</p> <p>Sheet No: 116123</p>
			<p>Section: 10 &amp; 15</p> <p>Township: 14N</p> <p>Range: 03E</p> <p>County: CRAIGHEAD</p> <p>PLAT NUMBER: 080102030</p>	<p>© 2016, Civilogic</p>	

**Photograph Addendum**



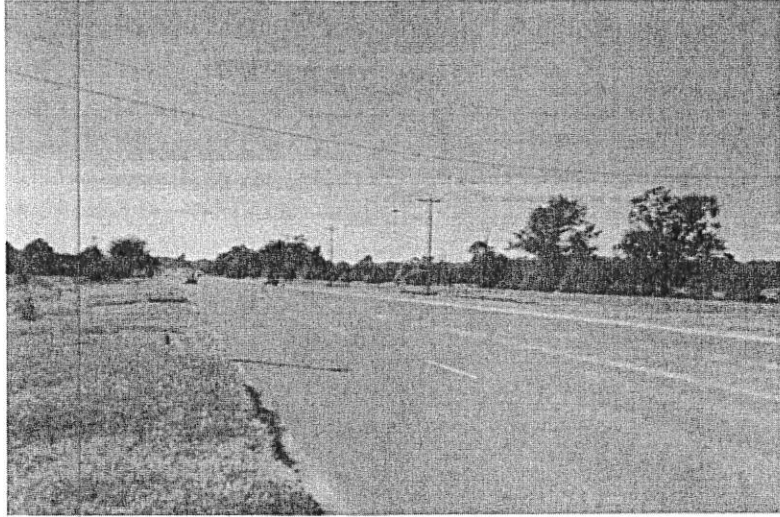
**View of site looking southeast**



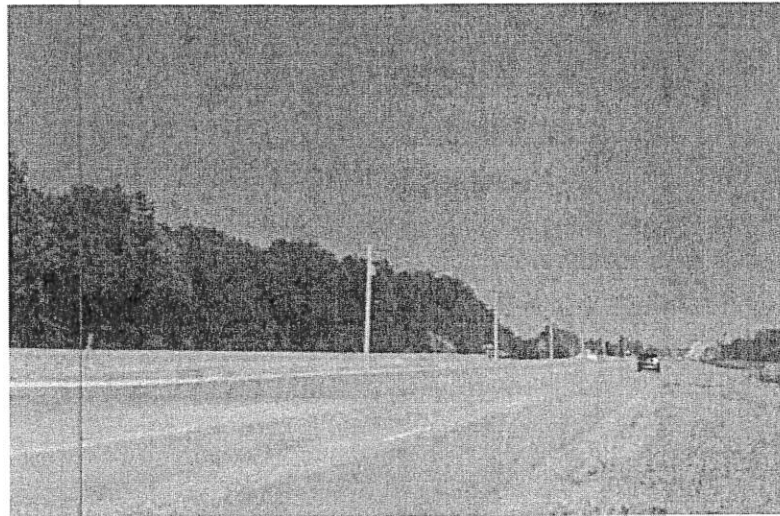
**View of site looking southwest**

Form PIC201G - "TOTAL" appraisal software by a la mode, inc. - 1-800-ALAMODE

**Photograph Addendum**



**Street scene looking west**



**Street scene looking east**

Form PIC26LG - "TOTAL" appraisal software by e-Is mode, inc. - 1-800-ALAMOGE

## FACTUAL DATA

### ZONING

#### **R-1 , Single Family Residential**

The subject property is zoned “R-1” Single Family Residential District as indicated on the official zoning maps in the office of Comprehensive planning of the City of Jonesboro, Arkansas. And the subject property is believed to conform to the “R-1” zoning requirements.

**FACTUAL DATA**

**ASSESSMENT AND TAXES**

According to the Tax Assessor the appraised value for the subject of this report was as follows:

<b>PARCEL NUMBER</b>	<b>LAND</b>	<b>BUILDINGS</b>	<b>TOTAL</b>
01-143153-00100	\$51,200	-0-	\$51,200
01-143104-00200	\$2,150	-0-	\$2,150

The subject site is currently assessed at 10,670 which is twenty (20) percent of the estimated appraised value. . The millage rate applicable to the subject property, as of the effective date of the appraisal was \$4.76 per \$1,000 of assessed value. At present there are no taxes assessed for the property as 2015 taxes that will be due in 2016. (as reported by the Craighead County Tax Assessor)

<b>ASSESSED VALUE</b>	<b>TAX RATE</b>	<b>GENERAL TAXES</b>	<b>SPECIAL IMPROVEMENT</b>	<b>TOTAL TAXES FOR 2015 PAYABLE IN 2016</b>
\$10,670	0.0475	\$507.37	None	\$507.37

An examination of Craighead County Assessor's Records indicate the parcel to be owned by William Lacy and Lacy Family Trust. County Records indicate that there has not been a sale of the subject property in the preceding thirty six (36) months.

An examination of taxes for other properties in the market area, as well as, the sales and listings used in the report indicate that approximately 60% of these are taxed at very near their market value, while only 27% are under valued and only approximately 13% are over valued by the County Assessment Division.

Discussions with Assessors across the State indicate most feel little increases in property taxes will take place in the State fro at least the next year. At present, there is a very well established anti property tax group of individuals across the State which collected enough signatures to have a proposed Constitutional Amendment (Amendment 4) placed on the ballot during the 2000 elections. Amendment 4 would abolish property taxes in the State. This Amendment was removed from the ballot by the Arkansas State Supreme Court due to inadequate wording of the ballot title. The group has indicated that their mistakes

## FACTUAL DATA

### ASSESSMENT AND TAXES

(continued)

would be corrected and an attempt would be made to place this Amendment on a future ballot.

The legislators did pass a \$350.00 reduction in property taxes for homeowners.

Conclusion The assessed value and tax amount for the subject appears to be comparable to other vacant lands in Jonesboro, Craighead County, Arkansas. With the current political climate in the State, no increase in assessments for the area is expected in the near future.

The subject property assessment will be examined when the property sells and an adjustment will most likely be made if the property sells for more or less than the current County Assessed Value. No special assessments are in place or expected in the foreseeable future.



**FACTUAL DATA**

**DESCRIPTION OF IMPROVEMENTS**

The subject site is currently unimproved.

## ANALYSIS AND CONCLUSIONS

### HIGHEST AND BEST USE

#### Introduction

Highest and Best Use is defined as:

**Highest and Best Use**<sup>3</sup> - The reasonably probable and legal use of vacant land or an improved property that is legally possible, physically possible, appropriately supported, financially feasible and that results in the highest value.

For highest and best use of both the land as though vacant and property as improved, a use must meet four criteria. The criteria are that the highest and best use must be:

1. Physically possible
2. Legally permissible
3. Financially feasible
4. Maximally productive

#### **Highest and Best Use of the Site as though Vacant**

##### Physically possible:

The physical characteristics of the site are size, shape and topography. These characteristics more or less determine the limitations of the physical uses of a vacant site. Generally, a larger site such as the subject permits more options and a greater potential for economic efficiency due to scale of development.

The subject site consists of a single tract of land with a total site area of 72.31 acres. The main site has frontage along the southern right of way of Dan Avenue. The site is not restricted by access or availability of space. The site provides excellent access and visibility from Dan Avenue.

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<sup>3</sup> The Appraisal of Real Estate, Fourteenth edition, Pages 331-333

## ANALYSIS AND CONCLUSIONS

### HIGHEST AND BEST USE

(continued)

The topography of the site can be described as generally level and appears to provide adequate drainage. According to the Federal Insurance Administration Rate Map dated – September 27, 1991, the subject site is located within a “**Zone AE Special Flood Hazard Area**”, which is defined as an area inside the 100-year flood plain, therefore requiring flood insurance for improvements.

The availability and capacity of public utilities appears to be adequate for most uses which might be deemed physically possible on the subject site.

Ultimately, the use of this site as a vacant site awaiting it’s highest and best use is physically possible, as are developments for other uses such as a single family, multi-family development or special use property.

#### Legally permissible:

As stated in the zoning section of this analysis, the subject property is currently zoned R-Single Family Residential District. The subject property is believed to conform to all of the requirements of the R-1 zoning. Therefore, the highest and best use of the subject site as if vacant is restricted to the permitted uses of the R-1 Single Family Residential District, which are primarily single family residential in nature. However, the Jonesboro Planning Commission could possibly impose special conditions or allow other type uses within the Commission’s powers. Therefore, it is possible that other uses would be allowable within the R-1 Single Family Residential district and it is furthermore believed that development would not be restricted to solely an office/warehouse use. Your attention is directed to the addenda section of this appraisal for a detailed description of the R-1 classification.

#### Financially Feasible

Surrounding land uses in the immediate vicinity of the subject includes primarily residential, retail/office and special use. It appears the majority of the residential use properties located in the area have been successful.

## ANALYSIS AND CONCLUSIONS

### HIGHEST AND BEST USE

(continued)

Comparison was made to other likely uses and the existing use as a residential or special use type property gave the highest income to the land. Given the general overall success rate of general residential or special use properties in the region and the fact the development is centered around this highway retail area of the city, it appears that a neighborhood oriented residential or special use is feasible as are other uses.

#### Maximally productive

The indicated uses from the physically possible, legally permissible and the financially feasible analyses above are wide and varied but are generally mixed use in nature. Neighborhood and city oriented mixed uses are considered to be the most suitable for the site given the apparent success of somewhat similar type properties throughout the regions.

It would be possible for the site to be utilized for a residential or special use development or other community oriented space.

In conclusion, it is my opinion that the highest and best use of the subject site is best indicated by the neighborhood trends toward mixed and special use. Additionally, the ultimate use of the property would have to conform to any additional requirements the City may impose.

#### Highest and Best Use as Improved

##### Physically possible

The site is currently unimproved

##### Legally Permissible

The subject is presently unimproved.

##### Financially Feasible

There are other uses which are both physically possible and legally permissible, such as

## ANALYSIS AND CONCLUSIONS

### HIGHEST AND BEST USE

(continued)

residential or special use development. Which would also provide a positive return. After analysis of supply and demand and location it was determined that the continued use of the subject site with future potential development possibility is financially feasible.

#### Maximally Productive:

Indicated uses which are physically possible, legally possible and financially feasible are generally residential or special use. The subject is currently unimproved. The continued use as a single family use property awaiting its highest and best use appears to be the most suitable for the subject property.

#### Conclusion:

Generally, the current use of the subject site with potential for development is consistent with my determination of the ultimate highest and best use of the subject site. The current use indicates that the subject property will be and continue to be a vacant site awaiting its highest and best use.

## ANALYSIS AND CONCLUSIONS

### THE APPRAISAL PROCESS

The process of developing a well-supported estimate of a defined value is based on the analysis of all pertinent general and specific data as is available in the market. This data is used to estimate value using specific appraisal procedures by three distinct methods of data analysis. The final estimate of value is based on the use of one or more of these approaches. The use of an approach will depend of property type, use of appraisal and the quality and quantity of the data available.

In the Cost Approach, an estimate of value of the site as if vacant and ready for its highest and best use. This estimate is based on one or more of the six acceptable methods, with the sales comparison method being considered the most reliable. An estimate is then made of the reproduction or replacement cost which includes both the direct and indirect cost, including entrepreneurial profit. A deduction of accrued depreciation from all causes which includes physical deterioration, functional obsolescence and external obsolescence, with this resulting in the depreciated value of the improvements. An estimate of the contributory value of the site improvements is then calculated. The depreciated value of the improvements is then added to the contributory value of the site improvements plus the land value for an estimate of value by the Cost Approach.

The Sales Comparison Approach is developed using comparison of the subject property to similar comparable sales. This comparison is made using the various elements of comparison, which include real property rights, financial terms, conditions of sale, market conditions, expenditures made immediately after purchase, location, physical characteristics, economic characteristics, use and non-realty components of value. The adjusted prices of the comparables give an indication of value for the subject property. These indicates are then correlated into an indication of value by the Sales Comparison Approach.

The Income Capitalization Approach is a method of estimating the present value of the future benefits of property ownership. The first step is an estimate of market rent, which is simple estimate of what the property would actually rent for if offered for rent in the current market. The next step is estimate of vacancy and collection losses which is deducted from potential gross income to arrive at the estimate of effective gross income. The next process is estimating both the fixed and variable expenses. These include taxes, insurance, management, repairs, miscellaneous and reserves for replacement. Deductions of these expenses from the effective gross income gives an indication of net operating income (NOI). The two methods of capitalization of net income are direct and yield capitalization or discounted cash flow analysis. The applicable method is used to capitalize the net income into a value indication by the Income Capitalization Approach.

## **ANALYSIS AND CONCLUSIONS**

### **THE APPRAISAL PROCESS**

(continued)

The final reconciliation is the process of analyzing the valuation process and determining the strength and weakness of the methods uses. These methods are then reconciled into a final estimate of value.

## ANALYSIS AND CONCLUSIONS

### COST APPROACH

The Cost Approach is defined as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.<sup>4</sup>

Normally, the Cost Approach, for existing buildings, gives a value indication by estimating the reproduction or replacement cost new of the existing structure and other improvements based upon current labor and material costs. From the reproduction or replacement estimate, depreciation due to wear and tear, design and plan and neighborhood defects are deducted to arrive at an estimate of the depreciated cost of the improvements. The depreciated reproduction or replacement cost, then is added to the estimated market value of the land to attain a value indication from the Cost Approach.

### REPRODUCTION/REPLACEMENT COST ESTIMATES

For the purpose of clarification, the separate cost are defined as follows:

Reproduction Cost - The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout and quality of workmanship and embodying all the deficiencies, superadequacies and obsolescence of the subject building.<sup>5</sup>

Replacement Cost - The estimated cost to construct at current prices as of the effective appraisal date, a substitute for the building being appraised using modern materials and current standards, design and layout.<sup>6</sup>

As used in the Cost Approach to Value, depreciation may be defined as follows:

In appraising, a loss in property value from any cause; the difference between the reproduction or replacement cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date.

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<sup>4</sup> The Appraisal of Real Estate, Fourteenth edition, Page 47

<sup>5</sup> The Appraisal of Real Estate, Fourteenth edition, Page 569

<sup>6</sup> The Appraisal of Real Estate, Fourteen edition, Page 570



## ANALYSIS AND CONCLUSIONS

### COST APPROACH

(continued)

Deterioration: impairment of condition, a cause of depreciation that reflects the loss in value due to wear and tear, disintegration, use in service and the action of the elements.

Obsolescence: one cause of depreciation, an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production or external factors that make a property less desirable and valuable for a continued use; may be either functional or external.

There are several related terms in analyzing accrued depreciation and are explained as follows:

Depreciation – A loss in value from any cause.

Accrued Depreciation – The difference between an improvement's reproduction or replacement cost and its present value as of the date of the appraisal.

Book Depreciation – An accounting term, the amount of capital recapture charged off on an owner's books.

Economic Life – The period over which improvements to real estate contribute to property value.

Remaining Economic Life – The estimate period over which improvements continue to contribute to property value.

Actual Age – (historical or chronological age) – The number of years that have elapsed since an original structure was built.

Effective Age – The age of a property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age.<sup>7</sup>

The depreciation of the subject property has been considered in a lump sum and is indicated in the final estimate of value.

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<sup>7</sup> The Dictionary of Real Estate, Fifth edition, Page 65

## ANALYSIS AND CONCLUSIONS

### COST APPROACH

(continued)

The Cost Approach, as developed for the subject property, utilized the Marshall Valuation Service, a national cost service which provides periodically updated cost regarding reproduction and replacement cost of a structures similar to the subject property. Data was taken from the various sections and pages indicated for each type of improvement and specified later in this report.

It was determined that the Cost Approach was not required to arrive at a credible opinion of market value. **The Cost Approach was not developed for this assignment.**

## ANALYSIS AND CONCLUSIONS

### SALES COMPARISON APPROACH

#### Introduction

The Sales Comparison Approach is defined as follows:

**Sales Comparison Approach** – The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with property being appraised, indentifying appropriate units of comparison and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant market-derived element of comparison. The Sales Comparison Approach may be used to value improved properties, vacant land or land being considered as though vacant when an adequate supply of comparable sales is available.<sup>8</sup>

The Appraisal of Real Estate, Thirteenth Edition, indicates that the Sales Comparison Approach is most useful when a number of similar properties have been sold recently or are currently for sale in the subject property market. 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. The ten common elements of comparison that should always be considered in the Sales Comparison Approach are:

1. Real Property Rights Conveyed
2. Financing Terms
3. Conditions of Sale
4. Expenditures made immediately after purchase
5. Market Conditions
6. Location
7. Physical Characteristics
8. Economic Characteristics
9. Use
10. Non-Realty Components of Value

The Sales Comparison Approach or the Market Data Approach is based on the premise that the market value of a property is directly related to the prices of comparable, competitive properties. The value of a property in the market is set by the availability of substitute properties of similar utility and desirability. Value is sustained when the relationship between land and the improvements on the land and when the relationships between property and its environment are in balance. Externalities such as the neighborhood and the economy can affect property values positively or negatively.

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<sup>8</sup> The Appraisal of Real Estate Fourteenth edition, Page 45

## ANALYSIS AND CONCLUSIONS

### SALES COMPARISON APPROACH

(continued)

The Sale Comparison Approach is applicable when there is sufficient data of recent market transactions to indicate value pattern. It is less useful when data is scarce.

When a property is improved, this approach may provide information on income, expenses, capitalization rates and factors that can be applied in the Income Capitalization Approach. Because the Sales Comparison Approach has broad applicability and is persuasive when sufficient data is available, it is used in virtually all appraisal assignments. However, when economic conditions are changing rapidly, the usefulness of the Sales Comparison Approach may be limited. For example, changes in income tax laws and zoning regulations, the availability and cost of financing or the supply of similar properties may cause the market data of comparable properties with similar uses to be unreliable indicators of the value of the subject property. If economic changes occur abruptly, an appraiser may have difficulty finding a reliable market basis on which to make adjustments for these changes. Rapid inflation or deflation can also jeopardize the reliability of an appraiser's adjustment and limit the usefulness of the sales utilized in the Sales Comparison Approach.

To apply the Sales Comparison Approach, one considers data from closed sales, contracts, offers and listing of competitive properties. This data is used to establish the prices, real property rights conveyed, transaction dates, financing terms, motivations, locations, physical and functional considerations and income producing characteristics of the properties under consideration. Sources of information may include public records, sales data services and interviews with the parties involved in a transaction. The geographic limit of the data search is set by the range of competitive properties.

A systematic, five step procedure for applying the Sales Comparison Approach involves: (1) Researching the market for data on the prices of comparable properties, (2) Verifying that the data is accurate and representative of arms-length transactions, (3) Determining relevant units of comparison, (4) Comparing the subject with comparables and adjusting the comparables for differences if possible, (5) Reconciling the multiple value indications into a single value or range of values.

#### Selection of Comparable Sales

Each of the following comparable sales was compared with the subject property using the above mentioned parameters of established data. A summary of these sales and an adjustment grid follows.

**ANALYSIS AND CONCLUSIONS**  
**SALES COMPARISON APPROACH**  
(continued)

**SALE NUMBER ONE**

Location: Darr Hill Drive, Jonesboro, Craighead County, Arkansas

Grantee: Morris-Kidd, LLC

Price: \$433,000

Date of Sale: 03/13/2014

Instrument: Warranty Deed, Book JB2014R, Page 003725

Lot size: 19.95 acres

Verified: County Records

Topography: Rolling hills

Comments:

Located off Darr Hill, just south of Casey Springs Road.

Sale analysis

$\$433,000 / 19.95 \text{ acres} = \$21,704 \text{ per acre}$

**ANALYSIS AND CONCLUSIONS**  
**SALES COMPARISON APPROACH**  
(continued)

**SALE NUMBER TWO**

Location: Galdiolus Drive, Jonesboro, Craighead County, Arkansas

Grantor: Macon Enterprises

Grantee: Ditta

Price: \$449,000

Date of Sale 01/10/2014

Instrument: Warranty Deed, Book JB2014R, Page 000355

Lot size: 20.32 acres

Topography: Generally level

Comments:

Site located in the off Harrisburg Road in the southern section of the city.

Analysis of sale

$\$449,000 / 20.32 \text{ acres} = \$22,096 \text{ per acre}$

**ANALYSIS AND CONCLUSIONS**  
**SALES COMPARISON APPROACH**  
(continued)

**SALE NUMBER THREE**

Location: Off Mayfield, just north of Windover Drive, Jonesboro, Craighead County, Arkansas

Grantor: Hill Estate

Grantee: Haag-Brown, LLC

Price: \$600,000

Date of sale: 03/13/2014

Instrument: Warranty Deed, Book JB2015R, Page 010069

Lot size: 28.11 acres

Verified: County Records

Topography: Rolling hills

Comments:

Site is located in a good residential area east of the subject property.

Analysis of sales price

$\$600,000 / 28.11 \text{ acres} = \$21,345 \text{ per acre}$

**ANALYSIS AND CONCLUSIONS**  
**SALES COMPARISON APPROACH**  
(continued)

**SALE NUMBER FOUR**

Location: Off Neely Road, Jonesboro, Craighead County, Arkansas  
Grantor: Eason  
Grantee: Wilcox Custom Homes, LLC  
Sales Price: \$646,000  
Date of sale: 03/17/2015  
Instrument: Warranty Deed Instrument Book JB2015R, Page 003539  
Verified: County Records  
Lot size: 38.50 acres  
Topography: Rolling hills  
Access: Public

Comments:

Site is located southeast of the subject property.

Analysis of sales price:

$\$646,000 / 38.50 \text{ acres} = \$16,777 \text{ per acre}$



**ANALYSIS AND CONCLUSIONS**  
**SALES COMPARISON APPROACH**  
(continued)

**SALE NUMBER FIVE**

Location: Off Shady Lane, Jonesboro, Craighead County, Arkansas  
Grantor: Grisham  
Grantee: Jet Properties  
Sales Price: \$1,000,000  
Date of sale: 01/23/2014  
Instrument: Warranty Deed Instrument Book JB2-14R, Page 001128  
Lot size: 46.58 acres  
Topography: Rolling hills

Comments:

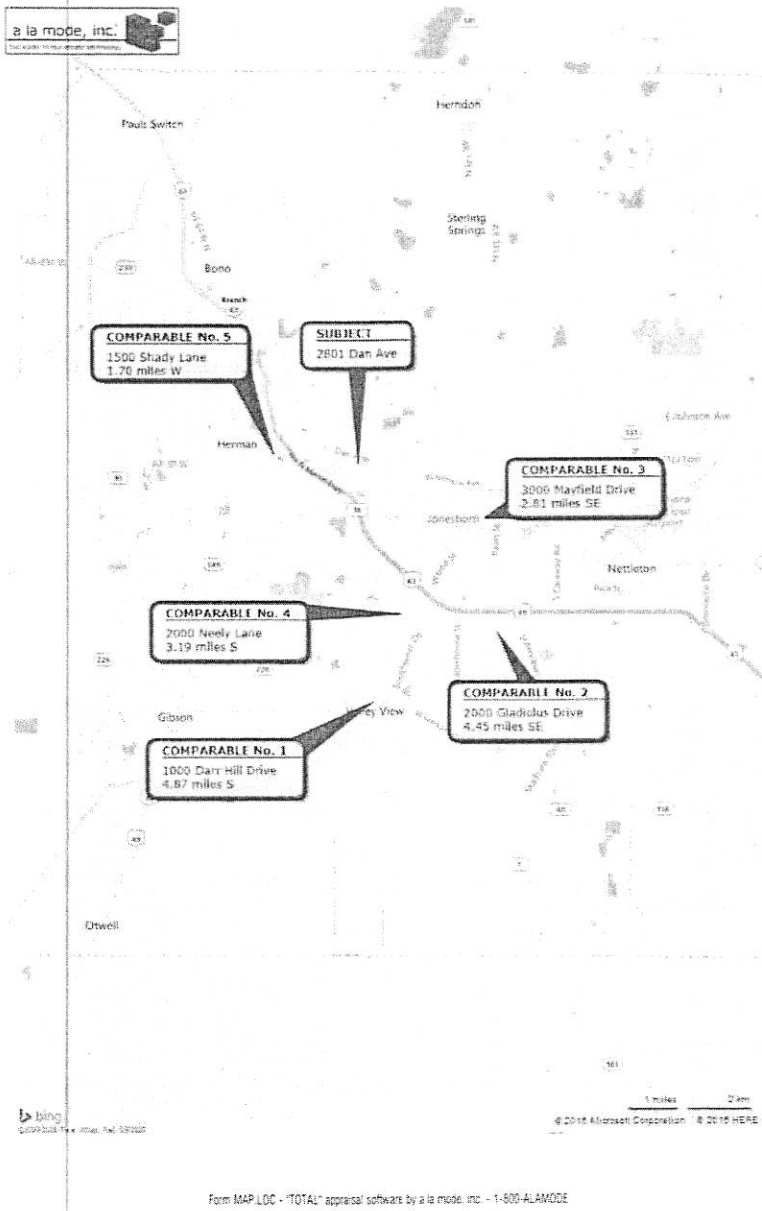
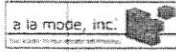
Site is located in the subject market area, just west of the subject site.

Analysis of sales price:

$\$1,000,000 / 46.58 \text{ acres} = \$21,468 \text{ per acre}$

**Location Map**

Borrower	Lacy Family Trust				
Property Address	2601 Dan Ave				
City	Jonesboro	County	Craighead	State	AR
Parcel ID	72401				
Lender/Client	Lacy Family Trust				



Form MAP.LDC - "TOTAL" appraisal software by a la mode, inc. - 1-800-ALAMODE

**ANALYSIS AND CONCLUSIONS**

**SALES COMPARISON APPROACH**

(continued)

<b>Sale No.</b>	<b>Date of Sale</b>	<b>Address</b>	<b>Price</b>	<b>Price per Acre</b>
1	03/14	Darr Hill Drive Jonesboro, AR	\$433,000	\$21,704
2	01/14	Gladiolus Drive Jonesboro, AR	\$449,000	\$22,096
3	03/14	Off Mayfield Jonesboro, AR	\$600,000	\$21,345
4	03/15	Off Neely Road Jonesboro, AR	\$646,000	\$16,777
5	01/14	Off Shady Lane Jonesboro, AR	\$1,000,000	\$21,468

## **ANALYSIS AND CONCLUSIONS**

### **SALES COMPARISON APPROACH**

(continued)

**SALE NUMBER ONE** This sale is a smaller tract of land which is located in a good residential area of the city. Site is not in a flood zone.

**SALE NUMBER TWO** This sale is a smaller tract of land which is located in a mixed use area in the southern section of the city.

**SALE NUMBER THREE** This sale is smaller tract of land which is located in a good residential area of the city. Site is located north of Windover.

**SALE NUMBER FOUR** This sale is smaller tract of land which is located in a good residential area of the city.

**SALE NUMBER FIVE** This sale is a smaller tract of land which is located in a mixed use area just west of the subject property.

## **ANALYSIS AND CONCLUSIONS**

### **SALES COMPARISON APPROACH** (continued)

#### **Real Property Rights Conveyed:**

In the verification process, the information gathered about the sales tend to indicate that all were of the fee simple estate, therefore, no adjustment was indicated

#### **Financing terms:**

All sales appear to have resulted in cash payments to the seller with no atypical seller financing involved, therefore no adjustment was needed.

#### **Conditions of Sale:**

Conditions of sale usually reflect the motivations of the buyer and seller. The conditions of sale typically reflect transactions not considered to be arm's-length due to relationships of the involved parties to the transaction and various other conditions which might make the transaction non-market in nature. In my opinion, all sales are market in nature and without sufficient data to abstract any differences for non-market transaction, no adjustment was indicated.

#### **Expenditures made immediately after purchase:**

During the data acquisition and verification process, it was discovered that all sales were purchased without any plans for major renovation after closing: Therefore, no adjustment was indicated.

#### **Market Conditions:**

Market conditions refers to the changes which occur in the real estate market over time, typically referred to as appreciation or depreciation in price. A total of five (5) sales were developed for the purpose of analyzing the market value of the subject property. These sales transactions occurred during the period of January of 2014 to March of 2015. In the analysis for determination of appreciation or depreciation during this period of time frame of the date of sale to the present time, paired sales analysis was completed. Of course, resales data provides the best indication of any change in market conditions. No resales were available, but paired sales did not indicate any increase in price due to market condition.

## **ANALYSIS AND CONCLUSIONS**

### **SALES COMPARISON APPROACH**

(continued)

#### **Location:**

Locational characteristics vary between comparable properties, which may require an adjustment. These characteristics were analyzed and the land prices for the sites in a higher traffic location were found to have higher prices per square foot. There was insufficient data available to determine a difference for location. Therefore, no adjustments was made for location to the Sales.

#### **Physical Characteristics:**

Differences in physical characteristics may include many items, such as building size, quality, style, age condition, site size and other amenities. In the analysis of improved sales, it became evident that typical buyers were reacting to building size, lot size, condition and other amenities. An adjustment for site size area was required. The site is in a flood zone and this adjustment was based on sales data of others site sales which had flood zone areas. Adjustments were made for these differences.

#### **Economic Characteristics:**

Economic characteristics are those which may affect the income of the property, These characteristics include, operating expenses, quality of management, tenant mix, rent concessions, lease terms, lease expiration dates, renewal options and lease provisions. The analysis of the comparable sales did not reveal any conditions which would require an adjustment for economic characteristics.

#### **Use/Zoning**

This adjustment is typically based on differences in current use or the highest and best use of the potential comparables and the subject property. All sales have similar zoning and highest and best use, therefore, no adjustment was indicated.

#### **Non-realty Components of Value:**

These are personal business concerns or any items which are not real property but were included in the sale of the comparable. The verification process did not indicate any non-realty items which were included in any of the comparable sales.

Adjustments for all the differences were made and a summary in presented on the following page.

**ANALYSIS AND CONCLUSIONS**

**SALES COMPARISON APPROACH**

(continued)

**UNIMPROVED SALES ADJUSTMENT GRID**

Comparable Number	1	2	3	4	5 Subject
Transaction type	Sale	Sale	Sale	Sale	Sale
Transaction date	3/13/2014	1/10/2014	3/13/2014	3/17/2015	1/23/2014
Proposed Use	Residential	Residential	Residential	Residential	Residential
Actual Sale Price	\$433,000	\$449,000	\$600,000	\$646,000	\$1,000,000
Adjusted Sale Price <sup>1</sup>	\$433,000	<del>\$449,000</del>	\$600,000	\$646,000	\$1,000,000
Site size (acres)	19.95 Ac	20.32 Ac	28.11 Ac	38.50 Ac	46.58 Ac 72.31 acres
Price per acre	\$21,704	\$22,096	\$21,345	\$16,777	\$21,468
Occupancy	Vacant	Vacant	Vacant	Vacant	Vacant
Property Rights					
Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing terms	Conv	Conv.	Conv.	Conv.	Conv.
Conditions of sale	Typical	Typical	Typical	Typical	Typical
Market conditions	Typical	Typical	Typical	Typical	Typical
Subtotal	\$21,704	\$22,096	\$21,345	\$16,777	\$21,468
Lot size	-26.0%	-25.0%	-21.0%	-16.0%	-12.0%
Location	0.0%	0.0%	0.0%	0.0%	0.0%
Parking	0.0%	0.0%	0.0%	0.0%	0.0%
Use	0.0%	0.0%	0.0%	0.0%	0.0%
Corner	0.0%	0.0%	0.0%	0.0%	0.0%
Flood zone	-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Improvements	0.0%	0.0%	0.0%	0.0%	0.0%
Total adjustment	-26.0%	-35.0%	-31.0%	-26.0%	-22.0%
Value Indication	\$13,891	\$14,362	\$14,728	\$12,415	\$16,745

1- Transaction amount adjusted for cash equivalency and/or development cost (where applicable)

## ANALYSIS AND CONCLUSIONS

### SALES COMPARISON APPROACH

(continued)

#### Selection of Units of Comparison<sup>9</sup>

The Sales Comparison Approach attempts to derive an indication of market value through the use of the principal of substitution. This principal states, as it is applied here, that an informed purchaser would pay no more for a property than the cost of acquiring an existing property with equal or similar utility. Market value is then estimated by analyzing the sale prices of recent transactions involving property similar to the subject property. Any dissimilarities are resolved through appropriate and supported adjustments. The reliability of the approach is heavily dependent upon the following three factors.

1. The presence of adequate comparable sales data
2. The verification of the sales data
3. The degree of comparability to the subject, i.e. the magnitude of adjustments necessary to equate the subject property and the comparable property.

When dealing with homogeneous properties such as single family residences, small steel-framed warehouses, vacant land, etc., the Sales Comparison Approach provides a highly reliable and supportable indication of value. For large and complex properties such as shopping centers, large office building, lodging facilities and industrial facilities, the required adjustment are often more numerous and difficult to estimate.

The first and potentially most significant adjustment consideration is the condition of the property. While this factor is well known and recognized, the appropriate adjustment is almost impossible to reliably estimate. For other physical factors, the same difficulty in reliably estimating adjustments is experienced. The appraiser has the knowledge of the comparable sales and related market data to determine estimates for differences.

It is logical to assume that the applicable unit of comparison for the Sales Comparison Approach should be based upon the building size, condition, quality and location. In this case, I have sufficient information to derive price per square foot for all sales, with consideration of all relevant factors.

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<sup>9</sup> The Appraisal of Real Estate, Fourteenth edition, Page 386



## ANALYSIS AND CONCLUSIONS

### SALES COMPARISON APPROACH

(continued)

#### Reconciliation of Value Indications

Differences for which adjustments were made to comparable are summarized as follows.

Sale Number 1 - Lot size and flood zone

Sale Number 2 - Lot size and flood zone

Sale Number 3 - Lot size and flood zone

Sale Number 4 - Lot size and flood zone

Sale Number 5 - Lot size and flood zone

All of the indicators of value ranged from a low of \$12,415 to a high of \$16,745 per acre. The mean of this range is \$14,428, while the median is \$14,362 per acre. All Sales have only two (2) adjustments. All sales were considered in the final opinion of market value, with the most weight to Sales Numbers 4 and 5 due to more similar site size.

$$\begin{array}{rclcl} \$12,415 & \times & 72.31 \text{ acres} & = & \$897,729 \\ \$16,745 & \times & 72.31 \text{ acres} & = & \$1,210,831 \end{array}$$

The final reconciled value for the subject property is \$1,100,000\* or \$15,212 per acre.

- Rounded

## ANALYSIS AND CONCLUSIONS

### INCOME CAPITALIZATION APPROACH

(continued)

The Income Capitalization Approach is defined as follows

A set of procedures through which an appraiser derives a value indication for income production property by converting anticipated benefits (cash flows and reversions) into property value. This conversion can be accomplished in two ways, one year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specific income pattern, return on investment and change in value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.<sup>10</sup>

The Income Capitalization Approach attempts to derive an estimate of market value based on the ability of the subject property to generate income. The Income Capitalization Approach may be best described the process of converting future benefits of property ownership to present value. The future benefits include both the income streams and the potential resale value at the end of a specified period. The conversion of the future benefits to a present value is performed by either (or both) direct capitalization or yield capitalization.

Regardless of the formula or technique utilized, the development of a reliable estimate of income expectancy must be developed. After the estimate of an income stream is developed, various capitalization and yield rates are extracted from market data, if possible. Appropriate capitalization techniques are then selected for the subject based on the data available and the applicability to the subject property.

The final step in the approach is to apply the various techniques to the subject's estimated income stream to derive a value indication. If multiple value indications are found, reconciliation is, of course, necessary.

One method utilized in the Income Capitalization Approach to derive a value indication is discounted cash flow analysis. When using discounted cash flow analyses, gross potential income is estimated through the use of rent comparables survey in the market place as well as from the existing leases in place. Expenses associated with the operation of the subject property are estimated from both market derived information and the subject's past history.

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<sup>10</sup> Dictionary of Real Estate Appraisal, Fifth edition, Page 99.

## ANALYSIS AND CONCLUSIONS

### INCOME CAPITALIZATION APPROACH

The annual net operating income derived is then discounted at a rate that is considered to be commensurate with the level of risk associated with the subject property. As well as reflecting the current rates of return on investment capital adjusted for lack of liquidity requirements and other disadvantages commonly associated with real estate investments as compared to more liquid alternative investments. The indicated discount rate is a rate of return on capital used to discount future payments or receipts to present value and is considered a pure yield rate in that there are no other claims to the net operation income such as debt service. The overall cash flows plus the reversion or sale of the property at the end of the holding period less sales costs are totaled to indicate a total value for the subject property.

#### **Projection of Net Income**

To apply any capitalization technique, a reliable and supportable estimate of future income must be developed. The first component of this income stream is gross income derived from leasing of the facility. This gross income is expressed generally in terms of dollars per square foot and generally derived from the market in terms of comparison with other competitive projects.

The subject is a vacant tract of land which is located in the northwest section of the city. There were no similar tracts which are under any type of lease arrangement. It was determined that the Income Capitalization Approach was not required to arrive at a credible opinion of market value. **The Income Capitalization Approach was not developed for this assignment.**

## ANALYSIS AND CONCLUSIONS

### RECONCILIATION

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 either be a final range of value or a single point estimate.<sup>11</sup>

In the reconciliation process, points considered is the amount of data available in each approach, the reliability of the data and the relevance of each approach to the defined value that is being sought. Following is a summary of the value conclusions and final support for the final estimate of value.

#### Summary of Value Indications:

<b>COST APPROACH</b>	<b>N/A</b>
<b>SALES COMPARISON APPROACH</b>	<b>\$1,100,000</b>
<b>INCOME CAPITALIZATION APPROACH</b>	<b>N/A</b>

#### Cost Approach

The Cost Approach is based, in part, upon the Principle of Substitution. This principle is basic to the Cost Approach and holds that no prudent investor would pay more for an existing property than the cost to acquire the site and construct improvements of equal desirability and utility with undue delay. Other appraisal principles that relate to the Cost Approach are: Supply and demand; balance; highest and best use. The Cost Approach is derived through market information about such cost in the subject area. The Cost Approach is typically utilized in the analysis of new properties or proposed construction which represents the highest and best use of the land. The Cost Approach is extremely reliable in a situation where the presence of total accrued depreciation is minimized. The subject is a vacant tract of land which is located in the northwest section of the city. It was determined that the Cost Approach was not required to arrive at a credible opinion of market value. The Cost Approach was not developed for this assignment.

#### Sales Comparison Approach

Certain principles are also basic to the Sales Comparison Approach, these include Principle of Substitution, supply and demand and balance. Again, the Principle of Substitution is very important. The Sales Comparison Approach represents the actions of

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<sup>11</sup> The Appraisal of Real Estate, Fourteenth edition, Page 47

## ANALYSIS AND CONCLUSIONS

### RECONCILIATION

(continued)

buyer and sellers in the general market and displays sales and listing of properties generally similar to the subject. Typically, the Sales Comparison Approach is highly reliable in the appraisal of homogeneous properties such as single family residences. Data about comparable sales of vacant tracts of land was available and in my opinion, the data could reliably be adjusted to a single "point" estimate of market value. Several adjustments to the comparables were required, however, the adjustments are believed to be market supported. The Sales Comparison Approach was utilized to indicate a probable indication of market value. The overall reliability of the Sales Comparison Approach is considered to be reasonably good.

#### **Income Capitalization Approach**

The Income Capitalization Approach consists of methods, techniques and mathematical procedures utilized when analyzing a property's capacity to generate monetary benefits and when converting benefits into an indication of present value. The Income Capitalization Approach recognizes alternative investments in the marketplace and is deemed reliable when establishing a market value for a property which is income producing in nature. The Income Capitalization Approach is typically regarded as the most preferred approach for retail buildings as well as other facilities which are typically leased as it most closely reflects the investment rational and strategies of typical purchasers. In the case of office buildings and other similar type buildings, the Income Capitalization Approach does directly take into account the risks involved in these types of properties along with the future potential results. This type building is, of course, income producing but the typical purchaser does so to derive income primarily from development of such a site. The Income Capitalization Approach was not considered to be a good indication of value in this assignment.

The final estimate of value is considered to be best represented by the Sales Comparison Approach. Both the Cost and the Sales Comparison Approaches are actually heavily dependent upon the Income Capitalization Approach for income estimates and other data required when such data is available.

The Sales Comparison Approach more closely reflects the motivations of those investors who purchase buildings such as the subject. Therefore, the Sales Comparison Approach was considered to be a good indicator of market value in this assignment.

## ANALYSIS AND CONCLUSIONS

### RECONCILIATION

(continues)

#### Final Value Estimate

As requested, I have estimated the market value of the subject property as defined herein. In conclusion, the estimated Market Value, as defined, of the subject property "as is" was:

**ONE MILLION ONE HUNDRED THOUSAND DOLLARS**  
**\$1,100,000**

Larry D. Clark, MAI, SRA  
State Certified General Appraiser  
CG-0129 – Arkansas  
State Certified General Appraiser  
1380300 G - Texas

## ASSUMPTIONS AND LIMITING CONDITIONS

This Appraisal Report, the Letter of Transmittal and the Certificate of Value are made expressly subject to the following Assumptions and Limiting Conditions. Any Special Limiting Conditions which may be contained elsewhere in the Report are considered by reference a part of these assumptions and limiting conditions.

1. That the reported estimate of value and all data and supporting information contained in the Appraisal Report, apply only on the effective date of the analysis. The opinions and conclusions expressed are intended to reflect market conditions effective as of the date specified and no responsibility is assumed for subsequent changes in economic, governmental, physical or social factors which may have a material affect on these opinions.
2. Larry D. Clark, MAI, SRA is not responsible for any matters legal in character, nor is any opinion rendered as to title, which is assumed to be good and merchantable. No title report was made available to Larry D. Clark, MAI, SRA, so no responsibility is being assumed for matters not disclosed by public records
3. That the legal description, as furnished, is correct; and that the title to the property is good and transferable. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear, except those specifically discussed in the report, The property is assumed to be under responsible ownership and competent management.
4. That the land dimensions, as taken from available maps, plats and/or survey are correct. The analysis is subject to whatever may be revealed bly a current registered land survey. It has been assumed that visible and apparent monuments are correct and that there are no encroachments.
5. Maps, plats, sketches, photographs and other exhibits included in the report for the sole purpose of aiding the reader to visualize the property and are not intended to be used for any other purpose.
6. That the present zoning of the property was verified with governmental agencies. The appraisers assume no responsibility for any error reported by the City officials and/or staff. Since zoning ordinances are lengthy, the appraiser assumes no responsibility for a complete description of all zoning regulations. Zoning ordinance rules pertinent to the analysis problem have been reviewed by the appraisers, and restriction and limitations of use affecting value have been addressed in the body of the report.
7. That no adverse soil conditions exist, nor any latent defects in structural components of the improvements unless specifically addressed the body of this report. The condition of all mechanical systems (heating, cooling, ventilation, electrical and plumbing equipment) is considered to be commensurate with the condition of the balance of the improvements (unless otherwise stated).
8. The appraiser/s made a physical inspection of the property and although no termite report was made available, no visible evident of termite infestation was noted.
9. That the Appraisal Report is the work product of the appraiser/s only.

**ASSUMPTIONS AND LIMITING CONDITIONS**  
(continued)

10. That certain opinions, estimates, data and statistics; furnished by others and confirmed by the appraiser in the course of this investigation; are correct. That although all information was obtained from and verified by sources thought to be reliable, the appraisers assume no responsibility for misinformation supplied by third parties.
11. The analysis of data and conclusions of value contained in the report are restricted to be used in whole and not in part. The distribution of the total value between land and improvements applies only under the program of utilization outlined in the report. The separate valuations for land and improvements are not to be used with any other Appraisal Report, not taken out of context and are invalid if used in this manner.
12. The assignment does not contemplate any court action, nor does it obligate the appraisers to give any testimony or make any appearance in court. The opinions and conclusions expressed are intended for use by the client only.
13. Possession of the Appraisal Report does not carry with it the right of use, duplication or publication. No part of the contents of this report, including supporting market data are to be used by any person without written consent of the appraiser/s
14. Disclosure of the contents of the Appraisal Report is governed exclusively by the By-Laws and Regulations of the Appraisal Institute. No part of the contents of the report (conclusions of value, the identity of the appraiser, or reference to the Appraisal Institute) is to be revealed to the public through advertising media, news media or any other public means of communication.
15. No responsibility is being assumed for the presence of asbestos in the building structure. The identification of potential hazards requires the expertise of a qualified consultant and analysis of "bulk samples" by a qualified laboratory. No opinion regarding the presence of asbestos is to be inferred or construed from this report. This report is invalid if a subsequent inspection disclosed the presence of asbestos.
16. No responsibility is being assumed for the presence of urea formaldehyde insulation or other toxic materials in the building structure. The identification of potential hazards requires the expertise of a qualified consultant. No opinion regarding the presence of urea formaldehyde insulation (or other toxic materials) is to be inferred or construed from this report. This report is invalid if a subsequent inspection discloses the presence of urea formaldehyde insulation or other toxic materials.
17. No responsibility is being assumed for the presence of toxic material in the soil or the presence of a waste dumping site of any type. The identification of potential hazards required the expertise of a qualified consultant. No opinion regarding the presence of toxic materials is to be inferred or construed from this report. This report is invalid if a subsequent inspection discloses the presence of toxic materials.



## PERTINENT DEFINITIONS OF APPRAISAL TERMINOLGY

Accrued Depreciation The difference between an improvement's reproduction or replacement cost new and its present value as of the date of appraisal

Actual Age The number of years that have elapsed since construction of an improvement; also called historical or chronological age.

Book Depreciation An accounting term, the amount of capital recapture charged off on an owner's books.

Cost Approach Through which an appraiser derives a value indication of the fee simple interest in a property by estimating the current cost to construction a reproduction of or replacement for the existing structure, deducting for all evidence of accrued depreciation for the cost new of the reproduction or replacement structure and adding the estimated land value plus an entrepreneurial profit. Adjustments may be made to the indicated fee simple value of the subject property to reflect the value indication of the property interest being appraised.

Curable Functional Obsolescence An element of accrued depreciation; a curable defect caused by deferred maintenance.

Depreciation A loss in value from any cause.

Discounted Cash Flow Analysis A set of procedures in which the quantity, variability, timing and duration of periodic income, as well as the quantity and timing of reversions are specified and discounted to present value at a specified yield rate.

Discounting The procedure used to convert periodic income and reversions into present value; based on the assumption that benefits received in the future are worth less than the same benefits received now.

Economic Life The period over which improvements to real estate contribute to property value.

Effective Age The age indicated by the conditions and utility of a structure.

External Obsolescence An element of accrued depreciation; a defect, usually incurable caused by negative influences outside a site.

Fee Simple Estate Implies absolute ownership unencumbered by any other interest or estate.

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. The four criteria the highest and best use

**PERTINENT DEFINITIONS OF APPRAISAL TERMINOLOGY**  
(continued)

must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability.

Income Capitalization Approach Approach through which an appraiser derives a value indication for income-producing property by converting anticipated benefits, i.e., cash flows and reversions into property value. This conversion can be accomplished in two ways: One year's income expectancy or an annual average of several years income and expectancies may be capitalized at a market-derived capitalization rate or a capitalization rate that reflects a specified income pattern, return on investment and change in the value of the investment; secondly, the annual cash flows may be discounted for the holding period and the reversion at a specified yield rate.

Incurable Functional Obsolescence An element of accrued depreciation; a defect caused by a deficiency or a superadequacy in the in the structure, materials or design, which is not financially feasible or practical to correct.

Leased Fee Estate An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others, the rights of a lessor or the leased fee owner and leased fee are specified by contract terms contained within the lease.

Leasehold Estate The right to use and occupy real estate for a stated term and under certain conditions; conveyed by a lease.

Leasehold Improvements Improvements or additions to the leased property that have been made by the lessee.

Market Value 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 each acting in what he considers his own best interest;
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;
5. the price represents the normal consideration for property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

## PERTINENT DEFINITIONS OF APPRAISAL TERMINOLOGY (continued)

Neighborhood A portion of a larger community of entire community in which there is a homogenous grouping or inhabitants buildings or business enterprises. Inhabitants of a neighborhood usually have a more than casual, community of interest and a similarity of economic level or cultural background. Neighborhood boundaries may consists of well defined natural or man made barriers or they may be more or less well defined by a distinct change in land use or in the character of the inhabitants.

Remaining Econmic Life The estimated period during which improvements continue to contribute to property value.

Replacement Cost The cost of construction, at current prices, of a building having utility equivalent to the building being appraised but built with modern materials and according to current standards, design and layout

Reproduction Cost The cost of construction at current prices of an exact duplicate or replica using the same materials, construction standards, design, layout and quality of workmanship, embodying all the deficiencies, superadequacies and obsolescence of the subject building.

Sales Comparison Approach Approach through which an appraiser derives a value indication by comparing the property being appraised to similar properties that have sold recently, applying appropriate units of comparison and making adjustment based on the elements of comparison to the sale prices of the comparables.

Yield Capitalization The Capitalization method used to convert future benefits to present value by discounting each future benefit at an appropriate yield rate of by developing an overall rate that explicitly reflects the investment's income pattern, value change and yield rate.

Yield Rate A measure of investment return that is applied to a series of incomes to obtain the present value of each; examples are the interest rate, the discount rate, the internal rate of return (IRR) and the equity yield rate (Ye)

### Sources

Appraisal of Real Estate, thirteenth edition; The Dictionary of Real Estate Appraisal.

Chicago: Appraisal Institute of Real Estate

# ADDENDA

Tom D. Womack  
John V. Phelps  
Richard Lasby  
Jeffrey W. Puryear  
Mark Mayfield  
J. Rogers McNeil  
Ryan M. Wilson  
Chuck Gschwend  
B. Wade Bowen  
Ariel J. Snyder

**WOMACK • PHELPS**  
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September 7, 2016

Mr. Larry D. Clark, MAI, SRA  
CLARK & ASSOCIATES  
P.O. Box 9288  
Jonesboro, AR 72403

Re: Big Creek Crossing, L.L.C.

Dear Mr. Clark:

This will confirm our discussion about the need for appraisal services on property off Dan Avenue on the west side of Jonesboro. The property consists of approximately 72.31 acres and includes both land in the name of the referenced limited liability company (58.64 acres) and in the name of William B. Lacy, Jr., Family Trust (13.67 acres). A schedule listing the legal description is enclosed.

Please complete the engagement as your schedule will allow. As you know, the purpose of the appraisal is to establish a value in support of a charitable contribution by our clients for the transfer to the City of Jonesboro.

It is my understanding your estimated fee for this work will be \$2,000.

Thank you for your time and attention to this, and advise me if you need any other information from me in order to get started.

Very truly yours,

WOMACK PHELPS  
PURYEAR MAYFIELD & McNEIL



Tom Womack

TW/sc  
Enclosure

**LARRY D. CLARK  
CLARK & ASSOCIATES  
P.O. BOX 9288  
JONESBORO, ARKANSAS 72403  
870-219-3039 (OFFICE NUMBER)  
870-932-4154 (FAX NUMBER)  
LCLARKMAI@APPRAZL.COM (E-MAIL ADDRESS)**

### **Education**

Arkansas State University, 1976  
B.S. Degree in Real Estate and Insurance

### **Professional Training**

Course VIII, American Institute, Chicago, IL 1977  
Course 1-A, American Institute, Memphis, TN 1978  
Income Capitalization, N.A.I.F.A. Ft. Smith, AR 1980  
Farm, Ranch & Rural Appraisal, N.A.I.F.A. St. Louis, MO, 1981  
SPP, A & B, Appraisal Institute, Memphis, TN 1991  
Course 1BA, Appraisal Institute, Dallas, TX 1991  
Course 1BB, Appraisal Institute, Dallas, TX 1991  
Case Studies, Appraisal Institute, Talahassie, FL 1991  
Report Writing, Appraisal Institute, Talahassie, FL 1991  
SPP, A & B, Appraisal Institute, St. Louis, MO 1996  
Course 120, Appraisal Institute, Houston, TX 1996  
Course 110, Appraisal Institute, Houston, TX 1997  
Course 510, Appraisal Institute, Knoxville, TN 1999  
Course 710, Appraisal Institute, Nashville, TN 2002  
Course 430, Appraisal Institute, Memphis, TN 2002  
Course 530, Appraisal Institute, Atlanta, GA 2006  
Course 520, Appraisal Institute, Houston, TX 2006  
Condemnation Appraisal, Principles & Application  
Columbus, OH 2013  
Real Estate Finance and Statistics, Louisville, KY 2016

As of the date of this report, Larry D. Clark, MAI, SRA has completed the requirements under the continuing education program of the Appraisal Institute

## **Professional Designations**

MAI, 2009, the Appraisal Institute  
SRA, 1987, the Appraisal Institute  
Certified National Instructor for N.A.I.F.A., 1987 to 1995

## **Professional Organizations, Offices and Committees**

Vice President of the Arkansas Chapter of the Appraisal Institute. Committee Member of the Residential Appraisal Board Curriculum Division for the Appraisal Institute (1995-1997), Arkansas Chapter Appraisal Institute, Board of Directors (1997-1999), Memphis Chapter, Board of Directors (2012-2013)

## **Appraisal Experience**

Appraiser, Security Federal Savings & Loan, Sikeston, MO. (1976-1979)  
Chief Appraiser, United Federal Savings & Loan, Jonesboro, AR(1980-1986)  
President and principal of Clark Appraisal Service, Jonesboro, AR. (1986-1992)  
Regional Manager/Appraiser for Pyron, Clark & Associates Jonesboro, AR (1992-1994)  
President and principal of Clark Appraisal Service, Jonesboro, AR (1994-1995)  
Real Estate Risk Assessment division of NationsBank, Little Rock,AR.(1995 to 1998)  
President and principal of Clark & Associates, Jonesboro, AR 1998 to 2006)  
Chief Appraiser for Liberty Bank of Arkansas, Jonesboro, AR, August 2006 to 2013.  
President and principal of Clark & Associates, Jonesboro, AR 2013 to Present.

Wide range of experience in the valuation of income producing properties, including office buildings, subdivisions, hotels & motels, multi-family complexes, shopping centers, industrial properties, and special use projects. Appraisal assignments in Arkansas, California, Colorado, Georgia, Missouri, Tennessee, Mississippi, Illinois, Texas and Arizona. Evaluation experience in performing subdivision analysis, feasibility studies and evaluation of plans for Chapter 11 bankruptcy reorganization. Experience in compliance with current FDIC/OCC, RTC and OTS appraisal standards.

### **Special Qualifications**

I set up the RIMS system for Liberty Bank of Arkansas. Managed the system as well as reviewed commercial and residential appraisals. I also acted as manager of the appraisal staff.

### **Special Assignments**

Appointed by Governor Jim Guy Tucker to term as member of the Arkansas Appraiser Licensing and Certification Board (1994-1997)

### **Publications**

Contributing author to the Appraisal Review, a national real estate publication, Volume 17, 1981.

### **Partial List of Clients**

#### **ARKANSAS LENDERS**

Boatmen's National Bank, First Community Bank, Simmons Bank, Citizens Bank, The Arkansas Bank, Wynne Bank, Mercantile Bank, Union Planters, Security Bank, Midsouth Bank, Pocahontas Federal Savings & Loan, United Federal Savings & Loan, Citizens Bank, Bank of Trumann, Home Federal Savings & Loan, Arkansas Bank.

#### **CORPORATE CLIENTS**

Southern Pacific Railroad, General Motors Acceptance Corp., Prudential Insurance Company of America, Mortgage Guaranty Insurance Corporation, McDonalds, Cola Cola, Vulcan Materials, PepsiAmerica, International Paper

**GOVERNMENT CLIENTS** Arkansas Highway and Transportation Department, Resolution Trust Corporation (RTC), Federal Deposit Insurance Corporation (FDIC), Federal Home Loan Mortgage Corporation, Federal National Mortgage Corporation (FannieMae), City of Jonesboro, City of Osceola, City of Rector, Arkansas Appraiser Licensing & Certification Board, Arkansas State University, Arkansas Game & Fish Commission, United States Department of Agriculture, Arkansas Capital, U.S. Small Business Administration.