

## APPRAISAL OF REAL PROPERTY

### Rite Aid

Retail Property

841 S. Main Street

Graham, Alamance County, North Carolina 27253

Client Reference Number: WF-CWS-11-034839-01-1



### PREPARED FOR:

Mr. L. Joseph Shaheen  
Akerman Senterfitt  
401 East Jackson Street, Suite 1700  
Tampa, Florida 33602

### EFFECTIVE DATE OF THE APPRAISAL:

December 13, 2011

### REPORT FORMAT:

Summary

### IRR - RALEIGH

File Number: 167-2011-0456





**Rite Aid  
841 S. Main Street  
Graham, North Carolina**



December 16, 2011

Mr. L. Joseph Shaheen  
Akerman Senterfitt  
401 East Jackson Street, Suite 1700  
Tampa, Florida 33602

SUBJECT: Market Value Appraisal  
Rite Aid  
841 S. Main Street  
Graham, Alamance County, North Carolina 27253  
Integra Raleigh File No. 167-2011-0456  
Client Reference Number: WF-CWS-11-034839-01-1

Dear Mr. Shaheen:

Integra Realty Resources – Raleigh is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value of the leased fee interest in the property. The client for the assignment is Akerman Senterfitt, and the intended use is for asset valuation purposes.

This appraisal is limited in scope because an applicable approach to value is not being used. We determined that, notwithstanding the exclusion of an applicable approach, the scope of work performed is sufficient to develop a credible opinion of value given the intended use. We have a high degree of confidence in the value indication by the income capitalization approach and the sales comparison approach.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and applicable state appraisal regulations. The appraisal is also prepared in accordance with the appraisal regulations issued in connection with the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

To report the assignment results, we use the self-contained report option of Standards Rule 2-2 of USPAP. Accordingly, this report contains all information significant to the solution of the appraisal problem.

The subject is a free standing, net leased retail property containing 13,824 square feet of gross leasable area. The improvements were constructed in 2004 and are 100% leased by Rite Aid (formerly Eckerd Corporation). The site area is 1.18 acres, or 51,401 square feet.



Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

| VALUE CONCLUSION  |                    |                   |                  |
|-------------------|--------------------|-------------------|------------------|
| Appraisal Premise | Interest Appraised | Date of Value     | Value Conclusion |
| Market Value      | Leased Fee         | December 13, 2011 | \$4,140,000      |

The opinion of value expressed in this report is based on estimates and forecasts that are prospective in nature and subject to considerable risk and uncertainty. Events may occur that could cause the performance of the property to differ materially from our estimates, such as changes in the economy, interest rates, capitalization rates, financial strength of tenants, and behavior of investors, lenders, and consumers. Additionally, our opinions and forecasts are based partly on data obtained from interviews and third party sources, which are not always completely reliable. Although we are of the opinion that our findings are reasonable based on available evidence, we are not responsible for the effects of future occurrences that cannot reasonably be foreseen at this time.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

**INTEGRA REALTY RESOURCES - RALEIGH**



J. Todd Neal  
Certified General Real Estate Appraiser  
North Carolina Certificate # A7213  
Email: tneal@irr.com



Chris R. Morris, MAI, MRICS  
Certified General Real Estate Appraiser  
North Carolina Certificate # A266  
Email: cmorris@irr.com

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## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

### PART ONE

|                                 |  |                   |               |
|---------------------------------|--|-------------------|---------------|
| Property Name                   | Rite Aid   |                   |               |
| Address                         | 841 S. Main Street<br>Graham, North Carolina 27253 |                   |               |
| Property Type                   | Retail - Free Standing Drug Store                  |                   |               |
| Owner of Record                 | Scoop Real Estate, L.P.                            |                   |               |
| Tax ID                          | 144069   |                   |               |
| Land Area                       | 1.18 acres; 51,401 SF                              |                   |               |
| Gross Leasable Area             | 13,824 SF  |                   |               |
| Percent Leased                  | 100%   |                   |               |
| Year Built                      | 2004   |                   |               |
| Year Renovated                  | N/A  |                   |               |
| Zoning Designation              | B-2, General Business District                     |                   |               |
| Highest and Best Use            |  |                   |               |
| As if Vacant                    | Future retail use                                  |                   |               |
| As Improved                     | Continued retail use                               |                   |               |
| Exposure Time; Marketing Period | 12 months; 12 months                               |                   |               |
| Effective Date of the Appraisal | December 13, 2011                                  |                   |               |
| Property Interest Appraised     | Leased Fee   |                   |               |
| Market Value Indications        |  |                   |               |
| Cost Approach                   | Not Used   |                   |               |
| Sales Comparison Approach       | \$3,800,000  |                   | (\$274.88/SF) |
| Income Capitalization Approach  | \$4,140,000  |                   | (\$299.48/SF) |
| Market Value Conclusion         | \$4,140,000  |                   | (\$299.48/SF) |
| <b>VALUE CONCLUSION</b>         |  |                   |               |
| Appraisal Premise               | Interest Appraised                                 | Date of Value     | Conclusion    |
| Market Value                    | Leased Fee   | December 13, 2011 | \$4,140,000   |

| PART TWO                               |  |               |  |
|--|--|---------------|--|
| Number of Tenants                      | 1                                      |               |  |
| Average Contract Rent/SF               | \$28.71                                |               |  |
| Average Market Rent/SF                 | \$25.00                                |               |  |
| Major Tenant and Expiration            | Rite Aid (formerly Eckerd Corporation) | 01/31/24      |  |
| Major Tenant SF and Contract Rent      | 13,824                                 | \$28.71       |  |
| Sales Comparison Approach              |  |               |  |
| Number of Sales                        | 6                                      |               |  |
| Range of Sale Dates                    | Jun-10 to Aug-11                       |               |  |
| Range of Unit Prices (Unadjusted)      | \$188.23 to \$397.04                   |               |  |
| Indicated Value                        | \$3,800,000                            | (\$274.88/SF) |  |
| Income Capitalization Approach         |  |               |  |
| Potential Gross Income                 | \$396,877                              | (\$28.71/SF)  |  |
| Stabilized % Vacancy & Collection Loss | 0.0%                                   |               |  |
| Effective Gross Income                 | \$396,877                              | (\$28.71/SF)  |  |
| Operating Expenses                     | \$3,969                                | (\$0.29/SF)   |  |
| Operating Expense Ratio                | 1.0%                                   |               |  |
| Net Operating Income                   | \$392,908                              | (\$28.42/SF)  |  |
| Capitalization Rate Applied and Value  | 9.50%                                  | \$4,140,000   |  |
| Indicated Value                        | \$4,140,000                            | (\$299.48/SF) |  |
| Market Value Conclusion                | \$4,140,000                            | (\$299.48/SF) |  |

## GENERAL INFORMATION

### IDENTIFICATION OF SUBJECT

The subject is a free standing, net leased retail property containing 13,824 square feet of gross leasable area. The improvements were constructed in 2004 and are 100% leased by Rite Aid (formerly Eckerd Corporation). The site area is 1.18 acres, or 51,401 square feet. A legal description of the property is in the addenda.

| PROPERTY IDENTIFICATION |  |
|-------------------------|--|
| Property Name           | Rite Aid   |
| Address                 | 841 S. Main Street<br>Graham, North Carolina 27253 |
| Tax ID                  | 144069   |

### CURRENT OWNERSHIP AND SALES HISTORY

The owner of record is Scoop Real Estate, L.P. This party acquired the property from Graham EC, LLC on May 24, 2005 for a price of \$5,310,000. The transaction is recorded in Deed Book 2247, Page 702, of the Alamance County Register of Deeds office. Note that the subject is currently held under receivership by the U.S. District Court and has been ordered to be sold.

To the best of our knowledge, no other sale or transfer of ownership has occurred within the past three years, and as of the effective date of this appraisal, the property is not subject to an agreement of sale or option to buy.

### TYPE OF VALUE, PROPERTY RIGHTS AND EFFECTIVE DATE

The purpose of the appraisal is to develop an opinion of the market value of the leased fee interest in the property as of the effective date of the appraisal, December 13, 2011. The date of the report is December 16, 2011. The appraisal is valid only as of the stated effective date or dates.

### DEFINITION OF MARKET VALUE

Market value is defined as:

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;



- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g])*

## **DEFINITION OF PROPERTY RIGHTS APPRAISED**

Leased fee interest is defined as, “A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e, a lease).”

*(Source: The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010)*

## **CLIENT, INTENDED USER AND INTENDED USE**

The client is Akerman Senterfitt and the intended users are Akerman Senterfitt and Wells Fargo Bank – RETECHS. The intended use is for asset valuation purposes. The appraisal is not intended for any other use or user. No party or parties other than Akerman Senterfitt and Wells Fargo Bank – RETECHS may use or rely on the information, opinions, and conclusions contained in this report.

## **APPLICABLE REQUIREMENTS**

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal requirements of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), revised June 7, 1994

## **PRIOR SERVICES**

USPAP requires appraisers to disclose to the client any services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have previously appraised the property that is the subject of this report for another client within the three-year period immediately preceding acceptance of this assignment.

## SCOPE OF WORK

To determine the appropriate scope of work, we considered the client's request in relation to the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## VALUATION METHODOLOGY

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

| APPROACHES TO VALUE            |                          |                   |
|--------------------------------|--------------------------|-------------------|
| Approach                       | Applicability to Subject | Use in Assignment |
| Cost Approach                  | Applicable               | Not Utilized      |
| Sales Comparison Approach      | Applicable               | Utilized          |
| Income Capitalization Approach | Most applicable          | Utilized          |

The **income capitalization approach** is the most reliable valuation method for the subject due to the following:

- The probable buyer of the subject would base a purchase price decision primarily on the income generating potential of the property and an anticipated rate of return.
- Sufficient market data regarding income, expenses, and rates of return, is available for analysis.

The **sales comparison approach** is an applicable valuation method because:

- There is an active market for similar properties, and sufficient sales data is available for analysis.
- This approach directly considers the prices of alternative properties having similar utility.

The **cost approach** is an applicable valuation method; however, it is not necessary to develop a credible opinion of value. The need to utilize this approach for this assignment is reduced by the following:

- We have a high degree of confidence in the value indication by the income capitalization approach and the sales comparison approach due to the quantity and quality of data available for this assignment.
- The subject is an existing property rather than proposed construction.
- The age of the property would limit the reliability of an accrued depreciation estimate.
- This approach is not typically used by market participants, except for new or nearly new properties.
- The subject does not appear to be unusually complex.

**DATA RESEARCH AND ANALYSIS**

The process employed to collect, verify, and analyze relevant data is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make a concerted effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

**PROPERTY INSPECTION**

J. Todd Neal conducted an interior and exterior inspection of the property on December 13, 2011. Chris R. Morris, MAI, MRICS did not inspect the subject property, but did review the report and concurs with the analysis and value conclusion.

**REPORT FORMAT**

The report has been prepared under the summary report option of Standards Rule 2-2(b) of USPAP. As such, it contains summary discussions of the data, reasoning, and analyses that are used in the appraisal process whereas supporting documentation is retained in our file. The depth of discussion contained in this report is specific to the needs of the client and the intended use of the appraisal.

## ECONOMIC ANALYSIS

### ALAMANCE COUNTY AREA ANALYSIS

Alamance County is located in central North Carolina. The county is approximately 430 square miles in size and has a population density of 350 persons per square mile. Alamance County is part of the Burlington, NC Metropolitan Statistical Area, hereinafter called the Burlington MSA, as defined by the U.S. Office of Management and Budget.

#### POPULATION

Alamance County has an estimated 2010 population of 150,355, which represents an average annual 1.4% increase over the 2000 census of 130,800. Alamance County added an average of 1,956 residents per year over the 2000-2010 period, but its annual growth rate lagged the State of North Carolina rate of 1.7%.

|                    | POPULATION TRENDS |           |            |                      |             |
|--------------------|-------------------|-----------|------------|----------------------|-------------|
|                    | Population        |           |            | Compound Ann. % Chng |             |
|                    | 2000 Census       | 2010 Est. | 2015 Est.  | 2000 - 2010          | 2010 - 2015 |
| Alamance County    | 130,800           | 150,355   | 161,508    | 1.4%                 | 1.4%        |
| North Carolina     | 8,049,313         | 9,552,054 | 10,345,227 | 1.7%                 | 1.6%        |
| Source: STDB/ ESRI |                   |           |            |                      |             |

Looking forward, Alamance County's population is projected to increase at a 1.4% annual rate from 2010-2015, equivalent to the addition of an average of 2,231 residents per year. Alamance County's growth rate is expected to lag that of North Carolina, which is projected to be 1.6%.

#### EMPLOYMENT

Total employment in Alamance County is currently estimated at 54,437 jobs. Between year end 2000 and the present, employment declined by 10,877 jobs, equivalent to a 16.7% loss over the entire period. Over the past decade, there were decreases in employment for seven years out of ten.

Although many areas suffered drops in employment over the last decade, Alamance County underperformed North Carolina, which experienced a decline in employment of 1.9% or 75,476 jobs over this period. Trends in employment are a key indicator of economic health and strongly correlate with real estate demand.

| <b>EMPLOYMENT TRENDS</b>          |                             |          |                |          |                               |                |
|-----------------------------------|-----------------------------|----------|----------------|----------|-------------------------------|----------------|
| Year                              | Total Employment (Year End) |          |                |          | Unemployment Rate (Ann. Avg.) |                |
|                                   | Alamance County             | % Change | North Carolina | % Change | Alamance County               | North Carolina |
| 2000                              | 65,314                      |          | 3,888,490      |          | 3.2%                          | 3.7%           |
| 2001                              | 62,218                      | -4.7%    | 3,766,715      | -3.1%    | 5.6%                          | 5.6%           |
| 2002                              | 60,843                      | -2.2%    | 3,764,582      | -0.1%    | 7.2%                          | 6.6%           |
| 2003                              | 59,749                      | -1.8%    | 3,760,183      | -0.1%    | 7.2%                          | 6.5%           |
| 2004                              | 60,991                      | 2.1%     | 3,849,400      | 2.4%     | 6.3%                          | 5.5%           |
| 2005                              | 59,287                      | -2.8%    | 3,926,923      | 2.0%     | 6.0%                          | 5.3%           |
| 2006                              | 59,816                      | 0.9%     | 4,054,039      | 3.2%     | 5.5%                          | 4.7%           |
| 2007                              | 61,006                      | 2.0%     | 4,126,685      | 1.8%     | 5.1%                          | 4.7%           |
| 2008                              | 58,863                      | -3.5%    | 4,000,278      | -3.1%    | 6.5%                          | 6.2%           |
| 2009                              | 55,653                      | -5.5%    | 3,804,059      | -4.9%    | 12.0%                         | 10.6%          |
| 2010*                             | 54,437                      | -2.2%    | 3,813,014      | 0.2%     | 11.1%                         | 10.2%          |
| Overall Change 2000-2010          | -10,877                     | -16.7%   | -75,476        | -1.9%    |                               |                |
| Avg Unemp. Rate 2000-2010         |                             |          |                |          | 6.9%                          | 6.3%           |
| Unemployment Rate - December 2010 |                             |          |                |          | 10.1%                         | 9.7%           |

\*Total employment data is as of June 2010; unemployment rate data reflects the average of 12 months of 2010.  
Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW).  
Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Unemployment rate trends are another way of gauging an area's economic health. Over the past decade, the Alamance County unemployment rate has been generally higher than that of North Carolina, with an average unemployment rate of 6.9% in comparison to a 6.3% rate for North Carolina. This is another indication of weakness in the Alamance County economy over the longer term.

At the current time, the Alamance County unemployment rate is 10.1% in comparison to a 9.7% rate for North Carolina, a sign that Alamance County has been harder hit in the recent downturn.

Major employers in Alamance County are shown in the table below.

| <b>MAJOR EMPLOYERS</b>                |                     |  |
|---------------------------------------|---------------------|--|
| <b>Alamance County</b>                |                     |  |
| Name                                  | Number of Employees |  |
| 1 Alamance-Burlington School System   | 1,000+              |  |
| 2 Laboratory Corp of America Holdings | 1,000+              |  |
| 3 Alamance Regional Medical Center    | 1,000+              |  |
| 4 Elon University                     | 1,000+              |  |
| 5 Alamance County Government          | 1,000+              |  |
| 6 Wal-Mart Associates Inc.            | 500-999             |  |
| 7 Olsten Staffing                     | 500-999             |  |
| 8 City of Burlington                  | 500-999             |  |
| 9 Gate City of Burlington Inc.        | 500-999             |  |
| 10 Alamance Community College         | 500-999             |  |

Source: 1st Qtr 2011 NC Employment Security Commission

## GROSS DOMESTIC PRODUCT

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area. Although GDP figures are not available at the county level, data reported for the Burlington MSA is considered meaningful

when compared to the nation overall, as Alamance County is part of the MSA and subject to its influence.

Economic growth, as measured by annual changes in GDP, has been considerably lower in the Burlington MSA than the United States overall during the past eight years. The Burlington MSA has declined at a 1.7% average annual rate while the United States has grown at a 1.6% rate. The area appears to be harder hit in the recent downturn, as the Burlington MSA's GDP declined by 10.3% in 2009 while the United States GDP declined by 2.1%.

The Burlington MSA has a per capita GDP of \$24,641, which is 41% less than the United States GDP of \$42,031. This means that Burlington MSA industries and employers are adding relatively less value to the economy than their counterparts in the United States overall.

| <b>GROSS DOMESTIC PRODUCT</b> |                            |             |                |             |
|-------------------------------|----------------------------|-------------|----------------|-------------|
| Year                          | (\$ Mil)<br>Burlington MSA | %<br>Change | (\$ Mil)<br>US | %<br>Change |
| 2002                          | 4,177                      |             | 11,560,300     |             |
| 2003                          | 3,974                      | -4.9%       | 11,807,800     | 2.1%        |
| 2004                          | 4,093                      | 3.0%        | 12,212,600     | 3.4%        |
| 2005                          | 4,136                      | 1.1%        | 12,554,500     | 2.8%        |
| 2006                          | 4,249                      | 2.7%        | 12,895,900     | 2.7%        |
| 2007                          | 4,203                      | -1.1%       | 13,162,800     | 2.1%        |
| 2008                          | 4,129                      | -1.8%       | 13,181,900     | 0.1%        |
| 2009                          | 3,705                      | -10.3%      | 12,903,800     | -2.1%       |
| Compound % Chg (2002-2009)    |                            | -1.7%       |                | 1.6%        |
| GDP Per Capita 2009           | \$24,641                   |             | \$42,031       |             |

Source: Bureau of Economic Analysis and Economy.com

The figures in the table above represent inflation adjusted “real” GDP stated in 2005 dollars.

#### **INCOME, EDUCATION AND AGE**

Alamance County has a lower level of household income than North Carolina. Median household income for Alamance County is \$49,882, which is 2.0% less than the corresponding figure for North Carolina.

| <b>MEDIAN HOUSEHOLD INCOME - 2010</b>           |          |
|---|----------|
| Alamance County                                 | \$49,882 |
| North Carolina                                  | \$50,887 |
| Comparison of Alamance County to North Carolina | ▼ 2.0%   |
| Source: STDB/ ESRI                              |          |

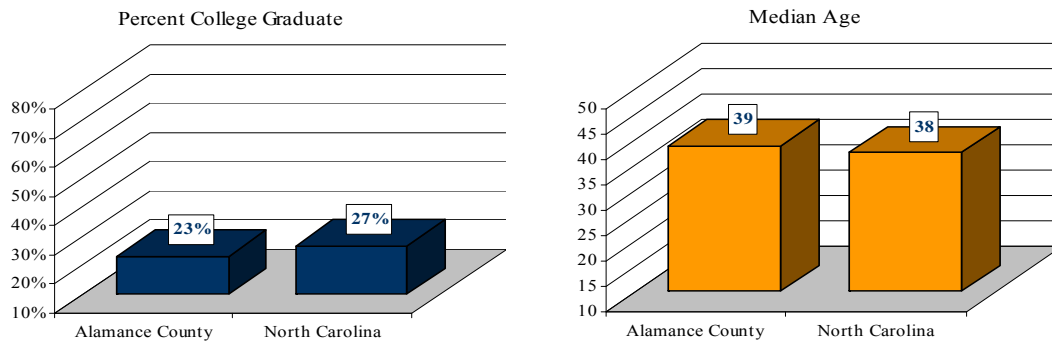
Residents of Alamance County have a lower level of educational attainment than those of North Carolina. An estimated 23% of Alamance County residents are college graduates with four year degrees, versus 27% of North Carolina residents. People in Alamance County are

slightly older than their North Carolina counterparts. The median age for Alamance County is 39 years, while the median age for North Carolina is 38 years.

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**EDUCATION AND AGE - 2010**

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Source: STDB/ ESRI

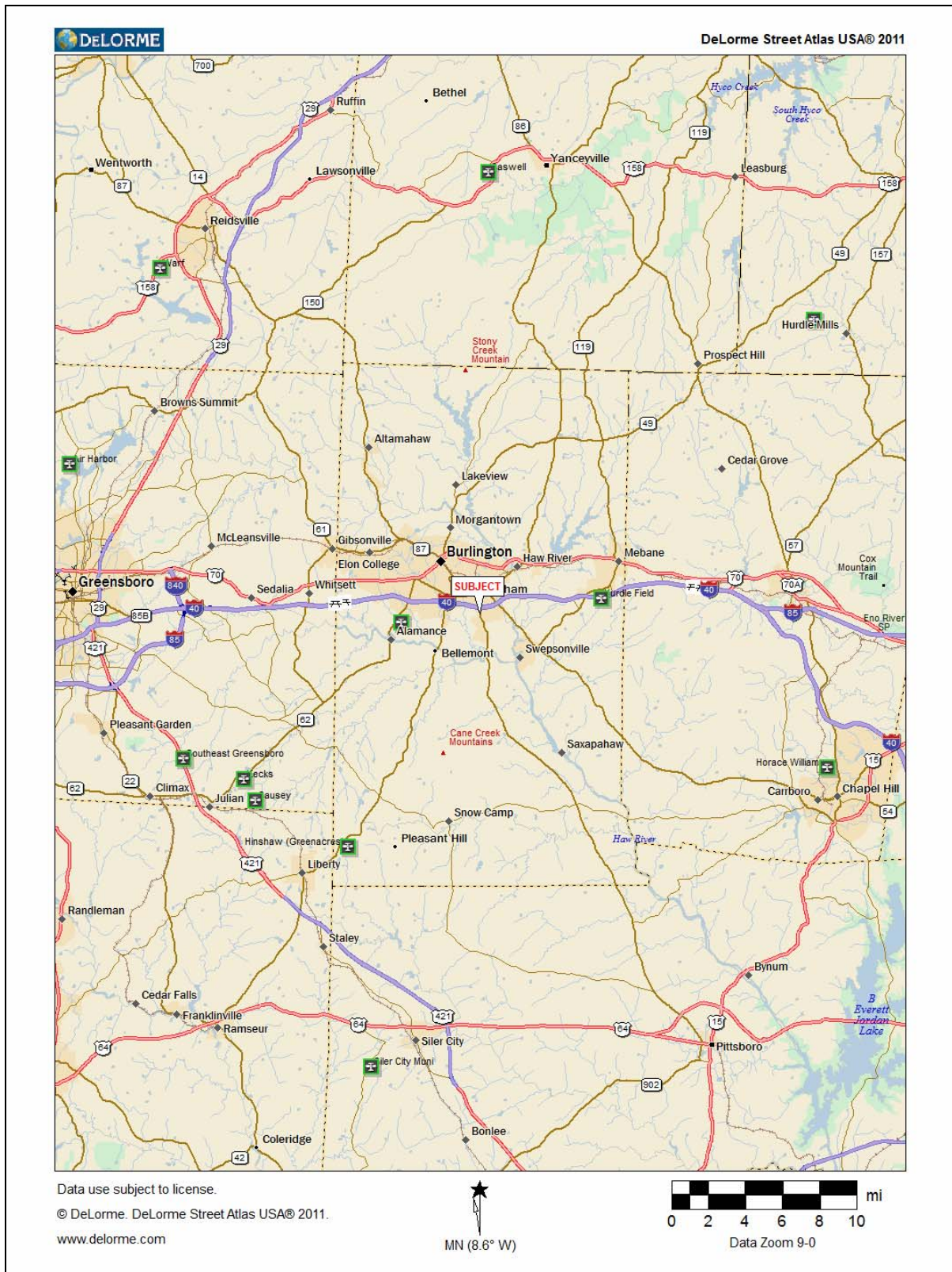
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**CONCLUSION**

The recent downturn in the national economy has had a greater impact in Alamance County than in many areas of the country.

Over the long term, Alamance County will be affected by a growing population base and lower income and education levels. Alamance County experienced a substantial loss of jobs over the past decade, and the future trend in employment is difficult to forecast. Moreover, economic weakness is evident in the decline of Gross Domestic Product (GDP) at the Burlington MSA level, of which Alamance County is a part. Based on these factors, we anticipate that the Alamance County economy will recover and employment growth will resume, strengthening the demand for real estate.

# AREA MAP





## SURROUNDING AREA ANALYSIS

### LOCATION

The subject is located in the central portion of Alamance County in the city of Graham.

### ACCESS AND LINKAGES

Primary access to the area is provided by Interstate 40, a major arterial highway that cross the Alamance County area in a east/west direction. Secondary access is provided by South Main Street (US Highway 87) which runs in a north/south direction through the city of Graham. Overall, vehicular access is average. The primary mode of transportation in this area is the automobile.

### DEMOGRAPHICS

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

| SURROUNDING AREA DEMOGRAPHICS       |               |               |               |                 |                |
|-------------------------------------|---------------|---------------|---------------|-----------------|----------------|
| 2010 Estimates                      | 1-Mile Radius | 3-Mile Radius | 5-Mile Radius | Alamance County | North Carolina |
| Population 2000                     | 4,565         | 28,891        | 67,454        | 130,800         | 8,049,313      |
| Population 2010                     | 4,770         | 31,442        | 74,339        | 150,355         | 9,552,054      |
| Population 2015                     | 4,956         | 33,038        | 78,507        | 161,508         | 10,345,227     |
| Compound % Change 2000-2010         | 0.4%          | 0.8%          | 1.0%          | 1.4%            | 1.7%           |
| Compound % Change 2010-2015         | 0.8%          | 1.0%          | 1.1%          | 1.4%            | 1.6%           |
| Households 2000                     | 1,785         | 11,676        | 27,478        | 51,584          | 3,132,013      |
| Households 2010                     | 1,904         | 12,676        | 30,423        | 60,222          | 3,761,099      |
| Households 2015                     | 1,989         | 13,297        | 32,146        | 64,913          | 4,088,898      |
| Compound % Change 2000-2010         | 0.6%          | 0.8%          | 1.0%          | 1.6%            | 1.8%           |
| Compound % Change 2010-2015         | 0.9%          | 1.0%          | 1.1%          | 1.5%            | 1.7%           |
| Median Household Income 2010        | \$53,616      | \$47,240      | \$46,338      | \$49,882        | \$50,887       |
| Average Household Size              | 2.4           | 2.4           | 2.4           | 2.4             | 2.5            |
| College Graduate %                  | 25%           | 18%           | 21%           | 23%             | 27%            |
| Median Age                          | 38            | 37            | 38            | 39              | 38             |
| Owner Occupied %                    | 53%           | 54%           | 58%           | 64%             | 60%            |
| Renter Occupied %                   | 36%           | 37%           | 33%           | 27%             | 27%            |
| Median Owner Occupied Housing Value | \$121,700     | \$98,331      | \$102,061     | \$108,553       | \$132,772      |
| Median Year Structure Built         | 1975          | 1968          | 1968          | 1974            | 1978           |
| Avg. Travel Time to Work in Min.    | 20            | 20            | 20            | 22              | 24             |

Source: STDB/ ESRI

As shown above, the current population within a 3-mile radius of the subject is 31,442, and the average household size is 2.4. Population in the area has grown since the 2000 census, and this trend is projected to continue over the next five years. Compared to Alamance County overall, the population within a 3-mile radius is projected to grow at a slower rate.

Median household income is \$47,240, which is lower than the household income for Alamance County. Residents within a 3-mile radius have a lower level of educational attainment than those of Alamance County, while median owner occupied home values are considerably lower.

### LAND USE

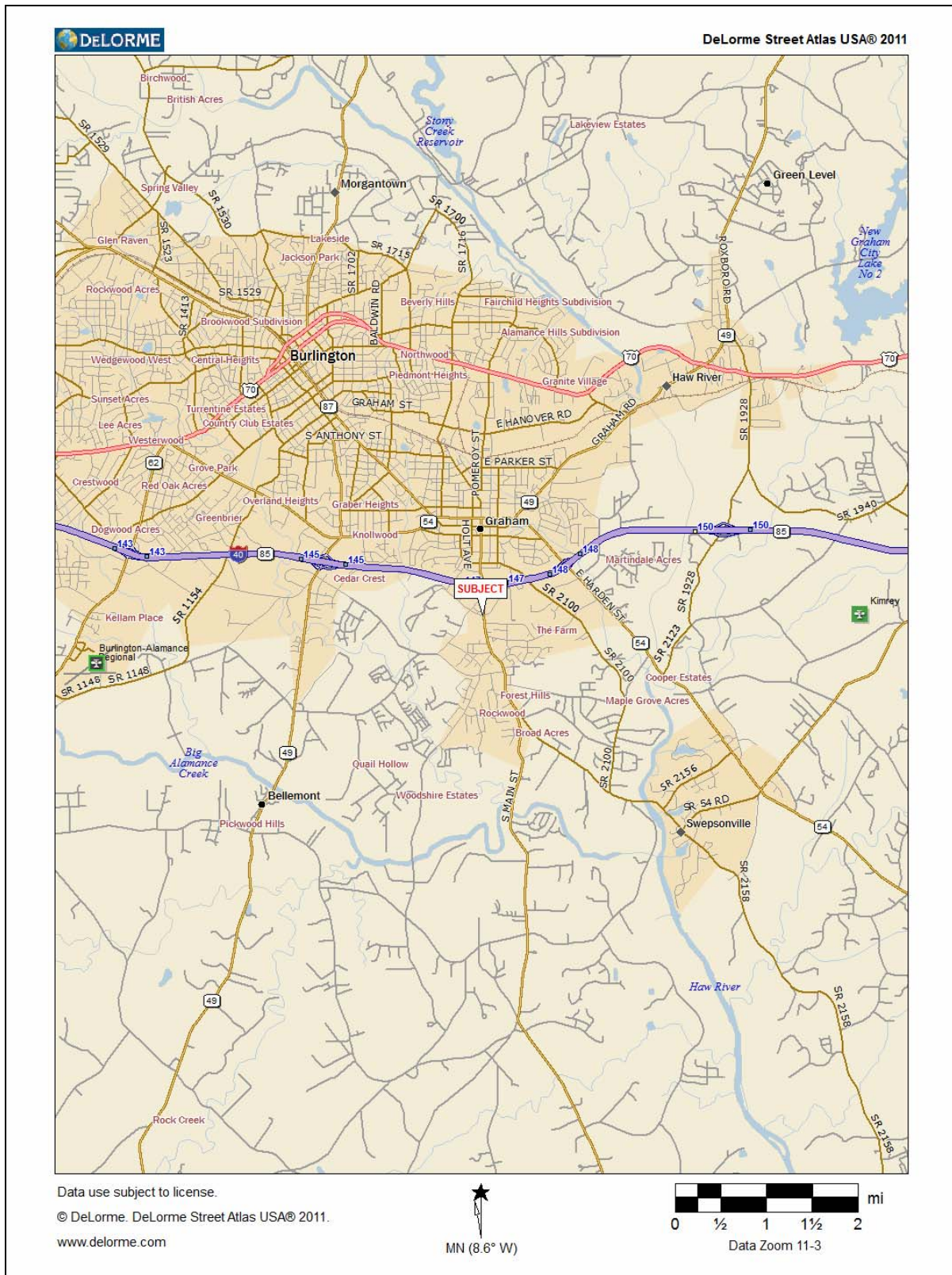
The area is suburban in character and approximately 60% developed.

Land uses immediately surrounding the subject are predominantly retail with typical ages of building improvements ranging from new to 40 years. Land users in the area include: Rite Aid (subject), Wendy's, Just Save, Crescent Oaks Apartments, Maaco, Advance Auto, RBC Bank, Cruz Thru, Burger King, Dentist Office, Bojangles', Auto Park Plaza, County Ford, Mid Carolina Bank, Graham Animal Hospital, AutoZone, O'Reilly Auto Parts, Champion Automotive and Tire, More Than Fitness, Sonic, Crescent Square anchored by Family Dollar, Pizza Hut, and Subway, and Lowe's Foods, BP, Express Care, Graham Market Place, Quality Gas, McClure Funeral Services, Harbor House Seafood, Arby's, Taco Bell, Citgo, McDonald's, CVS Pharmacy, Exxon, Curves, Carolina Square anchored by Food Lion, and Michael Dawns Hair Center.

#### **OUTLOOK AND CONCLUSIONS**

The area is currently in the stability stage of its life cycle. Given the downturn in the economy, we anticipate that property values will remain stable or decline slightly in the near future, but should increase at a moderate pace once economic conditions improve.

## SURROUNDING AREA MAP



## NET LEASE MARKET ANALYSIS

The subject property is subject to a long-term net lease to Rite Aid (formerly Eckerd Corporation), in which the tenant is responsible for nearly all operating expenses. Therefore, the subject property has very strong appeal to an exceedingly desirable real estate market segment comprised of Real Estate Investment Trusts (REIT), national investors, and 1031 tax free exchange investors.

### TAX FREE EXCHANGES

The Income Tax Reform Act of 1986 created the current vehicle which can be used to defer capital gains taxes when a property is sold: the 1031 tax free exchange. This has created significant demand for net leased properties. These transactions are often referred to as Starker Exchanges in reference to a court decision of several years ago which clarified the regulations that apply to such transactions.

Tax free exchanges can be very beneficial to individuals owning fully depreciated or nearly fully depreciated real estate. Take for example an investor who owns a 30-year old apartment complex now worth \$5.0 million with a depreciated value of \$2.0 million. If the investor were to sell the apartment complex outright, a capital gains tax on \$3.0 million would be owed, the difference between the sales price and the depreciated basis. The investor, aware that the complex is aging and wishing to move money to a safer investment vehicle, might elect to affect a tax free exchange rather than sell the property outright and face a steep tax bill. Upon securing a buyer for the property, the investor would arrange for a trustee, who specializes in such transactions to simultaneously sell the apartment complex for \$5.0 million and exchange (purchase) an absolute net leased retail building for \$5.0 million. The investor's taxable event is deferred and he now has control of a new or nearly new retail property leased to a national credit tenant on a long term basis. This is almost the equivalent of purchasing a corporate bond except that the investor also holds real estate should the tenant default. The investor is even able to pick from a variety of retailers with credit ranging from rock solid companies such as Wal-Mart to more "speculative" companies with lower credit ratings but offering higher returns.

There are a number of rules regulating the type of property that can be purchased, the time that the investor has to complete the exchange, the amount at which the exchange property can be purchased, and other characteristics of the transaction. Exchanges can also be arranged for investors selling property with little or no profit from the sale but huge potential tax bills through the assumption of existing mortgages. As noted below, the underwriting of mortgage loans on such properties focuses more upon the credit of the tenant rather than the creditworthiness of the borrower, another factor in favor of using net leased property in exchanges.

While individuals wanting to complete tax free exchanges are not the only investors buying net leased property, the substantial volume of such transactions has a significant impact upon the availability and pricing of these types of properties.

### RETURNS SIMILAR TO CORPORATE BONDS

Capitalization rates for net leased properties are often several hundred basis points higher than returns on corporate bonds for the tenant.

Real estate is illiquid in comparison to corporate bonds and the investor faces the problem of re-leasing or selling the building at the end of the lease, but many investors find that they would rather own a well located retail store with a lease to a credit tenant than they would a corporate bond issued by the same company. It is these factors that have influenced many buyers of net leased properties, including REITs, partnerships, pension funds, and individual investors.

### **SOURCES OF FINANCING**

Because the leases for net-leased properties are generally secured by the credit of the tenant, many lenders are able to underwrite such loans with higher loan to value ratios than typical and with lower interest rates. Financing of 100% of the sales price is possible to obtain for buildings with highly rated tenants, with the loan normally fully amortized in the primary term of the lease. Loans are often made with debt coverage ratios of 1.05, a level unheard of for more traditional real estate loans. The availability of such financing and the favorable terms available has driven capitalization rates down, making it all the more attractive to retailers or developers to sell properties.

### **NET LEASE MARKET CONCLUSION**

The following is taken from the Second Quarter 2011 PwC Real Estate Investor Survey:

Investors eager to deploy capital are seeking the safety of fixed-income streams associated with high-quality net lease assets. "Sales activity remains very strong for core assets, but is light for everything else," remarks a participant. For the 12-month period ending March 2011, sales of net lease assets increased 83.0%, according to Real Capital Analytics. During that time period, a total of 1,149 assets traded, exceeding \$18.5 billion. Single-tenant office properties represented roughly 53.0% of these sales, followed by industrial (28.0%) and retail (19.0%) assets.

Many sellers of core net lease assets have benefitted from the reentry of institutional investors into this market. This quarter, half of our surveyed investors view the current net lease market as favoring sellers, while about 13.0% consider the market as favoring buyers. The remainder believes the market is neutral - equally favoring buyers and sellers. These positions have shifted from a year ago when financing was not as readily available and institutional investors were sitting on the sidelines. At that time, Survey participants' views of the market were divided between being neutral (57.0%) and favoring buyers (43.0%).




A predominance of credit net lease trades pushed this market's average overall capitalization (cap) rate down for the fourth consecutive quarter. While the average overall cap rate slipped 16 basis points this quarter, it remains elevated from the recent cycle peak. Over the next six months, the majority (75.0%) of Survey participants expect overall cap rates to hold steady, an increase from last quarter when 50.0% foresaw stable cap rates.

Despite an uptick in sales and cap rate compression, a few investors believe current economic and capital conditions present potential risks for the net lease sector. As one participant summarizes, "The government is keeping interest rates historically low; lenders are not lending without taking their pound of flesh; corporate America is flush with cash; real estate values are down; and the FASB is threatening to do away with off-balance-sheet accounting for leases – staying power is a must in this market."

## RITE AID ANALYSIS

Rite Aid is the third largest drug store chain behind Walgreens and CVS. After years of sagging sales, same-store sales have increased in the past few quarters as a result of new initiatives fostering to customer loyalty and reduction of store sizes.

Rite Aid was hit particularly hard by the recent economic conditions when stock shares declined by 84% during a four year period, but has noticeably rebounded at mid-year 2011. At one point, Walgreen purchased 20 existing Rite Aids throughout the country when Rite Aid was deemed to be a take over target as it sold and closed stores. Coupled with a heavy debt load, Rite Aid is considered to be a risky investment. *Fidelity Brokerage Services* cites unproductive stores, undesirable locations, and tough lease terms as barriers to profitability. The following chart shows Rite Aid's position relative to Walgreens and CVS as reported by *The Boulder Group* in September 2011.

|                        | Walgreens   | CVS  | Rite Aid  |
|------------------------|---|--|---|
| Credit Rating          | A (Stable)  | BBB+ (Stable)  | B- (Stable)   |
| Market Cap             | \$32 Billion  | \$49 Billion   | \$1 Billion   |
| Revenue                | \$71 Billion  | \$101 Billion  | \$25 Billion  |
| 2011 Stores Built      | 208   | 238  | 0   |
| Number of Stores       | 7,715   | 7,266  | 4,714   |
| Typical Lease Terms    | 25 year primary term with fifty years of options                                    | 25 year primary term with six 5-year options   | 20 year primary term with six 5-year options  |
| Typical Rent Increases | None  | Not in the primary term, 10% in option periods                                       | Increases every 10 years of 10%   |
|                        |  |  |  |

*The Boulder Group* reports in its September 2011 "The Net Lease Drug Store Report," that "While Walgreens and CVS remain the center of investment activity within the net lease drug store sector, Rite Aid is seeing a nascent resurgence of investor interest. Transaction volume for Rite Aid properties has increased 23% on a year over year basis. Despite Rite Aid's long term leases, there has been limited demand from investors as Rite Aid is a non-investment grade rated tenant. However, with a long term lease and a current median yield of 9.23%, investors are emerging to selectively pursue locations in primary metropolitan areas with strong store sales."

## PROPERTY ANALYSIS

### LAND DESCRIPTION AND ANALYSIS

| LAND DESCRIPTION          |   |
|---------------------------|---|
| Land Area - Acres         | 1.18  |
| Land Area - Square Feet   | 51,401  |
| Source of Land Area       | Site Plan prepared by PM Engineering dated November 2004  |
| Primary Street Frontage   | South Main Street - 200 feet  |
| Secondary Street Frontage | W. Crescent Square Drive - 258 feet   |
| Shape                     | Rectangular   |
| Corner                    | Yes   |
| Topography                | Generally level and at street grade   |
| Drainage                  | No problems reported or observed  |
| Environmental Hazards     | None reported or observed   |
| Ground Stability          | No problems reported or observed  |
| Flood Area Panel Number   | 3710888300J   |
| Date                      | September 6, 2006   |
| Zone                      | X   |
| Description               | Outside of 500-year floodplain  |
| Insurance Required?       | No  |
| ZONING; OTHER REGULATIONS |   |
| Zoning Jurisdiction       | City of Graham  |
| Zoning Designation        | B-2, General Business District  |
| Description               | The B-2 General Business Districts are generally located on the major thoroughfares and collector streets in the Graham planning area. They are intended to provide personal services and the retailing of durable and convenience goods for the community. Because these commercial uses are subject to public view and are important to the economy of the area, they should have ample parking, controlled traffic movement, and suitable landscaping. |
| Legally Conforming?       | Yes   |
| Zoning Change Likely?     | No  |
| Permitted Uses            | Various retail and office uses  |
| Minimum Lot Width (Feet)  | 60  |
| Minimum Setback (Feet)    | 20  |
| Minimum Side Yard (Feet)  | 10 adjacent to non-residential; 20 abutting street  |
| Minimum Rear Yard (Feet)  | 20  |
| Maximum Building Height   | 35 feet and not over 2 stories  |
| UTILITIES                 |   |
| Service                   | Provider  |
| Water                     | City of Graham  |
| Sewer                     | City of Graham  |
| Electricity               | Duke Power  |
| Natural Gas               | Piedmont Natural Gas  |
| Local Phone               | Various Providers   |

**EASEMENTS, ENCROACHMENTS AND RESTRICTIONS**

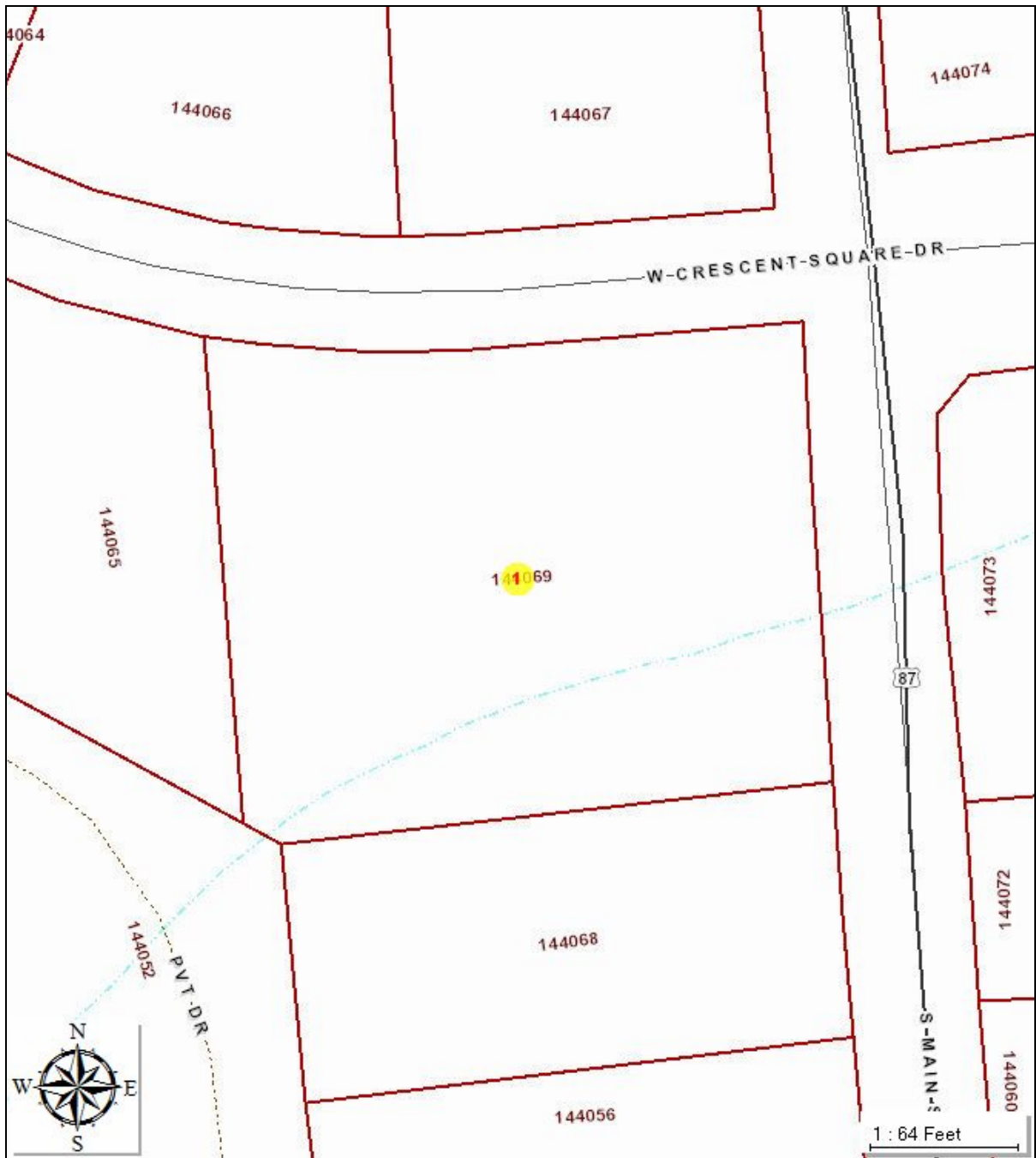
We were not provided a current title report to review. We are aware of a cross access easement for ingress and egress with the adjacent property. We are not aware of any other easements, encumbrances, or restrictions that would adversely affect value. Our valuation assumes no adverse easements, encroachments or restrictions and that the subject has a clear and marketable title.

**CONCLUSION OF SITE ANALYSIS**

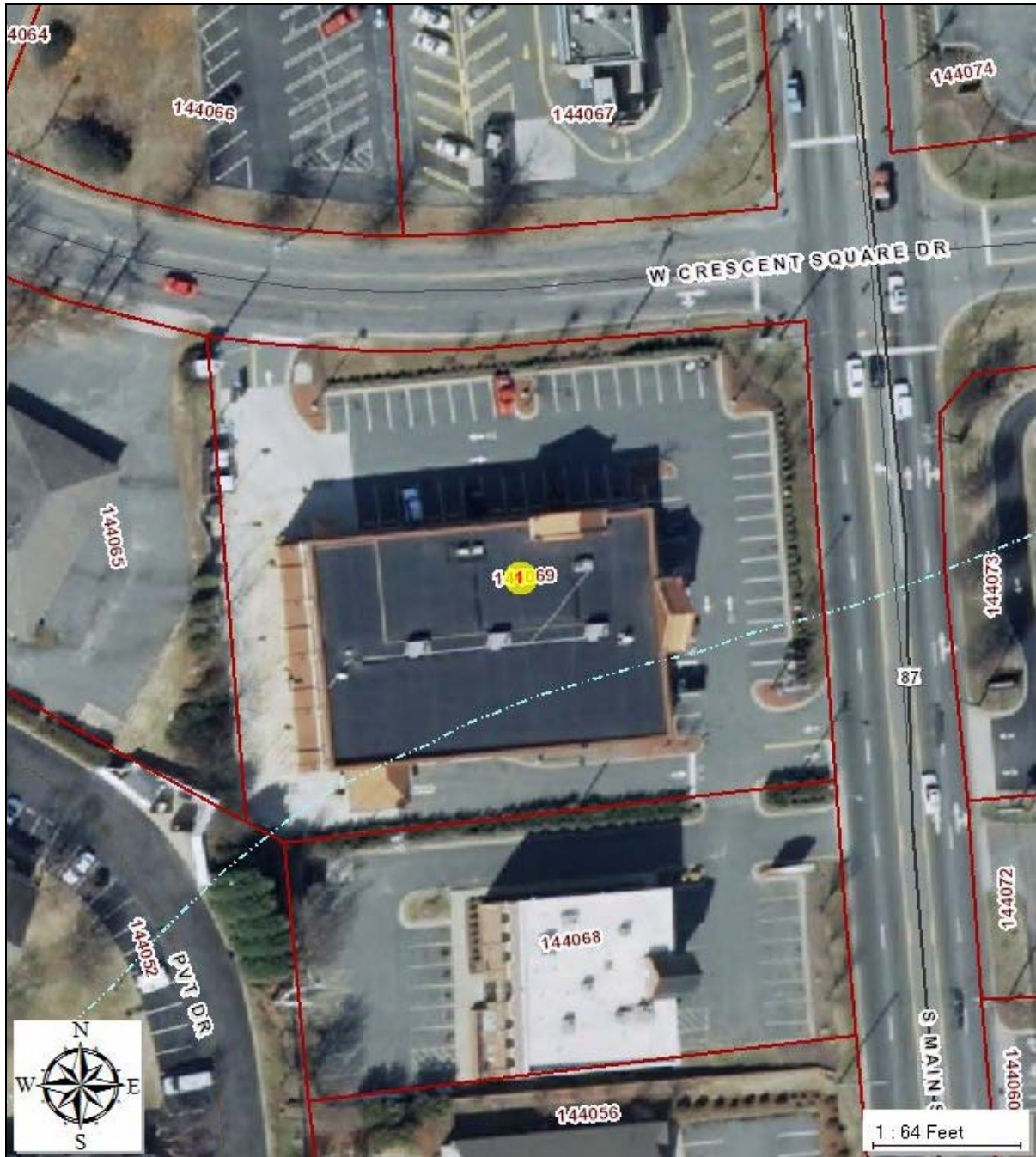
Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. With the exception of the cross access easement, there are no other particular restrictions on development noted in the analysis.



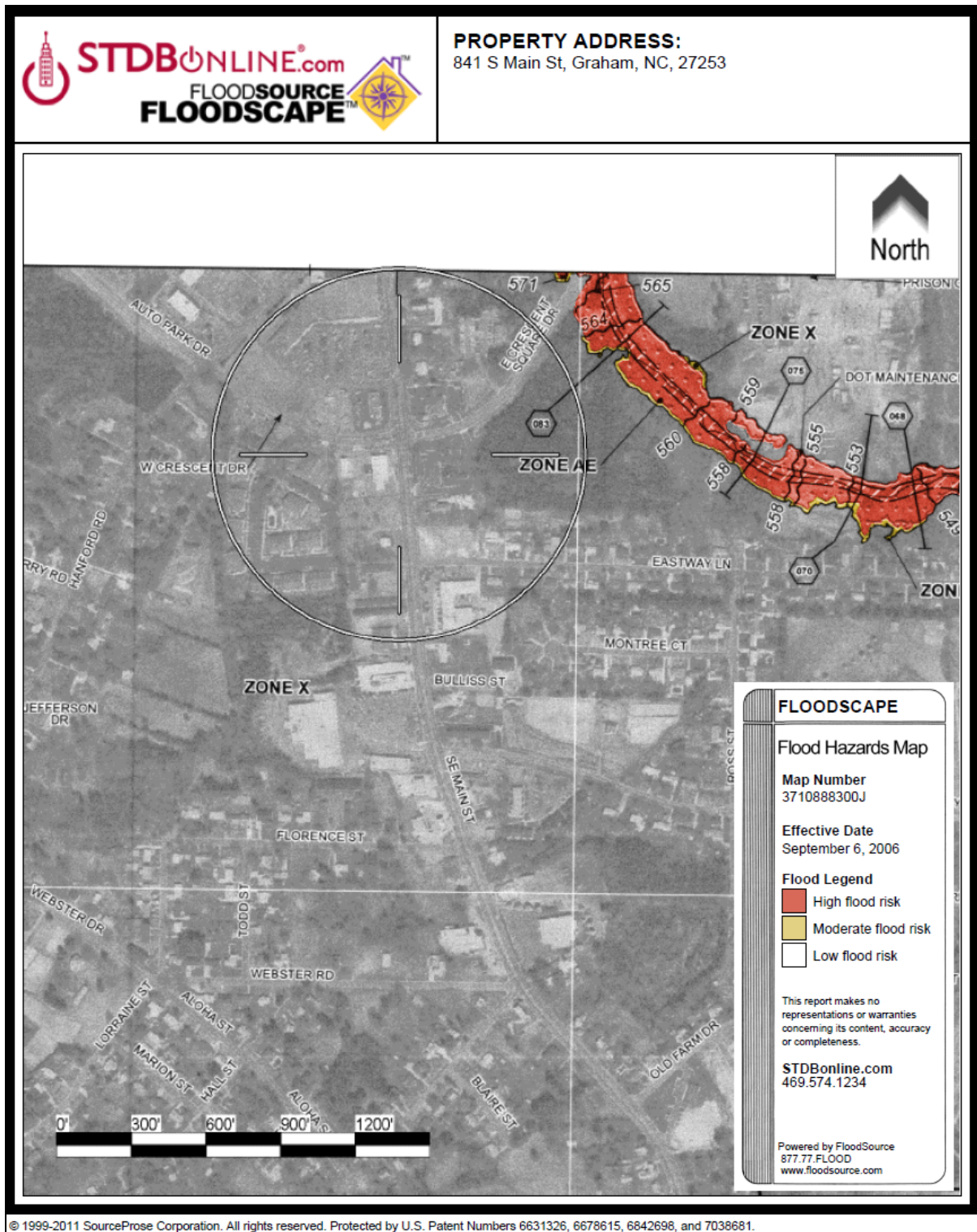
TAX MAP



AERIAL MAP

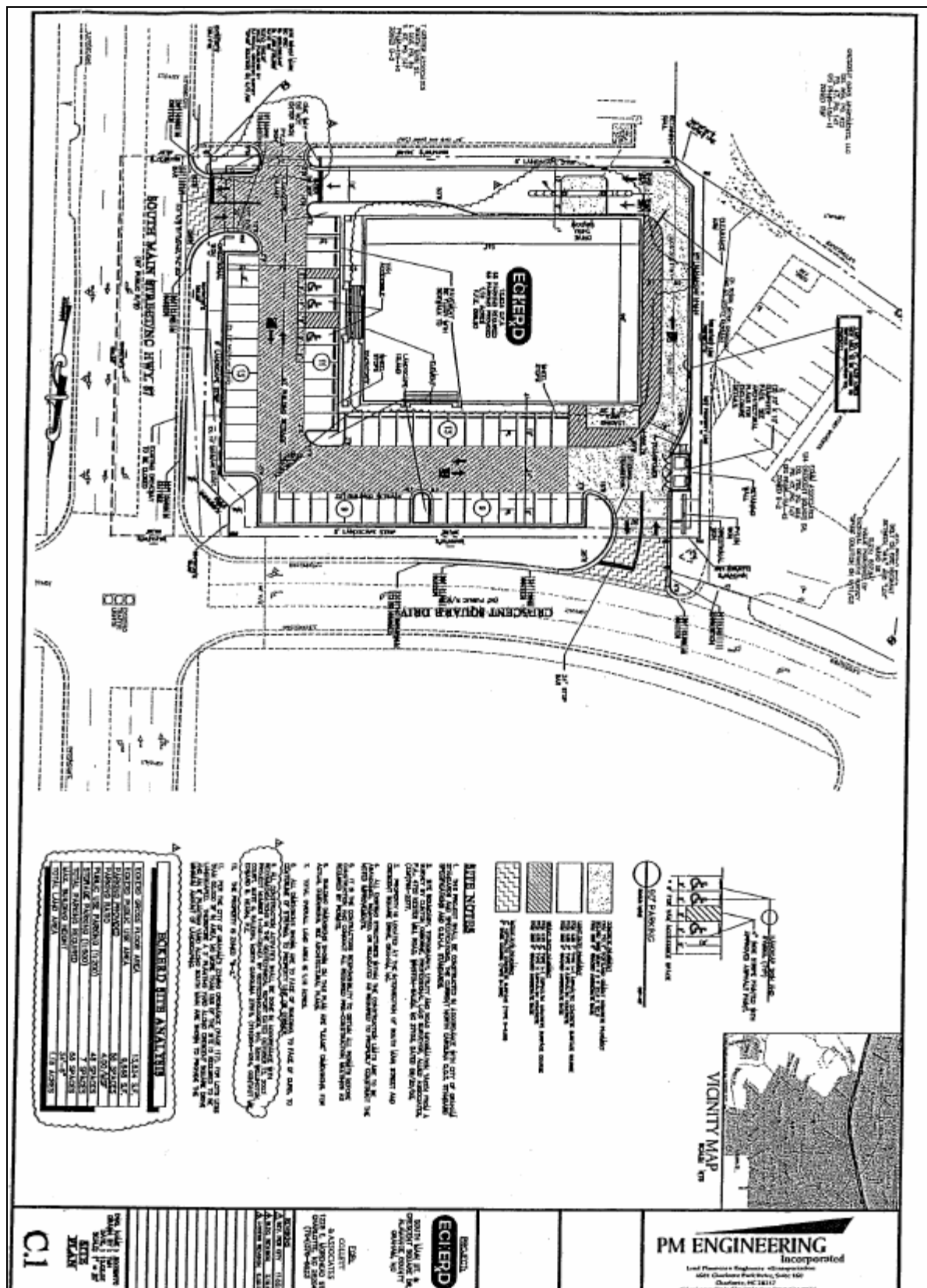


## FLOOD MAP





## SURVEY



## IMPROVEMENTS DESCRIPTION AND ANALYSIS

### OVERVIEW

The subject is a free standing, net leased retail property containing 13,824 square feet of gross leasable area. The improvements were constructed in 2004 and are 100% leased by Rite Aid (formerly Eckerd Corporation). The site area is 1.18 acres, or 51,401 square feet. The following description is based on our inspection of the property.

| IMPROVEMENTS DESCRIPTION       |                          |
|--------------------------------|--------------------------|
| Name of Property               | Rite Aid                 |
| General Property Type          | Retail                   |
| Property Sub Type              | Free Standing Drug Store |
| Occupancy Type                 | Single Tenant            |
| Percent Leased                 | 100%                     |
| Number of Tenants              | 1                        |
| Number of Buildings            | 1                        |
| Stories                        | 1                        |
| Construction Class             | C                        |
| Construction Type              | Masonry                  |
| Construction Quality           | Good                     |
| Condition                      | Good                     |
| Gross Leasable Area (SF)       | 13,824                   |
| Land Area (SF)                 | 51,401                   |
| Floor Area Ratio (GLA/Land SF) | 0.27                     |
| Building Area Source           | Lease agreement          |
| Year Built                     | 2004                     |
| Year Renovated                 | N/A                      |
| Actual Age (Yrs.)              | 6                        |
| Estimated Effective Age (Yrs.) | 5                        |
| Estimated Economic Life (Yrs.) | 45                       |
| Remaining Economic Life (Yrs.) | 40                       |
| Number of Parking Spaces       | 55                       |
| Parking Type                   | Surface                  |
| Parking Spaces/1,000 SF GLA    | 3.98                     |

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**CONSTRUCTION DETAILS**


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|                  |                             |
|------------------|-----------------------------|
| Foundation       | Poured concrete slab        |
| Structural Frame | Masonry/Steel               |
| Exterior Walls   | Brick veneer                |
| Windows          | Insulated glass/metal frame |
| Roof             | Flat                        |
| Floors           | Vinyl tile                  |
| Walls            | Painted drywall             |
| Ceilings         | Suspended acoustical tile   |
| Lighting         | Fluorescent                 |
| HVAC             | Assumed adequate            |
| Electrical       | Assumed adequate            |
| Plumbing         | Assumed adequate            |
| Rest Rooms       | Adequate                    |
| Sprinklers       | Yes                         |
| Security         | Yes                         |

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**IMPROVEMENTS ANALYSIS****Layout**

The subject is an existing one-story Rite Aid Pharmacy. The interior includes a retail area, walk-in cooler, pharmacy, receiving area, employee break room, manager's office and restrooms. The subject also has a drive-thru window for the pharmacy.

**Quality and Condition**

The improvements are of good quality construction and are in good condition. The quality of the subject is considered to be consistent with that of competing properties, and maintenance appears to have been consistent with that of competing properties. Overall, the market appeal of the subject is consistent with that of competing properties.

**Functional Utility**

The improvements appear to be adequately suited to their current use. Based on our inspection and consideration of the foregoing, there do not appear to be any significant items of functional obsolescence.

**Deferred Maintenance**

No deferred maintenance is apparent from our inspection.

**ADA Compliance**

Based on our inspection and information provided, we are not aware of any ADA issues. However, we are not expert in ADA matters, and further study by an appropriately qualified professional would be recommended to assess ADA compliance.

**Hazardous Substances**

An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. No hazardous substances were observed during our

inspection of the improvements; however, we are not qualified to detect such substances. Unless otherwise stated, we assume no hazardous conditions exist on or near the subject.

### Personal Property

There are no personal property items that would be significant to the overall valuation.

### CONCLUSION OF IMPROVEMENTS ANALYSIS

In comparison to other competitive properties in the region, the subject improvements are rated as follows:

| IMPROVEMENTS RATINGS                        |         |
|---|---------|
| Visibility                                  | Average |
| Design and Appearance                       | Average |
| Age/Condition                               | Average |
| Adaptability of Space to other Retail Users | Average |
| % Sprinklered                               | Average |
| Interior Amenities                          | Average |
| Layout - Store to Store Proximity           | Average |
| Parking Ratios                              | Average |
| Distance of Parking to Store Access         | Average |

Overall, the quality, condition, and functional utility of the improvements are average for their age and location.



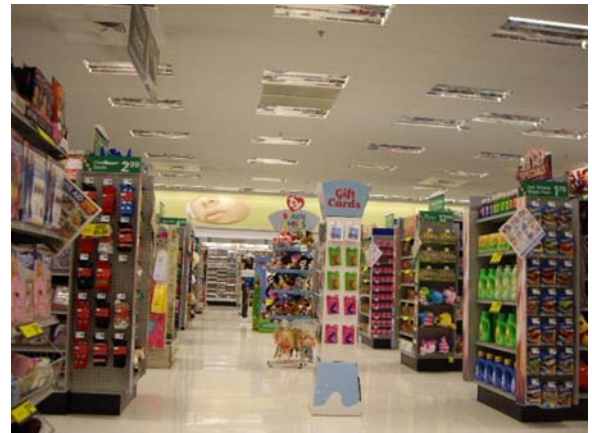
Front and Side View of Subject  
(Photo Taken on December 13, 2011)



Side View of Subject  
(Photo Taken on December 13, 2011)



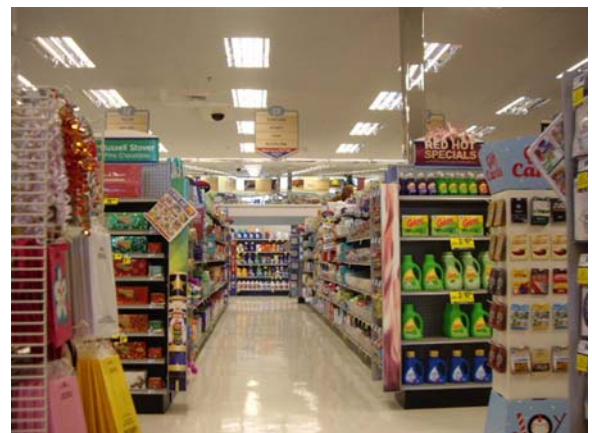
Front and Side View of Subject  
(Photo Taken on December 13, 2011)



Interior View of Subject  
(Photo Taken on December 13, 2011)



Interior View of Subject  
(Photo Taken on December 13, 2011)



Interior View of Subject  
(Photo Taken on December 13, 2011)





Looking North on South Main Street  
(Photo Taken on December 13, 2011)



Looking South on South Main Street  
(Photo Taken on December 13, 2011)



Looking East on West Crescent Square Drive  
(Photo Taken on December 13, 2011)



Looking West on West Crescent Square Drive  
(Photo Taken on December 13, 2011)

## REAL ESTATE TAX ANALYSIS

The real estate tax assessment of the subject is administered by both the City of Graham and Alamance County. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The real estate taxes for an individual property may be determined by dividing the assessed value for a property by 100, then multiplying the estimate by the composite tax rate. The assessed values are based upon the current conversion assessment rate of 100% of Assessor's market value.

Real estate taxes and assessments for the current tax year are shown in the following table.

| TAXES AND ASSESSMENTS - 2011 |                |              |             |                       |                  |                    |          |
|------------------------------|----------------|--------------|-------------|-----------------------|------------------|--------------------|----------|
| Tax ID                       | Assessed Value |              |             | Taxes and Assessments |                  |                    |          |
|                              | Land           | Improvements | Total       | Tax Rate              | Ad Valorem Taxes | Direct Assessments | Total    |
| 144069                       | \$557,028      | \$1,484,486  | \$2,041,514 | \$0.960               | \$19,599         | \$0                | \$19,599 |

The composite tax rate for the subject for the 2011 tax year is \$0.96 per \$100 of assessed value. This includes the Alamance County tax rate of \$0.52 and the City of Graham tax rate of \$0.44. Application of this rate to the total assessed value of \$2,041,514 results in a 2011 real estate tax liability of \$19,599.

Based on the concluded as-is market value of the subject, the assessed value is low. The assessed value is based on the last revaluation, which occurred January 1, 2009. The next revaluation is scheduled for January 1, 2017.

## **HIGHEST AND BEST USE ANALYSIS**

### **AS IF VACANT**

#### **Legally Permissible**

The only permitted use under zoning that is consistent with prevailing land use patterns in the area is retail use.

#### **Physically Possible**

There are no physical limitations that would prohibit development of a retail use on the site.

#### **Financially Feasible**

Based on our analysis of the market, there is limited demand for additional retail development at the current time. It appears that a newly developed retail use on the site would not have a value commensurate with its cost; therefore retail use is not considered to be financially feasible. Nevertheless, we expect an eventual recovery of the market accompanied by a rise in property values to a level that will justify the cost of new construction. Thus, it is anticipated that retail development will become financially feasible in the future.

#### **Maximally Productive**

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than holding the property for future development of a retail use. Accordingly, it is our opinion that holding the property for future retail use, based on the normal market density level permitted by zoning, is the maximally productive use of the property.

#### **Conclusion**

Holding the property for future development of a retail use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

### **AS IMPROVED**

The subject site is developed with a Rite Aid pharmacy, which is consistent with the highest and best use of the site as if it were vacant. The existing improvements are currently leased and produce a significant positive cash flow that we expect will continue. Therefore, a continuation of this use is concluded to be financially feasible. Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the value of the existing improved property exceeds the value of the site, as if vacant. For these reasons, continued retail use is concluded to be maximally productive and the highest and best use of the property as improved.

### **MOST PROBABLE BUYER**

Taking into account the size and characteristics of the property, the likely buyer is an investor.

## VALUATION ANALYSIS

### VALUATION METHODOLOGY

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

| APPROACHES TO VALUE            |                          |                   |
|--------------------------------|--------------------------|-------------------|
| Approach                       | Applicability to Subject | Use in Assignment |
| Cost Approach                  | Applicable               | Not Utilized      |
| Sales Comparison Approach      | Applicable               | Utilized          |
| Income Capitalization Approach | Most applicable          | Utilized          |

## SALES COMPARISON APPROACH

The sales comparison approach develops an indication of value by comparing the subject to sales of similar properties. The steps taken to apply the sales comparison approach are:

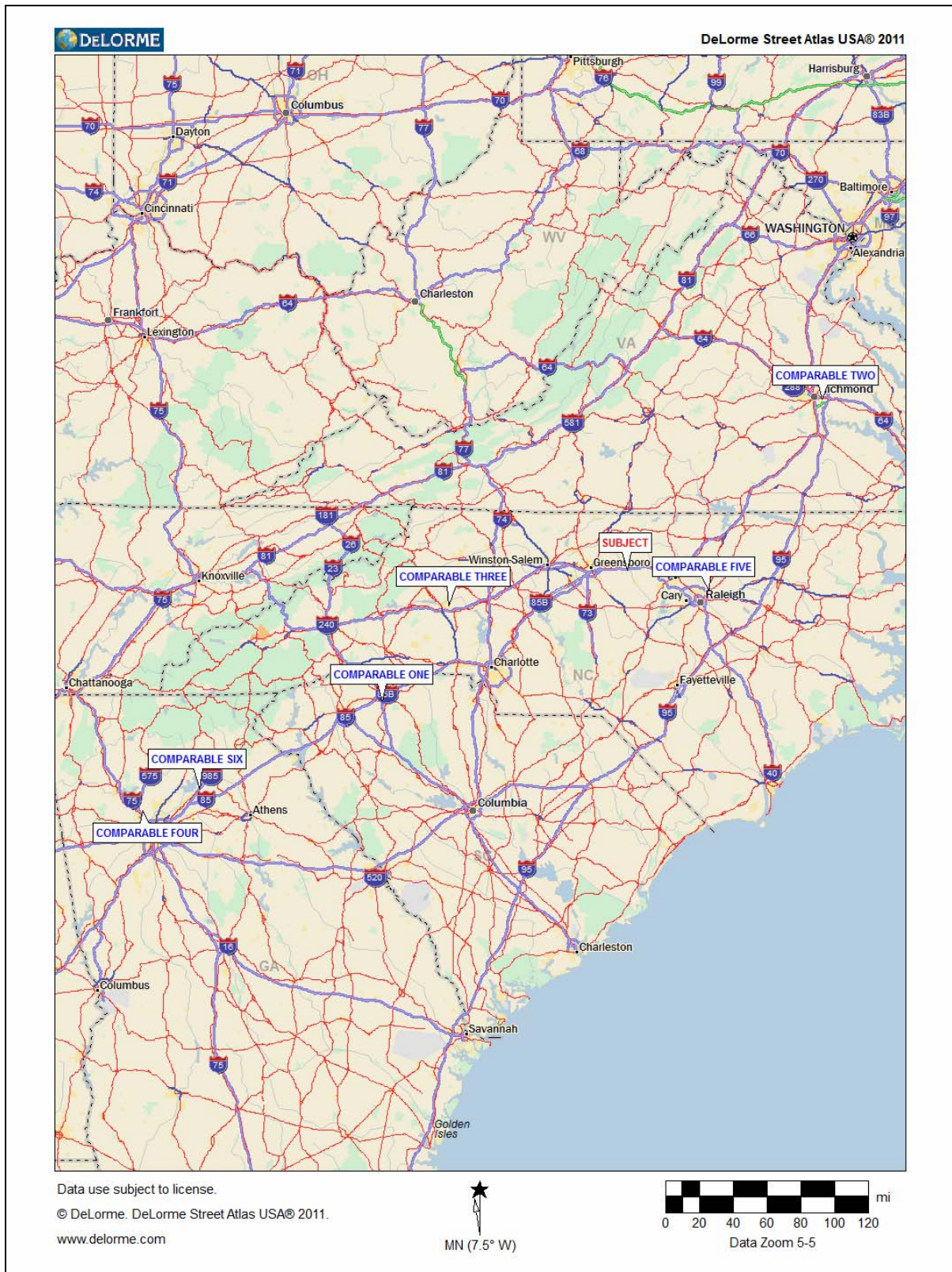
- Identify relevant property sales;
- Research, assemble, and verify pertinent data for the most relevant sales;
- Analyze the sales for material differences in comparison to the subject;
- Reconcile the analysis of the sales into a value indication for the subject.

To apply the sales comparison approach, we searched for sale transactions most relevant to the subject in terms of property type, location, size, age, quality, and transaction date. Note that we have expanded our search to include transactions in other states as there were limited sales in the subject area. We use price per square foot of gross leasable area as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following table.

| SUMMARY OF COMPARABLE IMPROVED SALES |   |           |           |               |             |             |                |          |
|--------------------------------------|---|-----------|-----------|---------------|-------------|-------------|----------------|----------|
| No.                                  | Name/Address  | Sale Date | Yr. Built | Acres;<br>FAR | Sale Price  | Leasable SF | \$/Leasable SF | Cap Rate |
| 1                                    | Rite Aid<br>1510 W O Ezell Blvd.<br>Spartanburg<br>Spartanburg County<br>SC | Aug-11    | 2002      | 1.00<br>0.25  | \$2,500,000 | 10,908      | \$229.19       | 10.50%   |
| 2                                    | CVS Store<br>5100 S. Laburnum Ave.<br>Richmond<br>Henrico County<br>VA      | Apr-11    | 1999      | 1.24<br>0.19  | \$4,020,000 | 10,125      | \$397.04       | 7.82%    |
| 3                                    | Rite Aid<br>1900 Sandy Plains Rd.<br>Marietta<br>Cobb County<br>GA          | Sep-10    | 2003      | 1.97<br>0.16  | \$3,015,000 | 13,813      | \$218.27       | 12.50%   |
| 4                                    | Walgreens<br>2427 Springs Rd.NE.<br>Hickory<br>Catawba County<br>NC         | Sep-10    | 2007      | 1.78<br>0.19  | \$5,838,926 | 14,820      | \$393.99       | 7.45%    |
| 5                                    | Rite Aid<br>7505 Louisburg Rd.<br>Raleigh<br>Wake County<br>NC              | Aug-10    | 2003      | 2.73<br>0.09  | \$2,391,500 | 11,529      | \$207.43       | 9.00%    |
| 6                                    | Rite Aid<br>5915 Spout Springs Rd.<br>Flowery Branch<br>Hall County<br>GA   | Jun-10    | 2004      | 1.68<br>0.18  | \$2,600,000 | 13,813      | \$188.23       | 11.41%   |



# COMPARABLE IMPROVED SALES MAP





Sale 1  
Rite Aid



Sale 2  
CVS Store



Sale 3  
Rite Aid



Sale 4  
Walgreens



Sale 5  
Rite Aid



Sale 6  
Rite Aid



## ADJUSTMENT FACTORS

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

| ADJUSTMENT FACTORS       |  |
|--------------------------|--|
| Effective Sale Price     | Accounts for atypical economics of a transaction, such as excess land, non-realty components, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis. |
| Real Property Rights     | Leased fee, fee simple, leasehold, partial interest, etc.  |
| Financing Terms          | Seller financing, or assumption of existing financing, at non-market terms.  |
| Conditions of Sale       | Extraordinary motivation of buyer or seller, such as 1031 exchange transaction, assemblage, or forced sale.  |
| Market Conditions        | Changes in the economic environment over time that affect the appreciation and depreciation of real estate.  |
| Location                 | Market or submarket area influences on sale price; surrounding land use influences.  |
| Access/Exposure          | Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.   |
| Size                     | Inverse relationship that often exists between building size and unit value.   |
| Parking                  | Ratio of parking spaces to building area.  |
| Building to Land Ratio   | Ratio of building area to land area; also known as floor area ratio (FAR).   |
| Building Quality         | Construction quality, amenities, market appeal, functional utility.  |
| Age/Condition            | Effective age; physical condition.   |
| Economic Characteristics | Non-stabilized occupancy, above/below market rents, and other economic factors. Excludes differences in rent levels that are already considered in previous adjustments, such as for location or quality                           |

Issues requiring elaboration are addressed in the following paragraphs.

### Market Conditions

The sales took place from June 2010 to August 2011. In this analysis, no adjustments were made for property rights conveyed, financing terms, or conditions of sale. Market conditions generally have been stable over this period through the effective date of value. As a result, we apply no adjustments to account for this trend.



**ANALYSIS AND ADJUSTMENT OF SALES**

The analysis and adjustment of the comparable sales is discussed in the following paragraphs. Note that our adjustments for economic characteristics were based on the difference between the comparables actual cap rates compared to our estimated market cap rate at 9.50%.

**Sale 1** is Rite Aid, located at 1510 W O Ezell Boulevard in Spartanburg, South Carolina. It is a 10,908 square foot retail property. The property sold in August 2011 for \$2,500,000, or \$229.19 per square foot. Sale one was given a positive adjustment for its inferior economic characteristics. It is similar in location, size, age/condition, building quality and building to land ratio and no adjustments were needed.

**Sale 2** is CVS Store, located at 5100 South Laburnum Avenue in Richmond, Virginia. It is a 10,125 square foot retail property. The property sold in April 2011 for \$4,020,000, or \$397.04 per square foot. Sale two was given a negative adjustment for its superior location and economic characteristics. It is similar in size, age/condition, building quality and building to land ratio and no other adjustments were needed.

**Sale 3** is Rite Aid, located at 1900 Sandy Plains Road in Marietta, Georgia. It is a 13,813 square foot retail property. The property sold in September 2010 for \$3,015,000, or \$218.27 per square foot. Sale three was given a positive adjustment for its inferior economic characteristics. It is similar in location, size, age/condition, building quality and building to land ratio and no other adjustments were needed.

**Sale 4** is Walgreens, located at 2427 Springs Road NE in Hickory, North Carolina. It is a 14,820 square foot retail property. The property sold in September 2010 for \$5,838,926, or \$393.99 per square foot. Sale four was given a negative adjustment for its superior location, age/condition and economic characteristics. It is similar in size, building quality and building to land ratio and no other adjustments were needed.

**Sale 5** is Rite Aid, located at 7505 Louisburg Road in Raleigh, North Carolina. It is a 11,529 square foot retail property. The property sold in August 2010 for \$2,400,000, or \$208.17 per square foot. Sale five was given a positive adjustment for its inferior location. It is similar in size, age/condition, building quality, building to land ratio, and economic characteristics and no other adjustments were needed.

**Sale 6** is Rite Aid, located at 5915 Spout Springs Road in Flowery Branch, Georgia. It is a 13,813 square foot retail property. The property sold in June 2010 for \$2,600,000, or \$188.23 per square foot. Sale six was given positive adjustments for its inferior location and economic characteristics. It is similar in size, age/condition, building quality and building to land ratio and no other adjustments were needed.

The following table summarizes the adjustments we make to each sale.

| IMPROVED SALES ADJUSTMENT GRID      |                    |                      |                       |                       |                     |                    |                        |
|-------------------------------------|--------------------|----------------------|-----------------------|-----------------------|---------------------|--------------------|------------------------|
|                                     | Subject            | Comparable 1         | Comparable 2          | Comparable 3          | Comparable 4        | Comparable 5       | Comparable 6           |
| Property Name                       | Rite Aid           | Rite Aid             | CVS Store             | Rite Aid              | Walgreens           | Rite Aid           | Rite Aid               |
| Address                             | 841 S. Main Street | 1510 W O Ezell Blvd. | 5100 S. Laburnum Ave. | 1900 Sandy Plains Rd. | 2427 Springs Rd.NE. | 7505 Louisburg Rd. | 5915 Spout Springs Rd. |
| City                                | Graham             | Spartanburg          | Richmond              | Marietta              | Hickory             | Raleigh            | Flowery Branch         |
| County                              | Alamance           | Spartanburg          | Henrico               | Cobb                  | Catawba             | Wake               | Hall                   |
| State                               | NC                 | SC                   | VA                    | GA                    | NC                  | NC                 | GA                     |
| Sale Date                           | N/A                | Aug-11               | Apr-11                | Sep-10                | Sep-10              | Aug-10             | Jun-10                 |
| Sale Price                          | N/A                | \$2,500,000          | \$4,020,000           | \$3,015,000           | \$5,838,926         | \$2,391,500        | \$2,600,000            |
| Gross Leasable Area                 | 13,824             | 10,908               | 10,125                | 13,813                | 14,820              | 11,529             | 13,813                 |
| Land Acres                          | 1.18               | 1.00                 | 1.24                  | 1.97                  | 1.78                | 2.73               | 1.68                   |
| Year Built                          | 2004               | 2002                 | 1999                  | 2003                  | 2007                | 2003               | 2004                   |
| Building Quality                    | Good               | Good                 | Good                  | Good                  | Good                | Good               | Good                   |
| FAR                                 | 0.27               | 0.25                 | 0.19                  | 0.16                  | 0.19                | 0.09               | 0.18                   |
| Projected NOI Per Net SF            | \$28.42            | \$24.06              | \$31.05               | \$27.28               | \$29.35             | \$18.67            | \$21.49                |
| Cap Rate                            | IRR Est. 9.50%     | 10.50%               | 7.82%                 | 12.50%                | 7.45%               | 9.00%              | 11.41%                 |
| Database ID                         |                    | 502097               | 461200                | 427033                | 422885              | 424692             | 427131                 |
| Price Per SF of Gross Leasable Area |                    | \$229.19             | \$397.04              | \$218.27              | \$393.99            | \$207.43           | \$188.23               |
| PROPERTY RIGHTS                     |                    | Leased Fee           | Leased Fee            | Leased Fee            | Leased Fee          | Leased Fee         | Leased Fee             |
| % ADJUSTMENT                        |                    | 0%                   | 0%                    | 0%                    | 0%                  | 0%                 | 0%                     |
| FINANCING TERMS                     |                    | Cash to Seller       | Cash to Seller        | Cash to Seller        | Cash to Seller      | Cash to Seller     | Cash to Seller         |
| % ADJUSTMENT                        |                    | 0%                   | 0%                    | 0%                    | 0%                  | 0%                 | 0%                     |
| CONDITIONS OF SALE                  |                    | Arms Length          | Arms Length           | Arms Length           | Arms Length         | Arms Length        | Arms Length            |
| % ADJUSTMENT                        |                    | 0%                   | 0%                    | 0%                    | 0%                  | 0%                 | 0%                     |
| MARKET CONDITIONS See Comments      |                    | Aug-11               | Apr-11                | Sep-10                | Sep-10              | Aug-10             | Jun-10                 |
| ANNUAL % ADJUSTMENT                 |                    | 0%                   | 0%                    | 0%                    | 0%                  | 0%                 | 0%                     |
| CUMULATIVE ADJUSTED PRICE           |                    | \$229.19             | \$397.04              | \$218.27              | \$393.99            | \$207.43           | \$188.23               |
| LOCATION                            |                    | Similar              | Superior              | Similar               | Superior            | Inferior           | Inferior               |
| % ADJUSTMENT                        |                    | 0%                   | -10%                  | 0%                    | -5%                 | 20%                | 15%                    |
| SIZE                                |                    | Similar              | Similar               | Similar               | Similar             | Similar            | Similar                |
| % ADJUSTMENT                        |                    | 0%                   | 0%                    | 0%                    | 0%                  | 0%                 | 0%                     |
| AGE/CONDITION                       |                    | Similar              | Similar               | Similar               | Superior            | Similar            | Similar                |
| % ADJUSTMENT                        |                    | 0%                   | 0%                    | 0%                    | -5%                 | 0%                 | 0%                     |
| BUILDING QUALITY                    |                    | Similar              | Similar               | Similar               | Similar             | Similar            | Similar                |
| % ADJUSTMENT                        |                    | 0%                   | 0%                    | 0%                    | 0%                  | 0%                 | 0%                     |
| BUILDING TO LAND RATIO              |                    | Similar              | Similar               | Similar               | Similar             | Similar            | Similar                |
| % ADJUSTMENT                        |                    | 0%                   | 0%                    | 0%                    | 0%                  | 0%                 | 0%                     |
| ECONOMIC CHARACTERISTICS            |                    | Inferior             | Superior              | Inferior              | Superior            | Similar            | Inferior               |
| % ADJUSTMENT                        |                    | 15%                  | -15%                  | 25%                   | -15%                | 0%                 | 20%                    |
| Net \$ Adjustment                   |                    | \$34.38              | -\$99.26              | \$54.57               | -\$98.50            | \$41.49            | \$65.88                |
| Net % Adjustment                    |                    | 15%                  | -25%                  | 25%                   | -25%                | 20%                | 35%                    |
| Final Adjusted Price                |                    | \$263.57             | \$297.78              | \$272.84              | \$295.49            | \$248.92           | \$254.11               |
| Overall Adjustment                  |                    | 15%                  | -25%                  | 25%                   | -25%                | 20%                | 35%                    |
| Range of Adjusted Prices            |                    | \$248.92 - \$297.78  |                       |                       |                     |                    |                        |
| Average                             |                    | \$272.12             |                       |                       |                     |                    |                        |
| Indicated Value                     |                    | \$275.00             |                       |                       |                     |                    |                        |

**VALUE INDICATION - SALES COMPARISON APPROACH**

Prior to adjustments, the sales reflect a range of \$188.23 to \$397.04 per square foot of gross leasable area. After adjustment, the range is narrowed to \$248.92 - \$297.78 per square foot of gross leasable area, with an average of \$272.12 per square foot of gross leasable area. To arrive at an indication of value, we place equal weight on all six sales.

Based on the preceding analysis, we arrive at a value indication by the sales comparison approach as follows:

| <b>SALES COMPARISON APPROACH</b> |             |
|----------------------------------|-------------|
| <b>INDICATED VALUE</b>           |             |
| Indicated Value per SF           | \$275.00    |
| Subject Square Feet              | 13,824      |
| Indicated Value                  | \$3,801,600 |
| Rounded                          | \$3,800,000 |

In addition, we have considered current Rite Aid listings. *The Boulder Group* reports in its September 2011 "The Net Lease Drug Store Report," that there are 71 Rite Aid properties on the market and the median asking price per square foot is \$254.00. The chart below includes some of these current Rite Aid listings.

| <b>ACTIVE LISTINGS</b> |                    |                      |                     |                        |                        |
|------------------------|--------------------|----------------------|---------------------|------------------------|------------------------|
| <b>Location</b>        | <b>City, State</b> | <b>Building Size</b> | <b>Asking Price</b> | <b>Asking Price/SF</b> | <b>Asking Cap Rate</b> |
| Rite Aid               | Millinocket, ME    | 11,180               | \$1,625,000         | \$145.35               | 9.25%                  |
| Rite Aid               | Jewett City, CT    | 20,854               | \$3,085,057         | \$147.94               | 9.21%                  |
| Rite Aid               | Piedmont, SC       | 10,908               | \$1,810,520         | \$165.98               | 10.00%                 |
| Rite Aid               | Bennington, VT     | 26,696               | \$4,787,500         | \$179.33               | 9.26%                  |
| Rite Aid               | Lawrenceville, GA  | 9,504                | \$1,718,909         | \$180.86               | 11.00%                 |
| Rite Aid               | High Point, NC     | 13,824               | \$2,877,049         | \$208.12               | 9.15%                  |
| Rite Aid               | Woodruff, SC       | 13,824               | \$2,881,780         | \$208.46               | 10.00%                 |
| Rite Aid               | Atlanta, GA        | 11,296               | \$2,670,435         | \$236.41               | 9.21%                  |
| Rite Aid               | Reading, MA        | 13,611               | \$3,469,425         | \$254.90               | 9.21%                  |
| Rite Aid               | Douglasville, GA   | 11,275               | \$2,950,289         | \$261.67               | 9.16%                  |
| Rite Aid               | Virginia Beach, VA | 12,784               | \$3,945,000         | \$308.59               | 8.00%                  |
| Rite Aid               | Ann Arbor, MI      | 14,564               | \$4,656,000         | \$319.69               | 8.75%                  |

Current listings shown above range in asking price from \$145.35 to \$319.69 per square foot, with an average asking price of \$218.11 per square foot. Capitalization rates range from 8.00% to 11.00%, with an average asking capitalization rate of 9.35%. As shown in the chart above, our value conclusion is within the range of listings. It should be noted that properties are typically sold for less than their asking prices.

## INCOME CAPITALIZATION APPROACH

The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Consider appropriate allowances for vacancy, collection loss, and operating expenses.
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income.
- Apply the most appropriate capitalization methods to convert anticipated net income to an indication of value.

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, we use only direct capitalization because investors in this property type typically rely most on this method.

## LEASED STATUS OF THE PROPERTY

The property is leased to a single tenant. Pertinent lease terms are shown below.

| LEASE SYNOPSIS                       |   |           |         |             |
|--------------------------------------|---|-----------|---------|-------------|
| Lessor:                              | Graham EC, LLC  |           |         |             |
| Lessee:                              | Rite Aid (formerly Eckerd Corporation)  |           |         |             |
| Leased SF                            | 13,824  |           |         |             |
| Lease Type                           | Triple Net  |           |         |             |
| Tenant Paid Expenses                 | Property taxes, insurance, utilities and repairs/maintenance                  |           |         |             |
| Owner Paid Expenses                  | Management  |           |         |             |
| Commencement:                        | 02/01/04  |           |         |             |
| Expiration:                          | 01/31/24  |           |         |             |
| Term:                                | 240   | months    | or      | 20.0 years  |
| Remaining Term:                      | 146   | months    | or      | 12.2 years  |
| Base Rent & Escalations              | Period  | Months    | PSF/Yr  | Annual Rent |
| Base Term                            | 02/01/04 - 01/31/24   | 1 - 240   | \$28.71 | \$396,877   |
| Option Term                          | 02/01/24 - 01/31/29   | 241 - 300 | \$29.21 | \$403,789   |
| Option Term                          | 02/01/29 - 01/31/34   | 301 - 360 | \$29.71 | \$410,701   |
| Option Term                          | 02/01/34 - 01/31/39   | 361 - 420 | \$30.21 | \$417,613   |
| Option Term                          | 02/01/39 - 01/31/44   | 421 - 480 | \$30.71 | \$424,525   |
| Current Rent                         |   |           |         | \$396,877   |
| Projected Rent - First Forecast Year |   |           |         | \$396,877   |
| Comments:                            | The term of the lease is 20 years with an additional four, five-year options. |           |         |             |

**MARKET RENT ANALYSIS**

Contract rents typically establish income for leased space, while market rent is the basis for estimating income for current vacant space and future speculative re-leasing of space due to expired leases. To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, property type, size, and transaction date. Note that we have expanded our search to include transactions in other states as there were limited recent leases in the subject area. Comparables used in our analysis are summarized in the following table.

| <b>SUMMARY OF COMPARABLE RENTALS - RETAIL</b> |  |                             |                     |                |             |             |         |            |              |
|---|--|-----------------------------|---------------------|----------------|-------------|-------------|---------|------------|--------------|
| No.   | Property Information   | Description                 | Tenant              | SF             | Lease Start | Term (Mos.) | Rent/SF | Lease Type |              |
| 1   | CVS Store<br>5100 S. Laburnum Ave.<br>Richmond<br>Henrico County<br>VA       | Yr Blt.<br>Stories:<br>GLA: | 1999<br>1<br>10,125 | CVS Pharmacy   | 10,125      | 04/11       | 300     | \$31.05    | Absolute Net |
| 2   | Walgreens<br>11200 Providence Rd.W.<br>Charlotte<br>Mecklenburg County<br>NC | Yr Blt.<br>Stories:<br>GLA: | 2010<br>1<br>14,820 | Walgreen Co.   | 14,820      | 03/11       | 900     | \$30.69    | Absolute Net |
| 3   | Walgreens<br>801 Mebane Oaks Rd.<br>Mebane<br>Alamance County<br>NC          | Yr Blt.<br>Stories:<br>GLA: | 2010<br>1<br>13,650 | Walgreens      | 13,650      | 08/10       | 901     | \$25.05    | Triple Net   |
| 4   | Rite Aid<br>2545 Millersport Hwy.<br>Getzville<br>Niagara County<br>NY       | Yr Blt.<br>Stories:<br>GLA: | 2000<br>1<br>10,908 | Rite Aid       | 10,908      | 08/10       | 180     | \$21.13    | Absolute Net |
| 5   | CVS Pharmacy<br>678 Johnson Ferry Rd.<br>Marietta<br>Cobb County<br>GA       | Yr Blt.<br>Stories:<br>GLA: | 2009<br>1<br>12,900 | CVS Pharmacy   | 12,900      | 11/09       | 180     | \$27.00    | Triple Net   |
| 6   | Rite Aid<br>1216 Longreen Pky.<br>Columbia<br>Richland County<br>SC          | Yr Blt.<br>Stories:<br>GLA: | 2008<br>1<br>14,673 | Rite Aid Corp. | 14,673      | 03/09       | 240     | \$20.10    | Triple Net   |

## COMPARABLE RENTALS MAP







Lease 1  
CVS Store



Lease 2  
Walgreens



Lease 3  
Walgreens



Lease 4  
Rite Aid



Lease 5  
CVS Pharmacy



Lease 6  
Rite Aid

### Rental Analysis Factors

The following elements of comparison are considered in our analysis of the comparable rentals.

| RENTAL ANALYSIS FACTORS  |  |
|--------------------------|--|
| Expense Structure        | Division of expense responsibilities between landlord and tenants.   |
| Conditions of Lease      | Extraordinary motivations of either landlord or tenant to complete the transaction.  |
| Market Conditions        | Changes in the economic environment over time that affect the appreciation and depreciation of real estate.  |
| Location                 | Market or submarket area influences on rent; surrounding land use influences.  |
| Access/Exposure          | Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.   |
| Size                     | Difference in rental rates that is often attributable to variation in sizes of leased space.   |
| Building Quality         | Construction quality, amenities, market appeal, functional utility.  |
| Age/Condition            | Effective age; physical condition.   |
| Economic Characteristics | Variations in rental rate attributable to such factors as free rent or other concessions, pattern of rent changes over lease term, or tenant improvement allowances. |

### Analysis of Comparable Rentals

The comparable rentals are compared to the subject and adjusted to account for material differences that affect market rental value. The following table summarizes our analysis of each comparable.

| RENTAL ANALYSIS SUMMARY - RETAIL |                              |           |         |                                     |  |
|----------------------------------|------------------------------|-----------|---------|-------------------------------------|--|
| No.                              | Property Name;<br>Tenant     | Leased SF | Rent/SF | Overall<br>Comparison<br>to Subject | Comments   |
| 1                                | Walgreens<br>Richmond, VA    | 10,125    | \$31.05 | Superior                            | Superior in location, but similar in building quality and age/condition.                   |
| 2                                | Walgreens<br>Charlotte, NC   | 14,820    | \$30.69 | Superior                            | Superior in location and age/condition, but similar in building quality.                   |
| 3                                | Walgreens<br>Mebane, NC      | 13,650    | \$25.05 | Similar                             | Inferior in location, similar in size and building quality, and superior in age/condition. |
| 4                                | Rite Aid<br>Getzville, NY    | 10,908    | \$21.13 | Similar                             | Similar in location, age/condition and building quality.                                   |
| 5                                | CVS Pharmacy<br>Marietta, GA | 12,900    | \$27.00 | Superior                            | Superior in location and age/condition, but similar in size and building quality.          |
| 6                                | Rite Aid<br>Columbia, SC     | 14,673    | \$20.10 | Inferior                            | Inferior in location, similar in size and building quality, but inferior in age/condition. |



### Market Rent Conclusion

Based on the preceding analysis of comparable rentals, we conclude market lease terms for the subject as follows:

| CONCLUDED MARKET LEASE TERMS |        |                       |                |            |
|------------------------------|--------|-----------------------|----------------|------------|
| Space Type                   | SF     | Market Rent/<br>SF/Yr | Rent<br>Escal. | Lease Type |
| Retail                       | 13,824 | \$25.00               | Flat           | Net        |

It is our opinion that the contract rent of \$28.71, is higher than our projection of market rent.

### STABILIZED INCOME AND EXPENSE ESTIMATE

#### Potential Gross Rent

Potential gross rent is based on contract rent from the existing lease in place. Income is projected for the 12-month period following the effective date of the appraisal.

| POTENTIAL GROSS RENT |        |  |                     |                   |
|----------------------|--------|--|---------------------|-------------------|
| Space Type           | SF     | Potential Rent<br>at Contract <sup>1</sup> | Contract<br>Rent/SF | Market<br>Rent/SF |
| Retail               | 13,824 | \$396,877                                  | \$28.71             | \$25.00           |
| Total                | 13,824 | \$396,877                                  | \$28.71             | \$25.00           |

<sup>1</sup> Contract rent for leased space; vacant space at market.

#### Expense Reimbursements

Operating expenses are directly paid by the tenant; therefore, no reimbursement income is due the owner.

#### Vacancy & Collection Loss

Based on the credit quality of the tenant, the length of the lease, and practices of typical investors in the market, no deductions for vacancy and collection loss are appropriate.

#### Effective Gross Income

Effective gross income is calculated at \$396,877, or \$28.71 per square foot.

#### Expenses

The subject is leased on an absolute net basis and typical buyers purchase these properties on the basis of their creditworthiness. As a result, no structural reserves were included in our pro forma.

Management fees are considered an expense of operation, whether the services are contracted or provided by the property owner. We estimate this expense at 1.0% of effective gross

income considering the limited managerial responsibilities associated with a property of this type.

### Net Operating Income

Based on the preceding income and expense projections, stabilized net operating income is estimated at \$392,908, or \$28.42 per square foot.

### CAPITALIZATION RATE SELECTION

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We use the following methods to derive a capitalization rate for the subject: analysis of comparable sales, review of national investor surveys, and interviews with market participants.

### Analysis of Comparable Sales

Capitalization rates derived from comparable sales are shown in the following table.

| CAPITALIZATION RATE COMPARABLES |               |            |           |                     |           |                  |
|---------------------------------|---------------|------------|-----------|---------------------|-----------|------------------|
| No.                             | Property Name | Year Built | Sale Date | Gross Leasable Area | Price /SF | Overall Cap Rate |
| 1                               | Rite Aid      | 2002       | Aug-11    | 10,908              | \$229.19  | 10.50%           |
| 2                               | Rite Aid      | 2000       | Sep-11    | 10,908              | \$234.69  | 9.00%            |
| 3                               | Rite Aid      | 2004       | Jun-11    | 14,569              | \$190.40  | 9.19%            |
| 4                               | Rite Aid      | 1999       | Jan-11    | 10,908              | \$215.44  | 9.25%            |
| 5                               | Rite Aid      | 1995       | Sep-10    | 15,103              | \$225.12  | 9.03%            |
| 6                               | Rite Aid      | 2003       | Aug-10    | 15,103              | \$225.12  | 9.03%            |
| 7                               | Rite Aid      | 1997       | Jul-10    | 13,397              | \$207.51  | 8.89%            |
| Average (Mean) Cap Rate:        |               |            |           |                     |           | 9.27%            |

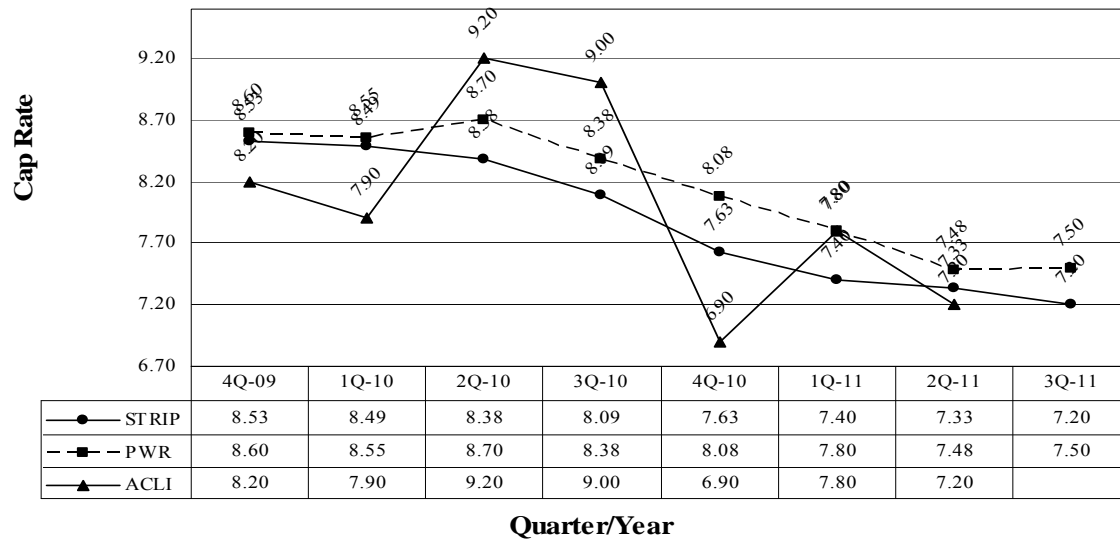
Based on this information, a capitalization rate within a range of 8.89% to 10.50% could be expected for the subject.

### National Investor Surveys

Data pertaining to investment grade properties from the PwC, ACLI, and Viewpoint surveys are summarized below. Note that Rite Aid is a non-investment grade rated tenant.

| CAPITALIZATION RATE SURVEYS – RETAIL PROPERTIES   |  |  |   |  |                                       |
|---|--|--|---|--|---------------------------------------|
|   | IRR-Viewpoint<br>Year End 2010<br>National<br>Neighborhood Strip | IRR-Viewpoint<br>Year End 2010<br>National<br>Community Center | PwC<br>3Q-2011<br>Natl Strip<br>Shopping Center | PwC<br>3Q-2011<br>National Power<br>Center | ACLI<br>2Q-2011<br>National<br>Retail |
| Range   | 7.25% - 10.0%  | 7.0% - 10.0%   | 5.50%-9.50%                                     | 6.0%-9.50%                                 | NA                                    |
| Average   | 8.48%  | 8.30%  | 7.20%   | 7.50%                                      | 7.2%                                  |
| Source: IRR-Viewpoint 2011; PwC Real Estate Investor Survey; American Council of Life Insurers Investment Bulletin. |  |  |   |  |                                       |

## CAPITALIZATION RATE TRENDS - RETAIL PROPERTIES



STRIP - PwC Real Estate Investor Survey - National Strip Shopping Center Market

PWR - PwC Real Estate Investor Survey - National Power Center Market

ACLI - American Council of Life Insurers Investment Bulletin - Retail Properties

The Boulder Group reports in its September 2011 "The Net Lease Drug Store Report," a current asking capitalization rate of 6.80% for Walgreens, 6.90% for CVS and 9.23% for Rite Aid. The following chart shows the median asking cap rate by building age. Note that the subject was built in 2002.

| MEDIAN ASKING CAP RATE BY BUILDING AGE |           |       |          |
|--|-----------|-------|----------|
| Year Built                             | Walgreens | CVS   | Rite Aid |
| 2011                                   | 6.50%     | 6.40% | N/A      |
| 2010                                   | 6.50%     | 6.95% | 8.80%    |
| 2009                                   | 6.75%     | 7.69% | 8.63%    |
| 2008                                   | 6.50%     | 5.88% | 8.75%    |
| 2007                                   | 6.75%     | 6.00% | 9.00%    |
| 2006                                   | 6.85%     | 8.69% | 8.00%    |
| 2005                                   | 6.98%     | 6.18% | 8.16%    |
| 2000 - 2004                            | 7.50%     | 7.07% | 9.09%    |
| 1995 - 1999                            | 8.00%     | 7.60% | 9.50%    |
| Before 1994                            | 9.00%     | 8.00% | 10.00%   |

## Market Participant Interviews

The financial crisis that plagued the United States and global economies, also negatively impacted net leased properties such as Rite Aid. However, in conversations with various brokers familiar with this property type, it appears that capitalization rates began to stabilize in 2010 and are trending downward.

Mr. Maurice Nieman, broker for Colliers International, has been involved with many Rite Aid transactions. Mr. Nieman stated that capitalization rates are around 9.50% for deals that have 17 to 18 years remaining on the lease and have high rents. He also stated that deals with 10 years remaining or less would be around a 10.50% to 14.00%. This higher rate is justified due to Rite Aid's non-investment grade rating and the higher risk when compared to a Walgreens or CVS.

Mr. Ronnie Issenberg, broker for Marcus & Millichap, believes capitalization rates net leased drug stores will continue to compress due to low interest rates and the limited amount of inventory coming out of the ground. The demand is higher than ever as there are fewer properties for sale now with long-term leases in place.

### Capitalization Rate Conclusion

Based on the preceding analysis, a going-in capitalization rate for the subject is indicated within a range of 9.00% to 10.00%. The subject is well located and has a high rent. Although there is only 12 years remaining on the base term, there are four, five-year options remaining. We conclude a capitalization rate as follows:

| CAPITALIZATION RATE CONCLUSION |       |
|--------------------------------|-------|
| Going-In Capitalization Rate   | 9.50% |

### DIRECT CAPITALIZATION ANALYSIS

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown below.

| DIRECT CAPITALIZATION ANALYSIS         |        |        |              |         |             |             |
|--|--------|--------|--------------|---------|-------------|-------------|
|  | SF     | Type   | Rent Applied | \$/SF   | Annual      | \$/SF Bldg. |
| INCOME                                 |        |        |              |         |             |             |
| Base Rent                              |        |        |              |         |             |             |
| Rite Aid (formerly Eckerd Corporation) | 13,824 | Retail | Contract     | \$28.71 | \$396,877   | —           |
| Potential Gross Rent                   | 13,824 |        |              |         | \$396,877   | \$28.71     |
| Vacancy & Collection Loss              | 0.00%  |        |              |         | \$0         | \$0.00      |
| Effective Gross Income                 |        |        |              |         | \$396,877   | \$28.71     |
| EXPENSES                               |        |        |              |         |             |             |
| Management                             | 1.00%  |        |              |         | \$3,969     | \$0.29      |
| Total Expenses                         |        |        |              |         | \$3,969     | \$0.29      |
| NET OPERATING INCOME                   |        |        |              |         | \$392,908   | \$28.42     |
| Capitalization Rate                    |        |        |              |         | 9.50%       |             |
| Indicated Value                        |        |        |              |         | \$4,135,876 | \$299.18    |
| Rounded                                |        |        |              |         | \$4,140,000 | \$299.48    |

The sole method used is direct capitalization. A discounted cash flow analysis is not used because typical investors in this property type do not evaluate properties on this basis.

**RECONCILIATION AND CONCLUSION OF VALUE**

The values indicated by our analyses are as follows:

| <b>SUMMARY OF VALUE INDICATIONS</b> |             |
|-------------------------------------|-------------|
| Cost Approach                       | Not Used    |
| Sales Comparison Approach           | \$3,800,000 |
| Income Capitalization Approach      | \$4,140,000 |
| Reconciled                          | \$4,140,000 |

The income capitalization approach is given the greatest weight because it is the most reliable valuation method for the subject. The sales comparison approach is given less weight because it does not directly consider the income characteristics of the property. The cost approach is not used even though it usually would be an appropriate valuation method for the subject. Notwithstanding this limitation, we conclude that the scope of work performed is sufficient to develop a credible opinion of value given the intended use of the appraisal. Our value opinion follows.

| <b>VALUE CONCLUSION</b> |                    |                   |                  |
|-------------------------|--------------------|-------------------|------------------|
| Appraisal Premise       | Interest Appraised | Date of Value     | Value Conclusion |
| Market Value            | Leased Fee         | December 13, 2011 | \$4,140,000      |

The opinion of value expressed in this report is based on estimates and forecasts that are prospective in nature and subject to considerable risk and uncertainty. Events may occur that could cause the performance of the property to differ materially from our estimates, such as changes in the economy, interest rates, capitalization rates, financial strength of tenants, and behavior of investors, lenders, and consumers. Additionally, our opinions and forecasts are based partly on data obtained from interviews and third party sources, which are not always completely reliable. Although we are of the opinion that our findings are reasonable based on available evidence, we are not responsible for the effects of future occurrences that cannot be reasonably foreseen at this time.

**EXPOSURE AND MARKETING TIMES**

Our estimates of exposure and marketing times are as follows:

| <b>EXPOSURE TIME AND MARKETING PERIOD</b> |    |
|---|----|
| Exposure Time (Months)                    | 12 |
| Marketing Period (Months)                 | 12 |

## INSURABLE VALUE

## INSURABLE REPLACEMENT COST ESTIMATE

Effective date: 9-1-2007

Replaces version dated: 12-15-2005

PROPERTY: Rite Aid

LOCATION: 841 South Main Street, Graham, NC

PROPERTY DESCRIPTION: Drug Store

## INSURABLE REPLACEMENT COST CALCULATIONS:

|  |               |      |      |      |      |
|--|---------------|------|------|------|------|
| Building #:  | A             |      |      |      |      |
| Building Size (SF):  | 13,824        |      |      |      |      |
| Structure Class:   | C             |      |      |      |      |
| Marshall Valuation<br>Service Reference:<br>(or source referenced) | Sec 13; Pg 20 |      |      |      |      |
| Base Cost PSF:   | \$ 103.29     |      |      |      |      |
| Plus (PSF)   |               |      |      |      |      |
| Sprinklers   | \$ 2.70       |      |      |      |      |
| >  |               |      |      |      |      |
| >  |               |      |      |      |      |
| >  |               |      |      |      |      |
| Subtotal:  | \$ 105.99     | \$ - | \$ - | \$ - | \$ - |
| Multipliers  |               |      |      |      |      |
| Number of Stories:   | 1.00          |      |      |      |      |
| Height Per Story:  | 1.08          |      |      |      |      |
| Perimeter:   | 0.89          |      |      |      |      |
| Calculator Cost:   | 1.08          |      |      |      |      |
| Local:   | 0.93          |      |      |      |      |
| Non-Perishable Items:  | 0.90          | 0.90 | 0.90 | 0.90 | 0.90 |
| Adjusted Cost PSF:   | \$ 91.68      | \$ - | \$ - | \$ - | \$ - |
| Estimated Insurable<br>Replacement Cost:                           | \$1,270,000   | \$ - | \$ - | \$ - | \$ - |

**Insurable Replacement Costs (IRC)** are the current replacement cost of EACH INDIVIDUAL structure, either as proposed in plans and specifications or as existing when physically inspected. Only PERSONAL PROPERTY necessary to the operation, management or marketing of the property is included.

**IRCs INCLUDE:** repair engineering and design fees; permit fees; and contractor's overhead and profit.

**IRCs EXCLUDE:** costs associated with land acquisition and development; professional fees not directly related to repairs; taxes, financing costs, owner's overhead and profit; loss of income during repairs, chattels not included above; and , all other costs not relevant to the repair of insured damages.

**DIRECTIONS:**

1. Each individual, unattached structure being appraised requires a separate IRC estimate.
2. Shaded areas of the IRC document automatically calculate.
3. **Non-Perishable Items fields are always calculated at .90.**
4. Use additional IRC forms should the number of buildings exceed the columns available.

## CERTIFICATION

We certify that, to the best of our knowledge and belief:

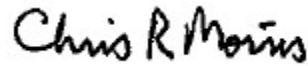
1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have previously appraised the property that is the subject of this report for another client within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our 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.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. J. Todd Neal made a personal inspection of the property that is the subject of this report. Chris R. Morris, MAI, MRICS did not inspect the subject property.
12. No one provided significant real property appraisal assistance to the persons signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Chris R. Morris, MAI, MRICS, has completed the continuing education program of the Appraisal Institute.



15. As of the date of this report, J. Todd Neal, has completed the Standards and Ethics Education Requirement of the Appraisal Institute for associate members.



J. Todd Neal  
Certified General Real Estate Appraiser  
North Carolina Certificate # A7213



Chris R. Morris, MAI, MRICS  
Certified General Real Estate Appraiser  
North Carolina Certificate # A266

## ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is based on the following assumptions, except as otherwise noted in the report.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal is subject to the following limiting conditions, except as otherwise noted in the report.

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual

- results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
  19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
  20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
  21. The person signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
  22. Integra Realty Resources – Raleigh is not a building or environmental inspector. Integra Raleigh does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
  23. The appraisal report and value conclusion for an appraisal assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
  24. It is expressly acknowledged that in any action which may be brought against Integra Realty Resources – Raleigh, Integra Realty Resources, Inc. or their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, or any estimates or information contained therein, the Integra Parties shall not be responsible or liable for any incidental or

- consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence.
25. Integra Realty Resources – Raleigh, an independently owned and operated company, has prepared the appraisal for the specific purpose stated elsewhere in the report. The intended use of the appraisal is stated in the General Information section of the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. Integra Realty Resources, Inc. and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value estimates presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

**ADDENDUM A**  
**APPRAISER QUALIFICATIONS**

# Professional Qualifications

## J. Todd Neal

### Experience

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Analyst with Integra Realty Resources - Charlotte. Began appraisal career in October 2006, working for Integra Realty Resources - Charlotte after employment as an Insurance and Financial Products Specialist with State Farm Insurance.

Has appraised a variety of property types including, but not limited to, vacant land, industrial, retail, office, subdivisions, apartments, mixed-use and special purpose properties.

### Licenses

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North Carolina, Certified General, A7213, Expires June 2012

South Carolina, Certified General, CG6711, Expires June 2012

### Education

B. S. Degree, Finance; Risk Management and Insurance; Real Estate, Appalachian State, Boone, NC (1997)

Appraisal courses completed are as follows:

R-1 Introduction to Real Estate Appraisal  
Creative Education, LLC, Gastonia, NC

R-2, Valuation Principles and Practices  
Central Piedmont Community College, Charlotte, NC

R-3, Applied Residential Property Valuation  
Central Piedmont Community College, Charlotte, NC

USPAP, Uniform Standards of Professional Appraisal Practice  
Appraisal Schools by M. Curtis West, Charlotte, NC

G-1, Introduction to Income Property Appraisal  
North Carolina Real Estate Education, Inc., Charlotte, NC

G-2, Advanced Income Capitalization Procedures  
North Carolina Real Estate Education, Inc., Charlotte, NC

G-3, Applied Income Property Valuation  
North Carolina Real Estate Education, Inc., Charlotte, NC

510, Advanced Income Capitalization  
520, General Market Analysis & Highest and Best Use  
530, Advanced Sales Comparison and Cost Approaches  
540, Report Writing and Valuation Analysis  
550, Advanced Applications



# Professional Qualifications

**Mr. Chris R Morris, MAI, MRICS**

## Experience

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Managing Director of Integra Realty Resources - Raleigh. Mr. Morris has been actively engaged in real estate since 1986. He joined Integra after 11 years as a Principal with Shaw Boykin & Morris. Prior to becoming Principal, he was a Staff Appraiser for 6 years with Shaw/Boykin & Associates. Before joining Shaw/Boykin & Associates, Mr. Morris worked as a Staff Appraiser and Utilities Agent for the N.C. Department of Transportation. Mr. Morris has a broad range of experience in valuation and analysis of many types of real estate.

## Professional Activities & Affiliations

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Member: Appraisal Institute, June 1992  
Board of Directors: NC Chapter Appraisal Institute, January 2008 - December 2010  
Royal Institute of Chartered Surveyors, Member (MRICS), December 2009  
Member: International Right of Way Association, October 2010

## Licenses

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North Carolina, State Certified General Real Estate Appraiser, A266, Expires June 2012  
North Carolina, State Licensed Real Estate Broker, 084603, Expires June 2012  
Virginia, State Certified General Real Estate Appraiser, 4001 015036, Expires August 2012

## Education

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A. B. Degrees, Economics and Organizational Behavior & Management, Brown University, Providence, RI (1984)

Real Estate courses completed are as follows:

Report Writing and Valuation Analysis  
Standards of Professional Practice  
Case Studies in Real Estate Valuation  
Capitalization Theory & Techniques, Part B  
Capitalization Theory & Techniques, Part A  
Residential Valuation  
Basic Valuation Procedures  
Real Estate Appraisal Principles  
Principles of Real Estate Management  
Commercial Real Estate Finance  
Commercial/Industrial Real Estate  
Cost Estimating  
Construction Methods and Materials  
Real Estate Brokerage Operations  
Real Estate Finance  
Real Estate Law  
Fundamentals of Real Estate

# NORTH CAROLINA APPRAISAL BOARD

## APPRAISER QUALIFICATION CARD

*Expires June 30, 2012*

REGISTRATION / LICENSE / CERTIFICATE HOLDER

11

JASON TODD NEAL

12

A7213

G

Y

APPRAISER NUMBER

TYPE

NATIONAL REGISTRY



APPRAISER'S SIGNATURE

EXECUTIVE DIRECTOR

**NORTH CAROLINA APPRAISAL BOARD**

**APPRAISER QUALIFICATION CARD**

*Expires June 30, 2012*

|   |                       |
|---|-----------------------|
| REGISTRATION / LICENSE / CERTIFICATE HOLDER |                       |
| 11  | CHRISTOPHER R. MORRIS |
| A266Z                                       | G                     |
| APPRAISER NUMBER                            | TYPE                  |
|   | Y                     |
|   | NATIONAL REGISTRY     |

*Christopher R. Morris*

APPRAISER'S SIGNATURE

*[Signature]*

EXECUTIVE DIRECTOR

## INTEGRA REALTY RESOURCES, INC. CORPORATE PROFILE

Integra Realty Resources, Inc. offers the most comprehensive property valuation and counseling coverage in the United States with 59 independently owned and operated offices in 33 states. Integra was created for the purpose of combining the intimate knowledge of well-established local firms with the powerful resources and capabilities of a national company. Integra offers integrated technology, national data and information systems, as well as standardized valuation models and report formats for ease of client review and analysis. Integra's local offices have an average of 25 years of service in the local market, and each is headed by a Managing Director who is an MAI member of the Appraisal Institute.

A listing of IRR's local offices and their Managing Directors follows:

ATLANTA, GA - Sherry L. Watkins, MAI, MRICS  
AUSTIN, TX - Randy A. Williams, MAI, SR/WA, FRICS  
BALTIMORE, MD - G. Edward Kerr, MAI, MRICS  
BOISE, ID - Bradford T. Knipe, MAI, ARA, CCIM, CRE, FRICS  
BOSTON, MA - David L. Cary, MAI, MRICS  
CHARLOTTE, NC - Fitzhugh L. Stout, MAI, CRE, FRICS  
CHICAGO, IL - Gary K. DeClark, MAI, CRE, FRICS  
CHICAGO, IL - Eric L. Enloe, MAI, MRICS  
CINCINNATI, OH - Gary S. Wright, MAI, SRA, FRICS  
CLEVELAND, OH - Douglas P. Sloan, MAI  
COLUMBIA, SC - Michael B. Dodds, MAI, CCIM, MRICS  
COLUMBUS, OH - Bruce A. Daubner, MAI, FRICS  
DALLAS, TX - Mark R. Lamb, MAI, CPA, MRICS  
DAYTON, OH - Gary S. Wright, MAI, SRA, FRICS  
DENVER, CO - Brad A. Weiman, MAI, MRICS  
DETROIT, MI - Anthony Sanna, MAI, CRE, FRICS  
FORT WORTH, TX - Donald J. Sherwood, MAI, SR/WA, FRICS  
GREENVILLE, SC - Michael B. Dodds, MAI, CCIM, MRICS  
HARTFORD, CT - Mark F. Bates, MAI, CRE, FRICS  
HOUSTON, TX - David R. Dominy, MAI, CRE, FRICS  
INDIANAPOLIS, IN - Michael C. Lady, MAI, SRA, CCIM, MRICS  
KANSAS CITY, MO/KS - Kenneth Jagers, MAI, FRICS  
LAS VEGAS, NV - Shelli L. Lowe, MAI, SRA, MRICS  
LOS ANGELES, CA - John G. Ellis, MAI, CRE, FRICS  
LOS ANGELES, CA - Matthew J. Swanson, MAI  
LOUISVILLE, KY - George M. Chapman, MAI, SRA, CRE, FRICS  
MEMPHIS, TN - J. Walter Allen, MAI, MRICS  
MIAMI/PALM BEACH, FL - Scott M. Powell, MAI  
MILWAUKEE, WI - Gary K. DeClark, MAI, CRE, FRICS  
MINNEAPOLIS, MN - Michael Amundson, MAI, CCIM, MRICS

NAPLES, FL - Carlton J. Lloyd, MAI  
NASHVILLE, TN - R. Paul Perutelli, MAI, SRA, MRICS  
NEW JERSEY COASTAL - Anthony Graziano, MAI, CRE, FRICS  
NEW JERSEY NORTHERN - Barry J. Krauser, MAI, CRE, FRICS  
NEW YORK, NY - Raymond T. Cirz, MAI, CRE, FRICS  
ORANGE COUNTY, CA - Larry D. Webb, MAI, FRICS  
ORLANDO, FL - Charles J. Lentz, MAI, MRICS  
PHILADELPHIA, PA - Joseph Pasquarella, MAI, CRE, FRICS  
PHOENIX, AZ - Walter Winus, Jr., MAI, CRE, FRICS  
PITTSBURGH, PA - Paul D. Griffith, MAI, MRICS  
PORTLAND, OR - Brian A. Glanville, MAI, CRE, FRICS  
PROVIDENCE, RI - Gerard H. McDonough, MAI  
RALEIGH, NC - Chris R. Morris, MAI, MRICS  
RICHMOND, VA - Kenneth L. Brown, MAI, CCIM, MRICS  
SACRAMENTO, CA - Scott Beebe, MAI, FRICS  
ST. LOUIS, MO - Kenneth Jagers, MAI, FRICS  
SALT LAKE CITY, UT - Darrin Liddell, MAI, CCIM, MRICS  
SAN ANTONIO, TX - Martyn C. Glen, MAI, CRE, FRICS  
SAN DIEGO, CA - Jeff Greenwald, MAI, SRA, FRICS  
SAN FRANCISCO, CA - Jan Kleczewski, MAI, FRICS  
SARASOTA, FL - Carlton J. Lloyd, MAI  
SARASOTA, FL - Craig L. Smith, MAI, MRICS  
SAVANNAH, GA - J. Carl Schultz, Jr., MAI, SRA, CRE, FRICS  
SEATTLE, WA - Allen N. Safer, MAI, MRICS  
SYRACUSE, NY - William J. Kimball, MAI, FRICS  
TAMPA, FL - Bradford L. Johnson, MAI, MRICS  
TULSA, OK - Robert E. Gray, MAI, FRICS  
WASHINGTON, DC - Patrick C. Kerr, MAI, SRA, FRICS  
WILMINGTON, DE - Douglas L. Nickel, MAI, FRICS  
IRR de MEXICO - Oscar J. Franck Terrazas, MRICS

### Corporate Office

1133 Avenue of the Americas, 27<sup>th</sup> Floor, New York, New York 10036  
Telephone: (212) 255-7858; Fax: (646) 424-1869; E-mail [info@irr.com](mailto:info@irr.com)  
Website: [www.irr.com](http://www.irr.com)

**ADDENDUM B**  
**DEFINITIONS**

## DEFINITIONS

The source of the following definitions is *The Dictionary of Real Estate Appraisal, Fifth Edition*, Appraisal Institute, Chicago, Illinois, 2010, unless otherwise noted.

### **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

### **Common Area**

1. The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.
2. In a shopping center, the walkways and areas onto which the stores face and which conduct the flow of customer traffic.

### **Common Area Charges**

Income collected from owners or tenants for the operation and maintenance of common areas; typically specified in commercial and retail leases.

### **Common Area Maintenance (CAM)**

1. The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.
  - a. CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings.
  - b. CAM can refer to all operating expenses.
  - c. CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee.
2. The amount of money charged to tenants for their shares of maintaining a center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of the parking lots. The area maintained in common by all tenants, such as parking lots and common passages. The area is often defined in the lease and may or may not include all physical areas to be paid for by all tenants. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security, and upkeep.

### **Deferred Maintenance**

Needed repairs or replacement of items that should have taken place during the course of normal maintenance.

**Depreciation**

A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

**Discounted Cash Flow (DCF) Analysis**

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

**Disposition Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time specified by the client.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Effective Date of Appraisal**

The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply.

**Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.



2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

**Excess Land; Surplus Land**

**Excess Land:** Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued independently.

**Surplus Land:** Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

**Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

**Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

**Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

**Gross Building Area (GBA)**

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region.

**Gross Leasable Area (GLA)**

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to outside wall surfaces.

**Highest and Best Use**

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

probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

**Insurable Value**

Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and noninsurable items. Sometimes cash value or market value, but often entirely a cost concept. (Source: *Marshall Valuation Service*)

**Lease**

A contract in which rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e, a lease).

**Leasehold Interest**

The tenant's possessory interest created by a lease.

**Lease Type**

**Full Service Lease or Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses.

**Full Service + Tenant Electric Lease or Gross + Tenant Electric Lease:** A lease in which the tenant pays electric charges for its space but in other respects is a full service or gross lease as defined above. Tenant electric is often abbreviated as "TE". (Source: *Integra Realty Resources*)

**Modified Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.

**Net Lease:** A general term for a lease in which the tenant pays all or most of the operating and fixed expenses of a property. Whenever the term net lease is used, an analyst should identify the specific expense responsibilities of the tenant and owner. (Source: *Integra Realty Resources*)

**Triple Net Lease:** A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, net net net, or fully net lease.

**Absolute Net Lease:** A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars, or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

**Market Rent**

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

**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:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g])*

**Overage Rent**

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume.

**Percentage Rent**

Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a certain percentage of their gross sales.

**Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

**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.

**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.

**Shopping Center Classifications**

**Convenience Center:** provides for the sale of personal services and convenience goods similar to those of a neighborhood center. It contains a minimum of three stores, with a total GLA of up to 30,000 square feet. Instead of being anchored by a supermarket, a convenience center is usually anchored by some other type of personal/convenience service such as a minimarket. *(Source: Dollars & Cents of Shopping Centers, Urban Land Institute, Washington, DC, 2008[Dollars & Cents])*

**Neighborhood Center:** provides for the sale of convenience goods (foods, drugs, and sundries) and personal services (laundry and dry cleaning, barbering, shoe repairing, etc.) for the day-to-day living needs of the immediate neighborhood. It is built around a supermarket as the principal tenant and typically contains a GLA of about 60,000 square feet. In practice, it may range in size from 30,000 to 100,000 square feet. *(Source: Dollars & Cents)*

**Super Community / Community Center:** any center larger than a neighborhood center but with neither a traditional department store nor the trade area of a regional shopping center. This includes traditional community shopping centers, power centers, town centers, lifestyle

centers, and outlet/off-price centers that meet these criteria. The traditional community shopping center contains many of the convenience tenants that are found in the neighborhood shopping centers, while offering a wider range of apparel, hardware, home furnishings, home improvement, and specialty stores. In addition, the center also may include banking and professional services, personal services, and recreational facilities. Many centers are built around a discount department store, super drugstore, mixed apparel (women/men/children) store, as well as a supermarket. (*Source: Dollars & Cents*)

**Power Center:** type of community center that contains at least four category-specific anchors of 20,000 or more square feet. These anchors typically emphasize hard goods such as consumer electronics, sporting goods, office supplies, home furnishings, home improvement goods, bulk foods, drugs, health and beauty aids, toys, and personal computer hardware/software. They tend to be narrowly focused but deeply merchandised “category killers” together with the more broadly merchandised, price-oriented warehouse club and discount department stores. Anchors in power centers typically occupy 85 percent or more of the total GLA. (*Source: Dollars & Cents*)

**Stabilized Income**

Income at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; projected income that is subject to change, but has been adjusted to reflect an equivalent, stable annual income.

**ADDENDUM C**  
**FINANCIALS AND PROPERTY INFORMATION**



Doc ID: 004110890005 Type: CRP  
 Recorded: 05/24/2005 at 02:26:00 PM  
 Fee Amt: \$10,646.00 Page 1 of 5  
 Excise Tax: \$10,620.00  
 Alamance, NC  
 DAVID J.P. BARBER REGISTER OF DEEDS  
**BK 2247 PG 702-706**

Excise Tax: \$10,620.00

Tax Lot No.: 6-8-72

Parcel Identifier No.: 8883196148

Mail after recording to: Grantee

This instrument was prepared by: Jonathan W. Dion, Esq.

Brief Description For The Index:

Located at N.C. Highway 87 (also known as South Main Street) and Crescent Square  
 Drive in Graham, North Carolina

#### NORTH CAROLINA SPECIAL WARRANTY DEED

**THIS DEED** made as of May 24 2005, by and between:

| GRANTOR:   | GRANTEE: ✓   |
|--|--|
| GRAHAM EC, LLC, a North Carolina limited liability company | SCOOP REAL ESTATE, L.P., a Delaware limited partnership                              |
|  | <b>Address:</b><br>1618 Main Street<br>Sarasota, FL 34236<br>Attention: Arthur Nadel |

Enter in appropriate block for each party: name, address, and, if appropriate, character of entity, e.g. corporation or partnership.

The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

CLT 866379v1

26⑤



**WITNESSETH**, that Grantor, for a valuable consideration paid by Grantee, the receipt of which is hereby acknowledged, has and by these presents does grant, bargain, sell and convey unto Grantee in fee simple, all that certain lot or parcel of land situated in the City of Graham, Alamance County, North Carolina and more particularly described as follows:

*See **Exhibit A**, attached hereto and incorporated herein by reference.*

The property hereinabove described was acquired by Grantor by instruments recorded in Book 2035, Page 344, and Book 2035, Page 347, Office of the Alamance County Register of Deeds.

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

And Grantor covenants with Grantee, that Grantor has done nothing to impair such title as Grantor received, and Grantor will warrant and defend the title against the lawful claims of all persons claiming by, under or through Grantor, except for the exceptions listed on **Exhibit B** attached hereto and incorporated herein by reference.

**[SEE ATTACHED SIGNATURE AND NOTARY ACKNOWLEDGMENT PAGE]**

IN WITNESS WHEREOF, Grantor has caused this deed to be duly executed as of the date first above written.

**GRANTOR:**

GRAHAM EC, LLC, a North Carolina limited liability company

By: WMA  
William T. Mitchener

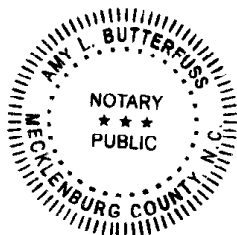
Its: Manager

**STATE OF NORTH CAROLINA**

**COUNTY OF** Mecklenburg

I, Amy L. Butterfuss, a Notary Public for the above State and Mecklenburg County, hereby certify that William T. Mitchener personally appeared before me this day and acknowledged that he is Manager of GRAHAM EC, LLC, a North Carolina limited liability company, and that he, as Manager, being authorized to do so, executed the foregoing instrument on behalf of the limited liability company.


Witness my hand and official stamp or seal, this 18<sup>th</sup> day of May, 2005.



Amy L. Butterfuss  
Notary Public

Print Name: Amy L. Butterfuss  
[Note: Notary Public must sign exactly as on notary seal]

My Commission Expires: 9/12/2007

 [NOTARY SEAL] (MUST BE FULLY LEGIBLE)

State of North Carolina Alamance County

The foregoing certificate(s) of Amy L. Butterfuss

A Notary (Notaries) Public of the Designated Governmental units is (are) certified to be correct.

This the 24 day of May, 2005  
DAVID J. P. BARBER [Signature]  
Register of Deeds By Assistant Deputy

## **EXHIBIT A**

### **LEGAL DESCRIPTION**

LYING AND BEING in Graham Township, Alamance County, North Carolina, and more particularly described as follows:

BEGINNING at an existing iron pin (site bench mark with NC Grid coordinates of N: 839,090.546 feet, E: 1,881,775.383 feet, NAVD 88, elev: 593.21 feet, value published by National Geodetic Survey "OPUS" Solution on 09/11/03) on the western margin of the public right-of-way of NC Highway 87 (South Main Street) and in the northeastern corner of the land conveyed to Crescent Center Associates by instrument recorded in Deed Book 503, Page 66, Alamance County Public Registry, and running thence with the northern boundary of the Crescent Center Associates land (now or formerly) S. 84-34-58 W. 242.92 feet to an existing iron pin in the southeastern corner of the land conveyed to ECMM Associates by instrument recorded in Deed Book 789, Page 658, Alamance County Public Registry; thence with the southern boundary of the ECMM Associates land (now or formerly) N. 61-06-52 W. 18.19 feet to an iron rebar set; thence two new lines within the ECMM Associates land (now or formerly) as follows: (1) N. 05-35-11 W. 189.62 feet to an iron rebar set; and (2) N. 84-34-01 E. 15.00 feet to an existing iron pin in the southern margin of the public right-of-way of Crescent Square Drive; thence with the southern margin of the public right-of-way of Crescent Square Drive N. 84-34-01 E. 231.52 feet to an iron rebar set in the western margin of the right-of-way of NC Highway 87 (South Main Street); and thence with the western margin of the right-of-way of NC Highway 87 (South Main Street) three (3) courses and distances as follows: (1) S. 04-50-25 E. 15.86 feet to a nail; (2) S. 49-50-25 E. 19.80 feet to a nail; and (3) S. 04-50-25 E. 169.95 feet to the point and place of BEGINNING, containing 1.18 acres, more or less, all as shown on survey prepared by Clinton B. Osborne, North Carolina Professional Land Surveyor L-3834, of Allied Associates, P.A., Job No. PA030608, Map No. GSDelta.dwg., and dated October 31, 2003, reference to said survey being made in aid of description.

Together with:

Easement rights in favor of the property, as set forth in Cross Access Easement

Agreement recorded in Book 2108, Page 530, of the Alamance County Registry.

**EXHIBIT B**

**PERMITTED EXCEPTIONS**

1. Real property taxes and assessments for 2005 and subsequent years.
2. Lease Agreement dated January 28, 2004 between Grantor and Eckerd Corporation, a memorandum of which is recorded in Book 2045, Page 348, Alamance County Register of Deeds.
3. All laws, ordinances, statutes, rules and regulations.
4. All matters which would be disclosed by a current and accurate survey and/or physical inspection of the property.
5. All easements, covenants, conditions, restrictions and other matters of record.
6. Easement recorded in Book 561, Page 995, Alamance County Register of Deeds.
7. Easement recorded in Book 706, Page 371, Alamance County Register of Deeds.
8. Easement recorded in Book 492, Page 562, Alamance County Register of Deeds.
9. Easement recorded in Book 641, Page 14, Alamance County Register of Deeds.
10. Cross Access Easement Agreement recorded in Book 2108, Page 530, Alamance County Register of Deeds.
11. Notice of Residual Petroleum recorded in Book 2167, Page 489, Alamance County Register of Deeds.
12. Right-of-way recorded in Book 561, Page 993, Alamance County Register of Deeds.



# Alamance County Government

## TAX ADMINISTRATION RECORD SEARCH

|  |            |   |            |  |  |
|--|------------|---|------------|--|--|
| <b>Property Owner as of January 1st</b><br>SCOOP REAL ESTATE LP  |            | <b>Owner's Mailing Address</b><br>C/O ROGER JERNIGAN<br>1181 S SUMPTER BLVD SUITE 312<br>NORTH PORT, FL 34287   |            | <b>Property Location Address</b><br>841 S MAIN ST  |  |
| <b>Administrative Data</b><br>Parcel ID No. <b>144069</b><br>OLD Tax ID <b>6-8-72</b><br>GPIN <b>8883196148</b><br>Owner ID <b>435518</b><br>Tax District <b>11 - GRAHAM</b><br>Land Use Code <b>428</b><br>Land Use Desc <b>DRUG STORE</b><br>Neighborhood <b>GRC14</b>   |            | <b>Administrative Data</b><br>Legal Desc <b>BL 841 S MAIN ST</b><br>Deed Year Bk/Pg <b>2005 - 2247 / 702</b><br>Plat Bk/Pg <b>/</b><br><b>Sales Information</b><br>Grantor <b>UNKNOWN</b><br>Sold Date <b>2004-02-11</b><br>Sold Amount \$ <b>2,000,000</b> |            | <b>Valuation Information</b><br>Market Value \$ <b>2,041,514</b><br>Market Value - Land and all permanent improvements, if any, effective January 1, 2009, date of County's most recent General Reappraisal<br><b>Assessed Value \$ 2,041,514</b><br>If Assessed Value not equal Market Value then subject parcel designated as a special class -agricultural, horticultural, or forestland and thereby eligible for taxation on basis of Present-Use. |  |
| <b>Improvement Detail</b><br>(1st Major Improvement on Subject Parcel)<br>Year Built <b>2004</b><br>Built Use/Style <b>DISCOUNT STORE</b><br>Current Use <b>A / QUALITY GRADE A</b><br>Grade <b>A / QUALITY GRADE A</b><br>* Percent Complete <b>100</b><br>Heated Area (S/F) <b>14,800</b><br>Fireplace (Y/N) <b>N</b><br>Basement (Y/N) <b>N</b><br>** Bedroom(s) <b>0</b><br>** Bathroom(s) <b>0 Full Bath(s) 0 Half Bath(s)</b><br>*** Multiple Improvements <b>001</b><br>* Note - As of January 1<br>** Note - Bathroom(s), Bedroom(s), shown for description only<br>*** Note - If multiple improvements equal "MLT" then parcel includes additional major improvements |            |   |            |  |  |
| <b>Sales History</b><br>2 Previous Sales Found for Parcel number 144069  |            |   |            |  |  |
| Record Num   | Sales Year | Name  | Book/Page  | Sale Price   |  |
| 1  | 2006       | SCOOP REAL ESTATE LP  | 2247 / 702 | \$5,310,000.00   |  |
| 2  | 2005       | GRAHAM EC LLC   | 2035 / 344 | \$2,000,000.00   |  |

**Building Sketch**

No Sketch Available

**Land Supplemental**

|                   |             |
|-------------------|-------------|
| Deeded Acres      | 1.18        |
| Tax District Note | 11 - GRAHAM |
| Present-Use Info  | DRUG STORE  |

**Improvement Valuation** (1st Major Improvement on Subject Parcel)

\* Improvement Market Value \$

**1,484,486**

\*\* Improvement Assessed Value \$

**1,484,486**

\* Note - Market Value effective Date equal January 1, 2009, date of County's most recent General Reappraisal

\*\* Note - If Assessed Value not equal Market Value then variance resulting from formal appeal procedure

**Land Value Detail (Effective Date January 1, 2009, date of County's most recent General Reappraisal)**

Land Full Value (LFV) \$

**557,028**

Land Present-Use Value (PUV) \$ \*\*

**557,028**

Land Total Assessed Value \$

**557,028**\*\* Note: If PUV equal LMV then parcel **has not** qualified for present use program

**ADDENDUM D**  
**COMPARABLE DATA**



## **IMPROVED SALE PROFILES**

## Location &amp; Property Identification

Property Name: Rite Aid  
 Sub-Property Type: Retail-Commercial: Drug Store  
 Address: 1510 W O Ezell Blvd.  
 City/State/Zip: Spartanburg, SC 29301  
 County: Spartanburg  
 Market Orientation: Suburban



Lat./Long.: 34.936806/-81.990361 IRR Event ID ( 502097 )

## Sale Information

Sale Price: \$2,500,000  
 Eff. R.E. Sale Price: \$2,500,000  
 Sale Date: 08/04/2011  
 Sale Status: Closed  
 \$/SF GBA: \$229.19  
 \$/SF NRA: \$229.19  
 Case Study Type: none  
 Grantor/Seller: DDR Southeast  
 Spartanburg  
 Grantee/Buyer: Blackstock, LLC  
 % of Interest Conveyed: 100.00  
 Terms of Sale: Arm's Length, Cash to seller  
 Document Type: Deed  
 Recording No.: 98/749  
 Verified By: Bo Shinn  
 Verification Date: 10/25/11  
 Verification Source: Maurice Nieman with  
 Colliers International  
 949.724.5536  
 Verification Type: Confirmed-Seller Broker

## Improvement and Site Data

MSA: Spartanburg, SC  
 Metropolitan Statistical Area  
 Legal/Tax/Parcel ID: 6-20-04-001.01  
 GBA-SF: 10,908  
 GLA-SF: 10,908  
 Acres(Usable/Gross): 1.00/1.00  
 Land-SF(Usable/Gross): 43,560/43,560  
 Usable/Gross Ratio: 1.00  
 Year Built: 2002  
 No. of Buildings/Stories: 1/1  
 Multi-Tenant/Condo.: No/No  
 Air-Conditioning Type: Central  
 Roof Comm.: Membrane roof; central heat  
 Shape: Square  
 Corner Lot: Yes  
 Frontage Feet: 437  
 Frontage Desc.: 241' W O Ezell, 196' Blackstock Rd  
 Bldg. to Land Ratio FAR: 0.25  
 Flood Plain: No  
 Improve. Info. Source: Public Records  
 Source of Land Info.: Public Records

## Operating Data and Key Indicators

Net Operating Income: \$262,500  
 Operating Data Type: In-Place Income  
 OAR(Cap. rate)Actual: 10.50%

## Location &amp; Property Identification

Property Name: CVS Store

Sub-Property Type: Retail-Commercial: Drug Store

Address: 5100 S. Laburnum Ave.

City/State/Zip: Richmond, VA 23231

County: Henrico

Market Orientation: Suburban



Lat./Long.: 37.515910/-77.349761 IRR Event ID ( 461200 )

## Sale Information

Sale Price: \$4,020,000

Eff. R.E. Sale Price: \$4,020,000

Sale Date: 04/11/2011

Sale Status: Closed

\$/SF GBA: \$397.04

\$/SF NRA: \$397.04

Case Study Type: none

Grantor/Seller: Beach Family Laburnum, LLC

Grantee/Buyer: LPG Richmond, LLC

Property Rights: Leased Fee

% of Interest Conveyed: 100.00

Terms of Sale: Cash to seller

Document Type: Deed

Recording No.: 4867/1409

Verified By: Michael D. Rountrey, MAI, SRA

Verification Type: Confirmed-Buyer

OAR(Cap. rate)Actual: 7.82%

Management Included: No

## Improvement and Site Data

MSA: Richmond, VA Metropolitan Statistical Area

Legal/Tax/Parcel ID: 816-713-3177

GBA-SF: 10,125

GLA-SF: 10,125

Acres(Usable/Gross): 1.24/1.24

Land-SF(Usable/Gross): 54,014/54,014

Usable/Gross Ratio: 1.00

Year Built: 1999

Building/M&S Class: A/C

Improvements Cond.: Good

No. of Buildings/Stories: 1/1

Multi-Tenant/Condo.: No/No

Bldg. to Land Ratio FAR: 0.19

Zoning Code: B-3, M-1

Improve. Info. Source: Inspection

Source of Land Info.: Public Records

## Operating Data and Key Indicators

Potential Gross Income: \$314,381

Effective Gross Income: \$314,381

Net Operating Income: \$314,381

Reserves Included: No

Operating Data Type: In-Place Income

GRM Actual: 12.79

EGIM Actual: 12.79

CVS Store

**Comments**

Located at the corner of S. Laburnum Ave. & Williamsburg Rd. in the eastern part of the Richmond area. Freestanding standard CVS Pharmacy, leased for a 20-year term from 1999 to 2020. Rent had escalated to \$35.12/sf by time of sale, but sale was based on beginning a new lease for 25 years at \$31.05/sf, flat, NNN. Economic indicators in this analysis are based on the new lease.

## Location &amp; Property Identification

Property Name: Rite Aid  
 Sub-Property Type: Retail-Commercial: Free Standing  
 Address: 1900 Sandy Plains Rd.  
 City/State/Zip: Marietta, GA 30066  
 County: Cobb  
 Market Orientation: Suburban



Lat./Long.: 33.995780/-84.507829 IRR Event ID ( 427033 )

## Sale Information

Sale Price: \$3,015,000  
 Eff. R.E. Sale Price: \$3,015,000  
 Sale Date: 09/15/2010  
 Sale Status: Closed  
 \$/SF GBA: \$218.27  
 \$/SF NRA: \$218.27  
 Case Study Type: none  
 Grantor/Seller: Willie E. Hasty  
 Grantee/Buyer: KFI Scufflegrit, LLC  
 Property Rights: Leased Fee  
 % of Interest Conveyed: 100.00  
 Terms of Sale: Cash to Seller  
 Document Type: Deed  
 Verified By: J. Todd Neal  
 Verification Source: Todd Ellis, Broker via LoopNet  
 Verification Type: Secondary Verification

## Operating Data and Key Indicators

Net Operating Income: \$376,875  
 OAR(Cap. rate)Actual: 12.50%

## Sale Analysis

Current Use: Rite Aid Pharmacy

## Improvement and Site Data

MSA: Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area  
 Legal/Tax/Parcel ID: 16077600060  
 GBA-SF: 13,813  
 GLA-SF: 13,813  
 Acres(Usable/Gross): 1.97/1.97  
 Land-SF(Usable/Gross): 85,813/85,813  
 Usable/Gross Ratio: 1.00  
 Year Built: 2003  
 Improvements Cond.: Average  
 Construction Desc.: Typical Rite Aid construction  
 No. of Buildings/Stories: 1/1  
 Shape: Irregular  
 Topography: Gently Sloping  
 Corner Lot: Yes  
 Bldg. to Land Ratio FAR: 0.16  
 Zoning Code: Unincorporated  
 Flood Plain: No  
 Utilities: Water Public, Sewer  
 Utilities Desc.: All available  
 Source of Land Info.: Broker

## Comments

Absolute NNN lease to Rite Aid with 13 years remaining on lease at time of sale.

**Location & Property Identification**

Property Name: Walgreens  
 Sub-Property Type: Retail-Commercial  
 Address: 2427 Springs Rd.NE.  
 City/State/Zip: Hickory, NC 28601  
 County: Catawba

Market Orientation: Suburban



IRR Event ID ( 422885 )

**Sale Information**

Sale Price: \$5,838,926  
 Eff. R.E. Sale Price: \$5,838,926  
 Sale Date: 09/08/2010  
 Sale Status: Closed  
 \$/SF GBA: \$393.99  
 \$/SF NRA: \$393.99  
 Grantor/Seller: Hickory Springs, LLC  
 Grantee/Buyer: Sheftel Realty, LP  
 Property Rights: Leased Fee  
 % of Interest Conveyed: 100.00  
 Terms of Sale: Cash to Seller  
 Document Type: Deed  
 Recording No.: 3040/1306  
 Verified By: J. Todd Neal  
 Verification Source: Peter Wenzler,  
 Broker-Marcus Millichap  
 Verification Type: Confirmed-Seller Broker

Legal/Tax/Parcel ID: 372309166798  
 GBA-SF: 14,820  
 GLA-SF: 14,820  
 Acres(Usable/Gross): 1.78/1.78  
 Land-SF(Usable/Gross): 77,537/77,537  
 Usable/Gross Ratio: 1.00  
 Year Built: 2007  
 Improvements Cond.: Good  
 Construction Desc.: Typical Walgreens  
 construction  
 No. of Buildings/Stories: 1/1  
 Multi-Tenant/Condo.: No/No  
 Shape: Irregular  
 Topography: Level  
 Frontage Feet: 615  
 Frontage Desc.: 291'- Springs Rd NE;  
 324'-24th St NE  
 Bldg. to Land Ratio FAR: 0.19  
 Zoning Code: Pd-SC (N)  
 Flood Plain: No  
 Utilities: Water Public, Sewer  
 Utilities Desc.: All available  
 Improve. Info. Source: Other  
 Source of Land Info.: Other

**Operating Data and Key Indicators**

Net Operating Income: \$435,000  
 OAR(Cap. rate)Actual: 7.45%

**Sale Analysis**

Current Use: Walgreen Pharmacy

**Improvement and Site Data**

MSA: Hickory-Lenoir-Morganton,  
 NC Metropolitan Statistical  
 Area

Walgreens





## Location & Property Identification

Property Name: Rite Aid  
 Sub-Property Type: Retail-Commercial: Free Standing  
 Address: 7505 Louisburg Rd.  
 City/State/Zip: Raleigh, NC 27616  
 County: Wake  
 Market Orientation: Suburban



Lat./Long.: 35.876060/-78.540376 IRR Event ID ( 424692 )

## Sale Information

Sale Price: \$2,391,500  
 Eff. R.E. Sale Price: \$2,391,500  
 Sale Date: 08/01/2010  
 Sale Status: Closed  
 \$/SF GBA: \$207.43  
 \$/SF NRA: \$207.43  
 Grantor/Seller: DDR Southeast Raleigh LLC  
 Grantee/Buyer: FRAD Holdings LLC  
 Property Rights: Leased Fee  
 % of Interest Conveyed: 100.00  
 Terms of Sale: Cash to seller  
 Document Type: Deed  
 Recording No.: 13307/0974  
 Verified By: John R. Hildebrand  
 Verification Date: 11/30/10  
 Verification Source: Nan Delahunt  
 Verification Type: Confirmed-Seller

Land-SF(Usable/Gross): 118,919/118,919  
 Usable/Gross Ratio: 1.00  
 Year Built: 2003  
 Construction Desc.: Exposed steel construction. Brick exterior.  
 Roof Comm.: Central heating and AC.  
 Shape: Irregular  
 Corner Lot: Yes  
 Frontage Feet: 405  
 Frontage Desc.: Louisburg Road  
 Bldg. to Land Ratio FAR: 0.09  
 Zoning Code: NB & R4  
 Zoning Desc.: NB & R4/Raleigh  
 Source of Land Info.: Other  
 Net lease investment with 10+ years left on investment. 9% cap rate.

## Improvement and Site Data

MSA: Raleigh-Cary, NC Metropolitan Statistical Area  
 Legal/Tax/Parcel ID: 1737641397  
 GBA-SF: 11,529  
 GLA-SF: 11,529  
 Acres(Usable/Gross): 2.73/2.73

Rite Aid





## Location & Property Identification

Property Name: Rite Aid  
 Sub-Property Type: Retail-Commercial: Free Standing  
 Address: 5915 Spout Springs Rd.  
 City/State/Zip: Flowery Branch, GA 30542  
 County: Hall  
 Market Orientation: Suburban



Lat./Long.: 34.176625/-83.910011 IRR Event ID ( 427131 )

## Sale Information

Sale Price: \$2,600,000  
 Eff. R.E. Sale Price: \$2,600,000  
 Sale Date: 06/01/2010  
 Sale Status: Closed  
 \$/SF GBA: \$188.23  
 \$/SF NRA: \$188.23  
 Case Study Type: none  
 Grantor/Seller: Flowery Branch Holdings, LLC  
 Grantee/Buyer: 5915 Spout Springs Road, LLC  
 Property Rights: Leased Fee  
 % of Interest Conveyed: 100.00  
 Document Type: Deed  
 Recording No.: 6706/320  
 Verified By: J. Todd Neal  
 Verification Type: Confirmed-Seller Broker

## Operating Data and Key Indicators

Net Operating Income: \$296,780  
 OAR(Cap. rate)Actual: 11.41%

## Sale Analysis

Current Use: Rite Aid Pharmacy

## Improvement and Site Data

MSA: Gainesville, GA  
 Metropolitan Statistical Area  
 Legal/Tax/Parcel ID: 08096-000001  
 GBA-SF: 13,813  
 GLA-SF: 13,813  
 Acres(Usable/Gross): 1.68/1.68  
 Land-SF(Usable/Gross): 73,180/73,180  
 Usable/Gross Ratio: 1.00  
 Year Built: 2004  
 Improvements Cond.: Average  
 Construction Desc.: Typical Rite Aid construction  
 No. of Buildings/Stories: 1/1  
 Shape: Rectangular  
 Topography: Gently Sloping  
 Corner Lot: Yes  
 Bldg. to Land Ratio FAR: 0.18  
 Flood Plain: No  
 Utilities: Water Public, Sewer  
 Utilities Desc.: All Available  
 Source of Land Info.: Other

## Comments

Sold in 5th year of 20 year lease to Rite Aid

## **LEASE PROFILES**

## Location &amp; Property Identification

Property Name: CVS Store

Sub-Property Type: Retail-Commercial: Drug Store

Address: 5100 S. Laburnum Ave.

City/State/Zip: Richmond, VA 23231

County: Henrico

Market Orientation: Suburban



Lat./Long.: 37.515910/-77.349761 IRR Event ID (473972)

## Lease Information

Init Year Contract Rate: \$31.05 /\$/SF/YR

Effective Lease Rate: \$31.05 /\$/SF/YR

Lease Commencement: 04/01/2011

Lease Expiration: 03/31/2036

Term of Lease: 300 months

Lease Type: Local

Space Type: Retail

Transaction Reliability: IRR Confirmed

NRA: 10,125

Leased Area: 10,125

GLA-SF: 10,125

Acres(Usable/Gross): 1.24/1.24

Land-SF(Usable/Gross): 54,014/54,014

Usable/Gross Ratio: 1.00

Year Built: 1999

Building/M&S Class: A/C

Improvements Cond.: Good

No. of Buildings/Stories: 1/1

Multi-Tenant/Condo.: No/No

Bldg. to Land Ratio FAR: 0.19

Zoning Code: B-3, M-1

Improve. Info. Source: Inspection

Source of Land Info.: Public Records

## Lease Expense Information

Lease Reimburse. Type: Absolute Net

Tenant Pays: RE Taxes, Property Insurance, Management Fees, Administration Fees, Utilities, Repairs & Maintenance, Structural Repairs, CAM

## Improvement and Site Data

MSA: Richmond, VA Metropolitan Statistical Area

Legal/Tax/Parcel ID: 816-713-3177

GBA-SF: 10,125

## Comments

Building is twelve years old. A new lease was negotiated with the purchase. Lease rate bumps up 5.0% every five years. There are five 5-year options.

## Location &amp; Property Identification

Property Name: Walgreens  
 Sub-Property Type: Retail-Commercial: Drug Store  
 Address: 11200 Providence Rd.W.  
 City/State/Zip: Charlotte, NC 28277  
 County: Mecklenburg  
 Market Orientation: Suburban



Lat./Long.: 35.056858/-80.769760 IRR Event ID (492757)

## Lease Information

Lessor: DDG Enterprises III, LLC  
 Lessee: Walgreen Co.  
 Init Year Contract Rate: \$23.62 /\$/SF/YR  
 Effective Lease Rate: \$30.69 /\$/SF/YR  
 Lease Commencement: 03/13/2011  
 Lease Expiration: 03/12/2086  
 Term of Lease: 900 months  
 Space Type: Retail  
 Escalations: Fixed Steps  
 Verified with: Rent Roll  
 Transaction Reliability: IRR Confirmed  
 NRA: 14,820  
 Leased Area: 14,820

## Lease Expense Information

Lease Reimburse. Type: Absolute Net  
 Landlord Pays: Management Fees  
 Tenant Pays: RE Taxes, Property Insurance, Utilities, Repairs & Maintenance

## Improvement and Site Data

MSA: CHARLOTTE-GASTONIA-C  
 ONCORD, NC-SC  
 METROPOLITAN  
 STATISTICAL AREA

Legal/Tax/Parcel ID: 223-134-86  
 GBA-SF: 14,820  
 GLA-SF: 14,820  
 Acres(Usable/Gross): 2.20/2.20  
 Land-SF(Usable/Gross): 96,006/96,006  
 Usable/Gross Ratio: 1.00  
 Year Built: 2010  
 Improvements Cond.: Excellent  
 Construction Desc.: Masonry/Steel frame; brick veneer exterior.  
 No. of Buildings/Stories: 1/1  
 Total Parking Spaces: 62  
 Park. Ratio 1000 SF GLA: 4.18  
 No. Surface Spaces: 62  
 Park. Ratio 1000 SF GBA: 4.18  
 Fire Sprinkler Type: Yes  
 Roof Comments: Flat roof. HVAC-100%.  
 Shape: Rectangular  
 Topography: Gently Sloping  
 Corner Lot: Yes  
 Frontage Feet: 688  
 Frontage Desc.: 358' Johnston Rd; 311' Providence Rd West  
 Bldg. to Land Ratio FAR: 0.15  
 Zoning Code: CC  
 Zoning Desc.: Commercial Center Development District  
 Encumbrance/Easements: Yes

**Improvement and Site Data (Cont'd)**

|                        |  |
|------------------------|--|
| Easements Desc.:       | Landscape easement on the southeast corner of the site, as well as typical cross parking and access easements. No adverse affect on value. |
| Environmental Issues:  | No   |
| Flood Plain:           | No   |
| Utilities:             | Electricity, Water Public, Sewer, Gas  |
| Utilities Desc.:       | All public and available.  |
| Improve. Info. Source: | Other  |
| Source of Land Info.:  | Other  |

**Comments**

Typical Walgreen construction.

75 year lease. No free rent or TI. Lease has one initial 5-year base term, then seven additional 10-year base periods with fixed steps. Rent begins at \$23.62/sf/yr, then increases every ten years as follows: \$25.30, \$26.99, \$28.88, \$30.90, \$33.06, \$35.38, \$37.86.

## Location &amp; Property Identification

Property Name: Walgreens  
 Sub-Property Type: Retail-Commercial: Free Standing  
 Address: 801 Mebane Oaks Rd.  
 City/State/Zip: Mebane, NC 27302  
 County: Alamance  
 Market Orientation: Suburban



IRR Event ID (423149)

## Lease Information

Lessor: Mebane Oaks Development Group  
 Lessee: Walgreens  
 Init Year Contract Rate: \$25.05 /\$/SF/YR  
 Effective Lease Rate: \$25.05 /\$/SF/YR  
 Lease Commencement: 08/30/2010  
 Lease Expiration: 08/31/2085  
 Term of Lease: 901 months  
 Space Type: Retail  
 Escalations: None  
 Verified with: Peter Wenzler, Marcus & Millichap, 248-415-2600  
 Transaction Reliability: Confirmed  
 NRA: 13,650  
 Leased Area: 13,650  
 Full Building Lease: Yes

GLA-SF: 13,650  
 Acres(Gross): 1.62  
 Land-SF(Gross): 70,567  
 Year Built: 2010  
 Construction Desc.: Masonry  
 No. of Buildings/Stories: 1/1  
 Total Parking Spaces: 71  
 Park. Ratio 1000 SF GLA: 5.20  
 No. Surface Spaces: 71  
 Park. Ratio 1000 SF GBA: 5.20  
 Fire Sprinkler Type: Wet  
 Air-Conditioning Type: Roof Central Mounted  
 Roof Comments: Rubber membrane roof.  
 Shape: Irregular  
 Topography: Level  
 Corner Lot: Yes  
 Frontage Feet: 645  
 Frontage Desc.: 290' S 8th St, 127' Mebane Oaks, 228' S 5th  
 Bldg. to Land Ratio FAR: 0.19  
 Zoning Code: B-3  
 Zoning Desc.: Neighborhood Business  
 Flood Plain: No  
 Utilities Desc.: All public  
 Source of Land Info.: Other

## Lease Expense Information

Lease Reimburse. Type: Absolute Net

## Improvement and Site Data

MSA: Burlington, NC Metropolitan Statistical Area  
 Legal/Tax/Parcel ID: 9814970226, 9814878199 & 9814878320  
 GBA-SF: 13,650



**Location & Property Identification**

Property Name: Rite Aid  
 Sub-Property Type: Retail-Commercial: Drug Store  
 Address: 2545 Millersport Hwy.  
 City/State/Zip: Getzville, NY 14068  
 County: Niagara  
 Market Orientation: Suburban



Lat./Long.: 43.017020/-78.767169 IRR Event ID (480294)

**Lease Information**

Lessee: Rite Aid  
 Init Year Contract Rate: \$21.13 /\$/SF/YR  
 Effective Lease Rate: \$21.13 /\$/SF/YR  
 Lease Commencement: 08/01/2010  
 Lease Expiration: 07/31/2025  
 Term of Lease: 180 months  
 Lease Type: Local  
 Space Type: Retail  
 Transaction Reliability: Confirmed  
 NRA: 10,908  
 Leased Area: 10,908  
 Full Building Lease: Yes

No. of Buildings/Stories: 1/1  
 No. of Units / Unit Type: 1/Tenants  
 Density-Unit/Gross Acre: 0.41  
 Density-Unit/Usable Acre: 0.41  
 Bldg. to Land Ratio FAR: 0.10  
 Source of Land Info.: Broker

**Comments**

Building was originally constructed as an Eckerd.

**Lease Expense Information**

Lease Reimburse. Type: Absolute Net

**Improvement and Site Data**

MSA: Buffalo-Niagara MSA  
 GBA-SF: 10,908  
 GLA-SF: 10,908  
 Acres(Usable/Gross): 2.43/2.43  
 Land-SF(Usable/Gross): 105,850/105,850  
 Usable/Gross Ratio: 1.00  
 Year Built: 2000  
 Improvements Cond.: Good

**Location & Property Identification**

Property Name: CVS Pharmacy

Sub-Property Type: Retail-Commercial: Free Standing

Address: 678 Johnson Ferry Rd.

City/State/Zip: Marietta, GA 30068

County: Cobb

Market Orientation: Suburban



Lat./Long.: 33.966005/-84.411581 IRR Event ID (357568)

**Lease Information**

Lessee: CVS Pharmacy

Init Year Contract Rate: \$27.00 /\$/SF/YR

Effective Lease Rate: \$27.00 /\$/SF/YR

Lease Commencement: 11/01/2009

Lease Expiration: 11/01/2024

Term of Lease: 180 months

Lease Type: Local

Space Type: Retail

Transaction Reliability: Confirmed

NRA: 12,900

Leased Area: 12,900

Bldg. to Land Ratio FAR: 0.14

Source of Land Info.: Other

**Comments**

This class A property is located off of Johnson Ferry Road and Lower Roswell Road. It is close to Bethel Park in an affluent Atlanta neighborhood.

This is a new triple net least at \$27/sf. As with most drug stores, it is a 25 year lease.

**Lease Expense Information**

Lease Reimburse. Type: Triple Net

**Improvement and Site Data**

MSA: ATLANTA-SANDY SPRINGS-MARIETTA, GA METROPOLITAN STATISTICAL AREA

GBA-SF: 12,900

GLA-SF: 12,900

Acres(Usable/Gross): 2.00/2.00

Land-SF(Usable/Gross): 87,120/87,120

Usable/Gross Ratio: 1.00

Year Built: 2009

CVS Pharmacy



## Location &amp; Property Identification

Property Name: Rite Aid  
 Sub-Property Type: Retail-Commercial: Free Standing  
 Address: 1216 Longreen Pky.  
 City/State/Zip: Columbia, SC 29229  
 County: Richland  
 Market Orientation: Suburban  
 Property Location: NEC of Clemson Road and Longreen Pkwy



Lat./Long.: 34.008880/-81.012767 IRR Event ID (367232)

## Lease Information

Lessor: SBRA Clemson, LLC  
 Lessee: Rite Aid Corp.  
 Init Year Contract Rate: \$20.10 /\$/SF/YR  
 Effective Lease Rate: \$20.10 /\$/SF/YR  
 Lease Commencement: 03/19/2009  
 Lease Expiration: 03/18/2029  
 Term of Lease: 240 months  
 Lease Type: Franchise  
 Space Type: Retail  
 Escalations: Fixed Percentage  
 Verified with: Kase Abusharkh of Sperry Van Ness  
 Transaction Reliability: IRR Confirmed  
 NRA: 14,673  
 Leased Area: 14,673  
 Full Building Lease: Yes

GLA-SF: 14,673  
 Acres(Usable/Gross): 1.69/1.69  
 Land-SF(Usable/Gross): 73,616/73,616  
 Usable/Gross Ratio: 1.00  
 Year Built: 2008  
 Most Recent Renovation: N/A  
 Improvements Cond.: Excellent  
 Construction Desc.: Concrete slab foundation, masonry and stucco exterior, flat roof

No. of Buildings/Stories: 1/1  
 Multi-Tenant/Condo.: No/No  
 Fire Sprinkler Type: Wet  
 Air-Conditioning Type: Central  
 Shape: Irregular  
 Topography: Level  
 Corner Lot: Yes  
 Frontage Feet: 72  
 Frontage Desc.: Clemson Road  
 Traffic Count: Heavy  
 Bldg. to Land Ratio FAR: 0.16  
 Zoning Code: HI  
 Zoning Desc.: Heavy Industrial  
 Flood Plain: No  
 Utilities Desc.: All available  
 Improve. Info. Source: Broker  
 Source of Land Info.: Broker

## Lease Expense Information

Lease Reimburse. Type: Absolute Net

## Improvement and Site Data

MSA: COLUMBIA, SC  
 METROPOLITAN  
 STATISTICAL AREA  
 Legal/Tax/Parcel ID: R17400-05-45  
 GBA-SF: 14,673

Rite Aid



**Comments**

This property is located across Clemson Road from a new Lowe's home improvement center.

There are 10% increases every 10 years. Six five-year options. The tenant is responsible for taxes, insurance, and all maintenance, including roof and structure.

**ADDENDUM E**  
**LETTER OF AUTHORIZATION**

**RIMS Customer:** Wells Fargo**RETECHS #:** WF-CWS-11-034839-01-1**— Award Information**

Date Awarded: 11/22/2011  
 Canceled: No  
 Fee: \$2,850.00  
 Award Comments: ATTENTION:

Directly Awarded: No  
 Delivery Date: 12/19/2011

Report must be addressed to:  
 L. Joseph Shaheen  
 Akerman Senterfitt  
 401 East Jackson Street, Suite 1700  
 Tampa, FL 33602

813-223-7333  
 joseph.shaheen@akerman.com

INVOICE must be addressed as follows:

BILL TO: PAYOR, Wells Fargo RETECHS on behalf of its client, Akerman Senterfitt, for completion of attorney client privileged appraisal.

Job Attachments:

| File                        | Description               | Date Uploaded         | Confirmation Number |
|-----------------------------|---------------------------|-----------------------|---------------------|
| WF-CWS-11-034839-01 RFP.pdf | request for product (RFP) | 11/15/2011 2:45:56 PM |                     |

**— Bid Information**

Proposed Fee: \$2,850.00  
 Signatory Information: Chris R. Morris, MAI  
 Prior Services: Have you or your company performed or provided any professional services pertaining to -the subject property within the prior three years, as an appraiser or in any other capacity, or is your company presently involved with the management, leasing, disposition, or any similar service regarding the subject property. If Yes, please provide details in the Comments field.  
 Yes  
 Bid Comments: Last appraised for WF 11/10

**— RFP Information**

Purpose Of Request: OREO/Pre-Foreclosure  
 Response Deadline: ASAP  
 Desired Delivery Date: 12/10/2011  
 RFP Contact: Denny Johnson, MAI (NC)  
 Contact Phone: 704-246-6255

| First name | Last name | Company            | Address  |
|------------|-----------|--------------------|--|
| Joe        | Sheehan   | Akerman Senterfitt | 401 East Jackson Street Suite 1700 Tampa, FL 33602 |

Total Addressees: 1

| Number Of Copies | First Name | Last Name       | Company          | Address  |
|------------------|------------|-----------------|------------------|--|
| 1                | Ed         | Poole (SSG-DOM) | Wells Fargo Bank | 401 E. Jackson Street Suite 1450 Tampa, FL 33602 |

Total # Hard Copies: 1

SCOPE OF SERVICES: **RETECHS Requirements** PLEASE NOTE: RETECHS is soliciting bids for this potential pre-foreclosure/ litigation appraisal assignment on behalf of legal counsel, who will be the client that will formally engage the awardees. This assignment is subject to Attorney Work Product Doctrine and is CONFIDENTIAL. Once awarded, all correspondence will be directed to counsel whose contact information will be supplied. THE FEE YOU WILL PROVIDE should NOT include any fees for any potential court appearances or any other potential litigation expenses. Such fees and/or expenses will be negotiated separately, if and when such a need should occur. PLEASE DO NOT ASSUME THAT ANY LEGAL ACTION, SUCH AS A FORECLOSURE, WILL OCCUR. We are asking for a market value opinion, not a value assuming foreclosure or liquidation.

**Scope Of Work** 3.A. Appraisal: Three Approaches to Value-Summary Report 1.USPAP Summary report 2.Preparer inspects subject unless otherwise instructed 3.Preparer provides three approaches to value to be presented in a Summary format. Should one of the three approaches to value be meaningless, please discuss with Job Manager. 4.Additional services-as instructed- please reference LOB requirements.

**Approach to** 1. Income Approach 2. Sales Comparison Approach 3. Cost Approach (Not required, but can be

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**Value** Included if considered applicable) A conclusion as to the remaining useful life of the improvements is required, even if a Cost Approach is not undertaken.

**Market  
Conditions  
Disclaimer**

Due to concerns with changing market trends and conditions, we are requiring your analyses to consider: 1. Market Participant Interviews: Discussions with real estate market participants (buyers, sellers, property managers, real estate agents/brokers). Reference these interviews in a dedicated section, and report and analyze the most pertinent comments and how they impact the subject value. 2. Comparable Listings: In addition to consummated comparable sales and leases, listings should be considered, with the most pertinent ones reported and analyzed, and incorporated within your market data. Appraisal must be both USPAP an FIRREA compliant. There may be other specific requirements appended to this document below.

Report Type: Summary  
Report Format: Narrative

|                      |                          |                          |                          |
|----------------------|--------------------------|--------------------------|--------------------------|
| VALUATION SCENARIOS: | <b>Valuation Premise</b> | <b>Premise Qualifier</b> | <b>Property Interest</b> |
|                      | Market Value             | As-Is                    | Leased Fee               |

RFP Comments: We will need the following values: (Edit the following as necessary) As-Is/As-Stabilized. Be specific about whether the latter two should be as of a hypothetical current date of value or as of a prospective date of value. Should likely confirm with the account officer. If the property, or any part thereof, has sold in the past three years; the sale/purchase price must be reconciled with the applicable value conclusion. The same will apply if the subject is under contract to be purchased. Cost Approach A quantitative adjustment grid with dollar or percentage adjustment is required for the land sale analysis. It is necessary to derive a land value for the subject property, even if the Cost approach is not considered applicable. Insurable Replacement Cost is required (see reference documents for template). Even if the Cost approach is not found to be an applicable approach to value, it is necessary to provide a land value. Waiver of the land value conclusions will not be accepted. A quantitative analysis must be provided inclusive of an adjustment grid with \$ or % adjustments. Sales Comparison Approach Please pay particular attention that the improved sales selected are consistent with the conclusion of the most probable buyer for the property & the most probable use (single or multi-tenant). As a result, sales of like tenancy (single or multi-tenant) transactions of the same class & general location would be the most applicable. If these types of sales are not included, please describe why they were not used & if this has an impact on value. A quantitative adjustment grid with dollar or percentage adjustment is required. Adequate narrative to support the adjustment process & the thinking associated with same is also to be provided. State the source of the income & expense projections for the improved sales. If estimated by the appraiser, please state the basis for the estimates. To simply state estimated by the appraiser is not adequate. If the improved sales are not stabilized, each should be stabilized for analysis purposes if applicable. This includes stabilized income & expenses, as well as a stabilized purchase price. State the occupancy for the improved sales, before & after stabilization. If the vacancy & collection loss in the stabilized projections are different than estimated for the subject, please state that the sale is stabilized. Income Approach At least 50% of the rental data used in the Income approach should reflect actual leases. Specifically, rental data from properties with the same most probable use (single or multi-tenant) as the subject, of the same class & general location are expected. Specifically, data related to existing and/or anticipated tenants sizes (large block, medium site &/or smaller tenants) should be used. If this data is not analyzed, please describe why they were not used & if this has an impact on value. The rental data should be analyzed & an adjusted rental rate should be presented for each comparable. The analysis should consider, at a minimum, differences in lease date, lease term, concessions, tenant improvements, rental rate increases, lease type & physical characteristics. A quantitative adjustment grid with dollar or percentage adjustment is required. Comparable & actual expense data should be used & analyzed to estimate the subject's projected expenses. Expenses are to be analyzed on line item by item basis. Estimated expenses only at a specific dollar amount per square foot is not appropriate. The derivation of an overall rate should include data from comparable properties of a similar class, tenancy & location. Lease-up costs & absorption should be supported from comparable properties. Supplemental support for most assumptions of the Income approach is expected from survey data. Yield capitalization is assumed to be an appropriate method of valuation, so please use Argus & supply an electronic copy with the first submission of the appraisal. If yield capitalization is not found necessary, please provide an adequate discussion in the appraisal for its exclusion. This should also be discussed with the RETECHS job manager prior to its omission. Additional Appraisal Requirements & Noteworthy Issues: Please note other parties that may be signing this report & if they have a general appraisal certification or trainee designation. Please deliver an UNLOCKED electronic copy as of the agreed upon completion date. Upon completion of the initial review, it will be requested that three final hard copies be sent to the account officer via overnight delivery. RETECHS only requires a final electronic copy of the appraisal. A copy of the appraisers state license/certification must be included in the Addenda of the appraisal report. The selected appraiser is expected to obtain the necessary information to complete the assignment from the borrower and/or property contact. Be sure to review all applicable Wells Fargo Appraisal guidelines. Please note that a penalty of 5% per day will be assessed for late delivery of appraisal reports, for reasons deemed to be within your control. Contact job manager with any delays or for additional required information. No extension of due date will be approved unless requested, in writing, no less than eight days prior to the original due date. Revisions are expected within two business days, per Wells Fargo's guidelines, from the date requested or the aforementioned penalty will be applied.

GENERAL PERFORMANCE STANDARDS **Appraisal General Requirements**

SPECIFIC PERFORMANCE STANDARDS **APP-02 Specific Requirements**

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— **Property Information**

Project Name: 841 S Main Street

Property Description / Construction Type: ~~13,824 SF drug store leased to Rite-Aid~~  
Property Comment: Lease expired in 2024.  
Property Type: JD - Retail-Commercial - Free Standing Building-Free Standing - A single building designed for occupancy by a single user. Building is typically set back from street to accommodate parking (as opposed to Street Retail - see below).  
Address: 841 South Main Street, Graham, NC 27253  
County: Alamance  
Improvement Size (Primary): 13,824SF  
Land Size: 1.18Acres  
Number Of Tenants: 1  
Occupancy: 100%  
Parcel Numbers: 144069  
Current Use: Drug store  
Proposed Use: Same  
Number Of Stories: 1  
Number Of Buildings: 1  
Year Built: 2004  
Property Status: Existing  
Property Tenancy: Single Tenant Investor  
Parking Type: Surface Parking  
Ground Lease?: No  
Proposed Renovation?: No  
Listed for Sale?: Yes

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

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

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

**Note: a penalty of 5% per day will be assessed for late delivery of appraisal if the reason is within your control. Contact Denny Johnson (NC) 704-246-6255 for any holds, delays or further required information.**

1. Project Name: 841 S Main Street
2. Description of Services: As indicated in the RFP
3. Performance Period
  - Start Date: 11/22/2011
  - End Date (if known): 12/19/2011
4. Work Site: 841 South Main Street, Graham, NC 27253
5. Total Costs and Fees: \$2,850
6. Wells Fargo Job Manager: Denny Johnson (NC)

**Property Access and Contact Information:**

Gianluca Morello  
813-347-5100  
gmorello@wiandlaw.com

**Make contact immediately for access**

**Delivery Instructions:**

**(Unless otherwise specified in the attached addendum)**

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

1. Upload to RIMSCentral under the appropriate assignment the following, a PDF APPRAISAL REPORT to include:
  - The Recipient information [name, address, etc]  
Wells Fargo Bank – RETECHS  
Denny Johnson (NC)  
5926 Weddington-Monroe Road  
Wesley Chapel, NC 28104  
WF-CWS-11-034839-01
  - Vendor digital signature
2. Upload to RIMSCentral a copy of the appraisers state license / certification as an addenda of the appraisal report.
3. Upload to RIMSCentral any other property information to complete the assignments as stated in the Request for Proposal (RFP)
4. Upload to RIMSCentral the Original Invoice addressed to:  
  
Wells Fargo Bank RETECHS  
Denny Johnson (NC)  
5926 Weddington-Monroe Road  
Wesley Chapel, NC 28104  
704-246-6255

***Note:*** If uploading the documents to RIMSCentral is **not feasible**, then contact RIMSCentral for upload assistance or the RETECHS Job Manager, Denny Johnson (NC) for additional delivery instructions.

**Only upon RETECHS e-mail authorization is vendor to deliver hard copy (copies):**

Deliver to: Ed Poole (SSG-DOM)  
N2732-140  
401 E. Jackson Street, Suite 1450  
Tampa, FL 33602

**Additional Requirements may be specified in an attached addendum.**



## **ADDENDUM**

Enclosures:

APP-1A; Wholesale Appraisal Engagement Contract  
Lines of Business REG, PDF, CmBG, PDF VRL, PDFSL, PDF, REBG/MMRE,  
PDFLTDSUM Summary  
(Revised 3-12-2010)

PLEASE READ ADDENDUM AND AWARD COMMENTS

This assignment is being engaged by Wells Fargo RETECHS on behalf of the following attorney:

L. Joseph Shaheen  
Akerman Senterfitt  
401 East Jackson Street, Suite 1700  
Tampa, FL 33602

813-223-7333  
joseph.shaheen@akerman.com

The client for this assignment is the attorney, and the intended users of the end product(s) of this assignment are the attorney and Wells Fargo Bank. The work is being commissioned in connection with or anticipation of litigation.

APP-15 AWP Attorney Work Product Appraisal Engagement Contract Addendum  
(Revised 6-27-2011)