

Yearly Income and Expense Summary (continued)

EFFECTIVE GROSS INCOME	\$131,952
LESS EXPENSES	<u>(\$79,153)</u>
NET OPERATING INCOME	\$52,799
DIVIDED BY CAPITALIZATION RATE OF:	7.5%
	\$703,987
EXCESS LAND	
10 acres x \$8,000 per acre	<u>\$80,000</u>
	\$783,987
VALUE INDICATED BY THE INCOME APPROACH:	<u>\$783,987</u>
ROUNDED	<u>\$784,000</u>

NOTE:

The subject consists of 25 acres of which approximately 15 acres are required to support the current poultry operation. The remaining acreage (10 acres) is considered excess land and has been valued utilizing the market approach.

Value Reconciliation

Reconciliation is the culminating of ideas or indications to arrive at a final value. The different indications of value derived in this appraisal report follow:

Subject value indicated by cost approach	\$824,000
Subject value indicated by income approach	\$784,000
Subject value indicated by sales comparison approach	\$800,000

Each approach is a comparative analysis of the data in the marketplace, which is significant and applicable to the use of the respective approach. The accuracy and reliability of each approach is dependent on the quality and quantity of the market data available, the type of property being appraised and the definition of market value.

The first step in the analysis was estimating the value of the subject site as vacant. Land sales were researched throughout the market area, which were representative of the highest and best use of the subject parcel. These sales were reasonably current and parallel the economic environment of the subject. The comparable sales, with the recited adjustments applied, are resultant in a defensible estimate of market value for the site.

Value Reconciliation (continued)

The next subsequent step in the analysis was to formulate the cost approach. This approach is historically considered to be the least reliable because these properties are generally purchased and sold on the basis of their income producing potential or as a lifestyle farm and not necessarily on replacement cost. The cost approach is considered to be more reliable when the property is not a special use property, reasonably new, and has a nominal degree of physical depreciation. In the final analysis, the cost approach was given limited weight.

The sales comparison analysis represents the purchasing attitude of the average buyer and seller in the marketplace. This approach is limited by the availability of comparable sales with similar utility, age, and quality of construction. The sales herein recited represent varying degrees of similarity to the subject. Subjective estimates would have been required for the price per square foot method. Secondary weight was given to this approach.

The income approach is considered to be one of the best indicators of value in this type of agricultural property. A considerable portion of this report is given to this approach as it best exemplifies the methodology, which is applied by typical purchasers/operators when considering the purchase of agricultural property. This approach has been given primary weight in the final estimation of subject value.

The approaches indicated above were utilized to make the final value estimate. I have carefully re-examined each step in each method, and I believe the conclusions accurately reflect the attitude of typical purchaser. It is my belief that this re-examination has confirmed original conclusions.

Mineral Rights Valuation

The precise value of mineral interests in existence as well as the economic feasibility to extract minerals from the subject property, or any anticipated future annual production or income from the production of minerals that the appraiser is aware of is unknown. This appraisal is not an exhaustive study of the actual or potential mineral production, but is based on the best information available as of the effective date of the appraisal. The opinion of value of the mineral rights based on this information is \$1.00. Mineral rights run with the land and are not separate.