



MID-ATLANTIC

Valuation Group, Inc.

Principals
Michael J. Acquaro-Mignogna, MAI, AI-GRS
Gary E. Heiland II, MAI, AI-GRS

Associates
Julie E. Route, MAI
Brian D. Conner, MAI
David O. Rochkind
Lawrence B. O'Brien
Patrick W. Cullen
Jonathan C. Green
Benjamin B. Cooper

February 14, 2019

Howard L. Kelin, Esq.
Kegel Kelin Almy & Lord LLP
24 N. Lime Street
Lancaster, PA 17602

Re: Appraisal Proposal
Warwick Woodlands Component of Moravian Manor
400 W. Orange Street, Lititz Borough
Lancaster County, Pennsylvania

Dear Mr. Kelin:

In response to our recent conversation, Mid-Atlantic Valuation Group, Inc. (hereafter referred to as MVG) is pleased to present a proposal to conduct real property appraisal services for Kegel Kelin Almy & Lord LLP (hereafter referred to as KKA&L) and to complete a real property appraisal report as outlined herein.

1. Appraisal Assignment and Report: MVG agrees to perform a real property appraisal on the above captioned real estate and to submit to KKA&L a report that documents the results of that appraisal. The appraisal will be developed, and the report will be prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

2. Appraisal Scope: The appraisal will be developed by MVG by collecting, verifying and analyzing all information necessary for credible assignment results. This includes a field inspection of the real estate that is the subject of the appraisal and consideration of all valid valuation approaches. The appraisal analysis may exclude any valuation approaches MVG considers to be not applicable to the assignment.

3. Type of Report: The report communicating the results of the appraisal will be prepared as an "Appraisal Report" as defined in Standards Rule 2-2 of USPAP. If requested, a draft of the appraisal report may be provided at the discretion of MVG.

489 DEVON PARK DRIVE, SUITE 309
WAYNE, PENNSYLVANIA 19087
PH (610) 989-9007

30 SOUTH QUEEN STREET, PO Box 588
YORK, PENNSYLVANIA 17405
PH (717) 699-4434

*Providing Real Property Valuation and Consulting Services in
Pennsylvania, New Jersey, Maryland and Delaware*

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_____Initials

4. Real Estate Subject to Appraisal: It is MVG's understanding that the subject real estate is a ±72.1 acre parcel of land improved with 80 residential "independent living" units in detached and semi-detached configurations. The Lancaster County tax parcel identification number is 370-81707-0-0000.

5. Objective of Assignment: The objective of this appraisal assignment is to provide an opinion of the retrospective market value of the identified real property interest in the real estate that is the subject of this appraisal, as of the effective date of the appraisal.

6. Intended Use and Users of the Appraisal and Report: The intended use of the appraisal report is to assist KKA&L in evaluating the reasonableness of the property's ad valorem tax assessment, an appeal of which has recently been filed. The appraisal report may also be used as evidence of value in conjunction with said assessment appeal. The appraisal report is not intended for any other uses. The appraisal report is intended for use only by KKA&L on behalf of their client(s). Use of the appraisal report by others is not intended by the appraisers. Any other party who uses or relies upon any information contained in the report does so at their own risk.

7. Property Rights Appraised: The appraisal will address the fee simple estate in the real estate that is the subject of this assignment. Fee simple estate is defined as 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.¹

8. Effective Date of the Appraisal: In recognition of the intended use, the effective date of the appraisal will be the date on which the tax appeal was filed.

9. Appraisal Fee: The agreed-upon appraisal fee is TEN THOUSAND DOLLARS (\$10,000.00).

Any changes or additions to the assignment requested after acceptance of this agreement or after completion of the report will require additional compensation. Should testimony or additional consulting services be required, KKA&L will be billed at the rate of \$275.00 per hour for all time spent preparing for or providing said testimony or additional consulting services and for travel time. Also billed separately will be any extraordinary travel expenses that may be required, including but not limited to, airfare, lodging, etc. The quoted hourly rate is guaranteed for one year from the execution date of this agreement. Work completed after that one-year period will be billed at MVG's then current billing rate. The minimum fee for any testimony will be \$1,000.

Advanced notice of at least 30 days must be provided to MVG prior to any requested testimony event so that proper preparation, travel arrangements, etc. can be made for said testimony. KKA&L understands that there is no guarantee that MVG staff will be available for

¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

any testimony due to prior commitments and/or scheduling conflicts. Additional advanced notice is advised.

In the event that MVG or any of its owners, appraisers or employees is required by subpoena or other legal process to provide testimony or produce documents relating to the services or work product in connection with this engagement, whether as an expert or percipient witness, and whether in court, deposition, arbitration or in any other proceeding, and regardless of the identity of the party requiring such testimony or production of documents, KKA&L agrees to compensate MVG for the time incurred in connection with preparation for and provision of such testimony and/or documents at MVG's regular hourly rate in effect at that time for expert/testimonial services and to reimburse MVG's reasonable actual expenses. The foregoing shall not apply to the extent that a third party pays said fees or expenses.

10. Payment Terms: The full balance of the appraisal fee is due within 30 days of the delivery of the appraisal reports, or delivery of a draft report if one is provided. Any fees not paid within 30 days of invoice will be subject to an interest charge calculated at the rate of 1½ percent per month on the unpaid balance. Further, in the event legal action becomes necessary for the collection of fees, KKA&L will be responsible for all collection costs, including but not limited to, court costs and reasonable collection and legal fees.

Additionally, without liability on MVG's part, without regard to the stage of litigation and at MVG's option, MVG may unilaterally discontinue work on the assignment, rescind rights to any provided draft reports or final reports, and withhold providing testimony if any invoices are more than 30 days past due or if MVG determines that an irreconcilable conflict has arisen. The full balance of the appraisal fee and any accumulating interest charges remain due and payable notwithstanding MVG's discontinuation of work for KKA&L.

11. Report Copies: MVG will provide KKA&L a secured electronic copy (PDF format) of the final appraisal report and up to four original printed copies at no charge if requested at the completion of the assignment (\$50 per additional copy). If printed copies are required at a later date, the charge will be \$150 for the first copy and \$50 per additional copy. If a draft report is provided, only a secured electric PDF copy will be provided.

12. Completion Date: The completed final appraisal report, or initial draft report, will be provided to KKA&L at a mutually agreed upon date.

13. Cancellation of Assignment: If the need to cancel this agreement arises, written notice of cancellation should be delivered to Mid-Atlantic Valuation Group, Inc.; 489 Devon Park Drive, Suite 309; Wayne, Pennsylvania 19087. In the event of cancellation, KKA&L agrees to pay reasonable compensation to MVG for all services rendered prior to cancellation, at the rate of \$275.00 per hour. This will only be charged for actual time spent before receipt of written notice to cease work, plus all costs expended concerning said work, not to exceed the total fee for the assignment.

14. Exercise of Independent Judgment: In completing this assignment, it is agreed that MVG will exercise independent judgment and will complete the assignment in accordance with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. MVG has no present or prospective interest in the real estate that is the subject of this appraisal, no personal interest or bias with respect to the parties involved, and no bias with respect to the real estate or real property that is the subject of this assignment. MVG's engagement in this assignment is not contingent upon developing or reporting predetermined results, and MVG's compensation for completing this assignment is not in any sense contingent upon the development or reporting of a predetermined value or direction in value that favors any particular cause, the amount of the value opinion, a minimum valuation, the attainment of a stipulated result, the approval of a loan, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

15. Access and Information: To enable MVG to perform the appraisal services required, KKA&L agrees to facilitate access to the subject real estate. Further, KKA&L represents and warrants that all information provided to MVG with respect to the subject real estate and real property interest by KKA&L and/or its representatives will be true, complete and correct and may be relied upon by MVG without independent investigation or verification.

By acceptance of this agreement, KKA&L hereby authorizes current owners or contract purchasers of the subject real property, financial institutions, banks, brokers, utility companies, and governmental agencies (including local taxing, zoning and other similar local authorities), to provide MVG with copies of data and/or other records that they may possess relating to the real property that is the subject of this assignment.

16. Confidentiality: The data gathered by MVG in the process of completing the appraisal (except data provided by KKA&L) and the appraisal report prepared under this agreement will remain the property of MVG. With respect to data provided by KKA&L, MVG will not violate the confidential nature of the client relationship by improperly revealing any information that KKA&L requests remain confidential. KKA&L does, however, hereby authorize MVG to disclose all or any portion of the appraisal report and related work product to appropriate representatives of the Appraisal Institute, the Pennsylvania State Board of Certified Real Estate Appraisers, or any similar state appraisal authority, if such disclosure is required.

17. General Assumptions and Limiting Conditions: The appraisal will be subject to the General Assumptions and Limiting Conditions to be set forth in the appraisal report, a copy of which is attached. In completing this assignment, MVG reserves the right to employ additional assignment-specific assumptions or hypothetical conditions if necessary to produce credible assignment results.

18. Definition of Market Value: The definition of market value to be used in the appraisal is the same as that adopted by the Supreme Court of Pennsylvania, as follows:

The price which a purchaser, willing but not obliged to buy, would pay an owner, willing but not obliged to sell, taking into consideration all uses to which the property is adapted and might in reason be applied.²

In applying the definition cited above to this assignment, it is important to note that the “price” is considered in terms of cash in US dollars or in terms of financial arrangements comparable thereto.

19. Acknowledgement: MVG’s services will be delivered in a manner that is independent, impartial and objective. The outcomes of any negotiations, proceedings or other matters associated with this assignment are not warranted in any way. KKA&L acknowledges the potential for unfavorable results in this matter, regardless of the appraised value(s) or testimony by MVG staff.

The value of MVG’s services to KKA&L is based, in part, on MVG’s reputation for independent professionalism and integrity. It is possible that MVG may be engaged by other parties adverse to KKA&L in other matters in the future. This engagement of MVG’s services is expressly conditioned on agreement by KKA&L not to use the fact of this current or any previous engagement in other matters as a means to enhance or diminish the credibility of opinions or testimony by MVG or MVG staff in these matters or in any other matter.

20. Terms of Agreement: This Agreement, any attachments referenced herein, and any documents incorporated by reference herein represent the entire Agreement between the parties concerning the subject matter hereof. The terms and conditions of this Agreement supersede any prior verbal or written communications. No waivers, amendments or modifications of this Agreement or any part thereof shall be valid unless in writing signed by both parties. This agreement or any of the parties’ respective rights or obligations hereunder may not be assigned or transferred, directly or indirectly, by operation of law or otherwise, by either party without the prior written consent of both parties.

If the terms and conditions of this agreement and the attached General Assumptions and Limiting Conditions are acceptable, please confirm your acceptance by signing below and returning the executed copy to us. Please also initial each attached page.

² *Buhl Foundation, Appellant, v. Board of Property Assessment, Appeals and Review*, Supreme Court of Pennsylvania, 407 Pa. 567; 180 A.2d 900 (1962).

Howard Kelin, Esq.
Kegel Kelin Almy & Lord LLP
February 14, 2019
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Thank you for allowing Mid-Atlantic Valuation Group, Inc. the opportunity of serving your real property appraisal needs.

Respectfully submitted
MID-ATLANTIC VALUATION GROUP, INC.



Michael J. Acquaro-Mignogna, MAI, AI-GRS
Principal

PA Certified General Real Estate Appraiser
Certification Number GA000159L

Agreed to and accepted by: _____

Printed Name: _____

Title: _____

Company: _____

Date: _____

MID-ATLANTIC

Valuation Group, Inc.

_____ Initials

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

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

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the subject property is assumed to be good and marketable unless otherwise stated.
- The appraisers cannot guarantee that the property is free of encroachments or easements, and recommend further investigation and survey. The property is appraised free and clear of any or all liens, encumbrances, encroachments, easements and restrictions, unless otherwise stated.
- No responsibility beyond reason is assumed for matters of a legal nature, whether existing or pending. It is assumed that there are no existing judgments or pending or threatened litigation which could affect the value of the property.
- Responsible ownership and competent property management are assumed.
- Information and data contained in the appraisal report, although obtained from public record and other reliable sources and, to the extent possible, carefully checked by the appraiser(s), are accepted as satisfactory evidence upon which rest the opinions expressed herein. Any information furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed. Unless otherwise noted, it is assumed that all information known to the client/landowner/tenant(s) etc. and relevant to the valuation has been accurately furnished and that there are no undisclosed leases, agreements, liens or other encumbrances affecting the use or value of the property. Any financial information provided to us with respect to the operation of the property, such as financial statements and reports, rent rolls and lease data, is assumed to be complete, true and correct. Any lease, mortgage, deed of trust or other agreement or instrument reviewed by us relating to the property is assumed to be legal, valid, binding and enforceable in accordance with its express terms.
- All engineering studies are assumed to be correct. The appraisers have made no legal survey, nor have they commissioned one to be prepared; therefore, any plot plans or other such illustrative materials in this report are included only to help the reader visualize the property.
- 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 the appraisal.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable, would affect its highest and best use, or would have a material effect on its utility. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them. Unless otherwise noted, the property is not located in an area in which the purchase of flood insurance is required as a condition for federal or federally related financial assistance.
- If the appraisal includes a land valuation, the appraisers' conclusion of value is based upon the assumption that there are no hidden or unapparent conditions of the property that might impact buildability. The appraisers recommend due diligence to be conducted through the local building department or appropriate municipal authority to investigate buildability and whether the property

is suitable for its intended use or for any use. The appraisers make no representations, guarantees or warranties.

- It is assumed that there are no structural defects hidden by floor or wall coverings or any other hidden or unapparent conditions of the property, that all mechanical equipment and appliances are in good working condition, and that all electrical components and the roofing are in average condition unless otherwise noted in the report.
- It is assumed that the property is in full compliance with all federal, state and local laws and environmental regulations unless the lack of compliance is stated, described and considered in the attached report.
- It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the attached report.
- It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which any value opinions contained in this report are based.
- It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- If the appraisal is for property to be built or under construction, it is assumed that construction will be completed as outlined in the report. The appraiser reserves the right to review finalized plans, require a current on-site inspection prior to the release of any funds and/or recertify any values reported.
- Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. However, the appraisers are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value opinions are predicated on the assumption that there is no such material on or in the property that would cause a loss in value; furthermore, no responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client and all intended users of the appraisal are urged to retain an expert in this field, if desired. The valuation is subject to modification if a qualified expert in these areas detects any such potentially hazardous materials or conditions. The appraisers reserve the right to modify any qualitative or quantitative conclusions reported herein if so warranted.
- No environmental impact studies were conducted in conjunction with this appraisal, and our value opinions are subject to revision based upon any such 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.
- The appraisers have not been made aware of, nor are they qualified to ascertain, the existence of radon, a radioactive gas which occurs naturally in the soil of certain identified areas. In concentrated form, this gas has been shown to have detrimental health effects, and its existence

would potentially have a negative impact on the value(s) reported in the appraisal. The value estimate(s) assume that the subject is free and clear of radon gas.

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

- An appraisal is inherently subjective and represents only an opinion of a property's value.
- This appraisal shall be considered only in its entirety and no part of this appraisal shall be utilized separately or out of context. Any separation of the signature pages from the balance of the appraisal report invalidates the conclusions established herein.
- Any valuation opinions and/or any market or feasibility conclusions found herein apply only to the property or properties specifically identified and described in this report.
- The value reported herein is only applicable to the Property Rights Appraised in conjunction with the Objective of the Appraisal and the Intended Use of the Appraisal as herein set forth; the appraisal is not to be used for any other objectives or uses.
- The conclusions stated in the appraisal apply only as of the effective date(s) indicated and no representation is made as to the effect of any subsequent events.
- Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.
- Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. Any separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- Unless otherwise noted herein, the value opinions presented in this report do not include any value attributable to machinery, equipment or other personal property items.
- The appraisers reserve the right to modify the opinions and conclusions found herein should future engineering studies or consultations determine that the site and/or building measurements reported herein are inaccurate.
- Appraisers provide opinions of value and are not building or environmental inspectors. This appraisal does not guarantee that the property is free of defects or environmental problems. Appraisers perform inspections of visible and accessible areas only. Defects such as mold may be present in areas that an appraiser cannot see. A professional building inspection or environmental inspection is always recommended.
- The individual appraisers signing the report and Mid-Atlantic Valuation Group, Inc. are in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property - physically, financially and/or legally.
- We reserve the right to require, as a condition to our rendering an opinion as to value, the engagement of professional experts in certain disciplines. The engagement of any such expert and the compensation of such expert shall be solely the responsibility of the client.

- If a Cost Approach is presented herein, it has only been developed as an analysis to support the appraiser's opinion of market value. Use of this data, in whole or in part, for other purposes is not intended by the appraiser. Nothing set forth in the appraisal should be relied upon for the purpose of determining the amount or type of insurance coverage appropriate for the subject property. The appraiser does not guarantee that any insurable value estimate inferred from this report will result in the subject property being fully insured for any loss that may be sustained, and the appraiser assumes no liability for any such inference. Further, the Cost Approach may not be a reliable indication of replacement or reproduction cost for any date other than the effective date of this appraisal due to changing costs of labor and materials and due to changing building codes and governmental regulations and requirements.
- If an estimate of insurable value is provided herein, neither the intended user, the intended use, nor the objective of the appraisal changes from that described herein. The appraiser assumes no liability for any Insurable Value estimate provided and does not guarantee that any estimate or opinion will result in the subject property being fully insured for any possible loss that may be sustained. The appraiser recommends that an insurance professional be consulted. An Insurable Value presented herein may not be a reliable indication of replacement or reproduction cost for any date other than the effective date of this appraisal due to changing costs of labor and materials and due to changing building codes and governmental regulations and requirements.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. Unless otherwise noted herein, a specific compliance survey or analysis of this property has not been made to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since there is no direct evidence relating to this issue, any possible noncompliance with the requirements of the ADA was not considered in estimating the value of the subject property.
- Any income and expense estimates contained in this appraisal are used only for the purpose of estimating current value and do not constitute predictions of future operating results.
- The forecasts, projections, and estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions. This appraisal is based on the condition of local and national economies, purchasing power of money, and financing rates prevailing as of the effective date(s) of value.
- If a prospective value opinion is rendered herein, it is important to emphasize that prospective value opinions are intended to reflect the expectations and perceptions of market participants at the time the report was written; therefore, the appraisal cannot account for - and the appraiser(s) cannot be held responsible for - unforeseen events that may occur and that may alter market conditions prior to the effective date of the appraisal.
- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- Neither all nor any part of the contents of this report (especially any conclusions as to value(s), the identity of the appraiser, or the firm with which the appraiser is affiliated) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraisers.

- The liability of the individual appraisers signing the appraisal report and Mid-Atlantic Valuation Group, Inc. is limited to the client only and to the fee actually received by the appraisers. Furthermore, there is no accountability, obligation or liability to any other party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment. Acceptance and use of this analysis by the client or any third party constitutes acceptance of the above conditions. The appraiser(s) have no liability to any parties other than the client.
- The appraiser(s), by reason of this appraisal, are not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made for just and fair compensation for said services.
- 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 these General Assumptions and Limiting Conditions.