

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
WILMINGTON DIVISION**

IN RE:

**BATE LAND & TIMBER, LLC,

DEBTOR**

**CASE NO. 13-04665-8-SWH
CHAPTER 11**

**BATE LAND COMPANY L.P.'S SUMMARY OF TESTIMONY IN
OPPOSITION TO CONFIRMATION OF PLAN OF REORGANIZATION**

COMES NOW, Bate Land Company L.P. ("BLC"), and hereby submits this Summary of Testimony in Opposition to Confirmation of Debtor's Plan of Reorganization.

I. VALUE

- A. Highest & Best Use. Attached hereto are the following charts summarizing the testimony on this issue for the following properties:

Exhibit A – Broad Creek Tract
Exhibit B – Smith Creek Tract
Exhibit C – Spring Creek Tract
Exhibit D – Laura Williams #17/Smaller Williams Tract
Exhibit E – Laura Williams #16/Larger Williams Tract
Exhibit F – Magnolia Tract
Exhibit G – Island Creek Tract
Exhibit H – Rocky Point Tract
Exhibit I – Timber Tracts
Exhibit J – Mallory Tract
Exhibit K – Governor's Island Tract

- B. Highest and best use changes over time. Prior appraisals are not relevant or determinative of today's values.

12 A The highest and best use can change as I think this market
13 has demonstrated that. The market will pretty much determine
14 -- the market determines what the highest and best use is, what
15 supply and demand for any particular component of real estate,
16 any property type will determine its highest and best use. In
17 2005 and 2006, the real estate bubble was expanding. There
18 were numerous residential subdivisions all up and down the
19 coastal plain being marketed, being promoted and, you know,
20 this chart pretty much reflects what is actually happened in

(Moody, 4/30/14, Pg. 176).

Q As an appraiser when you're determining highest and best use, are you wed to the prior use of that property when you're determining the highest and best use today for your appraisal?

A No, not at all.

Q Okay.

A No.

Q You can consider a past use, but maybe one factor, but it's certainly not the determining factor for highest and best use, is it?

A You have to consider everything that could go on there.

(Cross, 4/29/14 Tr. Pg. 206).

C. Previous appraisals had assumptions in them that are not relevant to today.

Prior Broad Creek appraisals were predicated on there being an approved subdivision plan and there being septic approvals for that subdivision plan. (Moody, 4/30/14, Pg. 177).

2005 Broad Creek appraisal - "The valued derived in this appraisal is based on the extraordinary assumption that the subject's soils are suitable for development of the subject in typical densities with no extraordinary wastewater issues." (Debtor Ex. 43, Pg. 4).

2005 Smith Creek appraisal - "The valued derived in this appraisal is based on the extraordinary assumption that the subject's soils are suitable for development of the subject in typical densities with no extraordinary wastewater issues." (Debtor Ex. 44, Pg. 4).

D. Moody's November chart is not relevant.

"that was a consulting agreement and not an appraisal assignment." (Moody, 5/5/14 Tr. Pg. 107).

Was not acting as an appraiser at the time. (Moody, 5/5/14 Tr. Pg. 107-108).

Rocky Pointe – Changed because of the timber inventory. (Moody, 5/5/14 Tr. Pg. 111).

Laura Williams #17 – Took a much closer look at the soil composition and determined there were more wet soils. Better look at the property and its physical features. (Moody, 5/5/14 Tr. Pg. 111).

II. Selection and Use of Comparable Sales By Karen Cross.

A. 2009 and 2010 Coastal Land Trust sale should not be used as a comparable sale because the value used was based on the appraised value, not the actual sales price, the sale was not reflective of fair market value, and the sale does not meet the definition of fair market value.

Used the 2010 Coastal Land Trust Sale 8 times. Used the 2009 Coastal Land Trust Sale 6 times. (BLC Ex. 249).

Cash price for 2010 sale was \$1,219,595.50 (BLC Ex. 215).

"I relied on the appraisal report from Mr. Mashburn, his market value." (Cross, 3/24/14 Tr. Pg. 149).

Relied on the sales price and "the fact that I realized, I recognized that it was a bargain sale and that the grantee, or excuse me, the grantor would be receiving a, some monetary funds but also additional financial, what's the word I'm looking

for, compensation which was in turn a tax, some tax relief, a tax relief.” (Cross, 4/28/14 Tr. Pg. 124-125).

Have not used a transaction similar to this before. (Cross, 3/24/14 Tr. Pg. 150).

Did not provide Karen Cross with the information on the state tax benefits. (Saunders, 5/14/15 Tr. Pg. 81).

Entitled to NC state income tax credit. (Debtor’s Ex. 80, pg. 1).

DEFINITION OF 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, 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:

- a. buyer and seller are typically motivated;
- b. both parties are well informed or well advised, and each acting in what he considers his own best interest;
- c. a reasonable time allowed for exposure in the open market;
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”¹

(Debtor Ex. 1, Pg. 10).

“I’m not sure they’re representative of market value....But, the fact of the matter is the of the Navy wanted to acquire those tracts very badly to protect he approach to Cherry Pointe Air Station. And that to me was a motivating factor in buying those pieces of property and paying the price that was paid for them. I feel like that transaction represents more of a valued use to the Navy than it does market value....I feel like the value established by that appraisal was higher than the market value for the property....I think the purchase price of that property speaks more to Ms. Saunders’ ability to negotiate than it does market value....And I’m not real sure they were based on a competitive situation with other buyers.” (Moody, 5/1/14 Tr. Pgs. 184-187).

Has not seen an appraiser use a purchase price and then assume a tax benefit in addition to that. (Moody, 5/5/14 Tr. Pg. 122). Has not seen an appraiser use a bargain sale this way during his entire career since 1980. (Moody, 5/5/14 Tr. Pg. 124).

- B. Listings used by Karen Cross are not reflective of fair market value, and should not be used as comparable sales because of their time on the market.

“[Listings] give you a range of values of what’s going on out in the market and market participants expect for that type of property.” (Cross, 3/24/14 Tr. Pg. 107).

Did not use any listings because listings only show half of the definition of market value, the willing seller, but no meeting of the minds on the price. (Moody, 4/30/14 Tr. Pg. 167).

“I would make a higher adjustment for market conditions” if it’s been listed for a longer period of time. (Cross, 3/24/14 Tr. Pg. 108).

It would matter if the property had been listed for six months or four years. “Well, yes, certainly I would look at that.” (Cross, 3/24/14 Tr. Pg. 109).

“And I always make adjustments like that for listings, because they are not confirmed sales, and you have to allow for some, you know, price negotiations that are going to go on between the buyer and seller.” (Cross, 3/17/14 Tr. Pg. 60).

Oriental Acres Listing [Spring Creek Comp. #1, Smith Creek Comp. #6] was listed in February 2010. (Cross, 3/24/14 Tr. Pg. 111).

Did not follow up on how long the Sewell comp [Broad Creek comp. #1, Smith Creek Comp. #2 and Island Creek comp. #1] had been listed and do not know the date it was listed. (Cross, 4/28/14 Tr. Pg. 117).

Wayne Smith listing in Brunswick County was listed for two years. (Cross, 4/30/14 Tr. Pg. 121).

Rocky Pointe Properties listing in Pender County was overpriced. (Cross, 4/30/14 Tr. Pg. 92).

Swartville Listing [Rocky Pointe West Comp. #1] was overpriced and should sell for 80% of its listing price per a knowledgeable broker. (Debtor Ex. 11, Pg. 52). Property has been listed for four years. (Cross, 4/30/14 Tr. Pg. 100).

- C. Comparable sales used by Karen Cross are not comparable to the subjects because of their location and their status as partially developed properties.

Rocky Pointe Properties listing [Rocky Pointe East comp. #1] had preliminary approval for 46 lot subdivision. (Cross 4/30/14 Tr. Pg. 96). Made a 20% condition adjustment to take into account that factor. (Cross, 4/30/14 Tr. Pg. 96).

Wayne Smith Listing had preliminary approval for 250 lot subdivision. (Cross, 4/30/14 Tr. Pg. 121). Also are mining sand on this property. (Cross, 4/30/14 Tr. Pg. 122). No adjustment was made for entitlements, as adjustment was for final price negotiations that may occur. (Debtor Ex. 10, Pg. 53).

D.R Horton subdivision's prior developers invested \$2.3 million into infrastructure and improvements that ran with the land. (Debtor Ex. 10, Pg. 45). No adjustments for conditions of sale were made. (Debtor Ex. 10, Pg. 51).

Rocky Pointe West – Comparable sales used two listings. Of the closed sales used as comparable sales, two are in Onslow County and one is in New Hanover County. Three of the four closed sales were bank sales. (Debtor Ex. 11, Pg. 49-50).

Thornbrook Holdings sale has approval for 20 lot subdivision. (Debtor Ex. 11, Pg. 42). Adjustment of 15% because it was a bank sale. (Debtor Ex. 11, Pg. 50)

E 85 Transport sale had approval for 130 lots with \$300,000 spent on infrastructure. (Debtor Ex. 11, Pg. 43). Adjustment of 15% because it was a bank sale. (Debtor Ex. 11, Pg. 50).

D. Age of comps Used By Karen Cross

Try really hard not to use a comp older than five years. (Cross, 3/24/14 Tr. Pg. 133).

Did not use the Jimmy McCotter/Dawson's Creek sale because you cannot get to the Neuse River from the property in a big boat. (Cross, 4/28/14 Tr. Pg. 112).

Swift Creek Comp. [Broad Creek comp. #5, Smith Creek comp. #5,] are outside of the five year rule. (Cross, 4/29/14 Tr. Pg. 19).

E. Adjustments - See chart attached hereto showing total gross adjustments used by Karen Cross attached hereto as Exhibit L. Gross adjustments exceed her threshold and establish that they are not comparable sales because of the adjustments that have to be made to them.

"In my practice if I have to use anything pretty much above 45 or 50 percent, it is not a comp and I won't use it." (Cross, 3/24/14 Tr. Pg. 142).

III. Chuck Moody's reason for not "showing the math" in making his adjustments is based on current market conditions and is an accepted methodology for appraising the property.

Moody - Redirect/Biggs 101

1 A In the marketing environment in which we find ourselves
2 for these appraisals that we're doing there is not a lot of
3 data to use to substantiate a numerical adjustment. I feel
4 like it would be somewhat misleading to take sales data that is
5 not consistent and does not indicate a real good trend and to
6 assign a specific mathematical number to it. I think that
7 tends to imply a degree of accuracy that the market does not
8 provide at this point in time. I think it's much more
9 illustrative and much more consistent with being able to
10 support the value just to simply discuss why these sales are
11 better or not as -- are better than subject or not as good as
12 subject or the same as subject and discuss those features.

13 In reaching a value conclusion all of these things
14 were considered and I think that you'll note in each one of
15 these appraisals if there's generally a sales identified as
16 being the most like subject property or the best physical
17 substitute. And another sales is generally identified as being
18 sort of the next best. And by using those two I feel like I
19 have described a range of values and the value conclusion
20 reaches within that range of values based on whether the sales
21 are better or worse than the subject.

22 Q So those would be subjective adjustments.

23 A Subjective adjustments and quite frankly when the

(Moody, 5/1/14 Tr. Pg. 101).

IV. Good Faith - The Debtor's creation of creditors immediately before filing and the conversion of an unsecured claim to a secured claim, along with the Debtor's ability to pay claims shows the Debtor is not acting in good faith in proposing its Plan.

A. Debtor converted unsecured claims to secured claims and created claims immediately before filing in order to ensure an impaired, accepting class.

1. Northen Blue

No recollection of any payments made to Northen Blue by the Debtor other than the July 2013 payment. (Saunders, 2/24/14 Tr. Pg. 42).

None of the other entities who engaged Northen Blue signed a note and security agreement to Northen Blue. These other entities own assets. (Saunders, 2/24/14 Tr. Pg. 169).

2. John Deere/Revels Turf & Tractor

“There’s no reason that I could not have borrowed any more equipment.” (Saunders, 2/24/14 Tr. Pg. 74).

Ocean Ridge, one of Saunders companies, had a lease on this equipment when it was purchased. (Saunders, 2/24/14 Tr. Pg. 94).

None of the payments on the lease were ever made to Revels Turf & Tractor by the Debtor. (Saunders, 2/24/14 Tr. Pg. 154).

Ocean Ridge paid the lease payments from 2011 until July 2013. (Saunders, 5/14/14 Tr. Pg. 61).

Lease had been in effect since 2011. (Revels, 5/6/14 Tr. Pg. 33).

Saunders had never come to him before and asked to change the name of the owner. (Revels, 5/6/14 Tr. Pg. 34-35).

Ocean Ridge has not changed any other contracts from leases to purchases. (Revels, 5/6/14 Tr. Pg. 38).

Saunders and his company Ocean Ridge is a good customer. The purchase of the tractor was the first transaction done through the Debtor. (Revels, 5/6/14 Tr. Pg. 29).

Paid \$5,000 down and applied a \$9,000 credit from the rental. (Revels, 5/6/14 Tr. Pg. 38).

Debtor needs to stand on its own, without funding from outside sources. (Saunders, 2/24/14 Tr. Pg. 152).

B. Ability to Pay

1. Debtor Had the Ability and Resources to Pay Claims From Other Sources.

Debtor has been unable to pay its debts from the time the first note payment was due. (Saunders, 2/24/14 Tr. Pg. 158).

Debtor had money available to it from other sources in July 2013. (Saunders, 2/24/14 Tr. Pg. 86).

“Bate Land & Timber recognizes it needs to stand on its own. It’s time for it to stand on its own. It’s past time for it to stand on its own. And that’s what it intends to do once it completes the process here in this Court.” (Saunders, 2/24/14 Tr. Pg. 152).

2. Debtor Had the Ability and Resources to Pay Claims From Its Own Resources.

Didn’t cut timber in the last year. Did a little bit in early 2012. His company [Cargill’s] was the only one cutting timber. (Cargill, 5/5/14 Tr. Pg. 198).

Debtor had timber valued at \$2,209,871.00 on the encumbered properties. (Debtor’s Ex. 19(b)); Debtor was entitled to retain 50% of all timber proceeds after January 19, 2011. (Saunders, 5/14/14 Tr. Pg. 16).

Debtor retained over \$3.6 million from timber sales (Debtor Ex. 79). Prior to January 19, 2011 Debtor was cutting timber and retaining all of the proceeds. (Saunders, 5/14/14 Tr. Pg. 16-17).

Debtor Ex. 78 - Debtor received \$403,483 from sale of unencumbered Pinhook property in 2012.

Debtor has not attempted to borrow money on the properties to repay the debt. (Saunders, 5/14/14 Tr. Pg. 24, 25).

Did not attempt to borrow money against the raw land that CG Squires owns. (Saunders, 5/14/14 Tr. Pg. 72).

CG Squires only has \$700 in liabilities. (Saunders, 5/14/14 Tr. Pg. 72).

CG Squires had land worth \$8 million. (Saunders, 5/14/14 Tr. Pg. 69).

Debtor owned three tracts of property which are unencumbered, which Debtor valued at \$1,345,125 (Debtor’s Ex. A to Schedule A, Dkt. 37, Pg. 4 of 28); Unencumbered Lupton tract valued by Debtor’s appraiser at \$75,000.00 (Debtor Ex. 19(b)).

Debtor will be able to make payments to Northen Blue starting one year from now if it doesn’t have to worry about paying release fees to Bate Land Company for property sales and timber sales. (Saunders, 2/24/14 Tr. Pg. 45).

Debtor received \$9,000 funding from equity in December 2013. (BLC Ex. 32).

Debtor received \$10,000 funding from equity in February 2014 because Debtor needed the money. (Saunders, 5/15/14 Tr. Pg. 105); (BLC Ex. 275, Pg. 7).

Respectfully submitted this the 9th day of June, 2014.

s /Trawick H. Stubbs, Jr.
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CERTIFICATE OF SERVICE

I, Trawick H. Stubbs, Jr., P.O. Box 1654, New Bern, North Carolina 28563, certify:

That I am, and at all times hereinafter mentioned was, more than eighteen (18) years of age;

That on the 9th day of June 2014, I served copies of the foregoing Summary of Evidence on the parties listed below as indicated.

I certify under penalty of perjury that the foregoing is true and correct.

EXECUTED ON: 06/09/2014

s /Trawick H. Stubbs, Jr.
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cc:

Bankruptcy Administrator (via CM/ECF)

George M. Oliver (via CM/ECF)
Attorney for Debtor

Bate Land Company, LP (via electronic mail)

EXHIBIT A

BATE LAND COMPANY, L.P. – BROAD CREEK

	BLC	Debtor
Value	\$745,000	\$3,800,000
Highest & Best Use	<ul style="list-style-type: none"> Continued timber production until the market absorbs excess inventory, and thereafter residential use 	<ul style="list-style-type: none"> Future residential development
Appraiser's Factors Considered in Reaching Highest & Best Use Conclusion	<ul style="list-style-type: none"> Sewer status, soils, and market conditions. (Moody 5/1/14 Tr. Pg. 35). Water frontage was considered, but outweighed by market conditions and soils conditions. (Moody 4/30/14 Tr. Pg. 170) 	<ul style="list-style-type: none"> Topography, utilities that may be available, surrounded by water on three sides, and no vertical hindrances for sailboats. (Cross 3/17/14 Tr. Pg. 48) Historic development of waterfront property in Pamlico Co. over the last decade and real estate market as to home sales. (Cross 3/17/14 Tr. Pg. 49) Property is on the water (Cross, 4/28/14 Tr. Pg. 69)
	<u>Testimony in Support of Highest & Best Use Factors</u>	
Sewer & Soils	<p>1. Status of Municipal Sewer</p> <ul style="list-style-type: none"> No municipal sewer service available. Would need some type of onsite disposal system. (Moody, 5/1/14 Tr. Pg. 35) Bay River does not have capacity to service this property even if the lines were extended. (Moody 4/30/14 Tr. Pg. 156) Bay River Sewer Authority is limited on capacity and has no room for growth (Venters, 5/6/14 Tr. Pg. 65) "If she [Karen Cross] said, do we have capacity I may have said yes, we have some capacity. If she said, do we have capacity for a subdivision, I would have said no." (Venters, 5/6/14 Tr. Pg. 66) "Everyone is well aware of what our capacity problems are in Pamlico County." (Venters, 5/6/14 Tr. Pg. 66) 	<p>1. Status of Municipal Sewer</p> <ul style="list-style-type: none"> Sewer capacity is available from Bay River for new development, but there are limited funds for expansion. Another alternative is developer funded construction of expansion of municipal utilities. (Debtor Ex 1, Pgs. 33-34) Did not ask Chris Venters about sewer capacity; inference was that there was plenty of capacity. (Cross 4/28/14 Tr. Pg. 97) "I did not specifically ask him [Chris Venters] about capacity." (Cross 4/28/14 Tr. Pg. 97) Did not ask about number of lots Bay River would have capacity for. (Cross 4/28/14 Tr. Pg. 98) Did not ask Chris Venters about the cost of a private sewer system. (Cross 4/28/14 Tr. Pg. 99)

EXHIBIT A

BATE LAND COMPANY, L.P. – BROAD CREEK

	<ul style="list-style-type: none"> • “If you applied for a permit to build a subdivision, they wouldn’t grant the permit because they know our capacity levels.” (Venters, 5/6/14 Tr. Pg. 67) <p>2. Suitability of Soils for Onsite Septic</p> <ul style="list-style-type: none"> • Soil features evaluated were land form, the drainage classification and frequency of flooding, and the depth of the water table. (Moody 4/30/14 Tr. Pg. 159) • Alta Vista loamy fine sand was probably the only soil suitable for a septic system. (Moody 4/30/14 Tr. Pg. 161) • “[T]he soils that comprise the subject property have a history of use for commercial timber management in the market area. (BLC Ex. 44, Pg. 14) • Subdivision plan would be needed to determine the sewer capacity needed and the cost of sewer. (BLC Ex. 47, Pg. 18) <p>3. Cost of Sewer Service</p> <ul style="list-style-type: none"> • In order to have septic on the site, would need to use a system that costs \$15,000 to \$20,000 per unit instead of \$3,500-\$4,000 per unit. (Gully, 5/15/14 Tr. Pg. 55). This system costs more than a traditional system. (Gully, 5/15/14 Tr. Pg. 56) • “I don’t know who would bear the cost. I don’t know if the developer would lower his price because of the system being a little bit more expensive.” (Gully, 5/15/14 Tr. Pg. 56) • If septic is being placed on a different lot, that is 	<p>2. Suitability of Soils for Onsite Septic</p> <ul style="list-style-type: none"> • Listing of soils on property and soil inventory map. (Debtor Ex 1, Pgs. 33-34). • Everything considered about soils is on pages 32 to 35 of appraisal. (Cross 4/28/14 Tr. Pg. 89) • “You look at the types of soils on the subject. You look at the surrounding areas. And if you’re seeing the same types of soils and they have improvements on them, then you, you know, based on our judgment, conclude they will potentially support improvements.” (Cross 4/28/14 Tr. Pg. 93-94) • Ex. 116 – Picture of Broad Creek Tract (Ex. 116) shows houses on either side of the Broad Creek tract. Compared the soils from those houses to the Broad Creek tract and they are generally the same. (Cross 4/29/14 Tr. Pgs. 50-51) • Did not talk to any soil experts and was not advised to talk to any soil experts. (Cross 3/24/14 Tr. Pg. 30) <p>3. Cost of Sewer Service</p>
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EXHIBIT A

BATE LAND COMPANY, L.P. – BROAD CREEK

	<p>something the developer puts in. (Gully, 5/15/14 Tr. Pg. 27)</p> <ul style="list-style-type: none"> • “The market conditions that presently exist in Pamlico County indicate that undertaking the expense to design, <i>evaluate utility service costs</i>, and develop the subject property into a residential subdivision, would not be prudent.” (BLC Ex. 47, pg. 18 (emphasis added)). • Does not know of a whole subdivision built using the TS2 pre-treatment system. (Gully, 5/15/14 Tr. Pg. 56). • System is typically used on an as needed basis, for a lot here or there throughout the subdivision. (Gully, 5/15/14 Tr. Pg. 62) • “If it’s a collection system involving multiple homes, its easier for the developer to do that because of all the maintenance agreements that are required....It’s typically installed by the developer if it’s a collection system.” That is a cost the developer pays upfront. (Gully, 5/15/14 Tr. Pg. 56-57). 	
Market Conditions	<p>1. Lot Inventory</p> <ul style="list-style-type: none"> • “Based on the sales that have taken place in 2012, 2013, there’s six or seven-year inventory, maybe as much as nine-year inventory of vacant lots that are listed and available for sale.” (Moody, 4/30/14 Tr. Pg. 151) • “Market in Pamlico County is overbuilt with vacant lots.” (Moody, 4/30/14 Tr. Pg. 150) • Number of lot sales has declined since 2006, and gone from 56 to 36 from 2012 to 2013. (BLC Ex. 47 Pg. 9) • Average days on market for lots has generally 	<p>1. Lot Inventory</p> <ul style="list-style-type: none"> • “Given the lot inventory, it is considered unlikely that residential development of the subject property is feasibly within the reasonably foreseeable future.” (Cross, 4/29/14 Tr. Pg. 163); (Debtor Ex Tab 15, Pg. 34); (Debtor Ex. 12a, Pg. 28) • “I didn’t look at it [lot inventory] to the extent that I would have done if I was doing a subdivision analysis but I was aware that there was some lot inventory in the county, yes.” (Cross, 4/29/14 Tr. Pg. 164) • Did not consider existing lot inventory in her analysis. (Cross, 3/17/14 Tr. Pg. 24-25)

EXHIBIT A

BATE LAND COMPANY, L.P. – BROAD CREEK

	<p>increased since 2006, and increased from 328 days to 411 days from 2012 to 2013. (BLC Ex. 47, Pg. 9)</p> <ul style="list-style-type: none"> • Included information on residential building permits and lot sale activity to show activity was in Pamlico County and the trend since 2006. Trend is important to know because of the residential development potential (Moody, 4/30/14 Tr. Pgs. 148-149) • Pamlico County also has ghost inventory of lots not showing up in the statistics. (Moody, 4/30/14 Tr. Pgs. 150-151) <p>2. Sales of Large Land Tracts</p> <ul style="list-style-type: none"> • Found one sale of large waterfront land purchased for residential development, the Dawsons Creek property. (Moody, 4/30/14 Tr. Pg. 167-168). • Dawson's Creek sale occurred Dec. 12, 2012. Purchase price was \$1,700,000. Two tracts originally purchased in October 2005 and March 2008 for \$7 million. (BLC Ex. 47, Pg. 21). <p>3. Status of Other Subdivisions</p> <ul style="list-style-type: none"> • "At this point in time, there are no subdivisions of Pamlico County that are doing really 	<ul style="list-style-type: none"> • Had not looked at available lots before her deposition. (Cross, 3/17/14 Tr. Pg. 143) • Did not place weight on lot sales when doing appraisals. (Cross, 3/24/14 Pg. 90) • Did not consider lot sales or lot inventories in these appraisals. (Cross, 4/28/14 Tr. Pg. 102) • Considered the entire county to be the market area for Broad Creek. (Cross, 3/17/14 Tr. Pg. 40) <p>2. Sales of Large Land Tracts</p> <ul style="list-style-type: none"> • Could not find any waterfront residential sales in Pamlico County (Cross 4/28/14 Tr. Pg. 121-122) • Did not find any sales of large land tracts for residential purposes in Pamlico County in the last five years. (Cross, 4/19/14 Tr. Pg. 222) • "When I called them up and said hey, have you got any recent large waterfront land tracts they all laughed at me." (Cross, 3/17/14 Tr. Pg. 66) • Could not find any sales of large undeveloped tracts of land. (Cross, 3/17/14 Tr. Pg. 140) • Market for large tracts and lots has declined since 2006. (Cross, 3/24/14 Tr. Pg. 15) • No closed sales in Pamlico County of large waterfront tracts. (Cross, 3/24/14 Pg. 99) • Dawson's Creek is fire selling lots. (Cross, 4/28/14 Tr. Pg. 111) <p>3. Status of Other Subdivisions</p> <ul style="list-style-type: none"> • River Dunes has sold a few more lots. People that own lots now are building on the lots. (Cross, 4/29/14 Tr. Pg. 64); River Dunes sold another lot in February 2014. (Cross,
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EXHIBIT A

BATE LAND COMPANY, L.P. – BROAD CREEK

	<p>well...Really well means that they 're selling lots, of greater two or three lots a month and they've got a cash flow that's paying all of their carrying costs and paying their debt." (Moody, 4/30/14 Tr. Pg. 155)</p> <ul style="list-style-type: none">• River Dunes sold 2 lots in the last year and a half. There have not been any lot sales from the developer since that time. (Moody, 4/30/14 Tr. Pg. 153) <p>4. Home Sales</p> <ul style="list-style-type: none">• Did not include information on home sales because vacant tract is converted into residential lots. (Moody, 4/30/14 Tr. Pg. 149)	<p>4/29/14 Tr. Pg. 66)</p> <ul style="list-style-type: none">• Followed up on the listings in the appraisal listed as "additional listings" and none of them have sold. (Cross, 4/29/14 Tr. Pg. 72) <p>4. Home Sales</p> <ul style="list-style-type: none">• Updated market information shows existing home sales, not new home sales. (BLC Ex. 268, Pg. 1)• Did not distinguish between new and used homes in home sale analysis. (Cross, 3/24/14 Tr. Pg. 83)• "2008 the market is when it went straight down the tubes as we well know." (Cross, 3/24/14 Pg. 168)• Did not use Ex. 268 in preparing opinions of value. (Cross, 4/28/14 Tr. Pg. 111)
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EXHIBIT B

BATE LAND COMPANY, L.P. – BAY RIVER SMITH CREEK

	<u>BLC</u>	<u>Debtor</u>
Value	\$800,000	\$6,800,000
Highest & Best Use	<ul style="list-style-type: none"> Timber production for interior, with 500 foot strip of residential development along the water 	<ul style="list-style-type: none"> Future residential development
Appraiser's Factors Considered in Reaching Highest & Best Use Conclusion	<ul style="list-style-type: none"> Soils and market conditions. (Moody 5/1/14 Tr. Pg. 88); (Moody, 4/30/14 Tr. Pg. 179) 	<ul style="list-style-type: none"> Topography, utilities that may be available, surrounded by water on three sides, and no vertical hindrances for sailboats. (Cross 3/17/14 Tr. Pg. 48) Historic development of waterfront property in Pamlico Co. over the last decade and real estate market as to home sales. (Cross 3/17/14 Tr. Pg. 49) Property is on the water (Cross, 4/28/14 Tr. Pg. 69)
	<u>Testimony in Support of Highest & Best Use Factors</u>	
Soils & Sewer	<p>1. Status of Municipal Sewer</p> <ul style="list-style-type: none"> Bay River does not have capacity to service this property even if the lines were extended. (Moody 4/30/14 Tr. Pg. 156) Bay River Sewer Authority is limited on capacity and has no room for growth (Venters, 5/6/14 Tr. Pg. 65) "If she [Karen Cross] said, do we have capacity I may have said yes, we have some capacity. If she said, do we have capacity for a subdivision, I would have said no." (Venters, 5/6/14 Tr. Pg. 66) "Everyone is well aware of what our capacity problems are in Pamlico County." (Venters, 5/6/14 Tr. Pg. 66) "If you applied for a permit to build a subdivision, they wouldn't grant the permit 	<p>1. Status of Municipal Sewer</p> <ul style="list-style-type: none"> "Municipal water and sewer service are available along NC Highway 304...there is available capacity for new development in this area of the county, although the county itself has limited funds for expansion." Another alternative is developer funded construction of expansion of municipal utilities. (Debtor Ex. 2, Pg. 36) Did not ask Chris Venters about sewer capacity; inference was that there was plenty of capacity. (Cross 4/28/14 Tr. Pg. 97) "I did not specifically ask him [Chris Venters] about capacity." (Cross 4/28/14 Tr. Pg. 97) Did not ask about number of lots Bay River would have capacity for. (Cross 4/28/14 Tr. Pg. 98) Did not ask Chris Venters about the cost of a private sewer system. (Cross 4/28/14 Tr. Pg. 99)

EXHIBIT B

BATE LAND COMPANY, L.P. – BAY RIVER SMITH CREEK

	<p>because they know our capacity levels.” (Venters, 5/6/14 Tr. Pg. 67)</p> <p>2. Suitability of Soils for Onsite Septic</p> <ul style="list-style-type: none"> • Soils that have physical properties to support septic system only compose 20% of property. (Moody 5/1/14 Tr. Pg. 88) • “[T]he soils that comprise the subject property have a history of use for commercial timber management in the market area. (BLC Ex. 49, Pg. 15) <p>3. Cost of Sewer Service</p> <ul style="list-style-type: none"> • Cost to run sewer service to property is not financially feasible. (Moody 5/1/14 Tr. Pg. 88) • “In the current market environment for residential lots in Pamlico County, cost to provide sewer service to the subject property does not appear to be financially feasible.” (BLC Ex. 49, Pg. 18) • In order to have septic on the site, would need to use a system that costs \$15,000 to \$20,000 per unit instead of \$3,500-\$4,000 per unit. (Gully, 5/15/14 Tr. Pg. 55). This system costs more than a traditional system. (Gully, 5/15/14 Tr. Pg. 56) • “I don’t know who would bear the cost. I don’t know if the developer would lower his price because of the system being a little bit more expensive.” (Gully, 5/15/14 Tr. Pg. 56) • If septic is being placed on a different lot, that is something the developer puts in. (Gully, 	<p>2. Suitability of Soils for Onsite Septic</p> <ul style="list-style-type: none"> • Listing of soils on property and soil inventory map. (Debtor Ex 2, Pgs. 31-32). • “You look at the types of soils on the subject. You look at the surrounding areas. And if you’re seeing the same types of soils and they have improvements on them, then you, you know, based on our judgment, conclude they will potentially support improvements.” (Cross 4/28/14 Tr. Pg. 93-94) <p>3. Cost of Sewer Service</p>
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EXHIBIT B

BATE LAND COMPANY, L.P. – BAY RIVER SMITH CREEK

	<p>5/15/14 Tr. Pg. 27)</p> <ul style="list-style-type: none"> • Does not know of a whole subdivision built using the TS2 pre-treatment system. (Gully, 5/15/14 Tr. Pg. 56). • System is typically used on an as needed basis, for a lot here or there throughout the subdivision. (Gully, 5/15/14 Tr. Pg. 62) • “If it’s a collection system involving multiple homes, its easier for the developer to do that because of all the maintenance agreements that are required....It’s typically installed by the developer if it’s a collection system.” That is a cost the developer pays upfront. (Gully, 5/15/14 Tr. Pg. 56-57). • “The market conditions that presently exist in Pamlico County indicate that undertaking the expense to design, <i>evaluate utility service costs</i>, and develop the subject property into a residential subdivision, would not be prudent.” (BLC Ex. 49, pg. 20 (emphasis added)) 	
Market Conditions	<p>1. Lot Inventory</p> <ul style="list-style-type: none"> • Only portion of the property that could be developed residentially is lots on the water. Sales of the interior have not met with market acceptance. (Moody 4/30/14 Tr. Pg. 179-180) • “Based on the sales that have taken place in 2012, 2013, there’s six or seven-year inventory, maybe as much as nine-year inventory of vacant lots that are listed and available for sale.” (Moody, 4/30/14 Tr. Pg. 151) • “Market in Pamlico County is overbuilt with vacant lots.” (Moody, 4/30/14 Tr. Pg. 150) 	<p>1. Lot Inventory</p> <ul style="list-style-type: none"> • “Given the lot inventory, it is considered unlikely that residential development of the subject property is feasibly within the reasonably foreseeable future.” (Cross, 4/29/14 Tr. Pg. 163); (Debtor Ex Tab 15, Pg. 34); (Debtor Ex. 12a, Pg. 28) • “I didn’t look at it [lot inventory] to the extent that I would have done if I was doing a subdivision analysis but I was aware that there was some lot inventory in the county, yes.” (Cross, 4/29/14 Tr. Pg. 164) • Did not consider existing lot inventory in her analysis. (Cross, 3/17/14 Tr. Pg. 24-25) • Had not looked at available lots before her deposition.

EXHIBIT B

BATE LAND COMPANY, L.P. – BAY RIVER SMITH CREEK

	<ul style="list-style-type: none"> • Number of lot sales has declined since 2006, and gone from 56 to 36 from 2012 to 2013. (BLC Ex. 49 Pg. 9) • Average days on market for lots has generally increased since 2006, and increased from 328 days to 411 days from 2012 to 2013. (BLC Ex. 49, Pg. 9) • Included information on residential building permits and lot sale activity to show activity was in Pamlico County and the trend since 2006. Trend is important to know because of the residential development potential (Moody, 4/30/14 Tr. Pgs. 148-149) • Pamlico County also has ghost inventory of lots not showing up in the statistics. (Moody, 4/30/14 Tr. Pgs. 150-151) <p>2. Sales of Large Land Tracts</p> <ul style="list-style-type: none"> • Found one sale of large waterfront land purchased for residential development, the Dawsons Creek property. (Moody, 4/30/14 Tr. Pg. 167-168). • Dawson's Creek sale occurred Dec. 12, 2012. Purchase price was \$1,700,000. Two tracts originally purchased in October 2005 and March 2008 for \$7 million. (BLC Ex. 47, Pg. 21). 	<p>(Cross, 3/17/14 Tr. Pg. 143)</p> <ul style="list-style-type: none"> • Did not place weight on lot sales when doing appraisals. (Cross, 3/24/14 Pg. 90) • Did not consider lot sales or lot inventories in these appraisals. (Cross, 4/28/14 Tr. Pg. 102) • Considered the entire county to be the market area for Broad Creek. (Cross, 3/17/14 Tr. Pg. 40) <p>2. Sales of Large Land Tracts</p> <ul style="list-style-type: none"> • Could not find any waterfront residential sales in Pamlico County (Cross 4/28/14 Tr. Pg. 121-122) • Did not find any sales of large land tracts for residential purposes in Pamlico County in the last five years. (Cross, 4/19/14 Tr. Pg. 222) • "When I called them up and said hey, have you got any recent large waterfront land tracts they all laughed at me." (Cross, 3/17/14 Tr. Pg. 66) • Could not find any sales of large undeveloped tracts of land. (Cross, 3/17/14 Tr. Pg. 140) • Market for large tracts and lots has declined since 2006. (Cross, 3/24/14 Tr. Pg. 15) • No closed sales in Pamlico County of large waterfront tracts. (Cross, 3/24/14 Pg. 99) • Dawson's Creek is fire selling lots. (Cross, 4/28/14 Tr. Pg. 111)
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EXHIBIT B

BATE LAND COMPANY, L.P. – BAY RIVER SMITH CREEK

	<p>3. Status of Other Subdivisions</p> <ul style="list-style-type: none">• “At this point in time, there are no subdivisions of Pamlico County that are doing really well...Really well means that they ‘re selling lots, of greater two or three lots a month and they’ve got a cash flow that’s paying all of their carrying costs and paying their debt.” (Moody, 4/30/14 Tr. Pg. 155)• River Dunes sold 2 lots in the last year and a half. There have not been any lot sales from the developer since that time. (Moody, 4/30/14 Tr. Pg. 153) <p>4. Home Sales</p> <ul style="list-style-type: none">• Did not include information on home sales because vacant tract is converted into residential lots. (Moody, 4/30/14 Tr. Pg. 149)	<p>3. Status of Other Subdivisions</p> <ul style="list-style-type: none">• River Dunes has sold a few more lots. People that own lots now are building on the lots. (Cross, 4/29/14 Tr. Pg. 64); River Dunes sold another lot in February 2014. (Cross, 4/29/14 Tr. Pg. 66)• Followed up on the listings in the appraisal listed as “additional listings” and none of them have sold. (Cross, 4/29/14 Tr. Pg. 72) <p>4. Home Sales</p> <ul style="list-style-type: none">• Updated market information shows existing home sales, not new home sales. (BLC Ex. 268, Pg. 1)• Did not distinguish between new and used homes in home sale analysis. (Cross, 3/24/14 Tr. Pg. 83)• “2008 the market is when it went straight down the tubes as we well know.” (Cross, 3/24/14 Pg. 168)
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EXHIBIT C

BATE LAND COMPANY, L.P. - SPRING CREEK

	BLC	Debtor
Value	\$235,000	\$680,000
Highest & Best Use	<ul style="list-style-type: none"> 1 residential dwelling 	<ul style="list-style-type: none"> Future residential development
Appraiser's Factors Considered in Reaching Highest & Best Use Conclusion	<ul style="list-style-type: none"> Soils, market conditions, and size of the tract (Moody 5/1/14 Tr. Pg. 94). Market also indicates sales of smaller parcels in Pamlico County. (Moody 4/30/14 Tr. Pg. 186) 	<ul style="list-style-type: none"> Topography, utilities that may be available, surrounded by water on three sides, and no vertical hindrances for sailboats. (Cross 3/17/14 Tr. Pg. 48) Historic development of waterfront property in Pamlico Co. over the last decade and real estate market as to home sales. (Cross 3/17/14 Tr. Pg. 49) Property is on the water (Cross, 4/28/14 Tr. Pg. 69)
	<u>Testimony in Support of Highest & Best Use Factors</u>	
Soils & Sewer	<p>1. Status of Municipal Sewer</p> <ul style="list-style-type: none"> Bay River does not have capacity to service this property even if the lines were extended. (Moody 4/30/14 Tr. Pg. 156) Bay River Sewer Authority is limited on capacity and has no room for growth (Venters, 5/6/14 Tr. Pg. 65) "If she [Karen Cross] said, do we have capacity I may have said yes, we have some capacity. If she said, do we have capacity for a subdivision, I would have said no." (Venters, 5/6/14 Tr. Pg. 66) "Everyone is well aware of what our capacity problems are in Pamlico County." (Venters, 5/6/14 Tr. Pg. 66) "If you applied for a permit to build a subdivision, they wouldn't grant the permit because they know our capacity levels." (Venters, 5/6/14 Tr. Pg. 67) 	<p>1. Status of Municipal Sewer</p> <ul style="list-style-type: none"> Did not ask Chris Venters about sewer capacity; inference was that there was plenty of capacity. (Cross 4/28/14 Tr. Pg. 97) "I did not specifically ask him [Chris Venters] about capacity." (Cross 4/28/14 Tr. Pg. 97) Did not ask about number of lots Bay River would have capacity for. (Cross 4/28/14 Tr. Pg. 98) Did not ask Chris Venters about the cost of a private sewer system. (Cross 4/28/14 Tr. Pg. 99)

EXHIBIT C

BATE LAND COMPANY, L.P. - SPRING CREEK

	<p>2. Suitability of Soils for Onsite Septic</p> <ul style="list-style-type: none"> Assumed that property could get septic on it because there was one soil on the property that would support septic. (Moody 4/30/14 Tr. Pg. 185) <p>3. Cost of Sewer Service</p> <ul style="list-style-type: none"> In order to have septic on the site, would need to use a system that costs \$15,000 to \$20,000 per unit instead of \$3,500-\$4,000 per unit. (Gully, 5/15/14 Tr. Pg. 55). This system costs more than a traditional system. (Gully, 5/15/14 Tr. Pg. 56) "I don't know who would bear the cost. I don't know if the developer would lower his price because of the system being a little bit more expensive." (Gully, 5/15/14 Tr. Pg. 56) If septic is being placed on a different lot, that is something the developer puts in. (Gully, 5/15/14 Tr. Pg. 27) Does not know of a whole subdivision built using the TS2 pre-treatment system. (Gully, 5/15/14 Tr. Pg. 56). System is typically used on an as needed basis, for a lot here or there throughout the subdivision. (Gully, 5/15/14 Tr. Pg. 62) "If it's a collection system involving multiple homes, its easier for the developer to do that because of all the maintenance agreements 	<p>2. Suitability of Soils for Onsite Septic</p> <ul style="list-style-type: none"> Listing of soils on property and soil inventory map. (Debtor Ex 5, Pgs. 29-30). "You look at the types of soils on the subject. You look at the surrounding areas. And if you're seeing the same types of soils and they have improvements on them, then you, you know, based on our judgment, conclude they will potentially support improvements." (Cross 4/28/14 Tr. Pg. 93-94) Did not talk to any soil experts and was not advised to talk to any soil experts. (Cross 3/24/14 Tr. Pg. 30) <p>3. Cost of Sewer Service</p>
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EXHIBIT C

BATE LAND COMPANY, L.P. - SPRING CREEK

	that are required....It's typically installed by the developer if it's a collection system." That is a cost the developer pays upfront. (Gully, 5/15/14 Tr. Pg. 56-57).	
Market Conditions	<p>1. Lot Inventory</p> <ul style="list-style-type: none"> • "Based on the sales that have taken place in 2012, 2013, there's six or seven-year inventory, maybe as much as nine-year inventory of vacant lots that are listed and available for sale." (Moody, 4/30/14 Tr. Pg. 151) • "Market in Pamlico County is overbuilt with vacant lots." (Moody, 4/30/14 Tr. Pg. 150) • Number of lot sales has declined since 2006, and gone from 56 to 36 from 2012 to 2013. (BLC Ex. 48 Pg. 9) • Average days on market for lots has generally increased since 2006, and increased from 328 days to 411 days from 2012 to 2013. (BLC Ex. 48, Pg. 9) • Included information on residential building permits and lot sale activity to show activity was in Pamlico County and the trend since 2006. Trend is important to know because of the residential development potential (Moody, 4/30/14 Tr. Pgs. 148-149) • Pamlico County also has ghost inventory of lots not showing up in the statistics. (Moody, 4/30/14 Tr. Pgs. 150-151) <p>2. Sales of Large Land Tracts</p> <ul style="list-style-type: none"> • Found one sale of large waterfront land purchased for residential development, the Dawsons Creek property. (Moody, 4/30/14 	<p>1. Lot Inventory</p> <ul style="list-style-type: none"> • "Given the lot inventory, it is considered unlikely that residential development of the subject property is feasibly within the reasonably foreseeable future." (Cross, 4/29/14 Tr. Pg. 163); (Debtor Ex Tab 15, Pg. 34); (Debtor Ex. 12a, Pg. 28) • "I didn't look at it [lot inventory] to the extent that I would have done if I was doing a subdivision analysis but I was aware that there was some lot inventory in the county, yes." (Cross, 4/29/14 Tr. Pg. 164) • Did not consider existing lot inventory in her analysis. (Cross, 3/17/14 Tr. Pg. 24-25) • Had not looked at available lots before her deposition. (Cross, 3/17/14 Tr. Pg. 143) • Did not place weight on lot sales when doing appraisals. (Cross, 3/24/14 Pg. 90) • Did not consider lot sales or lot inventories in these appraisals. (Cross, 4/28/14 Tr. Pg. 102) • Considered the entire county to be the market area for Broad Creek. (Cross, 3/17/14 Tr. Pg. 40) <p>2. Sales of Large Land Tracts</p> <ul style="list-style-type: none"> • Could not find any waterfront residential sales in Pamlico County (Cross 4/28/14 Tr. Pg. 121-122) • Did not find any sales of large land tracts for residential

EXHIBIT C

BATE LAND COMPANY, L.P. - SPRING CREEK

	<p>Tr. Pg. 167-168).</p> <ul style="list-style-type: none"> • Dawson's Creek sale occurred Dec. 12, 2012. Purchase price was \$1,700,000. Two tracts originally purchased in October 2005 and March 2008 for \$7 million. (BLC Ex. 47, Pg. 21). <p>3. Status of Other Subdivisions</p> <ul style="list-style-type: none"> • "At this point in time, there are no subdivisions of Pamlico County that are doing really well...Really well means that they 're selling lots, of greater two or three lots a month and they've got a cash flow that's paying all of their carrying costs and paying their debt." (Moody, 4/30/14 Tr. Pg. 155) • River Dunes sold 2 lots in the last year and a half. There have not been any lot sales from the developer since that time. (Moody, 4/30/14 Tr. Pg. 153) <p>4. Home Sales</p> <ul style="list-style-type: none"> • Did not include information on home sales because vacant tract is converted into residential lots. (Moody, 4/30/14 Tr. Pg. 149) 	<p>purposes in Pamlico County in the last five years. (Cross, 4/19/14 Tr. Pg. 222)</p> <ul style="list-style-type: none"> • "When I called them up and said hey, have you got any recent large waterfront land tracts they all laughed at me." (Cross, 3/17/14 Tr. Pg. 66) • Could not find any sales of large undeveloped tracts of land. (Cross, 3/17/14 Tr. Pg. 140) • Market for large tracts and lots has declined since 2006. (Cross, 3/24/14 Tr. Pg. 15) • No closed sales in Pamlico County of large waterfront tracts. (Cross, 3/24/14 Pg. 99) • Dawson's Creek is fire selling lots. (Cross, 4/28/14 Tr. Pg. 111) <p>3. Status of Other Subdivisions</p> <ul style="list-style-type: none"> • River Dunes has sold a few more lots. People that own lots now are building on the lots. (Cross, 4/29/14 Tr. Pg. 64); River Dunes sold another lot in February 2014. (Cross, 4/29/14 Tr. Pg. 66) • Followed up on the listings in the appraisal listed as "additional listings" and none of them have sold. (Cross, 4/29/14 Tr. Pg. 72) <p>4. Home Sales</p> <ul style="list-style-type: none"> • Updated market information shows existing home sales, not new home sales. (BLC Ex. 268, Pg. 1) • Did not distinguish between new and used homes in home sale analysis. (Cross, 3/24/14 Tr. Pg. 83) • "2008 the market is when it went straight down the tubes
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EXHIBIT C

BATE LAND COMPANY, L.P. - SPRING CREEK

		<p>as we well know.” (Cross, 3/24/14 Pg. 168)</p> <ul style="list-style-type: none">• Did not use Ex. 268 in preparing opinions of value. (Cross, 4/28/14 Tr. Pg. 111)
Size of Tract	<ul style="list-style-type: none">• Property is not physically large enough to be suitable for a large subdivision. (Moody 4/30/14 Tr. Pg. 186)	

EXHIBIT D

BATE LAND COMPANY, L.P. - LAURA WILLIAMS #17

	<u>BLC Appraised Value</u> (Chuck Moody)	<u>Debtor Appraised Value</u> (Karen Cross)
Value	\$362,500	\$4,360,000
Highest & Best Use	<ul style="list-style-type: none"> Timber Production 	<ul style="list-style-type: none"> Future Residential Development
Appraiser's Factors Considered in Reaching Highest & Best Use Conclusion	<ul style="list-style-type: none"> Road frontage on soil road, market conditions and availability of better development tracts, soils on property, and lack of utilities (Moody 5/1/14 Tr. Pg. 161-162) 	<ul style="list-style-type: none"> Home sales, and surrounding subdivisions (Debtor Ex. 6, Pgs. 34-35); Proximity of Cherry Pointe (Cross 4/30/14 Tr. Pg. 42)
Market	<p>1. Competing Development Tracts</p> <ul style="list-style-type: none"> Competing development tracts would be absorbed before subject because of their better physical features like location, utility status, and access to municipal sewer (Moody 5/1/14 Tr. Pg. 194) Physical features of competing tracts make them more attractive than developing the subject. (BLC Ex. 44, Pgs. 12) Chart shows competing properties totaling 4,000 acres that would compete with the subjects. (Moody, 5/1/14 Tr. Pg. 160) (BLC Ex. 44, Pg. 11); (BLC Ex. 45, Pg. 12); (BLC Ex. 46, Pg. 12) <p>2. Market Trends and Activity</p> <ul style="list-style-type: none"> Developers in Craven County are not developing big residential subdivisions. ((Moody 5/1/14 Tr. Pg. 194) The residential development trend over the past three to four years has been to purchase smaller 	<p>1. Competing Development Tracts</p> <p>2. Market Trends and Activity</p> <ul style="list-style-type: none"> Sources of information were Steve Tyson's blog, statistics from MLS, and conversation with Mike Maher. (Cross, 4/30/14 Tr. Pg. 48). Steve Tyson's blog shows that the number of marines and civilian employees at Cherry Pointe is down. (Cross

EXHIBIT D

BATE LAND COMPANY, L.P. - LAURA WILLIAMS #17

	<p>parcels that require a minimum of capital to construct infrastructure and to market the lots as quickly as possible. There is virtually no interest in purchasing larger parcels that would require a number of years to fully develop into a residential subdivision.” (BLC Ex. 44, Pgs. 12-13)</p> <ul style="list-style-type: none"> • Residential building permits have declined from 2011 to 2012. (BLC Ex. 44, Pg. 9) • “Interviews conducted with developers of residential communities that serve the Craven County market indicate there is an adequate supply of vacant, unsold residential lots to meet current consumer demand. (BLC Ex. 44, Pg. 12) • Lot inventory will increase with new subdivisions being built. (Moody 5/1/14 Tr. Pg. 194) • Effect of the competing acreage tracts moving forward with development is just increasing the lot inventory. (Moody, 5/1/14 Tr. Pg. 194) • Included information on residential building permits and lot sale activity to show activity. Trend is important to know because of the residential development potential (Moody, 4/30/14 Tr. Pgs. 148-149) <p>3. Home Sales</p> <ul style="list-style-type: none"> • Did not include information on home sales because vacant tract is converted into residential lots. (Moody, 4/30/14 Tr. Pg. 149) 	<p>4/30/14 Tr. Pg. 45)</p> <ul style="list-style-type: none"> • Does not have any statistics to show that personnel at Cherry Pointe is increasing. (Cross 4/30/14 Tr. Pg. 45) • Developments that surround it are older subdivisions, with ongoing development. (Cross 4/30/14. Pgs. 46-47) • Updated market information was done after she made final decisions on value. (Cross, 4/30/14 Tr. Pg. 42) • Did not know the number of vacant lots sold in 2013 in February 2013. Information was updated after completed appraisal. (Cross, 4/30/14 Tr. Pg. 52) <p>3. Home Sales</p> <ul style="list-style-type: none"> • Updated market information focuses on existing home sales, not new home sales, with comments from Steve Tyson on lack of waterfront home available. (Debtor Ex. 60, Pg. 2-3) • Steve Tyson blog shows a decreasing trend in new home construction. (BLC Ex. 92, Pg. 32). It’s a downward trend in sales of new construction. (Cross, 4/30/14 Tr. Pg. 33-34) • MLS does tell her how many new homes were under
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EXHIBIT D

BATE LAND COMPANY, L.P. - LAURA WILLIAMS #17

		<p>construction between 2007 and 2013. (Cross, 4/30/14 Tr. Pg. 48).</p> <ul style="list-style-type: none"> • Did not look at average sales prices for homes that were sold. (Cross, 4/30/14 Tr. Pg. 52)
Soils & Sewer	<ul style="list-style-type: none"> • One soil comprising 7% of property might work for septic. (Moody 5/1/14 Tr. Pg. 188) • “Conversion of the subject property from its present use of timber production to an alternative use would require extensive modification of the site to lower the natural water table.” (BLC Ex. 44, Pg. 18) • Sites in the market area with the subject property’s soils and physical attributes are utilized for commercial timber production and recreational uses. (BLC Ex. 44, Pg. 18) • The subject property’s soil types and seasonable water table are physical features that make use of the parcel as a site for a residential subdivision unlikely. (BLC Ex. 44, Pg. 19) • In order to have septic on the site, would need to use a system that costs \$15,000 to \$20,000 per unit instead of \$3,500-\$4,000 per unit. (Gully, 5/15/14 Tr. Pg. 55). This system costs more than a traditional system. (Gully, 5/15/14 Tr. Pg. 56) • “I don’t know who would bear the cost. I don’t know if the developer would lower his price because of the system being a little bit more expensive.” (Gully, 5/15/14 Tr. Pg. 56) • If septic is being placed on a different lot, that is something the developer puts in. (Gully, 5/15/14 Tr. Pg. 27) • Not aware of an entire subdivision in Craven County using the TS-2 pre treatment system. 	<ul style="list-style-type: none"> • No municipal sewer available at the subject (Cross 4/30/14 Tr. Pg. 66) • “This report assumes that the subject land can accommodate these various disposal systems or will have availability to municipal utilities if and when capacity becomes available from these major mains within the county.” (Debtor Ex. 6, Pg. 8) • Soil map and list of soils. (Debtor Ex. 6, Pg. 29) • County officials indicate little capacity for sewer service for new development. (Debtor Ex. 6, Pg. 31)

EXHIBIT D

BATE LAND COMPANY, L.P. - LAURA WILLIAMS #17

	<p>(Gully, 5/1/5/14 Tr. Pg. 60)</p> <ul style="list-style-type: none"> • System is typically used on an as needed basis, for a lot here or there throughout the subdivision. (Gully, 5/15/14 Tr. Pg. 62) • “If it’s a collection system involving multiple homes, its easier for the developer to do that because of all the maintenance agreements that are required....It’s typically installed by the developer if it’s a collection system.” That is a cost the developer pays upfront. (Gully, 5/15/14 Tr. Pg. 56-57). 	
Other	<ul style="list-style-type: none"> • “There is no history of residential, commercial or industrial development in the subject property’s immediate vicinity. This is due primarily to the lack of utility service to the area, the soil-surfaced road access and the large amount of public land ownership.” (BLC Ex. 44, Pg. 19) • There is not utility service to the subject property. (BLC Ex. 44, Pg. 18). • Forest Service road extends through the property and is for public use at the discretion of the Forest Service. Any other use requires a permit. (BLC Ex. 44, Pg. 18) 	<ul style="list-style-type: none"> • Utilities are “proximate.” (Debtor Ex. 6, Pg. 30) • None of the tracts have been improved since 2006. (Cross 4/20/14 Tr. Pg. 71) • Statement by Saunders that land will be managed to grow timber as it has a limited use due to topography and high ground water is a true statement today. (Cross 4/30/14 Tr. Pg. 71)

EXHIBIT E

BATE LAND COMPANY, L.P. - LAURA WILLIAMS #16

	BLC	Debtor
Value	\$1,400,000	\$5,965,000
Highest & Best Use	<ul style="list-style-type: none"> Continued timber production, followed by residential development when market conditions improve 	<ul style="list-style-type: none"> Future residential development
Appraiser's Factors Considered in Reaching Highest & Best Use Conclusion	Location, access to county water, and market conditions and availability of better development tracts, (Moody 5/1/14 Tr. Pg. 161); (Moody 5/1/14 Tr. Pg. 164). Condition of soils on property also was considered. (Moody 5/1/14 Tr. Pg. 191)	Market conditions, improving home sales, and proximity to Cherry Pointe. (Debtor Ex. 8, Pgs. 36-37)
	<u>Testimony in Support of Highest & Best Use Factors</u>	
Sewer & Soils	<ul style="list-style-type: none"> Subject would need access to central sewer to achieve any type of density as a residential development. (Moody 5/1/14 Tr. Pg. 191) Conversion of the site to residential development would require modification of the site to lower the natural water table. The cost to modify the site and control the surface water would be a factor in the purchase price. (BLC Ex. 46, Pg. 20) 	<ul style="list-style-type: none"> Assumes property can accommodate septic or will have access to municipal sewer when capacity is available , or developer will pay upfront costs and seek reimbursement from municipality. (Debtor Ex. 8, Pg. 35) No municipal sewer available at the subject (Cross 4/30/14 Tr. Pg. 66)
Market Conditions & Availability of Better Development Tracts	<p>1. Competing Development Tracts</p> <ul style="list-style-type: none"> Competing development tracts would be absorbed before subject because of their better physical features like location, utility status, and access to municipal sewer (Moody 5/1/14 Tr. Pg. 194); (BLC Ex. 46, Pg. 20-21) Physical features of competing tracts make them more attractive than developing the subject. (BLC Ex. 45, Pgs. 12-13) 	<p>1. Competing Development Tracts</p>

EXHIBIT E

BATE LAND COMPANY, L.P. - LAURA WILLIAMS #16

	<ul style="list-style-type: none"> • Chart shows competing properties totaling 4,000 acres that would compete with the subjects. (Moody, 5/1/14 Tr. Pg. 160) (BLC Ex. 44, Pg. 11); (BLC Ex. 45, Pg. 12); (BLC Ex. 46, Pg. 12) <p>2. Market Trends and Activity</p> <ul style="list-style-type: none"> • Developers in Craven County are not developing big residential subdivisions. ((Moody 5/1/14 Tr. Pg. 194) • The residential development trend over the past three to four years has been to purchase smaller parcels that require a minimum of capital to construct infrastructure and to market the lots as quickly as possible. There is virtually no interest in purchasing larger parcels that would require a number of years to fully develop into a residential subdivision.” (BLC Ex. 46, Pg. 13) • Residential building permits have declined from 2011 to 2012. (BLC Ex. 46, Pg. 9) • “Interviews conducted with developers of residential communities that serve the Craven County market indicate there is an adequate supply of vacant, unsold residential lots to meet current consumer demand. (BLC Ex. 46, Pg. 13) • Lot inventory will increase with new subdivisions being built. (Moody 5/1/14 Tr. Pg. 194) • Effect of the competing acreage tracts moving forward with development is just increasing the lot inventory. (Moody, 5/1/14 Tr. Pg. 194) • Included information on residential building permits and lot sale activity to show activity. Trend is important to know because of the residential development potential (Moody, 4/30/14 Tr. Pgs. 148-149) 	<p>2. Market Trends and Activity</p> <ul style="list-style-type: none"> • Sources of information were Steve Tyson’s blog, statistics from MLS, and conversation with Mike Maher. (Cross, 4/30/14 Tr. Pg. 48). • Steve Tyson’s blog shows that the number of marines and civilian employees at Cherry Pointe is down. (Cross 4/30/14 Tr. Pg. 45) • Does not have any statistics to show that personnel at Cherry Pointe is increasing. (Cross 4/30/14 Tr. Pg. 45) • Developments that surround it are older subdivisions, with ongoing development. (Cross 4/30/14. Pgs. 46-47) • Updated market information was done after she made final decisions on value. (Cross, 4/30/14 Tr. Pg. 42) • Did not know the number of vacant lots sold in 2013 in February 2013. Information was updated after completed appraisal. (Cross, 4/30/14 Tr. Pg. 52)
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EXHIBIT E

BATE LAND COMPANY, L.P. - LAURA WILLIAMS #16

	<p>3. Home Sales</p> <ul style="list-style-type: none">• Did not include information on home sales because vacant tract is converted into residential lots. (Moody, 4/30/14 Tr. Pg. 149)	<p>3. Home Sales</p> <ul style="list-style-type: none">• Updated market information focuses on existing home sales, not new home sales, with comments from Steve Tyson on lack of waterfront home available. (Debtor Ex. 60, Pg. 2-3)• Steve Tyson blog shows a decreasing trend in new home construction. (BLC Ex. 92, Pg. 32). It's a downward trend in sales of new construction. (Cross, 4/30/14 Tr. Pg. 33-34)• MLS does tell her how many new homes were under construction between 2007 and 2013. (Cross, 4/30/14 Tr. Pg. 48).• Did not look at average sales prices for homes that were sold. (Cross, 4/30/14 Tr. Pg. 52)
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EXHIBIT F

BATE LAND COMPANY, L.P. - MAGNOLIA

	BLC	Debtor
Value	\$470,000	\$1,535,000
Highest & Best Use	<ul style="list-style-type: none"> Continued timber production, followed by residential development when market conditions improve 	<ul style="list-style-type: none"> Future residential development
Appraiser's Factors Considered in Reaching Highest & Best Use Conclusion	<ul style="list-style-type: none"> Market conditions and availability of better development tracts (Moody 5/1/14 Tr. Pg. 161) 	<ul style="list-style-type: none"> Market conditions, improving home sales, and proximity to Cherry Pointe (Debtor Ex. 7, Pg. 38)
	<u>Testimony in Support of Highest & Best Use Factors</u>	
Market Conditions & Availability of Better Development Tracts	<ol style="list-style-type: none"> Competing Development Tracts <ul style="list-style-type: none"> Competing development tracts would be absorbed before subject because of their better physical features like location, utility status, and access to municipal sewer (Moody 5/1/14 Tr. Pg. 194); (BLC Ex. 45, Pg. 22) Physical features of competing tracts make them more attractive than developing the subject. (BLC Ex. 45, Pgs. 12-13) Chart shows competing properties totaling 4,000 acres that would compete with the subjects. (Moody, 5/1/14 Tr. Pg. 160) (BLC Ex. 44, Pg. 11); (BLC Ex. 45, Pg. 12); (BLC Ex. 46, Pg. 12) Market Trends and Activity <ul style="list-style-type: none"> Developers in Craven County are not developing big residential subdivisions. ((Moody 5/1/14 Tr. Pg. 194) The residential development trend over the past three to four years has been to purchase smaller parcels that require a 	<ol style="list-style-type: none"> Competing Development Tracts Market Trends and Activity <ul style="list-style-type: none"> Sources of information were Steve Tyson's blog, statistics from MLS, and conversation with Mike Maher. (Cross, 4/30/14 Tr. Pg. 48). Steve Tyson's blog shows that the number of marines and civilian employees at Cherry Pointe is down. (Cross 4/30/14 Tr. Pg. 45) Does not have any statistics to show that personnel at Cherry Pointe is increasing. (Cross 4/30/14 Tr. Pg. 45)

EXHIBIT F

BATE LAND COMPANY, L.P. - MAGNOLIA

	<p>minimum of capital to construct infrastructure and to market the lots as quickly as possible. There is virtually no interest in purchasing larger parcels that would require a number of years to fully develop into a residential subdivision.” (BLC Ex. 45, Pg. 3)</p> <ul style="list-style-type: none"> • Residential building permits have declined from 2011 to 2012. (BLC Ex. 45, Pg. 9) • “Interviews conducted with developers of residential communities that serve the Craven County market indicate there is an adequate supply of vacant, unsold residential lots to meet current consumer demand. (BLC Ex. 45, Pg. 13) • Lot inventory will increase with new subdivisions being built. (Moody 5/1/14 Tr. Pg. 194) • Effect of the competing acreage tracts moving forward with development is just increasing the lot inventory. (Moody, 5/1/14 Tr. Pg. 194) • Included information on residential building permits and lot sale activity to show activity. Trend is important to know because of the residential development potential (Moody, 4/30/14 Tr. Pgs. 148-149) <p>3. Home Sales</p> <ul style="list-style-type: none"> • Did not include information on home sales because vacant tract is converted into residential lots. (Moody, 4/30/14 Tr. Pg. 149) 	<ul style="list-style-type: none"> • Developments that surround it are older subdivisions, with ongoing development. (Cross 4/30/14. Pgs. 46-47) • Updated market information was done after she made final decisions on value. (Cross, 4/30/14 Tr. Pg. 42) • Did not know the number of vacant lots sold in 2013 in February 2013. Information was updated after completed appraisal. (Cross, 4/30/14 Tr. Pg. 52) <p>3. Home Sales</p> <ul style="list-style-type: none"> • Updated market information focuses on existing home sales, not new home sales, with comments from Steve Tyson on lack of waterfront home available. (Debtor Ex. 60, Pg. 2-3)
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EXHIBIT F

BATE LAND COMPANY, L.P. - MAGNOLIA

		<ul style="list-style-type: none">• Steve Tyson blog shows a decreasing trend in new home construction. (BLC Ex. 92, Pg. 32). It's a downward trend in sales of new construction. (Cross, 4/30/14 Tr. Pg. 33-34)• MLS does tell her how many new homes were under construction between 2007 and 2013. (Cross, 4/30/14 Tr. Pg. 48).• Did not look at average sales prices for homes that were sold. (Cross, 4/30/14 Tr. Pg. 52)
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EXHIBIT G

BATE LAND COMPANY, L.P. - ISLAND CREEK

	BLC	Debtor
Total Value	\$3,925,000	\$16,465,000
Highest & Best Use & Value of Each Component of Highest & Best Use	<p>Residential Development (50 acres) – \$500,000 Agriculture (111.4 acres) – \$445,600 Timber Production (1,343 acres) – \$1,201,985 Merchantable Timber – \$1,690,666 (per timber inventory) Misc. Non-merchantable timberland, improvements, and rights of way - \$44,565</p> <p>(See BLC Ex. 57, Pg. 46 for complete breakdown of itemized value components)</p>	Future Residential Development - \$16,465,000
Factors Relevant to Highest & Best Use Determination	<p>Residential Development</p> <ul style="list-style-type: none"> History of stripped waterfront developments with properties that have direct access to the river. (Moody 5/5/14 Tr. Pg. 29) Availability of better competing development acreage tracts in Craven County, and location of property in Jones County. (Moody 5/5/14 Tr. Pg. 29) Market conditions have changed since 2005 and 2006 (Moody 5/5/14 Tr. Pg. 50) Unavailability of access to entire water frontage (Moody 5/5/14 Tr. Pg. 54) <p>Agriculture</p> <ul style="list-style-type: none"> No frontage on a public road, area is accessed by a soil road through the property, and there is sufficient land to make it a viable farming operation (Moody 5/5/14 Tr. Pg. 27). <p>Timber Production</p> <ul style="list-style-type: none"> Market in Jones County for residential development, market for timber in Jones 	<ul style="list-style-type: none"> Market conditions, improving home sales, and proximity to Cherry Pointe. (Debtor Ex. 9, Pgs. 47-48)

EXHIBIT G

BATE LAND COMPANY, L.P. - ISLAND CREEK

	County, and quality of timber already on the property (Moody 5/5/14 Tr. Pg. 28)	
	<u>Testimony in Support of Highest & Best Use Factors - Residential</u>	
Market Conditions & Availability of Better Development Tracts	<ul style="list-style-type: none"> • Jones County market is different than Craven County, even if property is near the county line because Jones County is not as well received as Craven County by home buyers. (Moody, 5/5/14 Tr. Pg. 25) • Developers indicate a large scale development in Jones County would not meet with market acceptance and would not be viable. Reasons are the school system and resale concerns of buyers. (Moody, 5/5/14 Tr. Pg. 26) • Not aware of any subdivisions in Jones County begun in the last 5 years that are within five miles of the Jones County/Craven County line. All subdivisions that were observed in Jones County were 15-20 lot subdivisions and within commuting distance of Camp Lejeune. (Moody, 5/5/14 Tr. Pg. 26) • "I think its telling that in the list of development potential [,] residential development properties I've included in my most recent report, that Weyerhaeuser has not identified any large tract in Jones County that they feel has any residential potential." Weyerhaeuser owns 9,000 to 10,000 acres in Jones County. Taylor Downey said there 	<ul style="list-style-type: none"> • Market for this tract is Craven County market because of its close proximity. (Cross 4/30/14 Tr. Pg. 115) • Sources of information were Steve Tyson's blog, statistics from MLS, and conversation with Mike Maher. (Cross, 4/30/14 Tr. Pg. 48). • Steve Tyson's blog shows that the number of marines and civilian employees at Cherry Pointe is down. (Cross 4/30/14 Tr. Pg. 45) • Does not have any statistics to show that personnel at Cherry Pointe is increasing. (Cross 4/30/14 Tr. Pg. 45) • Developments that surround it are older subdivisions, with ongoing development. (Cross 4/30/14. Pgs. 46-47) • Updated market information was done after she made final decisions on value. (Cross, 4/30/14 Tr. Pg. 42) • Did not know the number of vacant lots sold in 2013 in February 2013. Information was updated after completed appraisal. (Cross, 4/30/14 Tr. Pg. 52)

EXHIBIT G

BATE LAND COMPANY, L.P. - ISLAND CREEK

	<p>was no interest in converting any of their timberland to residential development. (Moody, 5/5/14 Tr. Pg. 51)</p> <ul style="list-style-type: none">• Lot sale activity in Jones County shows decline in lots sales from 2012 to 2013 and increase in days on market. (BLC Ex. 67, Pg. 9)• Competing development tracts would be absorbed before subject because of their better physical features like location, utility status, and access to municipal sewer (Moody 5/1/14 Tr. Pg. 194); (BLC Ex. 57, Pgs. 11-12)• Chart shows competing properties totaling 4,000 acres that would compete with the subjects. (Moody, 5/1/14 Tr. Pg. 160) (BLC Ex. 57, Pg. 11)	
Water Frontage	<ul style="list-style-type: none">• “A substantial portion of that frontage on the Trent River is wooded wetlands. You can’t see the river, you can’t get to the river from it.” (Moody 5/5/14 Tr. Pg. 35)• Flooded plain areas that mixed hardwood timber on them where you cannot get to the river. (Moody 5/5/14 Tr. Pg. 36)• Calculation of land that could residential was based on the portion of the Trent River where the highlands go down to the river (Moody 5/5/14 Tr. Pg. 35)	<ul style="list-style-type: none">• Approximately 10,060 feet on Island Creek and approximately 9,667 feet on the Trent River. (Debtor Ex. 9, Pg. 39)

EXHIBIT H

BATE LAND COMPANY, L.P. - ROCKY POINTE

	BLC	Debtor
Value	East - \$851,513 West - \$300,264 Merchantable Timber - \$333,205 Total - \$1,485,000 (reconciled value)	East - \$7,750,000 West - \$1,590,000 Timber - \$0 Total - \$9,340,000
Highest & Best Use	<ul style="list-style-type: none"> • East – Continued Timber Production • West - Continued Timber Production 	<ul style="list-style-type: none"> • East – Future residential development • West – Future residential development
Factors Relevant to Highest & Best Use – East	<ul style="list-style-type: none"> • Circuitous access and long distance from public road, and general use is industrial use in the area (Moody 5/1/14 Tr. Pg. 206-207) • Present market climate does not provide support for residential development. (BLC Ex. 60, Pg. 24) 	<ul style="list-style-type: none"> • Water frontage on the Cape Fear River, surrounding uses of property, proximity to Wilmington, and improving sales. (Debtor Ex. 10, Pg. 37-38)
Factors Relevant to Highest & Best Use – West	<ul style="list-style-type: none"> • West – Existing access (Moody 5/1/14 Tr. Pg. 206) • Present market climate does not provide support for residential development. (BLC Ex. 60, Pg. 24) 	<ul style="list-style-type: none"> • Surrounding uses of property, proximity to Wilmington, and improving sales. (Debtor Ex. 10, Pg. 37-38)
	<u>Testimony in Support of Highest & Best Use Factors - East</u>	
Access	<ul style="list-style-type: none"> • Subject is accessed by a 1.6 mile long soil and gravel right of way. (BLC Ex. 60, Pg. 17) 	
Market	<ul style="list-style-type: none"> • Market in Pender County is concentrated on the US Hwy 17 corridor from Hampstead up towards Holly Ridge. (Moody, 5/1/14 Tr. Pg. 208) • Number of lot sales increased, but so did the days on the market. Average price per lot decreased as well. (Moody, 5/1/14 Tr. Pg. 212) 	<ul style="list-style-type: none"> • Market in Pender Co. is the same as Brunswick and New Hanover Co. because both are bedroom communities of Wilmington. (Cross, 4/30/14 Tr. Pg. 98) • Portion of the market is bank sales. (Cross, 4/30/14 Tr. Pgs. 111-112) • “National and larger regional home building firms have stepped into Southeastern North Carolina, and

EXHIBIT H

BATE LAND COMPANY, L.P. - ROCKY POINTE

	<ul style="list-style-type: none"> • “Other vacant parcels located in southern Pender County with better public road access and fewer physical constraints than the subject property are more likely to be used for residential development than the Rocky Pointe Tract.” (BLC Ex. 60, Pg. 24) 	<p>with their large available capital outlays have been able to purchase distressed subdivisions with lots that have already been fully permitted with water, sewer and other infrastructure in place.” (Debtor Ex. 10, Pg. 38)</p> <ul style="list-style-type: none"> • “Although a majority of the development is located in the eastern portion of the county, several developers are looking to add rooftops in planned subdivisions west of Burgaw and in the Falls Mist subdivision mentioned earlier just north of the subject property.” (Debtor Ex. 10, Pg. 38) • Updated market conditions in Pender County shows inventory for “recorded vacant lots is continuing to shrink.” (Debtor Ex. 63, Pg. 4). • Updated market conditions in Pender County show two development projects starting, Blake Farm and Topsail Greens Golf course/Wyndwater. (Debtor Ex. 63, Pg. 4). • Blake Farm is close to Hampstead. (Cross, 4/30/14 Tr. Pg. 87)
Water Frontage	<ul style="list-style-type: none"> • Some of frontage on Cape Fear River is swamp and you can’t get to the water (Moody 5/1/14 Tr. Pg. 207) • “A substantial portion of the 6,900’ ± of frontage along the river is a wooded floodplain. This portion of the subject property does not have direct access to the river.” (BLC Ex. 60, Pg. 18) 	<ul style="list-style-type: none"> • Property has 7,015 feet on the Cape Fear River (Debtor Ex. 10, Pg. 29)
Soils and Sewer	<ul style="list-style-type: none"> • “According to information obtained from the Pender County Utility Department, sewer service in the Rocky Point/Topsail Water and Sewer District is limited to Del Labs (a manufacturing facility) and three Pender County public schools.” (BLC Ex. 60, Pg. 18) • In order to have septic on the site, would need 	<ul style="list-style-type: none"> • Appraisal is based on the extraordinary assumption that if the East side is separated from the West side, and municipal sewer is not available, the subject will be serviced with a private septic system. (Debtor Ex. 10, Pg. 8) • Sewer could be brought from the West side of the property by boring under I-40 for a cost of \$180,000 to

EXHIBIT H

BATE LAND COMPANY, L.P. - ROCKY POINTE

	<p>to use a system that costs \$15,000 to \$20,000 per unit instead of \$3,500-\$4,000 per unit. (Gully, 5/15/14 Tr. Pg. 55). This system costs more than a traditional system. (Gully, 5/15/14 Tr. Pg. 56)</p> <ul style="list-style-type: none"> • “I don’t know who would bear the cost. I don’t know if the developer would lower his price because of the system being a little bit more expensive.” (Gully, 5/15/14 Tr. Pg. 56) • If septic is being placed on a different lot, that is something the developer puts in. (Gully, 5/15/14 Tr. Pg. 27) • Does not know of a whole subdivision built using the TS2 pre-treatment system. (Gully, 5/15/14 Tr. Pg. 56). • System is typically used on an as needed basis, for a lot here or there throughout the subdivision. (Gully, 5/15/14 Tr. Pg. 62) • “If it’s a collection system involving multiple homes, its easier for the developer to do that because of all the maintenance agreements that are required....It’s typically installed by the developer if it’s a collection system.” That is a cost the developer pays upfront. (Gully, 5/15/14 Tr. Pg. 56-57). 	<p>\$230,000 (Debtor Ex. 10, Pg. 8)</p> <ul style="list-style-type: none"> • Soil types and soil map provided. (Debtor Ex. 10, Pg. 31-32)
Other		<ul style="list-style-type: none"> • Used the US Fish and Wildlife Maps to make assumptions about wetlands and assumed that the map was correct that 30% of the property is wetlands. (Debtor Ex. 10, Pg. 8)
	<u>Testimony in Support of Highest & Best Use Factors – West</u>	
Access	<ul style="list-style-type: none"> • No recorded right of way or easement for the 	<ul style="list-style-type: none"> • Ownership of railroad right of way did not make any

EXHIBIT H

BATE LAND COMPANY, L.P. - ROCKY POINTE

	<p>railroad crossing (Moody 5/1/14 Tr. Pgs. 203-204)</p> <ul style="list-style-type: none"> Title opinions (Debtor Ex. 80) do not address railroad right of way issues. (Moody 5/5/14 Tr. Pg. 21) Obtaining a permit to cross the rail corridor would be necessary to sue the property for residential development. (BLC Ex. 60, Pg. 23) 	<p>difference in her opinion. (Cross 4/30/14 Tr. Pg. 106)</p>
Soils & Sewer	<ul style="list-style-type: none"> “According to information obtained from the Pender County Utility Department, sewer service in the Rocky Point/Topsail Water and Sewer District is limited to Del Labs (a manufacturing facility) and three Pender County public schools.” (BLC Ex. 60, Pg. 18) Soils not as good for septic. (Moody 5/1/14 Tr. Pg. 213) Soils suitable to support septic are not on the western side. (Gully, 5/15 Tr. Pg. 61); (Debtor Ex. 97 Pg. 3) 	<ul style="list-style-type: none"> Sewer is available at the intersection of Hwy 117 and Old Blossom’s Ferry Road. (Debtor Ex. 11, Pg. 28) Soils inventory and map provided. (Debtor Ex. 11, Pg. 29)
Market	<ul style="list-style-type: none"> Market in Pender County is concentrated on the US Hwy 17 corridor from Hampstead up towards Holly Ridge. (Moody, 5/1/14 Tr. Pg. 208) Number of lot sales increased, but so did the days on the market. Average price per lot decreased as well. (Moody, 5/1/14 Tr. Pg. 212) “Other vacant parcels located in southern Pender County with better public road access and fewer physical constraints than the subject property are more likely to be used for residential development than the Rocky Pointe Tract.” (BLC Ex. 60, Pg. 24) 	<ul style="list-style-type: none"> Market in Pender Co. is the same as Brunswick and New Hanover Co. because both are bedroom communities of Wilmington. (Cross, 4/30/14 Tr. Pg. 98) Portion of the market is bank sales. (Cross, 4/30/14 Tr. Pgs. 111-112) “National and larger regional home building firms have stepped into Southeastern North Carolina, and with their large available capital outlays have been able to purchase distressed subdivisions with lots that have already been fully permitted with water, sewer and other infrastructure in place.” (Debtor Ex. 11, Pg. 35) “Although a majority of the development is located in the eastern portion of the county, several developers are looking to add rooftops in planned subdivisions

EXHIBIT H

BATE LAND COMPANY, L.P. - ROCKY POINTE

		<p>west of Burgaw and in the Falls Mist subdivision mentioned earlier just north of the subject property.” (Debtor Ex. 11, Pg. 35)</p> <ul style="list-style-type: none">• Updated market conditions in Pender County shows inventory for “recorded vacant lots is continuing to shrink.” (Debtor Ex. 63, Pg. 4).• Updated market conditions in Pender County show two development projects starting, Blake Farm and Topsail Greens Golf course/Wyndwater. (Debtor Ex. 63, Pg. 4).• Blake Farm is close to Hampstead. (Cross, 4/30/14 Tr. Pg. 87)
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EXHIBIT I

BATE LAND COMPANY, L.P. APPRAISAL CHART – TIMBER TRACTS

McCotter B, New River Woods, Silverthorne 57.1 (Including Cooper Tract), Messick, Silverthorne #42, Louise McCotter, & Anderson

	<u>BLC</u>	<u>Debtor</u>
Value	Total - \$560,000 Messick - \$82,000 Louise McCotter - \$96,500 Silverthorne 57.1/Silverthorne A (Includes Cooper Tract) - \$117,500 McCotter B - \$134,000 Silverthorne #42 & New River Woods - \$117,500 Anderson - \$12,500	Total - \$1,950,000 Messick - \$195,000 Louise McCotter - \$460,000 Silverthorne 57.1/Silverthorne A (Does not include Cooper Tract)- \$470,000 McCotter B - \$320,000 Silverthorne #42 - \$160,000 New River Woods - \$345,000 Anderson - \$0
Highest & Best Use	<ul style="list-style-type: none"> • Timber Production 	<ul style="list-style-type: none"> • Timber Production or Agriculture
Factors Relevant to Highest & Best Use	<ul style="list-style-type: none"> • Parcel size and shape, present use as timber tract, physical features of tracts, lack of drainage, and inability to feasibility convert to farmland. (Moody 5/1/14 Tr. Pg. 132); (Moody 5/1/14 Tr. Pg. 133) 	<ul style="list-style-type: none"> • Increasing market for agriculture land
	<u>Testimony in Support of Highest & Best Use Factors</u>	
Drainage	<ul style="list-style-type: none"> • Subjects do not have drainage ditches on them today. (Moody, 5/1/14 Tr. Pg. 153) • Cannot get the water off the subjects. (Moody, 5/1/14 Tr. Pg. 153) • There is no drainage outlet for water on the subjects. (Moody, 5/1/14 Tr. Pg. 154) • Elevation of the subjects is low. Hurricane Irene covered them. Have to have enough elevation so the water will move off the property. (Moody, 5/1/14 Tr. Pg. 156-157) • “Getting drainage on this type of land is a crucial thing to getting crops to grow.” (Moody, 5/1/14 	

EXHIBIT I

BATE LAND COMPANY, L.P. APPRAISAL CHART – TIMBER TRACTS

McCotter B, New River Woods, Silverthorne 57.1 (Including Cooper Tract), Messick, Silverthorne #42, Louise McCotter, & Anderson

	Tr. Pg. 135)	
	•	
Feasibility of Converting Land to Agriculture	<p>1. Process for Converting Land</p> <ul style="list-style-type: none"> • Process for converting timberland to agriculture involves removing the timber on the land, disposing of it, extracting the stumps and roots from the property, putting in drainage ditches to control surface water, level the ground, apply lime to bring pH level in the soil up. (Moody, 5/1/14 Tr. Pg. 133-135) • Process for converting land takes about a year, but until soil nutrients are correct the first crop is not very productive, the second year is a bit better, and it's the third year before you get a normal yield. (Moody, 5/1/14 Tr. Pg. 135) • "Getting drainage on this type of land is a crucial thing to getting crops to grow." (Moody, 5/1/14 Tr. Pg. 135) <p>2. Food Security Act</p> <ul style="list-style-type: none"> • Would be surprised if you could obtain permission to clear any of the subjects and comply with the Food Security Act. (Moody, 5/1/14 Tr. Pg. 155) • Adjoining properties are not wetlands because 	<p>1. Process for Converting Land</p> <ul style="list-style-type: none"> • Did not consider what it would take to convert cleared timberland into farmland. "I don't know exactly what it would take, no....I don't have any idea." (Cross, 4/29/14 Tr. Pg. 145) • Does not take a lot of time to clear land. (Cross, 4/29/14 Tr. Pg. 213) • Would take six months to obtain approval for wetlands delineation to convert timberland to agriculture land. (Cross, 4/29/14 Tr. Pg. 146) • Don't think condition of the soil relates to converting land to agriculture land. (Cross, 4/29/14 Tr. Pg. 168) • Did not consider soil conditions in determining property be agriculture. (Cross, 4/28/14 Tr. Pg. 119) • None of the tracts have been improved or changed from timber production since 2006 (Cross, 4/30/14 Tr. Pg. 71) • None of the subjects are being used for agriculture purposes. (Cross, 4/29/14 Tr. Pg. 151) • "If you don't have wetlands then you're, you know, you can move along the process a little quicker." (Cross, 4/29/14 Tr. Pg. 148) <p>2. Food Security Act</p> <ul style="list-style-type: none"> • Familiar with the Food Security Act and its regulations, which don't allow you to farm on wetlands. (Cross, 4/29/14 Tr. Pg. 167) • Heard of the Swamp Busters Act before speaking with Rodney, but most of her

EXHIBIT I

BATE LAND COMPANY, L.P. APPRAISAL CHART – TIMBER TRACTS

McCotter B, New River Woods, Silverthorne 57.1 (Including Cooper Tract), Messick, Silverthorne #42, Louise McCotter, & Anderson

	<p>they were cleared prior to 1985. (Moody, 5/1/14 Tr. Pg. 157)</p> <p>3. Successful Conversion of Timberland to Agriculture/Atlas Tract</p> <ul style="list-style-type: none"> • Most of land converted from timber to agriculture was done prior to 1985 (Moody 5/1/14 Tr. Pg. 133) • Atlas tract that is being converted is physically different than the subjects, because it is ditched and drained, has a drainage outlet, and is probably prior converted land. (Moody, 5/1/14 Tr. Pg. 151) • Conversions of land observed have been substantial parcel size and drainage is already in place. (Moody, 5/1/14 Tr. Pg. 151) 	<p>information came from him. (Cross, 4/29/14 Tr. Pg. 171)</p> <ul style="list-style-type: none"> • Deposition testimony on February 6, 2014 was that she was not familiar with the Food Security Act and did not consider those regulations as it pertains to the subjects. (Cross, 4/29/14 Tr. Pg. 173); (BLC Ex. 243, Pg. 118) • Have to comply with rules and regulations to turn timberland into agriculture land like Swamp Busters Act. (Cross, 4/29/14 Tr. Pg. 148) <p>3. Successful Conversion of Timberland to Agriculture/Atlas Tract</p>
Cost of Converting Land to Farmland	<ul style="list-style-type: none"> • Converting the subjects would not “yield a value that’s greater than the appraised value as timberland plus the cost of clearing.” (Moody, 5/1/14 Tr. Pg. 138) • Cost of clearing the land would be more than its appraised for. (Moody, 5/1/14 Tr. Pg. 137-138); (BLC Ex. 269) • Clearing of land and getting stumps out ranges 	<ul style="list-style-type: none"> • Have not attempted to determine cost per acre to clear timberland and create agriculture land. (Cross, 4/29/14 Tr. Pg. 154); (Cross, 4/29/14 Tr. Pg. 155) • Factors would be size of land, labor costs, equipment (Cross, 4/29/14 Tr. Pg. 154) • Does not know if it would cost more to clear land with thick underbrush than a tract that did

EXHIBIT I

BATE LAND COMPANY, L.P. APPRAISAL CHART – TIMBER TRACTS

McCotter B, New River Woods, Silverthorne 57.1 (Including Cooper Tract), Messick, Silverthorne #42, Louise McCotter, & Anderson

	<p>from \$1,500 per acre to \$3,000 per acre, not taking into account the time value of money and not getting a good return until the third year. (Moody, 5/1/14 Tr. Pg. 136-137)</p> <ul style="list-style-type: none"> Subjects have not been managed well and would fall on higher end of the range because of the vegetative cover on them. (Moody, 5/1/14 Tr. Pgs. 136-137) 	<p>not have thick underbrush. (Cross, 4/29/14 Tr. Pg. 165)</p> <ul style="list-style-type: none"> Did not ask Rodney about the cost of converting timberland or to clear the timberland. (Cross, 4/29/14 Tr. Pg. 185)
Timber	<ul style="list-style-type: none"> Quality and quantity of timber matters a great deal when determining value of timberland (Moody, 4/30/14 Tr. Pg. 184) 	<ul style="list-style-type: none"> Was not asked to appraise the timber. (Cross, 4/29/14 Tr. Pg. 143) Cannot answer whether tracts are being maintained as timber properties or a plantation. (Cross, 4/29/14, Tr. Pg. 202)
Wetlands	<ul style="list-style-type: none"> 2 of 3 factors that determine wetlands can be found in USDA soil reports. Third factor is by observation. Examining these factors leads to a conclusion about whether there is a strong probability that there are jurisdictional wetlands on the property. (Moody 4/30/14 Tr. Pg. 160-161) Found that each of the subjects likely meets the definition of jurisdictional wetlands. (BLC Ex. 52, Pg. 13); (BLC Ex. 53, Pg. 13); (BLC Ex. 54, Pg. 13); (BLC Ex. 55, Pg. 13); (BLC Ex. 58, Pg. 12); 	<ul style="list-style-type: none"> Only property that she assumed had wetlands on it was McCotter B. Used the US Fish and Wildlife Maps to make assumption that the map was correct that 10% of the property is wetlands. (Debtor Ex. 15, Pg. 7) I would not rely on the US Fish and Wildlife maps (Gully, 5/15/14 Tr. Pg. 59)
Other	<ul style="list-style-type: none"> Purchase price paid for timberland tracts has three components: 1. Merchantable timber; 2. Premerchantable timber; and 3. Land timber is growing on. (Moody, Tr. 4/30/14 Pgs. 181-182) 	

EXHIBIT J

BATE LAND COMPANY, L.P. - MALLORY

	<u>BLC</u>	<u>Debtor</u>
Value	\$1,355,000	\$4,500,000 (value from Petition)
Highest & Best Use	<ul style="list-style-type: none"> • Vacant land 	
Factors Relevant to Highest & Best Use	<ul style="list-style-type: none"> • Market conditions 	
Market Conditions	<ul style="list-style-type: none"> • Market is a very distressed market, with lots of residential development projects that have failed. (Moody, 5/5/14 Tr. Pg. 60) • Virtually no sales of acreage tracts suitable for residential development that were not distressed sales. (Moody, 5/5/14 Tr. Pg. 61) 	“Brunswick County was very – has been a very troubled market.” (Cross, 4/30/14 Tr. Pg. 97)
Other		Property has preliminary PUD approval on west side of Hwy 133 for 292 home sites. (Saunders, 5/6/14 Tr. Pg. 125)

EXHIBIT K

BATE LAND COMPANY, L.P. - GOVERNOR'S ISLAND

	<u>BLC</u>	<u>Debtor</u>
Value	\$1,335,000	\$175,000 (Petition value)
Highest and Best Use	<ul style="list-style-type: none">• Recreation	
Factors Relevant to Highest and Best Use	<ul style="list-style-type: none">• Lot is not buildable, soils.	
Soils & Sewer	<ul style="list-style-type: none">• Soils are not suitable for a septic tank and you would need an outhouse on the property (Moody 5/5/14 Tr. Pg. 86)	

EXHIBIT L

Bate Land Company, L.P.

Adjustment Chart

Property	Comp	Total Gross Adjustment	Debtor Ex. No.	Pg. No.
Spring Creek	1 - Oriental Acres Listing	60%	5	45
Spring Creek	2 - Stokes Listing	45%	5	45
Spring Creek	4 - 2010 NC Coastal Land Trust Sale	45%	5	45
Broad Creek	4 - 2009 NC Coastal Land Trust Sale	57%	1	51
Broad Creek	5 - Swift Creek Plantation	63%	1	51
Smith Creek	3 - 2010 NC Coastal Land Trust Sale	50%	2	49
Smith Creek	4 - 2009 NC Coastal Land Trust Sale	67%	2	49
Smith Creek	5 - Swift Creek Plantation	73%	2	49
Smith Creek	6 - Oriental Acres Listing	60%	2	58
Smith Creek	7 - Stokes Listing	55%	2	59
Smith Creek	8 - Cherry Branch Sale	45%	2	58
Smith Creek	10 - Big Bear Properties Sale	52%	2	58
Laura Williams # 17	5 - Fose Properties Bank Sale	45%	6	49
Laura Williams # 16	5 - Fose Properties Bank Sale	45%	8	50
Island Creek	2 - Wayne Smith Listing	65%	9	61
Island Creek	5 - Ellis Sale	60%	9	61
Island Creek	7 - 2010 NC Coastal Land Trust Sale	45%	9	61
Island Creek	8 - 2009 NC Coastal Land Trust Sale	62%	9	61
Rocky Point East	2 - Wayne Smith Listing	45%	10	51
Rocky Point East	5 - Gordon Road Sale	45%	10	51
Rocky Point East	6 - New Hanover County Purchase	55%	10	51
Rocky Point West	1 - Swartville Listing	45%	11	47
McCotter B	4 - Weyerhaeuser to Nichols Sale	58%	15	45
McCotter B	5 - CBR to Weyerhaeuser Sale	58%	15	45
Messick	4 - Weyerhaeuser to Nichols Sale	53%	12a	38
Messick	5 - CBR to Weyerhaeuser Sale	63%	12a	38
Barnett Spencer	1 - Weyerhaeuser Listing	45%	3	49
Barnett Spencer	2 - Daley to Harrington Sale	50%	3	49
Barnett Spencer	4 - Carolina Helpers Sale	50%	3	49