



616 NORTH FRENCH ROAD, SUITE 200
AMHERST, NEW YORK 14228
PHONE: (716) 634-8970 FAX: (716) 565-2024

CLIENT: **Whiteman Osterman & Hanna LLP**
Attorneys at Law
One Commerce Plaza
Albany, New York 12260

Attention: Mr. John L. Allen, Esquire

APPRAISER: Michael Gluc, MAI
President, Principal Appraiser

NEAC FILE NO.: 15-100

PROPERTY TYPE: Medical, Laboratory & Biomedical Research
(Condominium Ownership)

RESTRICTED
REAL ESTATE APPRAISAL OF:

Conventus Building
7th Floor
1001 Main Street
Buffalo, New York

DATES OF VALUATION: January 5, 2015 ("As Is"- Shell and Core)
May 1, 2015 (Upon Completion)

**THE "AS IS" MARKET VALUE OF THE SUBJECT
PROPERTY (7TH FLOOR), AS OF JANUARY 5, 2015 AS A SHELL
AND CORE FINISH, IS:**

\$13,000,000

**THE PROSPECTIVE MARKET VALUE OF THE
SUBJECT PROPERTY (7TH FLOOR FULLY FINISHED),
AS OF MARCH 1, 2015, WILL BE:**

\$25,000,000

Conventus Building
1001 Main Street
Buffalo, New York

Exterior View



Interior 7th Floor



FIT OUT PACKAGE

BUFFALO MEDICAL INNOVATION AND COMMERCIALIZATION HUB COVENTUS BUILDING 1001 MAIN STREET BUFFALO, NEW YORK 14203

FOR



FORT SCHUYLER MANAGEMENT CORPORATION (FSMC)
COLLEGE OF NANOSCALE SCIENCE & ENGINEERING (CNSE)
ALBANY MOLECULAR RESEARCH, INC (AMRI)



LOCATION MAP
NOT TO SCALE



VICINITY MAP
NOT TO SCALE



THIS IS TO CERTIFY THAT TO THE BEST OF MY KNOWLEDGE, THE ENCLOSED CONTRACT DOCUMENTS, DRAWINGS FP-001 TO FP-103, M-001 TO M-102, AND P-001 TO P-102 ARE IN GENERAL CONFORMANCE TO THE 2010 NY STATE BUILDING CODE

DAVID J. FRANZ, PE
DATE _____

THIS IS TO CERTIFY THAT TO THE BEST OF MY KNOWLEDGE, THE ENCLOSED CONTRACT DOCUMENTS, DRAWINGS E-001 TO E-700 ARE IN GENERAL CONFORMANCE TO THE 2010 NY STATE BUILDING CODE

MICHELLE LEE STARK, PE
DATE _____

THIS IS TO CERTIFY THAT TO THE BEST OF MY KNOWLEDGE, THE ENCLOSED CONTRACT DOCUMENTS, DRAWINGS LS-101 TO LS-102 AND A-001 TO A-001 ARE IN GENERAL CONFORMANCE TO THE 2010 NY STATE BUILDING CODE

JOHN MICHAEL KING, AIA
DATE _____

FIT OUT PACKAGE - DRAWING LIST	
DRAWING NUMBER	DRAWING NAME
FP-001	GENERAL CONTRACT SUMMARY
FP-002	GENERAL CONTRACT SUMMARY
FP-003	GENERAL CONTRACT SUMMARY
FP-004	GENERAL CONTRACT SUMMARY
FP-005	GENERAL CONTRACT SUMMARY
FP-006	GENERAL CONTRACT SUMMARY
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M-001	MECHANICAL SUMMARY
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M-102	MECHANICAL SUMMARY



 FORT SCHUYLER MANAGEMENT CORPORATION 1001 MAIN STREET BUFFALO, NY 14203	 EYP ENGINEERING ARCHITECTURE PLANNING 1001 MAIN STREET BUFFALO, NY 14203
 CIA CONSULTING ARCHITECTS 1001 MAIN STREET BUFFALO, NY 14203	 FORT SCHUYLER MANAGEMENT CORPORATION 1001 MAIN STREET BUFFALO, NY 14203
BUFFALO MEDICAL INNOVATION AND COMMERCIALIZATION HUB FIT OUT PACKAGE - COVER SHEET PROJECT NO. _____ DATE _____	
G-001	



**616 NORTH FRENCH ROAD, SUITE 200
AMHERST, NEW YORK 14228
PHONE: (716) 634-8970 FAX: (716) 565-2024**

January 6, 2015

Mr. John L. Allen, Esquire
Whiteman Osterman & Hanna, LLP
Attorneys at Law
One Commerce Plaza
Albany, New York 12260

Re: Conventus Building
7th Floor
1001 Main Street
Buffalo, New York

Dear Mr. Allen:

Pursuant to your request, the following is a Restricted Report, which is intended to comply with the reporting requirements set forth under the Uniform Standard of Professional Appraisal Practice (USPAP). As such, it presents limited discussions of the data, reasoning, and analyses that were utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file.

The entire property consists of a newly built seven-story medical and research building with the completion of the building expected in early 2015. The building consists of 364,539± square feet of gross building area not including the two (2) levels of underground parking which can accommodate (324) vehicles. The subject property consists of the 7th Floor only.

At the time of inspection, the shell and core of the building was 95 percent completed. The first (6) floors will be leased to a variety of medical tenants with the exception of the first floor which will include a large restaurant, coffee shop and branch bank as well as the 7th floor which will be sold as condominium ownership.

The 7th floor is the subject property which consists of 47,000± square feet of medical/laboratory and research space. At the time of inspection the shell and core space was completed and interior finish has started. The purchaser of the 7th floor is buying the 7th floor as a shell which includes the steel frame construction and concrete floors. The purchaser has a contract for \$9,325,924 for this 7th floor shell.

Mr. John L. Allen, Esquire
January 6, 2015
Page 2

The purchaser has a separate contract with LP Ciminelli for all interior tenant improvements which includes the epoxy flooring in most areas, carpet and tile flooring in the remaining areas, all drywall, drop ceilings, lighting, HVAC, all electrical, plumbing, wiring, and fire protection. The total cost of the interior finish is \$12,961,548 or \$275 per square foot based on 47,000± square feet. The work is expected to be completed by March 1, 2015.

The improvements are situated on 1.40± acres of CM-Commercial zoned land on the northeast corner of Main Street and High Street in the City of Buffalo, County of Erie and State of New York. The property is located within the Buffalo Niagara Medical Campus (BNMC). There is off-street parking for (324) vehicles in the two-level basement. The appraiser notes that the subject property is on leased land.

It is my opinion, based on the data collected and analyzed and subject to the limiting conditions set forth herein, that the “as is” market value of the subject property (7th Floor), as a shell and core as of January 5, 2015 is:

\$13,000,000

It is further my opinion that the prospective market value upon completion of the subject property (7th Floor) fully finished as of March 1, 2015, will be:

\$25,000,000

Extraordinary Assumptions:

- All the tenant improvements will be completed as proposed.
- The market values of the 7th Floor condominium unit reflect a leasehold value due to the land lease in place.



Michael Gluc, MAI
President/Principal Appraiser
New York State Certified
General Real Estate Appraiser
ID #: 46-4723
PA Certified General
Real Estate Appraiser
Certification No. GA003447

CERTIFICATION:

I hereby certify that, to the best of my knowledge and belief, except as otherwise stated in this appraisal report:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
4. I have performed no services as an appraiser, or in any other capacity, regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with the assignment.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, as well as the standards of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. The Principal Appraiser, Michael Gluc, MAI, has made a personal inspection of the property that is the subject of this report.
10. No one provided significant professional assistance to the person signing this report.
11. The appraiser prepared the report in conformity with the Client's Scope of Work, the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation and the Appraisal Institute. The report complies with the Competency Rule of the Uniform Standards.
12. The appraisal assignment has not been based on approval of the loan and/or reporting of a minimum or specific market value conclusion.
13. The appraiser is competent to undertake the appraisal assignment that is the subject of this report based on his achievement of voluntary certification as General Real Estate Appraiser within the State of New York, and his previous experience in valuing similar properties. The Principal Appraiser is a Member of the Appraisal Institute and has taken courses from the Appraisal Institute and the former Society of Real Estate Appraisers. As of the date of this report, Mr. Gluc has completed the continuing education program for Designated Members of the Appraisal Institute.

CERTIFICATION: (Continued)

Based upon my inspection of the property and the investigation and analysis undertaken, I have formed an opinion that as of January 5, 2015 and subject to the assumptions and limiting conditions set forth in the report, the “as is” market value of the subject property (7th Floor) as a shell and core, is:

\$13,000,000

It is further my opinion that the prospective market value upon completion of the subject property (7th Floor) fully finished as of March 1, 2015, will be:

\$25,000,000

Extraordinary Assumptions:

- All the tenant improvements will be completed as proposed.
- The market values of the 7th Floor condominium unit reflect a leasehold value due to the land lease in place.

The appraiser has estimated the exposure/marketing time for the subject property to be between 9-12± months. This is based on information of sales of similar facilities.



Michael Gluc, MAI
President/Principal Appraiser
New York State Certified
General Real Estate Appraiser
ID #: 46-4723
PA Certified General
Real Estate Appraiser
Certification No. GA003447

EXECUTIVE SUMMARY

ADDRESS	1001 Main Street Buffalo, New York
SBL NO.	100.79-1-1, 2.2, 4 & 5
REPUTED OWNER	Kaleida Properties Inc.
INTEREST BEING APPRAISED	Leasehold
LAND SIZE/AREA	1.40± acres (61,071± square feet)
BUILDING AREA	364,539± sf (gross) 47,000± sf (7 th Floor)
ZONING	CM-Commercial
ASSESSMENT	TBD
FULL VALUE ASSESSMENT	TBD
REAL ESTATE TAXES	TBD
ACTUAL AGE	New (built 2014-15)
EFFECTIVE AGE	New
REMAINING ECONOMIC LIFE	50± years
HIGHEST & BEST USE AS VACANT	See "Highest & Best Use" Section
HIGHEST & BEST USE AS IMPROVED	See "Highest & Best Use" Section
DATE OF PROPERTY INSPECTION	January 5, 2015
DATE OF PROPERTY VALUATION	January 5, 2015 & March 1, 2015

EXECUTIVE SUMMARY: (Continued)

VALUE INDICATORS

	<u>“As Is” Shell & Core</u>	<u>Prospective Fully Finished</u>
COST APPROACH	N/A	N/A
SALES COMPARISON APPROACH	N/A	N/A
INCOME APPROACH	\$13,000,000	\$25,000,000

**FINAL OPINION OF “AS IS” VALUE
AS A SHELL AND CORE**

\$13,000,000

**FINAL OPINION OF
PROSPECTIVE FULLY FINISHED VALUE**

\$25,000,000

INTENDED USE AND USER OF APPRAISAL REPORT:

The intended use of this appraisal is to render an opinion of value for the “as is” and prospective market values of the subject property for internal information. The intended user is the client, Whiteman Osterman & Hanna LLP, its successors and/or assigns. *This report has no other purpose and should not be relied upon by any other person or entity.* This report cannot be used for a mortgage with any financial institution.

PROPERTY RIGHTS APPRAISED:

The market value of the leasehold interest in the subject property is being valued. The leasehold estate is the right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

COMPETENCY STATEMENT:

The principal appraiser recognizes the intended use, the appraisal problem and the scope of work to be performed based on the complexity and the physical nature of the subject property. The appraiser holds the practical experience, proficiency and is well qualified to accept and complete the assignment in a manner which facilitates credible results.

EFFECTIVE DATE OF VALUATION:

The effective dates of this value opinion are January 5, 2015 and March 1, 2015. Unforeseen changes in the future economic conditions or dynamic changes in any of the financial markets or U.S. tax laws that may occur after the effective date, could have a material effect on the range of property value. As in all economic studies of this type, the value range presumes a stable economy with no significant change in the local marketplace. No responsibility is assumed for changes in market conditions.

SALES HISTORY:

The subject property has not sold within the past five years of ownership. The subject property (7th Floor) is being purchased as a condominium unit with an unfinished shell and core with the buyer responsible for all interior tenant improvements. Following are the details of the pending sale.

Seller: Conventus Partners LLC
Buyer: Fort Schuyler Management Corp.
Sale Price: \$9,325,924
Date of Contract: March 7, 2014
Square Feet: 47,000±

This is the pending sale of the 7th Floor. This sale price represents the purchase of the 7th Floor as a shell. The purchaser has hired LP Ciminelli to complete all remaining interior finish some of which has been completed as of the date of the inspection. The total cost of the interior finish will be \$12,961,548. Therefore the total investment is \$22,287,472.

TAXES AND ASSESSED VALUATION:

Assessed Value:

As per the City of Buffalo, the tentative assessment of the subject is not available.

SCOPE OF THE APPRAISAL:

Type of Appraisal:

This is a **Restricted** Appraisal, therefore some of the supporting data is contained in our files.

The scope of the appraisal is to render an opinion of the "as is" market value of the subject property as of January 5, 2015 as a shell and core, and prospective market value upon completion of the interior improvements as of March 1, 2015.

The scope of this appraisal includes the necessary research and analysis to prepare the report in accordance with its intended use, the "Standards of Professional Practice of the Appraisal Institute", and the "Uniformed Standards of Professional Appraisal Practice (USPAP)" of the Appraisal Foundation.

The appraisal will consider the Cost, Sales Comparison and Income (Discounted Cash Flow Analysis) Approaches to arrive at a final value estimate. The appraiser will analyze the current economic conditions, supply and demand factors, potential buyers for the subject property as well as a review of the competing facilities in determining the appropriate methods utilized in the appraisal. In addition, the quality, reliability and availability of confirmed data is also important in choosing the appropriate methods of valuation.

The scope of work is acceptable when it meets or exceeds both the expectations of parties who are regularly intended users for similar assignments and what other appraisers' actions would be in performing a similar assignment. The appraiser also recognizes the client's assistance in shaping the full range of the scope of the work.

The Sales Comparison Approach will not be used to support the market value of the subject since a restricted report was requested and the Income Approach is deemed the best indicator of value.

Since the majority of the building is an income producing property, the Income Approach will be used and will be given full consideration. The subject (7th Floor) is being purchased as a condominium unit however the remaining (6) floors will be leased. Therefore, the Income Approach is deemed the best indicator to value. It is my opinion that the Income Approach supports a credible value.

The following Extraordinary Assumptions apply:

Extraordinary Assumptions:

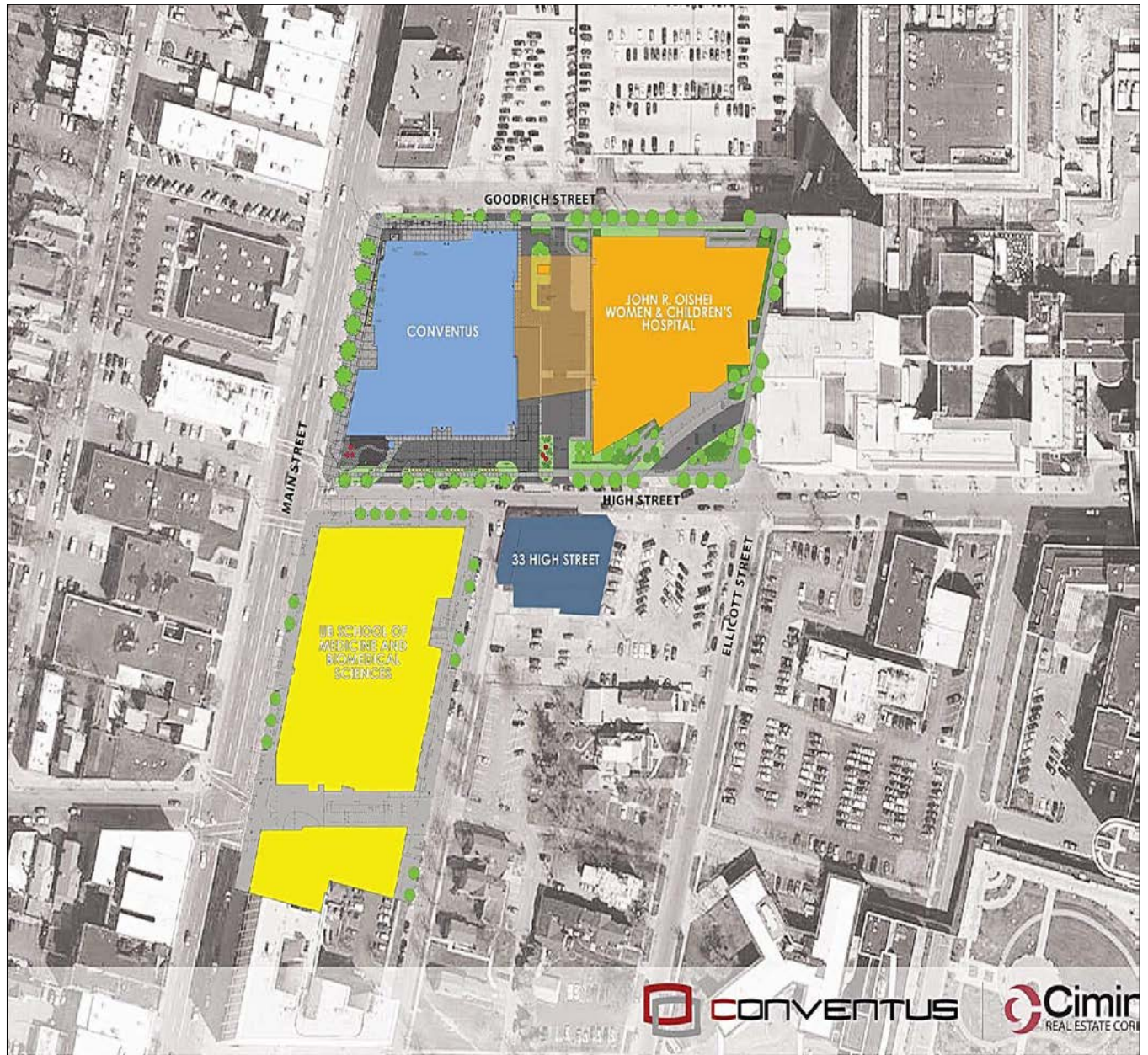
- All the tenant improvements will be completed as proposed.
- The market values of the 7th Floor condominium unit reflect a leasehold value due to the land lease in place.

SCOPE OF THE APPRAISAL: (Continued)

The scope of the appraisal is to gather current data from the marketplace to support an opinion of market value.

In preparing the appraisal report, the following steps were undertaken:

- The property was inspected by Michael Gluc, MAI and photographs were taken on January 5, 2015. Prior to the inspection, the appraiser was supplied with a survey and general subject property information.
- Research was completed at the Assessor's office in the City of Buffalo.
- County and municipal data was taken from the previously compiled database of Northeastern Appraisal Associates Commercial Inc. and the Internet. Neighborhood data was based on the appraiser's inspection and survey of the subject's immediate area.
- The subject property data was based on the appraiser's inspections. Certain other data was obtained and verified through the City's Assessment, Planning and Zoning offices.
- In estimating the highest and best use of the subject, an analysis was made of data compiled in the previously described steps. In addition, a survey of similarly zoned and configured properties in the subject market area was compiled to help determine the economic feasibility.
- In developing the approaches to value the market data was collected from files of Northeastern Appraisal Associates Commercial Inc., Assessor's Records, other appraisers, realtors and other persons knowledgeable of the subject property and other municipal offices.
- Various persons active in the local real estate market were interviewed including realtors specializing in the sale and lease of similar facilities and owners and renters of the comparable properties.
- The comparable data selected was physically inspected and all sales and rental data was confirmed by either the broker, Grantee, Grantor, Lessee, Lessor or lease documents. All sales were confirmed to the deeds at County Hall.
- After assembling and analyzing data defined in this scope of the appraisal, a final opinion of market value was derived.

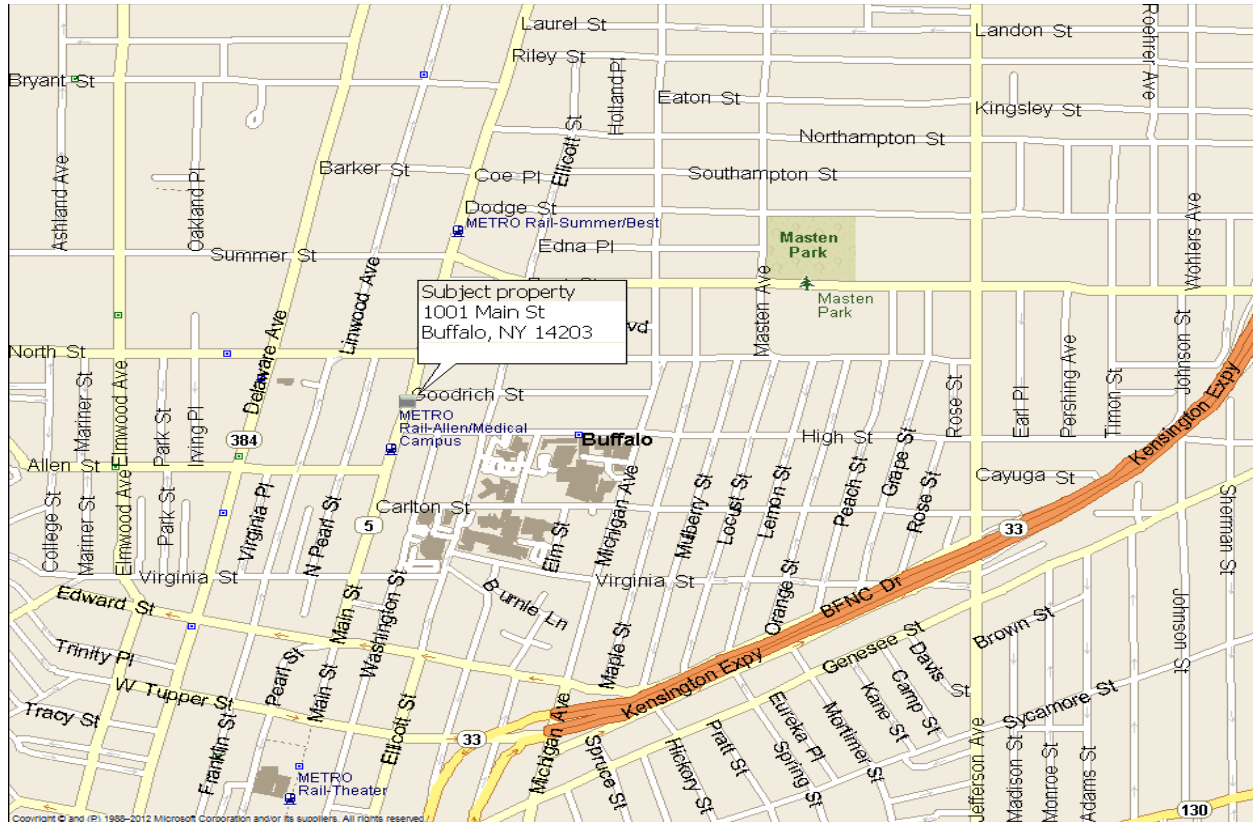


1001 Main Street (7th Floor), Buffalo, NY
NEAC 15-100

MARKET AREA DEMAND:

The same locational, social, economic and governmental influences which act on a regional basis also operate on individual market areas. The term “market area” here is being defined as an area with complementary land use and accessibility. Although the area boundaries often coincide with physical features, the concept of the market area is more importantly related to economic and land use patterns.

Market Area Map



Location: The subject property is located on the northeast corner of Main and High Streets in the City of Buffalo, County of Erie and State of New York. The subject is located in the northeast quadrant of Erie County.

Boundaries: The neighborhood boundaries are detailed as follows:

- North: Ferry Street
- South: CBD
- West: Delaware Avenue
- East: Jefferson Avenue

Land Use: The subject neighborhood is deemed conducive for the subject's use as a medical and research facility due to it’s location within the Buffalo Niagara Medical Campus (BNMC) in the City of Buffalo.

1001 Main Street (7th Floor), Buffalo, NY
NEAC 15-100

MARKET AREA DEMAND: (continued)

Accessibility: The subject property is located on Main Street and High Streets just west of Buffalo General Hospital. The immediate area comprises the new Buffalo Niagara Medical Campus that is anchored by Buffalo General Hospital.

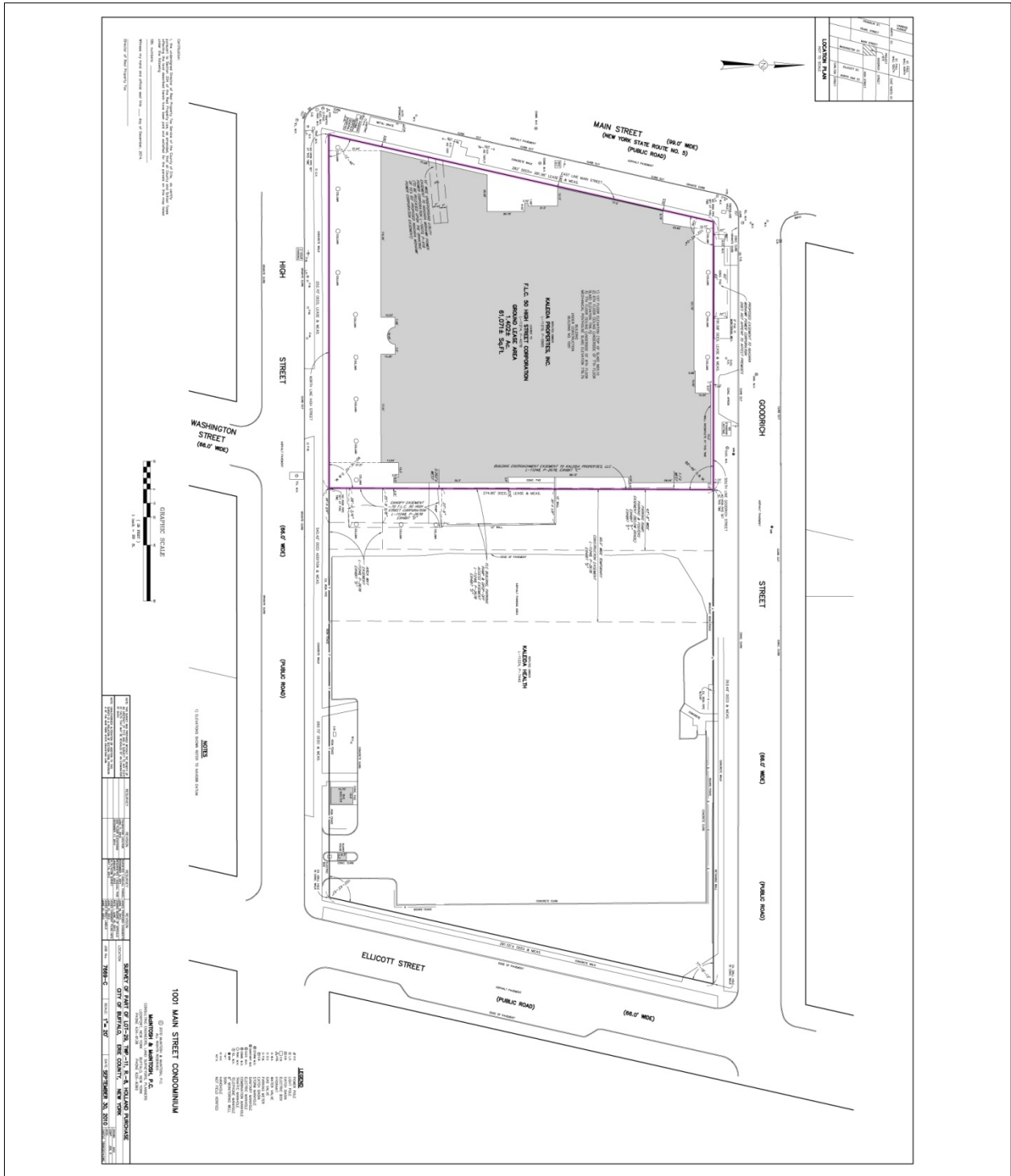
Demographics			
	1 Mile	3 Mile	5 Mile
Population	34,304	123,962	294,216
Average HH Income	\$37,119	\$39,470	\$45,116
Per Capita Income	\$18,781	\$18,370	\$19,971

General Market Area		Present Use - %	
Type of Area	Urban	Single Family	15
Growth Rate	Strong	Multi-Family	5
New Construction	Yes	Commercial	75
Development in Area	95%	Industrial	0
Area Trends Appear to be	Stable	Undeveloped	5
MSA	Buffalo	Distance to CBD	2 miles
Nearest Highway	Rt. 33	Distance to Highway	½ mile

Surrounding Area & Land Use

North	Residential
South	Central Business District / Coca-Cola Field / First Niagara Center
East	Residential Development
West	Kleinhans Music Hall / D'Youville College / I-190

Conclusion: The subject is part of the Buffalo Niagara Medical Campus, a 120± acre parcel consisting of approximately 2 million square feet of space. Currently, the campus includes Roswell Park's center, Buffalo General Hospital, Hauptman Woodward Medical Research Center, UB's NYS Center of Excellence and Kaleida Health Gates Vascular Institute. In addition, several new facilities will be completed within the next few years which includes Roswell Park's Clinical Sciences (2015), Conventus Medical Office & Research Building (the subject), and UB School of Medicine and Biomedical Sciences (2016), to name a few.



1001 Main Street (7th Floor), Buffalo, NY
 NEAC 15-100



1001 Main Street (7th Floor), Buffalo, NY
NEAC 15-100

PHOTOGRAPHS OF THE NEIGHBORHOOD:

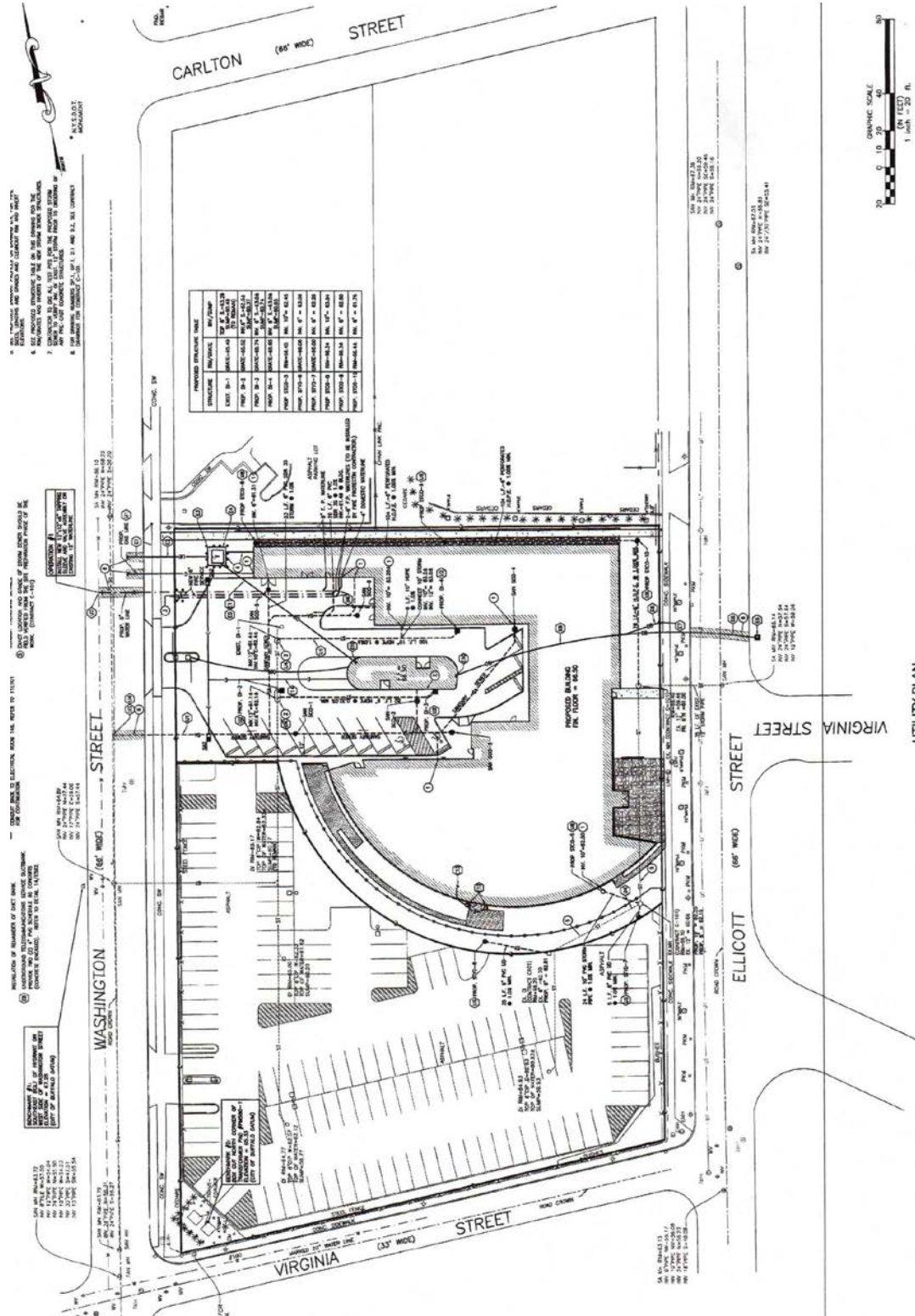
View North on Main Street



View South on Main Street



Site Plan



1001 Main Street (7th Floor), Buffalo, NY
NEAC 15-100

SUMMARY DESCRIPTION OF SITE:

The subject site is irregular in shape containing 282± feet of frontage on Main Street and 252.70± feet of frontage on High Street with a total of 1.40± acres of CM-Commercial zoned land. The site is located in the City of Buffalo, County of Erie and State of New York and offers 324 underground parking spaces on two levels.

SUMMARY DESCRIPTION OF IMPROVEMENTS:

The entire property consists of a newly built seven-story medical and research building with the completion of the building expected in early 2015. The building consists of 364,539± square feet of gross building area not including the two (2) levels of underground parking which can accommodate (324) vehicles. The subject property consists of the 7th Floor only.

At the time of inspection, the shell and core of the building was 95 percent completed. The first (6) floors will be leased to a variety of medical tenants with the exception of the first floor which will include a large restaurant, coffee shop and branch bank as well as the 7th floor which will be sold as condominium ownership.

The 7th floor is the subject property which consists of 47,000± square feet of medical/laboratory and research space. At the time of inspection the shell and core space was completed and interior finish has started. The purchaser of the 7th floor is buying the 7th floor as a shell which includes the steel frame construction and concrete floors. The purchaser has a contract for \$9,325,924 for this 7th floor shell.

The purchaser has a separate contract with LP Ciminelli for all interior tenant improvements which includes the epoxy flooring in most areas, carpet and tile flooring in the remaining areas, all drywall, drop ceilings, lighting, HVAC, all electrical, plumbing, wiring, and fire protection. The total cost of the interior finish is \$12,961,548 or \$275 per square foot based on 47,000± square feet. The work is expected to be completed by March 1, 2015.

Following are the details and cost associated with the tenant build out or tenant improvements as supplied by the purchaser.

SUMMARY DESCRIPTION OF IMPROVEMENTS: (continued)

EXHIBIT B

Total Cost Summary

CONVENTUS MEDICAL OFFICE BUILDING - AMRI FIT-OUT

Date: 9.17.2014

Rev. 11.5.2014

Subcontract No.	Subcontract Description	Apparent Low Bidder	Subcontract Value
70701	Firestopping	Firestop Solutions	\$ 26,240
70801	General Trades	Manning Squires Henning Co., Inc.	\$ 1,016,720
70802	Aluminum, Glass & Glazing	Sterling Glass Dual Pane, Inc.	\$ 385,900
70901	Gypsum & Acoustical	Mader Construction	\$ 1,021,235
70902	Ceramic Tile	Tiede-Zoeller Tile Corp.	\$ 14,400
70903	Resilient, Carpet and Resinous	Heritage Contract Flooring	\$ 255,400
70904	Painting	RW Painting Inc.	\$ 58,000
72101	Fire Protection	Davis Ulmer	\$ 99,085
72201	Plumbing	DV Brown	\$ 2,064,600
72303	HVAC	JW Danforth	\$ 2,800,000
72602	Electrical	Frey	\$ 1,925,000
PO-480	GenSet and Gear	Cummins Northeast LLC	\$ 97,994
PO-505	Make Up Air Units	Seasons-4, Inc.	\$ 412,134
PO-501	Vibration Isolation Curbs	Mark W. Schiller Corp.	\$ 44,995
	Controls	Logical Control Solutions	\$ 221,780
	Structural Steel	Allowance	\$ 225,000
	Security	Allowance	\$ 50,000
	Cleaning	Allowance	\$ 45,000
	Scope yet to purchase	Allowance	\$ 199,165
Subtotal:			\$ 10,962,648
Tenant Provided Scope			
71101	Lab Casework and Equipment	Spencer-Virnoche	By FSMC
	CM Reserve		\$ 642,267
	Subguard 1.3%		\$ 150,864
	CM DPE		\$ 578,406
	CM Fee 4%		\$ 493,367
Subtotal:			\$ 1,864,904
Total Construction Cost:			\$ 12,827,552
	Shell Core A/E Fees		\$ 133,996
Total Construction Cost plus Shell Core A/E Fees:			\$ 12,961,548

FLOODWAY:

The FEMA (Federal Emergency Management Agency) prepares Flood Insurance Rate Maps (FIRMs) that depict the extent of Special Flood Hazard Areas (SFHAs) and other thematic features related to flood risk assessment. SFHAs are areas subject to inundation by a flood having a one percent or greater probability of being equaled or exceeded during any given year (this is also known as a 100-year flood event). This flood, which is referred to as the base flood, is the national standard on which the floodplain management and insurance requirements of the NFIP (National Flood Insurance Program) are based.

Flood Zone: No

HAZARDOUS MATERIALS OR CONDITIONS

Unless otherwise stated in this report, the existence of hazardous substances, including but without limitation to asbestos, polychlorinated biphenyls, petroleum leakage, agricultural chemicals, or radon, which may or may not be present on the property, or other environmental conditions, were not called to the attention of, nor did the appraisers become aware of such during the time of inspection. The appraisers have no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraisers are not qualified to test for such substances or conditions. The value opinion contained within this report is predicated on the assumption that there is no such condition on, in or in proximity thereto that would cause a substantial loss in value. We have received no environmental studies indicating that the site is clean of hazardous or environmental problems. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required for discovery.

The appraiser advises the client to employ the services of a qualified expert before making a business decision if there is concern regarding such environmental matters. The appraiser values the property as if clean and free of hazardous material and/or waste.

SUBJECT PHOTOGRAPHS:

Exterior Views

Front View



Site of New Medical School

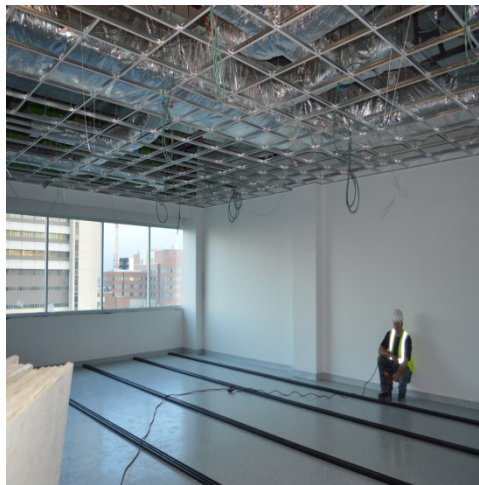


SUBJECT PHOTOGRAPHS:

Interior Views
Passenger Elevators



Interior View of 7th Floor



1001 Main Street (7th Floor), Buffalo, NY
NEAC 15-100

SUBJECT PHOTOGRAPHS:

Interior Views

Offices



Typical Wiring



HIGHEST AND BEST USE:

The highest and best use of land as though vacant and property as improved must meet four criteria. The highest and best use must be legally permissible, physically possible, financially feasible and maximally productive. These criteria are often considered sequentially. The tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. A use may be financially feasible, but this is irrelevant if it is legally prohibited or physically impossible.

Highest and Best Use as Though Vacant:

The subject property is currently situated in a CM General Commercial Zoning District. According to verbal information supplied by the City's Zoning Department and a review of the local zoning ordinance, the subject property is a legal conforming use. Zoning is the means by which communities regulate the use of land and buildings to protect and promote the quality of life within their boundaries. Zoning regulations are also an important means of implementing the goals of the comprehensive plan. An ordinance limiting and restricting the specified districts and regulating therein, buildings and other structures according to their construction and the nature and extent of their use and the nature and extent of the use of land, so as to promote and preserve the health, safety, character and general welfare of the community. The permitted uses for the subject site include, but are not limited to:

1. Medical office
2. Professional office
3. Hospital
4. Other similar uses of the same general character

The likelihood of a zoning change is remote. The legally possible uses that are also physically possible and financially feasible include all of the above-mentioned permitted uses. Thus, the maximally productive and highest and best use of the subject site as though vacant would include the above mentioned uses.

Highest and Best Use as Improved:

Neither demolition of the existing improvement and redevelopment of the subject site nor modification of the existing improvement would result in a higher return to the land than is currently being achieved. The current use is therefore concluded to be the highest and best use as improved.

Appraisal Development and Reporting Process: In preparing this appraisal, the appraiser:

- Inspected the subject site and the interior and exterior of the improvements.
- Gathered and confirmed information on rental comparables.
- Applied the Income Approach to arrive at an indication of value.

INCOME APPROACH TO VALUE

INCOME APPROACH TO VALUE:

INTRODUCTION:

The Income Capitalization Approach to Value consists of methods, techniques and mathematical procedures that appraiser uses to analyze a property's capacity to generate benefits (i.e. usually monetary benefits of income and reversion) which are then converted into an indication of present value. The Income Capitalization Approach has its greatest usefulness in the valuation of a property's income producing potential, recognizing the present worth of future benefits of ownership.

The benefits of owning specific rights in income producing real estate include the right to receive all revenue generated by the real property during the holding period (i.e. term of ownership) plus the proceeds from resale on reversion of the property at the termination of the investment.

The Potential Gross Income (PGI) for the subject property will be forecasted. PGI "is the total income attributable to the real property at full occupancy before operating expenses are deducted".¹

Losses expected due to non-occupancy, turnover, and non-payment of rent by tenants are deducted from PGI to arrive at the Effective Gross Income (EGI).

The appraiser will stabilize and deduct operating expenses from EGI to arrive at the Net Operating Income (NOI). Net Operating Income is defined as "the anticipated income from all operations of the real property adjusted for vacancy and collection losses."²

To arrive at the subject's PGI, comparable rentals must be analyzed and adjusted for items of differences as compared to the subject property. Market rent is defined as "the rental income that a property would most probably command in the open market."³

¹The Appraisal of Real Estate

²The Appraisal of Real Estate

³The Appraisal of Real Estate

INCOME APPROACH TO VALUE: (Continued)

Any projections, direct or implied, that were made in the report were utilized to assist the appraiser and are based on current market conditions, anticipated short term supply and demand factors, and a continued relatively stable economy. Therefore the projections are subject to change in future conditions that cannot be accurately predicted by the appraiser and could affect the rent that is currently being achieved by the subject property and/or the comparable rental properties that were utilized in this report.

Introduction:

The property consists of seven-story medical, laboratory and research facility that contains 364,539± square feet of gross building area. The subject's portion is the 7th Floor consisting of 47,000± square feet.

The 7th Floor is being sold as a condominium. The purchaser is paying \$9,325,924 for the shell and is spending another \$12,961,548 on interior finish for a total investment of \$22,287,472. Following are the rental comparables to support to support a market rent for the shell and core of the building, and a final rent to include the core as well as all interior finish.

It is the appraiser's opinion that the subject property could be an income producing property.

Market rent is defined as "the rental income that a property would most probably command in the open market as indicated by current rentals being paid for comparable space, as of the effective date of the appraisal."¹

¹The Appraisal of Real Estate

Rental 1
 Conventus Building
 1001 Main Street
 Buffalo, NY



Years	Leased area	Annual Rent	Rent / SF
1-5	60,000	\$1,500,000	\$25.00
6-10	60,000	\$1,560,000	\$26.00
11-15	60,000	\$1,650,000	\$27.50
16-20	60,000	1,740,000	\$29.00

Lessor: Conventus Partners, LLC

Lessee: UB Associates

Comments: This is the lease for part of the 4th and 5th floors within the new Conventus Medical Office building within the Buffalo Niagara Medical Campus. The above rent is for the shell and core finish of their space. Additional rent of \$15.00 per square foot for interior finish is based on a \$200.00 per square foot tenant improvement allowance. Therefore the total rent will be approximately \$40.00 per square foot triple net.

Date Information Verified: 01/14/215

Rental 2
 Conventus Building
 1001 Main Street
 Buffalo, NY



Years	Leased area	Annual Rent	Rent / SF
1-5	51,750	\$1,204,222	\$23.27
6-10	51,750	\$1,309,275	\$25.30
11-15	51,750	\$1,413,810	\$27.32
16-20	51,750	1,518,862	\$29.35

Lessor: Conventus Partners LLC

Lessee: Fort Schuyler Management Corp.

Comments: This is the lease for the 6th floor within the new Conventus Medical Office building within the Buffalo Niagara Medical Campus. The above rent is for the shell and core finish of their space. Additional rent of \$15.00 per square foot for interior finish is based on a \$200.00 per square foot tenant improvement allowance. Therefore the total rent will be approximately \$38.27 per square foot triple net.

Date Information Verified: 01/14/215

Rental 3
 Conventus Building
 1001 Main Street
 Buffalo, NY



Years	Leased area	Annual Rent	Rent / SF
1-5	65,000	\$1,625,000	\$25.00
6-10	65,000	\$1,690,000	\$26.00
11-15	65,000	\$1,787,500	\$27.50
16-20	65,000	\$1,885,000	\$29.00

Lessor: Conventus Partners LLC

Lessee: Kaleida

Comments: This is the lease for the 3rd floor within the new Conventus Medical Office building within the Buffalo Niagara Medical Campus. The above rent is for the shell and core finish of their space. Additional rent of \$20.00 per square foot for interior finish is based on a \$250 per square foot tenant improvement allowance. Therefore the total rent will be approximately \$45.00 per square foot triple net.

Date Information Verified: 01/14/215

1001 Main Street (7th Floor), Buffalo, NY
 NEAC 15-100

INCOME APPROACH TO VALUE: (Continued)

INCOME ANALYSIS

Potential Gross Income: Based on the three rental comparables that range from \$23.27 per square foot to \$25.00 per square foot triple net for the shell and core finish. The appraiser adopts a market rent of \$23.00 per square foot triple net for the core and shell finish as market rent.

Gross Income (Shell and Core)

$$47,000\pm \text{ sf} \quad @ \quad \$23.00/\text{sf} \quad = \quad \$1,081,000$$

Based on the three rental comparables, additional rent of \$15.00 to \$20.00 per square foot triple net is charged for additional rent. This is based on tenant improvements ranging from \$200.00 to \$250.00 per square foot of building area. The appraiser will adopt an upper range of \$19.00 per square foot for the interior finish. This is based on the fact that the subject's interior finish is \$275.00 per square foot. Following is the combined market rent for the fully finished medical and research office space.

Core and Shell Rent	\$23.00
Interior Finish	<u>\$19.00</u>
Total Rent	\$42.00/sf

$$47,000\pm \text{ sf} \quad @ \quad \$42.00/\text{sf} \quad = \quad \$1,974,000$$

Vacancy and Collection Analysis: Vacancy and collection loss is an allowance for reductions in potential gross income attributable to vacancies, tenant turnover and nonpayment of rent or other income. The two components of this consider physical vacancy as a loss in income and collection loss caused by either concessions or default by tenant(s).

The property consists of 364,539± square feet of which 47,000± square feet is allocated to the 7th Floor. The building has several leases signed with over 50 percent pre-leased and additional tentative leases with other tenants for the remaining space. A conservative 5 percent vacancy allowance will be used.

INCOME APPROACH TO VALUE: (Continued)

EXPENSE ANALYSIS

The subject rental has been forecasted on a triple net basis for a single tenant occupant of the 7th Floor whereby the tenant would be responsible for paying all utilities and all operating expenses. The owner, therefore, has responsibility for the following expenses:

Taxes: Paid by the tenant.

Insurance: Paid by the tenant.

Management: Based on a single tenant occupied building, the appraiser adopts a 3 percent of effective gross income.

CAM: Paid by the tenant.

Legal/Audit: This expense item reflects professional fees which are incurred in the operation of the property. An allocation of ½ percent of the EGI is considered reasonable.

Reserve for Replacement: (Structural Reserve): It is necessary to provide for the replacement of building components, fixtures and equipment items that will require replacement at least once before the economic life of the principle improvements expires. These replacement items include the following for the subject property:

The appraiser assumes the straight line premise in the Reserve for Replacement account since this premise assumes that any money that could be earned from interest would be offset by inflation.

The total estimated reserve of \$18,800 (R) based on 47,000± square feet of gross building area equates to \$.40/square foot of gross building area. This reserve is considered in line with the market for a typical medical and research condominium building.

Following are Pro-Forma Operating Statements utilizing a market rent and market level expenses.

Pro Forma Operating Statement

Shell and Core finish
1001 Main Street, 7th Floor
Buffalo, NY

Total Gross Potential Income:

7th floor (47,000 sf @ \$23.00/sf) \$1,081,000

Total Potential Gross Income: \$1,081,000

Vacancy & Collection (5%) (\$54,050)

Effective Gross Income: \$1,026,950

EXPENSES:

FIXED:

Taxes Tenant

Insurance Tenant

TOTAL FIXED: \$0

VARIABLE:

Utilities Tenant

Maintenance Tenant

Management (3%) \$30,809

Legal/Audit (1/2%) \$5,135

TOTAL VARIABLE: \$35,943

REPLACEMENT RESERVE: \$18,800

TOTAL EXPENSES: 5.33% (\$54,743)

NET OPERATING INCOME: \$972,207

Pro Forma Operating Statement

Fully Finished

1001 Main Street, 7th Floor

Buffalo, NY

Total Gross Potential Income:

7th floor (47,000 sf @ \$42.00/sf) \$1,974,000

Total Potential Gross Income: **\$1,974,000**

Vacancy & Collection (5%) (\$98,700)

Effective Gross Income: \$1,875,300

EXPENSES:

FIXED:

Taxes **Tenant**

Insurance **Tenant**

TOTAL FIXED: \$0

VARIABLE:

Utilities **Tenant**

Maintenance **Tenant**

Management (3%) **\$56,259**

Legal/Audit (1/2%) **\$9,377**

TOTAL VARIABLE: \$65,636

REPLACEMENT RESERVE: \$18,800

TOTAL EXPENSES: 4.50% (\$84,436)

NET OPERATING INCOME: \$1,790,865

INCOME APPROACH TO VALUE: (Continued)

Mortgage Equity Capitalization:

The true nature of a real estate investment, in most instances, consists of a combination of two types of capital; mortgage money (debt capital) and equity funds (venture capital). These monies are paid, or invested, to acquire rights to parcels of real property (i.e., rights to use, occupy, lease, develop, etc.). There are cases where the investment consists solely of one type of capital, but most investors use the mortgage/equity combination. Investors often meet purchase capital requirements by securing as much capital as possible in the form of mortgage funds (leverage), and then supplying the balance as equity money. The investment is money, not the land, bricks or mortar of the real property involved.

The benefits that are anticipated from the investment involve periodic collections of net income. The property will produce gross revenues from which operating and fixed expenses will be paid, leaving a residual termed "net income before debt service", or NOI (net operating income). The net income is first applied to mortgage interest and amortization, the remainder is an equity return, variously termed "equity dividend", "cash on cash", or "equity flow". Second, an investor expects to receive proceeds of the sale upon future disposition of the property.

The mortgage equity procedure assumes income flow and overall property value may increase, decrease, or remain stable. The technique permits conversion of a single year's income or a stabilized income into value by applying the following formula.

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Overall Capitalization Rate}}$$

INCOME APPROACH TO VALUE: (Continued)

Mortgage Equity Capitalization: (Continued)

Equity Requirements Plus Investment Growth or Depreciation:

In the mortgage-equity procedure, the treatment of equity yield is often referred to as total yield because it is a composite of periodic cash dividends and investment growth or decline. The periodic cash dividend benefit is the first item offered to attract a potential investor, but is usually not as important as potential growth. If a property merely maintains its value over an ownership term, the equity position will at least grow in an amount equal to debt reduction. Should the property increase in value, as is so often anticipated in inflationary environments, equity will increase to the extent of mortgage amortization, plus property value growth. Even if the property lost some value, the equity could grow by whatever amount debt reduction might exceed valuation loss.

Capitalization Procedure:

Before the appraisers can illustrate the arithmetic procedures, an identification of the current mortgage market, together with consideration of expected yields to attract venture capital, must be considered.

Mortgage Requirements:

In discussion with local lenders and mortgage brokers, the appraisers have been lead to believe that an investor or owner-occupant with a good credit rating, should be able to secure a mortgage with a 20 year payout at a 5.50 to 6.50 percent effective interest rate in an amount equal to 75 percent of the appraised value of the property. The appraiser adopts a 6.00 percent effective interest rate.

Holding Period:

Based on our market research, a typical investment holding period for a property similar to the subject is expected to be between 5 and 10 years. For the purpose of this analysis, a 5 year estimate is projected. This period is reflective of the typical fixed term of the mortgage rate.

INCOME APPROACH TO VALUE: (Continued)

Mortgage Equity Capitalization: (Continued)

Equity Yield Requirements:

Equity is a composite of dividend income and investment growth or depreciation; it is usually expressed as an annual compound rate, or percentage. An equity investor has potential for upside growth and, at the same time, a substantial risk of loss flowing from the thinness of his/her position and its customary subordination to the requirements of operating expenses and debt service. Typical equity yield rates range from 8 to 12 percent. The appraiser has adopted an equity yield rate applicable to the subject of 10 percent.

Appreciation/Depreciation:

The appraiser forecasts no appreciation over the five year holding period.

On the following page a capitalization rate will be derived utilizing the previously mentioned assumptions, under the "Band of Investment" buildup method.

INCOME APPROACH TO VALUE: (Continued)

Considering the previously mentioned factors, an overall capitalization rate is developed as follows, with the property showing no appreciation during the projected holding period.

MORTGAGE EQUITY CAPITALIZATION

Holding Period	=	5	years
Equity Yield Rate	=	10.00%	
Loan Ratio	=	75.00%	
Loan Term	=	20	years
Loan Rate	=	6.00%	
Appreciation/Depreciation	=	0.00%	

Capital Source	Portion		Rate	Cap Rate
Mortgage Loan	= 0.75	x	0.0860	= 0.0645
Equity	= 0.25	x	0.1000	= <u>0.0250</u>

Overall Rate = 0.0895

Less Equity Buildup through Debt Reduction

Debt Reduction	0.1510		
Sinking Fund Factor	0.1638		
Loan Ratio	75%		<u>-0.0186</u>

Basic Rate = 0.0709

Less Equity Buildup through Appreciation/Depreciation

Appreciation/Depreciation	0.00	X	0.1638	<u>0.0000</u>
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0.0709

say: 7.10%

National Medical Office Buildings Market

Investors describe the buying environment in the national medical office buildings (MOB) market as “deal constrained” and “very competitive for high-grade medical assets,” resulting from a limited supply of quality product and an abundance of cash chasing MOB product. “Current buyers must be prepared to pay the highest prices at the lowest cap rates compared to the competition,” says a participant.

In fact, this quarter’s Survey results reveal a 33-basis-point drop in the average overall cap rate for this market – the largest decline seen for the MOB market since its debut in midyear 2008 (see Table 33). Over

the next six months, 57.0% of surveyed investors foresee overall cap rates holding steady, while 43.0% anticipate overall cap rates falling as much as 50 basis points with an average expected decline of 36 basis points.

Investment demand for MOB assets is noted in *Emerging Trends in Real Estate® 2015*, published by PwC and ULI, which states an aging baby-boomer population as a key driver behind the ongoing need for MOB space. In terms of investment prospects in the coming year, MOB are viewed as a “buy” by 36.3% of respondents, a “hold” by 40.6% of them, and a “sell” by the balance (23.1%). ♦

KEY 4Q14 SURVEY STATS*

Tenant Retention Rate:

Average	78.0%	▲
Range	60.0% to 90.0%	

Months of Free Rent⁽¹⁾:

Average	3.0	▼
Range	1 to 6	
% of participants using	71.0%	▼

Average Overall Cap Rates:

Market (as a whole)	7.27%	▼
On campus	6.95%	▼
Off campus	7.59%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 33
NATIONAL MEDICAL OFFICE BUILDINGS MARKET
Fourth Quarter 2014

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.00% – 11.00%	6.00% – 11.00%	6.00% – 13.00%	6.50% – 13.00%	8.00% – 13.00%
Average	8.30%	8.42%	8.72%	8.94%	10.37%
Change (Basis Points)		- 12	- 42	- 64	- 207
OVERALL CAP RATE (OAR)^a					
Range	4.75% – 10.00%	5.00% – 11.00%	5.50% – 11.00%	6.00% – 11.00%	7.50% – 11.50%
Average	7.27%	7.60%	7.71%	7.92%	8.91%
Change (Basis Points)		- 33	- 44	- 65	- 164
RESIDUAL CAP RATE					
Range	5.50% – 10.50%	5.50% – 10.50%	6.00% – 11.00%	6.50% – 12.00%	7.50% – 12.00%
Average	7.59%	7.71%	7.87%	8.20%	8.96%
Change (Basis Points)		- 12	- 28	- 61	- 137
MARKET RENT CHANGE^b					
Range	(5.00%) – 3.00%	(5.00%) – 3.00%	(5.00%) – 3.00%	0.00% – 3.00%	0.00% – 3.00%
Average	1.43%	1.65%	1.53%	1.08%	1.46%
Change (Basis Points)		- 22	- 10	+ 35	- 3
EXPENSE CHANGE^b					
Range	1.00% – 4.00%	0.00% – 4.00%	0.00% – 4.00%	0.00% – 4.00%	0.00% – 4.00%
Average	2.46%	2.45%	2.36%	2.17%	2.54%
Change (Basis Points)		+ 1	+ 10	+ 29	- 8
MARKETING TIME^c					
Range	1 – 12	1 – 12	1 – 12	1 – 12	3 – 24
Average	5.1	5.2	5.0	5.3	8.1
Change (▼, ▲, =)		▼	▲	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

INCOME APPROACH TO VALUE: (Continued)

Debt Coverage Formula:

In addition to the traditional terms of lending (i.e. interest rate, loan-to-value ratio, amortization term, maturity and payment period), real estate lenders sometimes use another constraining factor - debt coverage ratio (DCR). This is the ratio of net operating income to annual debt service, the payment that covers interest on, and retirement of the outstanding principal of the mortgage loan (I_m).

$$\text{DCR} = \frac{\text{NOI}}{I_m}$$

This measure of constraint is frequently used by institutional lenders, who are generally fiduciaries. Due to their fiduciary responsibility, institutional lenders are particularly sensitive to the safety of loan investments, especially the safety of principal. They are concerned with safety and profit and are anxious to avoid default and possible foreclosure.

Consequently when they underwrite income property loans, institutional lenders try to provide a cushion so that the borrower will be able to meet debt service requirements on the loan even if building income declines.

Deriving Overall Rates:

To estimate an overall rate (R_o), the debt coverage ratio can be multiplied by the mortgage constant and the loan-to-value ratio. This Overall Rate is as follows:

$$R_o = \text{DCR} \times R_m \times M$$

The Debt Coverage Ratio (DCR) is the ratio of annual debt service to net operating income. Typically, the range of DCR is 1.20 to 1.30. The appraiser adopts a debt coverage ratio of 1.20.

The Mortgage Constant (R_m) is the Mortgage Capitalization Rate, which is a function of the interest rate, the frequency of amortization and the term of the loan. Based on a 20 year loan term with monthly payments and a 6.00% interest rate, the mortgage capitalization rate is calculated at .0860.

INCOME APPROACH TO VALUE: (Continued)

Deriving Overall Rates: (continued)

The Loan-to-Value Ratio (M) represents the Loan or debt portion of the property investment. The typical range for the loan-to-value ratio is from 70-80%. The appraiser adopts a 75% loan-to-value ratio.

Following are the components of this Overall Rate Formula:

$$\text{DCR} = 1.20$$

$$R_m = .0860$$

$$M = .75$$

$$R_o = \text{DCR} \times R_m \times M$$

$$R_o = 1.20 \times .0860 \times .75$$

$$R_o = 0.0774 \text{ or } 7.74\%$$

Overall Rates:

The appraiser has utilized the National Market Survey, Band of Investment and Debt Coverage Formula. They are as follows:

Band of Investment:	7.10%
Debt Coverage Formula:	7.74%
National Market Survey:	4.75% - 10.00% (7.27% avg)

Conclusion of Overall Capitalization Rate:

Based on the overall rates calculated utilizing the National Market Survey, Debt Coverage Formula and Band of Investment, the appraiser adopts an overall capitalization rate of 7.25%.

Overall Capitalization Rate

7.25%

INCOME APPROACH TO VALUE: (Continued)

CAPITALIZATION PROCESS:

“Shell and Core”

$$\text{Value} = \frac{\text{Income}}{\text{Rate}}$$
$$\text{Value} = \frac{\$972,207}{.0725}$$

INCOME APPROACH VALUE INDICATION: \$13,409,751
\$13,000,000 (R)

**INDICATED “AS IS” MARKET VALUE AS SHELL
AND CORE FINISH VIA INCOME APPROACH,
AS OF JANUARY 5, 2015, WILL BE:**

\$13,000,000

INCOME APPROACH TO VALUE: (Continued)

CAPITALIZATION PROCESS:

Fully Finished

$$\text{Value} = \frac{\text{Income}}{\text{Rate}}$$
$$\text{Value} = \frac{\$1,790,865}{.0725}$$

INCOME APPROACH VALUE INDICATION: \$24,701,586

\$25,000,000 (R)

**INDICATED PROSPECTIVE MARKET VALUE ON THE
7TH FLOOR FULLY FINISHED VIA INCOME APPROACH,
AS OF MARCH 1, 2015, WILL BE:**

\$25,000,000

RECONCILIATION AND FINAL VALUE CONCLUSION:

The appraiser has identified, gathered and analyzed general and specific data. In addition, the appraiser has determined the property's highest and best use and has considered the Cost Approach, Sales Comparison Approach and Income Approach to arrive at the final value estimate.

The appraiser has utilized one approach to arrive at the “as is” and prospective stabilized market values of the 7th Floor.

Reconciliation is "the analysis of alternative conclusions to arrive at a final value estimate".¹ Resolving the differences among the various value indicators is called Reconciliation.

Reconciliation requires judgment based on careful, logical analysis of the procedures that lead to the final value conclusion. Appropriateness, accuracy and quantity of evidence are the three basic criteria utilized by an appraiser to form a meaningful and defensible final value estimate.

COST APPROACH:

The Cost Approach was not utilized due to the actual age of the facility and difficulty in estimating total depreciation. It is the appraiser's opinion that the Cost Approach is an appropriate method of valuation for new construction or special use type properties. The Cost Approach is most reliable when the improvements are new or nearly new.

SALES COMPARISON APPROACH:

Since a restricted appraisal was requested, and based on the Income Approach being considered the most appropriate method of valuation according to the data collected and analyzed, the Sales Comparison Approach was not developed.

INCOME APPROACH:

Since the subject property could be an income producing property, the appraiser used market level rents and expenses to arrive at the potential gross income. The appraiser deducted actual and market derived expenses to arrive at a stabilized net operating income of \$972,207 for the subject's 7th Floor condominium office. Utilizing an overall rate of 7.25%, a final “as is” (shell and core) value of \$13,000,000 was concluded. In addition, a prospective market value fully finished of \$25,000,000 was supported.

The Income Approach will be given full consideration.

¹ The Appraisal of Real Estate

RECONCILIATION OF FINAL VALUE:

The appraiser has employed the Income Approach to Value in rendering an opinion of the “as is” and prospective stabilized market values in the subject property.

	<u>“As Is” Core & Shell</u>	<u>Prospective Fully Finished</u>
COST APPROACH	N/A	N/A
SALES COMPARISON APPROACH	N/A	N/A
INCOME APPROACH	\$13,000,000	\$25,000,000

After considering all of the evidence and indications of value shown in this report and weighing the reliability of each, it is the appraiser's opinion that the “as is” market value of the 7th Floor in shell and core finish as of January 5, 2015, is:

\$13,000,000

It is further my opinion that the prospective stabilized market value of the 7th Floor fully finished, as of March 1, 2015, will be:

\$25,000,000

Extraordinary Assumptions:

- All the tenant improvements will be completed as proposed.
- The market values of the 7th Floor condominium unit reflect a leasehold value due to the land lease in place.

ESTIMATE OF EXPOSURE/MARKETING TIME:

The appraiser has estimated the exposure/marketing time for the subject property to be between 9-12± months. This is based on information of sales of similar facilities.

ADDENDUM

ENGAGEMENT LETTER

ASSUMPTIONS AND LIMITING CONDITIONS

DEFINITIONS AND SIGNIFICANT TERMS

QUALIFICATIONS OF APPRAISER



616 NORTH FRENCH ROAD, SUITE 200
AMHERST, NEW YORK 14228
PHONE: (716) 634-8970 FAX: (716) 565-2024
Michael Gluc, MAI, President mgluc@roadrunner.com
Tony Steward, Vice President tonysteward@verizon.net

December 31, 2014

Mr. John L. Allen, Esquire
Whiteman Osterman & Hanna LLP
One Commerce Plaza
Albany, New York 12260

E-Mail: jallen@woh.com

Re: Proposal to Appraise
1001 Main Street, 7th Floor
Buffalo, New York

Dear Mr. Allen:

Please accept this letter as a proposal for Northeastern Appraisal Associates Commercial, Inc. to produce a restricted written appraisal for the above referenced property.

Our fee will be \$5,900. One electronic version of the report will be delivered to you within 4 weeks from the date we receive authorization (in the form of this signed letter) and a **retainer fee of \$3,000.** The balance is due within 30 days of the delivery of the report. Overdue accounts subject to late charge of \$100 per month and to collection costs including 25% attorney's fees (minimum \$350).

Thank you for the opportunity to submit this proposal. If the terms are agreeable, please indicate same by signing below and returning to the undersigned with your retainer check.

Sincerely,

Michael Gluc, MAI
President

MG:dj

Agreement/Guarantee:

I agree to the terms and conditions stated above. I guarantee that Northeastern Appraisal Associates Commercial, Inc. will be paid the balance owed according to the terms stated above. Our terms are net 30 days.

Whiteman Osterman & Hanna LLP

Signature

12/31/14
Date

WHITEMAN
OSTERMAN
& HANNA LLP

Attorneys at Law
www.woh.com

One Commerce Plaza
Albany, New York 12260
518.487.7600 phone
518.487.7777 fax

John L. Allen
Partner
518.487.7680 phone
jallen@woh.com

December 31, 2014

VIA U.S. MAIL AND EMAIL (mgluc@roadrunner.com)

Michael Gluc
Northeastern Appraisal Associates
The Walker Center
5110 Main Street
Williamsville, NY 14221

Re: Fort Schuyler Management Corporation

Dear Mr. Gluc:

This letter shall confirm that Whiteman Osterman & Hanna LLP ("WOH") has retained you and your firm to prepare an appraisal of the fair market value of the 7th floor of the building known as the Conventus Center for Collaborative Medicine located at 1001 Main Street, Buffalo, New York.

Conventus Partners, LLC the owner of the building under construction at that parcel pursuant to Ground Lease with Kaleida, has filed a Condominium Declaration with respect to the building and is selling the 7th floor to Fort Schuyler.

Per your request, enclosed herewith please find the following documents:

1. Contract for Sale of Condominium Unit between Conventus and Fort Schuyler dated March 7, 2014;
2. First Amendment to the Contract for Sale of Condominium Unit dated as of June 1, 2014;
3. Owner Builder Agreement between Fort Schuyler and LP Ciminelli, Inc. for the fit-up of the 7th floor;
4. Building plans for the Conventus building (attached as Exhibit E to item 1);
5. Site plan for the 1.64 acre parcel on which the building is being constructed;
6. Building plans for the 7th floor (attached as Exhibit E to item 1); and
7. Plan for the 7th floor prepared by CHA Associates showing fit-up.

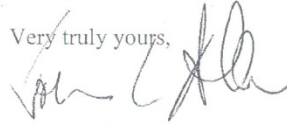
Michael Gluc
December 31, 2014
Page 2

WOH shall pay Northeastern the sum of \$5,900 for the appraisal, one-half of said amount to be paid with the mutual execution of your firm's standard retainer letter and the other half to be paid within thirty (30) days after delivery of the completed appraisal. It is my understanding that the appraisal will be done within four (4) weeks of the date hereof.

After you review the enclosures, please call me to discuss whether the four (4) week turnaround can be compressed and the additional cost involved to do so.

I look forward to working with you in this matter. If you have any questions at this time or need further information, please do not hesitate to contact me.

Very truly yours,



John L. Allen

JLA/bcc
Enclosures

ASSUMPTIONS AND LIMITING CONDITIONS:

This appraisal report has been completed based upon the following general underlying assumptions:

1. That the date of value to which the opinions expressed in this report apply is set forth in the letter of transmittal. The appraiser assumes no responsibility for economic or physical factors occurring at some later date which may affect the opinions herein stated.
2. That no opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.
3. That no opinion as to title is rendered. Data on ownership and the legal description were obtained from sources generally considered reliable. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
4. That no engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
5. The maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
6. That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.
7. That testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance.
8. That, because no title report was made available to the appraiser, he assumes no responsibility for such items of record not disclosed by his normal investigation.
9. That possession of this report, or a copy thereof, does not carry with it the right of publication.
10. That no consideration has been given in this appraisal to personal property located on the premises.

ASSUMPTIONS AND LIMITING CONDITIONS: (Continued)

11. That the appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in our analysis to any potential diminution in value should such hazardous materials be found. We urge the client to retain an expert in the field before making a business decision regarding the property.
12. Neither all nor any part of the contents of this report (particularly any value conclusions, the identity of the appraiser, or the firm with which the appraiser is affiliated) shall be disseminated to the public through advertising, public relations, news, sales or other media without prior written consent and approval of the appraiser.
13. That no opinion is expressed as to the value of sub-surface oil, gas or mineral rights and that the property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.
14. It is assumed that the subject property is in full compliance with all applicable zoning and use regulations and restrictions, unless a non-conformity has been stated, defined and considered in the report.
15. It is assumed that all required licenses, certificate of occupancy, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
16. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of the ADA in estimating the value of the property.

No part of this publication/report may be reproduced or used in any form, or by any means (graphic, electronic, or mechanical, including photocopying, recording, typing, or information storage and retrieval systems) without written permission from Northeastern Appraisal Associates Commercial, Inc.

DEFINITIONS AND SIGNIFICANT TERMS:

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

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
- c. A reasonable time is 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.

(12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

Prospective Value: A forecast of the value expected to occur at a specified future date. A prospective value estimate is most frequently sought in connection with real estate projects that are proposed, under construction, under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

Going-Concern Value: The value created by a proven property operation; considered as a separate entity to be valued with a specific business establishment.

Insurable Value: That portion of the value of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy.

Capitalization Rate: A rate of return used to derive the capital value of an income stream.

Operating Expenses: The periodic expenditures necessary to maintain the real property and continue the production of the effective gross income, assuming prudent and competent management.

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

Leased Fee: A leased fee estate is an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others; the rights of the lessor (the leased fee owner) and leased fee are specified by contract terms contained within the lease.

DEFINITIONS AND SIGNIFICANT TERMS: (continued)

Summary Appraisal: A written report prepared under Standard Rule 2-2(b) of a Summary Appraisal performed under Standard 1. (USPAP 2002 edition).

Self-Contained Appraisal: A written appraisal report prepared under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP, 2002 ed.). A self-contained appraisal report sets forth the data considered, the appraisal procedures followed, and the reasoning employed in the appraisal, addressing each item in the depth and detail required by its significance to the appraisal and providing sufficient information so that the client and the users of the report will understand the appraisal and not be misled or confused.

Intended Use: The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusion, as identified by the appraiser based on communication with the client at the time of the assignment.

Intended Users: The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of assignment.

Confidential Information: Information that is either identified by the client as confidential when providing it to an appraiser and is not available from any other source; or classified as confidential or private by applicable law or regulation. Pursuant to the passage of the Gramm-Leach-Bliley Act of 1999, some public agencies have adopted privacy regulations that affect appraisers. As a result, The Federal Trade Commission (FTC) issued a rule focused on the protection of "*non-public personal information*" provided by consumers to those involved in financial activities "*found to be closely related to banking or usual in the connection with the transaction of banking*" These activities have been deemed to include "*appraising real or personal property*". (Federal Trade Commission, Privacy of Consumer Financial Information; Final Rule, 16 CFR Part 313).

Credible: Worthy of belief. Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use.

Scope of Work: The type and extent of research and analysis in an assignment.

Hypothetical Condition: That which contrary to what exists but is supposed for the purpose of analysis. Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Extraordinary Assumption: An extraordinary assumption is "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

QUALIFICATIONS OF MICHAEL GLUC, MAI

Mr. Gluc is currently President and Shareholder of Northeastern Appraisal Associates, Commercial Inc., located at 616 N. French Rd., Suite 200, Amherst, New York 14228.

APPRAISAL COURSES ATTENDED AND SUCCESSFULLY COMPLETED:

Appraisal Institute –
Appraising the Appraisal
April 2012, Ft. Lauderdale, FL

PA-Law
March 27, 2014, Erie, PA

Appraisal Institute –
USPAP 7 Hour Update Course
December 4, 2013, Amherst, NY

Appraisal Institute –
“Commercial Appraisal Engagement & Review Seminar”
September 17, 2010, Buffalo, NY

Appraisal Institute – Course 420
“Business Practices & Ethics”
February 26, 2010, Orlando, FL

Appraisal Institute –
Appraisal Curriculum Overview
February 25-26, 2009, Orlando, FL

Valuation Case Studies
January 26, 2009, Ellicottville, NY

Appraisal Institute Symposium
"Environmental & Property Damages: Standards, Due Diligence, Valuation & Strategy
April 4-6, 2002, Toronto, Ontario, Canada

LICENSES/DESIGNATIONS:

MAI, Member, Appraisal Institute (Certificate #9820)

PROFESSIONAL AFFILIATIONS:

President: WNY-Ontario Chapter Appraisal Institute, 1999

CERTIFICATIONS:

- Certified New York State General Real Estate Appraiser, ID# 46-4723
- Certified New York State Department of Transportation General Real Estate Appraiser.
- Certified Pennsylvania General Real Estate Appraiser, ID# GA003447

EXPERT WITNESS:

Mr. Gluc has appeared as an expert witness regarding real estate evaluation in the State of New York and New Jersey.

SEMINARS & COURSES ATTENDED:

- "State of the Appraisal Profession" and "NYS Dept. of Transportation Acquisition Process"
Appraisal Institute-WNY/Ontario Int'l Chapter
Williamsville, NY 14221, no exam, April 21, 2001
- "Multi-Family Accelerated Processing (MAP)"
US Department of Housing and Urban Development (HUD)
Williamsville, NY 14221, no exam, September 27, 2000
- "What You Should Know About Building Inspections"
Williamsville, NY 14221, March 13, 2000
- The Comprehensive Appraisal Workshop Income, Cost, Sales, General Concepts and Highest and Best Use, Orlando, Florida - January 25-29, 1999
- Appraisal Institute - Course 668, "Internet Search Strategies for Real Estate Appraising", March 12, 1998, Secaucus, New Jersey
- Board of Assessment Review Training Session, County of Erie Division of Budget, Management and Finance, June 27, 1996, Amherst, New York
- American Institute of Real Estate Appraisers "Real Estate Evaluations and the Appraisal Industry", March 13, 1995, Amherst, NY
- Easements and Encroachments, November, 1994 - Amherst, NY
- Appraisal Institute - Course 520, Highest & Best Use and Market Analysis, February 13-18, 1994 - West Palm, Florida
- Maximizing the Value of an Appraisal Practice, June, 1993 - Amherst, NY
- Discounted Cash Flow Analysis, June, 1993 - Amherst, NY
- MAI Experience Review Seminar, March, 1993 - Ohio
- Income Property Valuation for the 1990s, September 18, 1992, Strongsville, Ohio
- Comprehensive Appraisal Workshop Parts A and B, July 18 - 21, 1991, Chicago, Illinois
- Professional Practice Seminar given by the Society of Real Estate Appraisers, May, 1989, Kingston, New York - no exam
- Marshall & Swift Cost Valuation Seminars, Calculator Cost Method, June, 1988 - no exam

WORK HISTORY:

- 2/97 - Present **Northeastern Appraisal Associates, Commercial, Inc.**
President and Shareholder of Commercial Division
- 11/92 - 2/97 **Northeastern Appraisal Associates, Commercial, Inc.**
Vice President and Shareholder of Commercial Division
- 01/91 - 10/92 **Queen City Appraisal, Inc.**
Vice President of Commercial Division
- 09/85 - 11/88 **Northeastern Appraisal Associates, Inc.**
Staff Appraiser of Commercial Division
- 02/85 - 08/85 **Northeastern Appraisal Associates, Inc.**
Staff Appraiser of Residential Division
- 10/78 - 01/85 **Century 21, Vacanti Division**
Real Estate Salesperson

PROFESSIONAL TERRITORY COVERED:


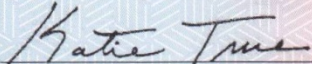

Mr. Gluc has appraised property in the states of Alabama, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Wisconsin.

PREPARED AND PARTICIPATED IN APPRAISALS FOR:

AAA	Kenmore Mercy Hospital
Acquest Development	Key Bank, N.A.
AllFirst Mortgage Corp.	KPMG Peat Marwick
American Express Financial	Largo Capital Group
Arbor Capital	Legg Mason Real Estate Services
AT&T Capital Corp.	Liberty Bank
Bank of America	M & T Bank
Benchmark Financial Group, Inc	Merrill Lynch Credit Corporation
Benderson Development Co., Inc.	NFTA
Buffalo Urban Renewal Agency	NY Quadel
Canandaigua National Bank & Trust Co.	Northwest Savings Bank
Canada Life	PNC Bank
Chrysler Corporation	Pepsi Bottling Group
Ciminelli Development Co.	Phillips, Lytle, Hitchcock, Blaine & Huber
Citibank (New York State, N.A.)	Pizza Hut of America
Citizens Bank	Rich Products
City of Buffalo	Rockville Bank
Community Preservation Corp. (CPC)	Sanwa Business Credit Corporation
DuPont	Savings Bank of Utica
Embanque Capital Corporation	Sovran Companies
Evans Bank, N.A.	Small Business Administration (SBA)
Five Star Bank	St. Bonaventure College
First Niagara Bank	StanCorp Mortgage Investors, LLC
GMAC	Trocaire College
Hodgson Russ	Uniland Development Co., Inc.
H.W.D. Funding Corporation	US Dept. of Housing & Urban Development (HUD)
HSBC	United States Post Office
Interbay Funding	UPS Capital Business Credit
Iskalo Development	Wells Fargo

Mr. Gluc has performed LIHTC (Low Income Housing Tax Credits) appraisals and has performed work for HUD including HUD Form 92273

UNIQUE ID NUMBER 46000004723	State of New York Department of State DIVISION OF LICENSING SERVICES	FOR OFFICE USE ONLY Control No. 72177
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO. DAY YR. 11 19 13
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> GLUC MICHAEL C/O NORTHEASTERN APPRAISAL ASS 616 N FRENCH RD STE 200 AMHERST, NY 14228 </div>		EXPIRATION DATE MO. DAY YR. 11 18 15
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER		
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small> CESAR A. PERALES SECRETARY OF STATE		
<small>DOS-1098 (Rev. 3/01)</small>		

<small>DISPLAY THIS CERTIFICATE PROMINENTLY • NOTIFY AGENCY WITHIN 10 DAYS OF ANY CHANGE</small>		
Commonwealth of Pennsylvania Department of State Bureau of Professional and Occupational Affairs PO Box 2649 Harrisburg PA 17105-2649		12 0078036
Certificate Type Certified General Appraiser		Certificate Status Active
MICHAEL GLUC 616 North French Road SUITE 200 Amherst NY 14228	Certificate Number GA003447	Initial Certification Date 10/20/2004
		Expiration Date 06/30/2015
 Commissioner of Professional and Occupational Affairs	 Signature	
<small>ALTERATION OF THIS DOCUMENT IS A CRIMINAL OFFENSE UNDER 18 PA.C.S. §. 4911</small>		



MEMBERSHIP CERTIFICATE

This Certifies That

Michael Gluc

has been admitted to membership as an

MAI Member 9820

in the Appraisal Institute and is entitled to all the rights and privileges of membership subject only to the limiting conditions set forth from time to time in the Bylaws and Regulations of the Appraisal Institute.

In Witness Whereof, the Board of Directors of the Appraisal Institute has authorized this certificate to be signed in its behalf by the President, and the Corporate Seal to be hereunto affixed on this 5th day of February 1925



Ronald J. Lom + Co. MAI, SIA
PRESIDENT

THIS CERTIFICATE IS THE PROPERTY OF THE APPRAISAL INSTITUTE AND MUST BE RETURNED TO US ON RECEIPT OF OUR REGISTRATION OR RENEWAL OF MEMBERSHIP. THE MAI DESIGNATION WAS CONTINUED BY THE APPRAISAL INSTITUTE OF REAL ESTATE APPRAISERS AND IS SUBJECT TO ITS LIMITING CONDITIONS.