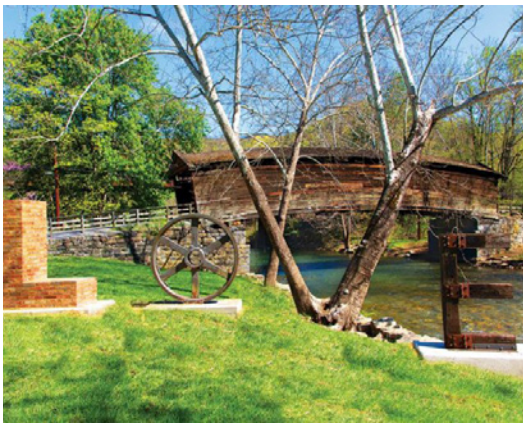
Alleghany Highlands OF VIRGINIA

Alleghany Highlands Investor Prospectus



Our Deal Flow: Page 21

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Introduction to the Alleghany Highlands of Virginia

Named after the Native American word meaning "endless," Alleghany County provides incredible views to the vast Appalachian wilderness, where rivers and mountains meet harmony. The Alleghany Highlands is home to a variety of recreational activities, historic sites, and growing industries.

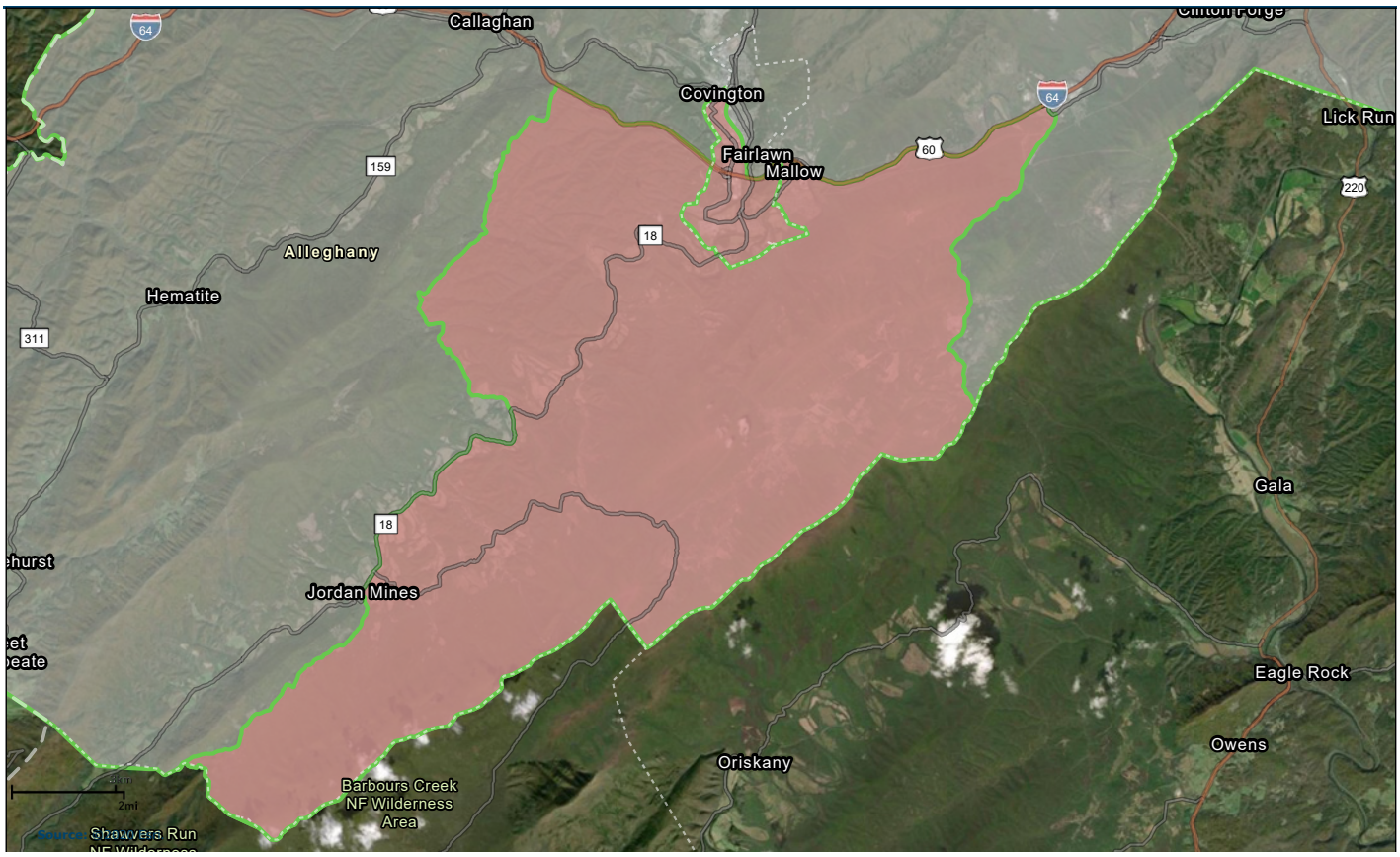
The Alleghany Highlands was first inhabited when settlers entered the Shenandoah Valley and claimed what is now Covington. Originally, the area was administered by Augusta County, but fell under control of Botetourt County in 1769.

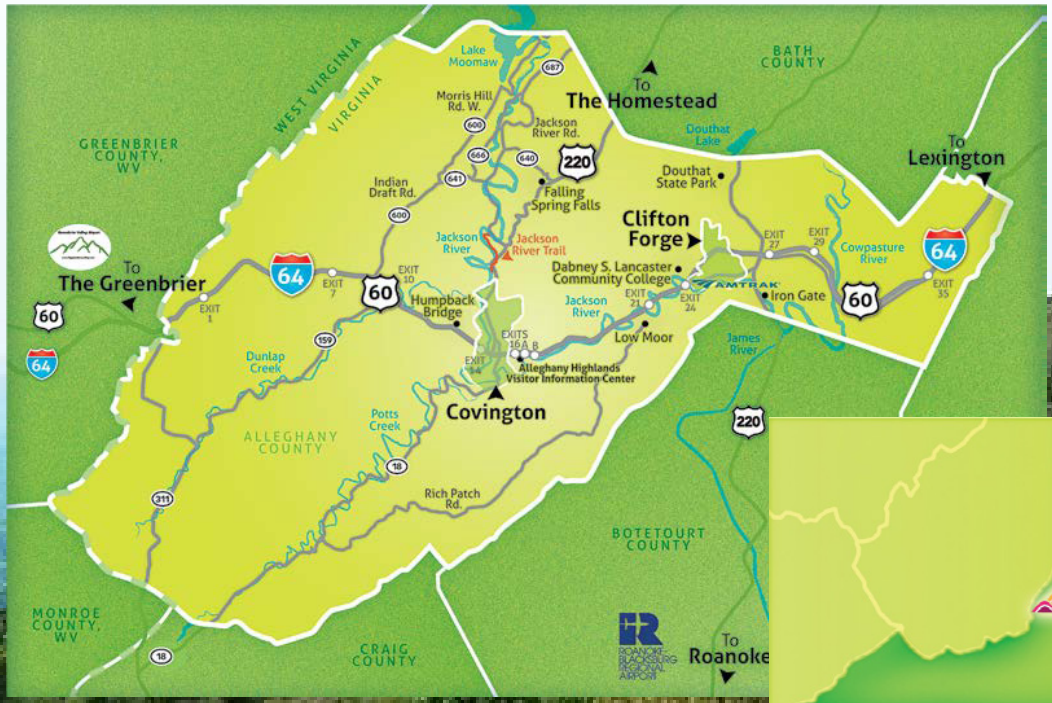
In 1817-1818, the town of Covington, the county seat of Alleghany County, was named in honor of General Leonard Covington, the courageous hero of the War of 1812. Once lots began selling in 1818, residents thought it would be beneficial to form a county to oversee local administrative and court services. As a result, Alleghany County was formed on January 5, 1822 through the Act of the Virginia General Assembly. Today, 21,000 people live in the Alleghany Highlands.

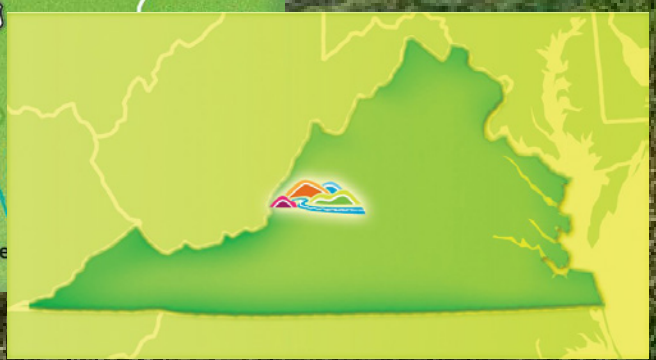
21,000

People live in the Alleghany Highlands

Alleghany Highlands Region Maps







About Opportunity Zones

U.S. investors held an estimated **$6.1 trillion** in unrealized capital gains at the end of 2017. This figure has continued to grow since the incentive was enacted, making even more funds available to be leveraged for Opportunity Zone projects. Opportunity Zones leverage this pool of money to promote economic development by providing federal capital gains tax advantages for investments made in these areas. Investors can realize deferral and reduction of capital gains taxes in investments held for at least 5 years with additional incentives available for investments maintained in Opportunity Zones for 7 and 10 years.

For the Alleghany Highlands, differentiating factors include a strong local economy, robust community assets that foster quality of life and tourism, an artistic and creative culture, and a variety of unique communities. The Alleghany Highlands Region offers a favorable business environment, business friendly local leadership, and numerous local and state incentives.

Currently, well-vetted prospective developments include downtown development, commercial development, and hospitality and tourism related opportunities.

"The typical profile of an OZ real estate investor is someone who is interested in tax savings, wealth-building, and preservation with a medium- to long-term hold period."

- Meg Epstein, Forbes Council

The 3 Main Benefits of
OPPORTUNITY FUND INVESTING

Defer Payment

Opportunity Funds allow investors to defer payment of the capital gains until December 31st, 2026.

Reduce Owed Taxes

Opportunity Fund investing reduces the tax investors owe by up to 15% after seven years.

Pay Zero Tax On Gains

Investors can enjoy tax free capital gains earned from investments through the Opportunity Fund.

Local Economic Dynamics: economic niches, state and local development/finance incentives

Currently, the three largest industries as defined by the North American Industry Classification System (NAICS) are government, health care and social assistance, and manufacturing. However, accommodation and food services are rapidly growing in Alleghany County.

State Incentives—Defined by the Alleghany Highlands Economic Development Corp

HUBZone

US Small Business Administration program for companies that operate and employ people in Historically Underutilized Business Zones

Commonwealth's Development Opportunity Fund

Discretionary incentive available to the Governor to secure a business location or expansion project for Virginia; awarded to localities on a matching basis with the expectation that the grant will result in favorable location decision for the Commonwealth

Virginia Investment Partnership Grant and Major Eligible Employer Grant

Discretionary performance incentives designed to encourage continued capital investment by Virginia companies

Virginia Jobs Investment Program

Customized recruiting and training assistance to companies that are creating new jobs or experiencing technological change; designed to reduce the human resource development cost of new and expanding companies

Governor's Agriculture and Forestry Industries Development Fund

Discretionary Incentive of the Governor with the expectation that grants awarded to a political subdivision will result in a new or expanded processing/value-added facility for Virginia-grown agricultural or forestall products, and will be critical to the success of the project

Clean Energy Manufacturing Incentive Grant

Discretionary performance incentive to encourage clean energy manufacturers to grow in Virginia

Economic Development Access Program

Assists localities in providing adequate road access to new and expanding basic employers; administered by the Virginia Department of Transportation

Rail Industrial Access Program

Provides funds to construct railroad tracks to new or substantially expanded industrial and commercial projects

Transportation Partnership Opportunity Fund

Discretionary grant available for transportation-related issues on unique economic development projects

Industrial Revitalization Fund

Leverages local and private resources to achieve market-driven redevelopment of vacant and deteriorated industrial and commercial properties; targeted toward vacant non-residential structures that create physical and economic damage to their area due to their poor conditions

Enterprise Zone

Alleghany Highlands is an Enterprise Zone which offers the Job Creation Grant and the Real Property Investment grant. The Job Creation Grant offers a $550-$800 grant for companies creating high paying jobs. The Real Property Grant offers developers a grant worth 20% of their total development cost for rehab projects over $100,000 and new development projects over $500,000.

Virginia Economic Development Incentive Grant

Assists and encourages companies to invest and create new employment opportunities by locating significant headquarters, administrative, or service sector operations in Virginia. There must be an active and realistic competition between Virginia and another state or country for attracting the project.

Corporate Income Tax Credits: Major Business Facility Job tax credit, Recycling Equipment tax credit, Day Care Facility Investment tax credit, Worker Retraining tax credit, Virginia Port tax credit programs, Research and Development tax credit, Green Job Creation tax credit

Community Assets

RECREATION

About 50 percent of the Alleghany Highlands is national forest property, and there are a variety of outdoor recreational activities to enjoy in this beautiful, mountain community. Activities range from fly fishing to rafting and kayaking. In the Alleghany Highlands, there is an activity for everyone.

For some of the best mountain biking in the state, head to Douthat State Park. Opened as one of the six original Virginia State Parks, the Douthat area has over 40 miles of trails, cabins for overnight guests, a swimming beach, and a picnic area for a scenic meal.

The Alleghany Highlands offers world-class fishing in the region's rivers, lakes, and streams. The region is a great destination for fly fishing anglers targeting trout in the streams of the Blue Ridge Mountains. The Jackson River which runs through the region is widely considered the finest trout river in Virginia, and is a very popular spot for anglers.

Lake Moomaw has a collection of diverse activities for everyone in the family to enjoy. The 2,530-acre lake has a 43-mile shoreline where guests can boat, participate in water sports, fish, hunt, camp, picnic, and hike. The lake is part of the Gathright Wildlife Management Area.

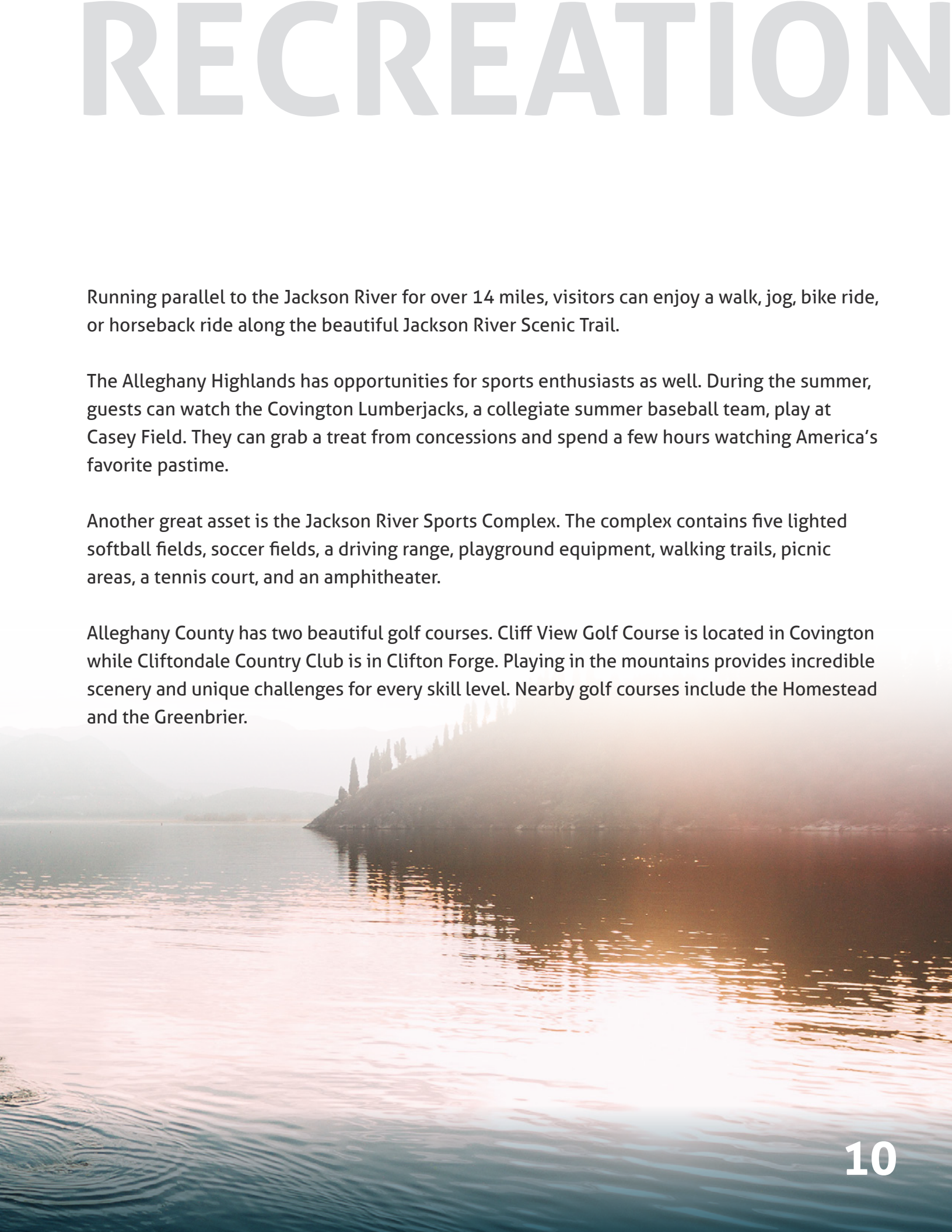
RECREATION

Running parallel to the Jackson River for over 14 miles, visitors can enjoy a walk, jog, bike ride, or horseback ride along the beautiful Jackson River Scenic Trail.

The Alleghany Highlands has opportunities for sports enthusiasts as well. During the summer, guests can watch the Covington Lumberjacks, a collegiate summer baseball team, play at Casey Field. They can grab a treat from concessions and spend a few hours watching America's favorite pastime.

Another great asset is the Jackson River Sports Complex. The complex contains five lighted softball fields, soccer fields, a driving range, playground equipment, walking trails, picnic areas, a tennis court, and an amphitheater.

Alleghany County has two beautiful golf courses. Cliff View Golf Course is located in Covington while Cliftondale Country Club is in Clifton Forge. Playing in the mountains provides incredible scenery and unique challenges for every skill level. Nearby golf courses include the Homestead and the Greenbrier.



EDUCATION

Not only does the Alleghany Highlands excel in recreational activities, but they prioritize education as well. One initiative focuses on the use of responsive classrooms. Supporting both individual emotional growth and community development, it prepares students for the challenges of high school and their ongoing roles as citizens. The Alleghany Highlands recognizes the value of career and technical training. Through courses ranging from automotive technology to culinary arts, the Jackson River Technical Center allows 10th through 12th grade students to deepen their knowledge of their chosen career pathway and gain the skills needed to be successful. Currently, the center offers eight certification programs and 27 courses in areas such as carpentry, computer systems technology, early childhood education, marketing, electricity, welding, and healthcare assistance.

Another source of training is provided through the Virginia Jobs Investment Program. Through community colleges, this program offers tailored recruiting and training services to companies creating new jobs or experiencing technological change. Their services focus on consulting, organizational development, electronic media and funding.

Dabney S. Lancaster Community College is one of the Virginia Jobs Investment Program's partners. Based in Clifton Forge with satellite campuses elsewhere, the school offers 12 degrees and 36 certificates. In 2019, 319 students graduated from the Dabney S. Lancaster Community College, which also includes Jackson River Governor's School, offering advanced mathematic and science classes for high school students.

TECH-ORIENTED INNOVATION

The Alleghany Highlands is enhancing technology-oriented innovation as well. The Alleghany Highlands has the opportunity and the capability due to unique assets (mountains, river, underground mine) to assist with Research & Development, Recreational, Racing Competitions, and training for unmanned system. The region is presently creating the "Alleghany Highlands Drone Zone." This facility presently hosts Aeronyde of Melbourne, Florida, IVO, Ltd of Covington, Virginia, and Quest Knight Enterprises, Leesburg, Virginia.

The region also partners with the Virginia Tech Center for Autonomous Systems (VaCAS). VaCAS supports a broad range of basic and applied interdisciplinary research activities focused on autonomous system technology. VaCAS includes 14 core faculty members and nearly two dozen affiliate faculty members across the university. VaCAS hosts research activities spanning every application domain (marine, land, and air) and member research activities range from fundamental cognition and perception theory, to vehicle development, to applications for science, security, and commerce.

The region is also expanding broadband. In Alleghany County, 67.2% of households have a broadband Internet subscription. Additionally, 79.2% of households have a computer. Alleghany Highlands has 1GB fiber running throughout the region. These Internet speeds meet needs for residents and businesses that require capabilities to upload and download multimedia files and support peer-to-peer networking. Furthermore today's cloud services such as social networking with increased interactivity, collaboration and data sharing need even more bandwidth. Plus, the volume of remote data backup and storage files increases daily. The Alleghany Highlands offers Internet accessibility with gig-speeds to meet these demands.

INNOVATION

TRANSPORTATION

Having a strong transportations system is essential to economic success. Alleghany County's transportation network is made up of roadways, rail lines, public transit, trails and sidewalks. The major routes and roads that bring people into the county are US Routes 60 and 220, State Route 18, and Interstate I-64. Both 1-64 and US 220 have been designated as corridors of statewide significance as they connect the Alleghany Highlands to the larger region and surrounding states. It is easy to get to the Alleghany Highlands; interstates make it a simple drive from Pittsburgh, Washington D.C., and Richmond. Additionally, there is an Amtrak Station in Clifton Forge, and the CSX freight rail passes through the Alleghany Highlands to deliver industrial goods and materials to the ports of Hampton Roads and the world.

It is important to have a resource for residents who may not have access to a vehicle. As a solution, Alleghany County has implemented the Roanoke Area Dial and Ride (RADAR) and the Mountain Express. These community transportation services help residents travel to local businesses, medical appointments, schools, etc.

Trails are used as a means of transportation through the forested areas. Not only do they provide access to hard-to-reach spaces, but they highlight the rural character and history of the region. Furthermore, there are 546 miles of bike and pedestrian paths throughout the rural areas of the Alleghany Highlands that can be used for recreation.

HUMPBACK BRIDGE

HISTORY/CULTURE

The Alleghany Highlands has a rich history that the community seeks to recognize and honor. Their commitment to their past is evident through their preservation of historic sites.

Humpback Bridge is one of the most photographed spots in Virginia. The bridge, which was built in 1857, is the only remaining wood, covered humpback bridge of its design in the United States.

In operation for over 65 continuous years, the Alleghany Highlands Arts Council has brought exceptional talent to the region including The Royal Shakespeare Company and The Berlin Chamber Orchestra. The Council's commitment to arts education also felt in its Young People's Theatre Series, which performs at local schools in the Alleghany Highlands.

Opening its doors in January 2011, the Clifton Forge School of the Arts is located a block off Main Street in two historic buildings. The School of the Arts offers more than 60 classes and works with people of all ages. The School also hosts two annual events: Kriskindmarkt, a German-style market the weekend before Thanksgiving and the MayFaire, a spring gift and garden market during the first weekend in May.

HISTORY

Located in downtown Clifton Forge, the Historic Masonic Theatre is Virginia's oldest continuously operating theatre. The venue opened in 1905. In 2016, it received a $6.5 million renovation. In addition to the state-of-the-art auditorium, the building has an underground café and lounge area, a balcony with seating and, a conference room, and an upper level ballroom.

Once a passenger rail station, the C&O Railway Heritage Center was restored to educate Americans on how the railroads connected the Nation. The center serves as a tribute to all the past railroad workers who helped the nation flourish and all the current employees who keep America moving by rail.

Alleghany Highlands has a rich history of iron production that predates the Civil War. This historical heritage still exists throughout the region and creates unique experiences. For example the homestead of John Jordan, a prominent iron manufacturer, has been re-envisioned as a wedding and event venue, concert site, and a hops farm.

Green Pastures at Longdale is a small lake, beach, picnic shelter and bathhouse built for African Americans in the Jim Crow era by the Civilian Conservation Corps in 1938. It is the only project of its kind ever fully completed. The site is currently under review to be added to the National Register of Historic Places and is on the list of Most Endangered Historic Sites in Virginia.

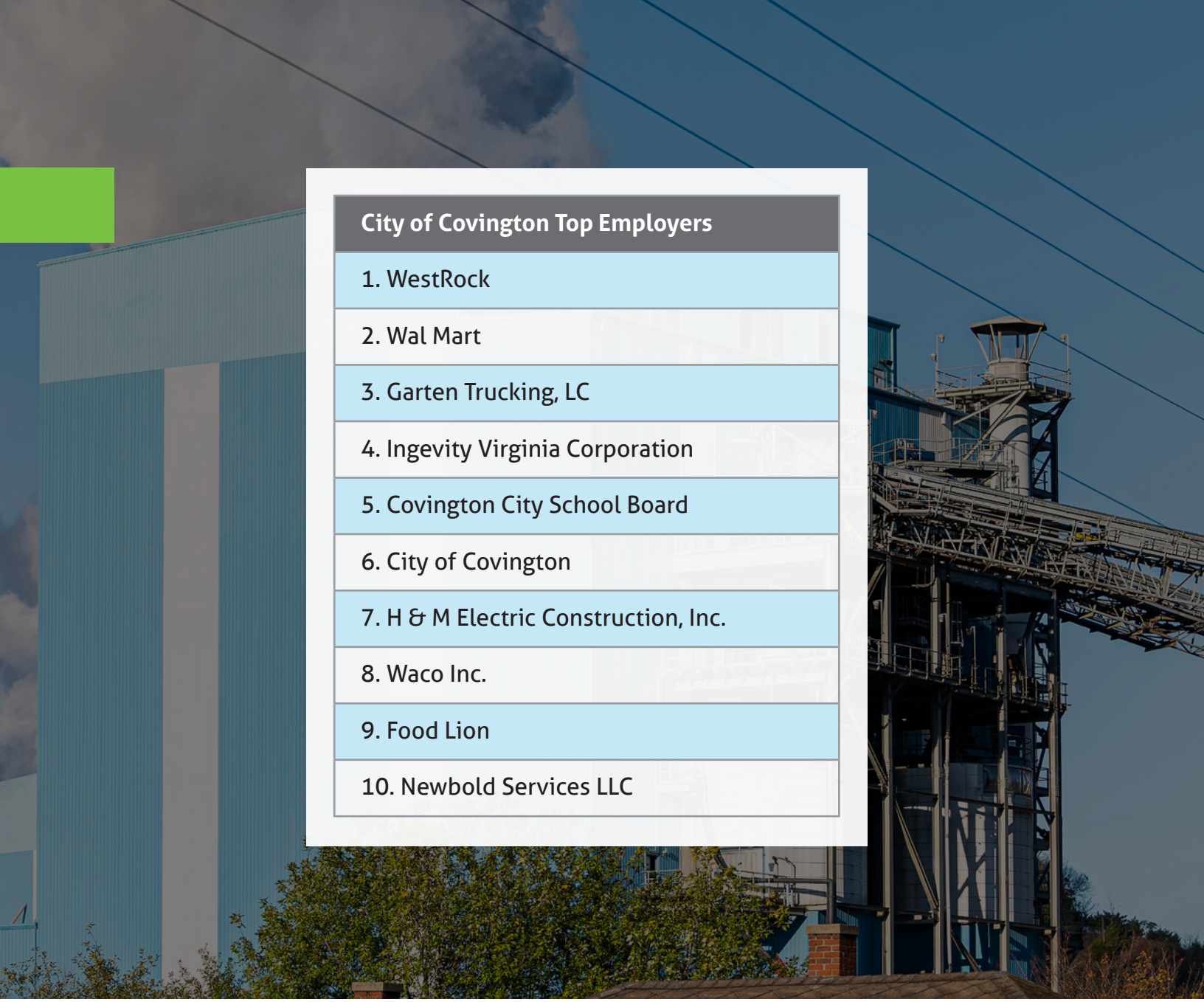
Other major cultural centers in the region include the Alleghany Highlands Arts and Crafts Center and the Alleghany Industrial Heritage Technology Discovery Center. The rich industrial heritage of the Alleghany Highlands presents unique opportunities for cultural, educational, and economic development.

Regional and Local Data Analysis–2020 EMSI Data

On average, Covington and Alleghany County's mean commute times are shorter than that of both Virginia and the United States. The average travel time to work in the region is 20-minutes. Virginia's mean commute time on the other hand, is 28.4 minutes and the United States' is 26.6 minutes.

WORKFORCE CHARACTERISTICS

Alleghany County Top Employers
1. Alleghany Highlands Public Schools
2. HCA Virginia Health System
3. Alleghany County
4. WestRock
5. Dabney S. Lancaster Community College
6. Kissito Healthcare
7. McDonald's
8. Kroger
9. Alleghany Highland Mental Health Services
10. Captive Alternatives



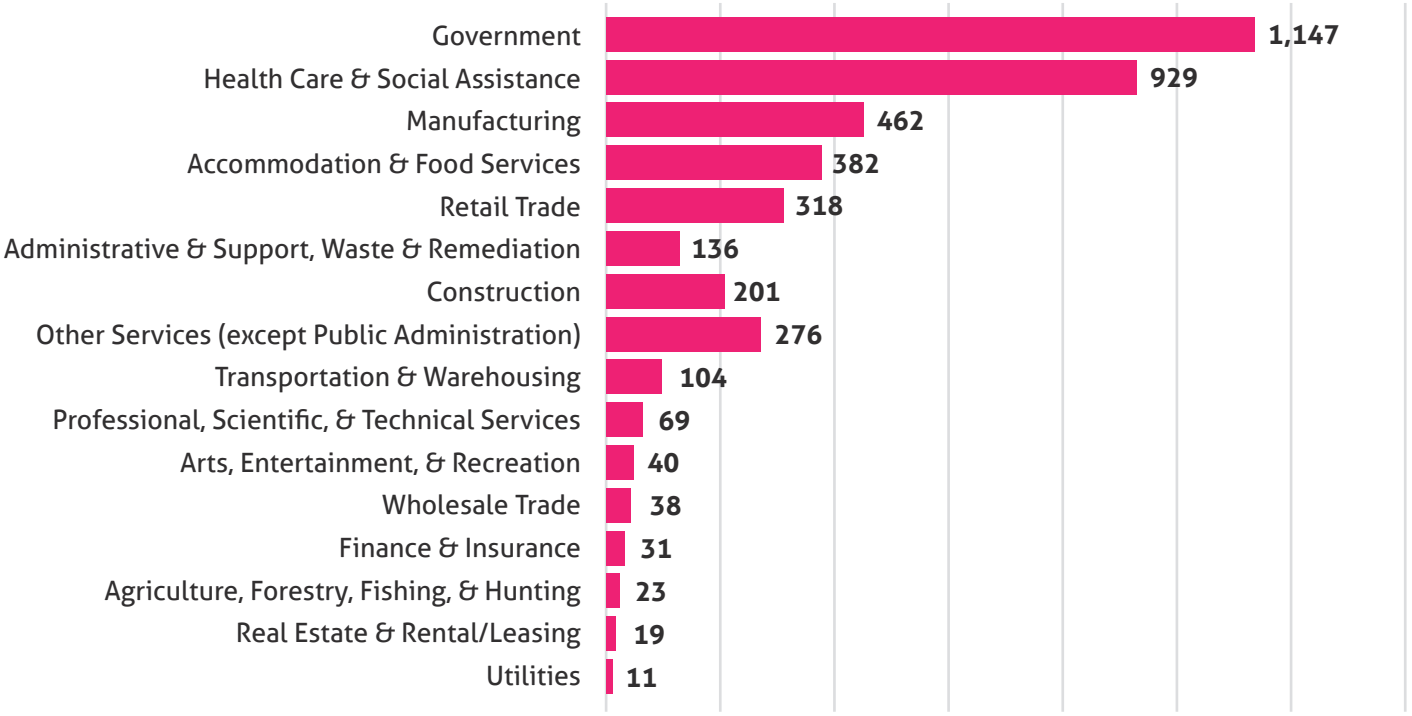
City of Covington Top Employers
1. WestRock
2. Wal Mart
3. Garten Trucking, LC
4. Ingevity Virginia Corporation
5. Covington City School Board
6. City of Covington
7. H & M Electric Construction, Inc.
8. Waco Inc.
9. Food Lion
10. Newbold Services LLC

Since 1899, WestRock has been a major employer of Alleghany Highlands residents. The paper plant's main regional facility is located near downtown Covington and employs nearly 1,100 people. Their Low Moor location employs another 120 workers. WestRock is an economic driver for the region as it is a major contributer to GRP, pays high wages, and creates many supply chain opportunities.

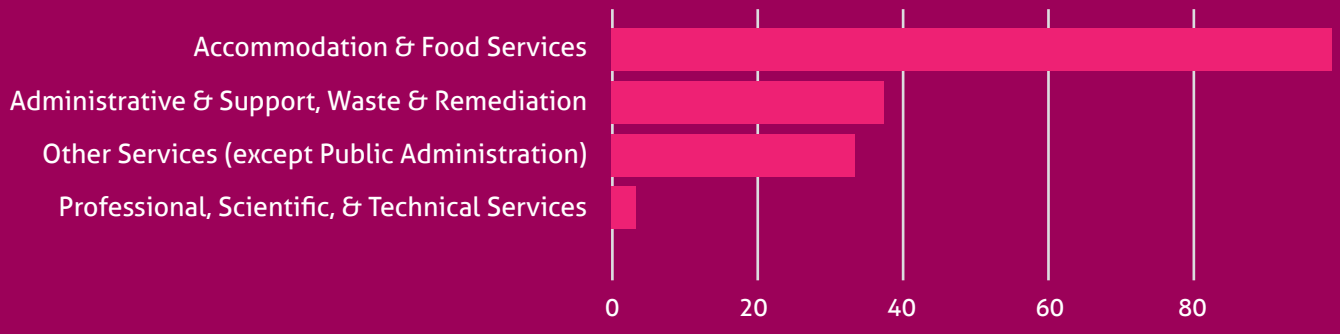
CE

INDUSTRY CHARACTERISTICS

Largest Industries by 2-digit NAICS Code

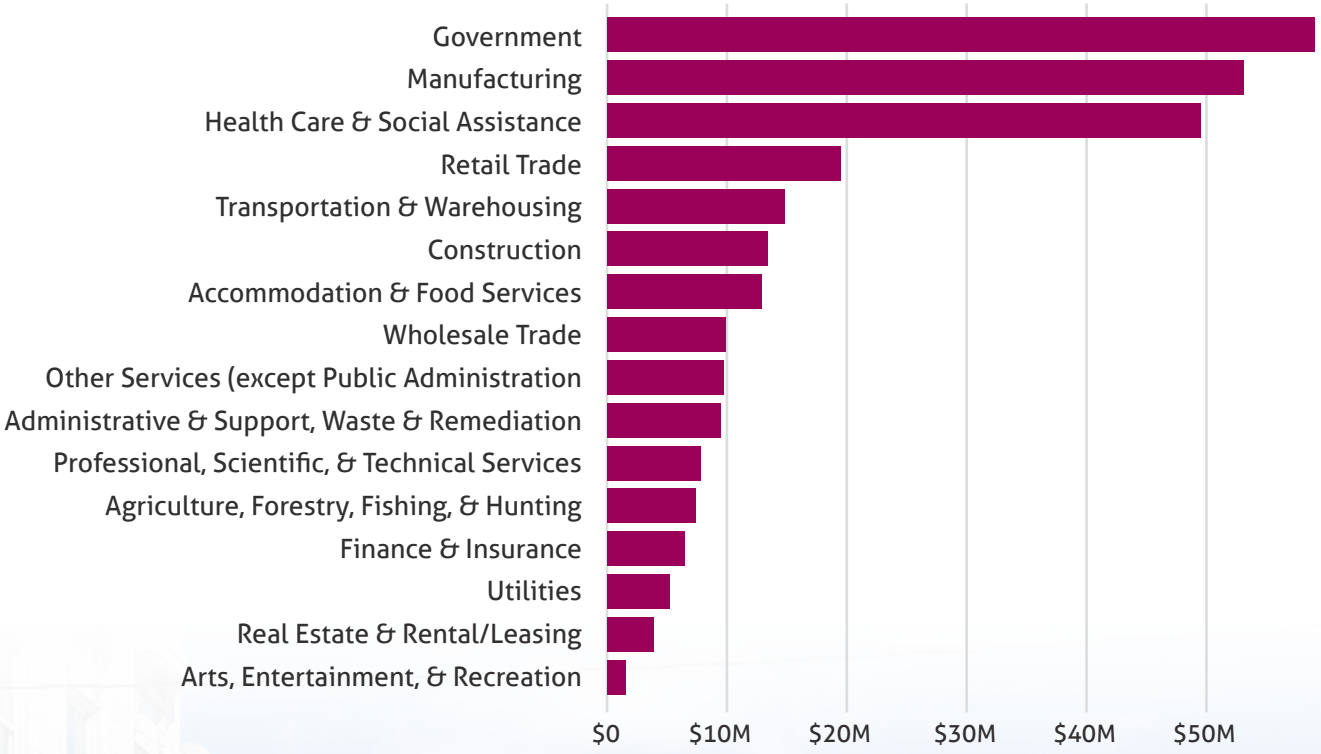


Industry Jobs Growth



TOP INDUSTRY GRP

2019 Gross Regional Product

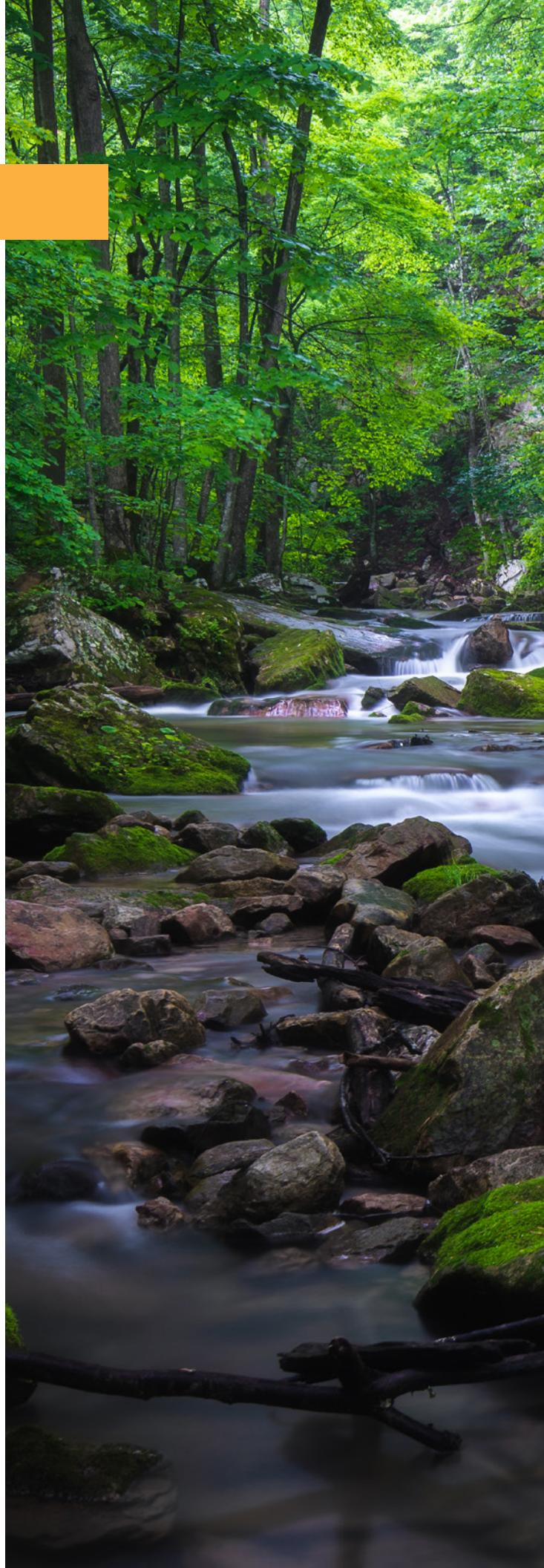


Our Deal Flow

The Alleghany Highlands worked with local stakeholders to carefully craft our Deal-Flow which includes a variety of potential residential, commercial, and mixed-use projects.

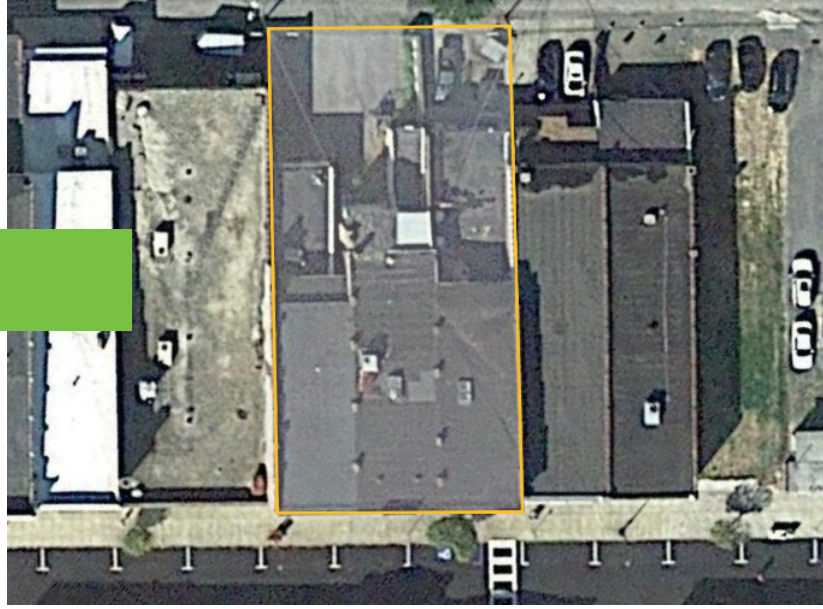
Potential projects are positioned to provide investors with an understanding of the development opportunities in the Alleghany Highlands. These projects have been identified by engaging critical partners and stakeholders who are prepared to work with investors to activate these opportunities.

These projects align well with the Opportunity Zone incentive. They are intended to be transformative in nature and will have significant community impact in these distressed census tracts if they are realized. Most potential projects have been framed in a way that should provide a return on investment, creating a win-win for the community and potential investors.



Mixed-Use

Rinehart Buildings



Located in the heart of Covington's downtown historic district along Main Street, the Rinehart Buildings are positioned well for redevelopment.

This property includes three attached buildings that sit on **.086 acres** with **4,200 square feet** of total building space. Each building is two stories, which create opportunities for mixed-use development between the upper and lower floors as there is a regional annual demand for 229 new housing units. The property is zoned C3 for general business practices, which fits well with the mixed-use potential for these buildings. This zoning could allow a multitude of potential redevelopment scenarios. Though there is separate ownership for each of the three buildings, it is anticipated that all buildings could be purchased together.

In addition to pro-investment market conditions, the three buildings on the Rinehart Buildings share a unique architectural style. The site and building exterior are in excellent condition and feature access to water, gas, electricity, and broadband. The buildings' **central location in downtown Covington** promotes connectivity and accessibility to the greater Roanoke region via I-64 and US 60. The buildings' interiors are in good condition. One of the buildings formerly supported a restaurant and its current configuration could align with future food or beverage businesses.

Potential Project

The **Rinehart Buildings** property is positioned for mixed-use development right on Main Street. Each of the three buildings could support different uses, especially on the lower floors. This could include restaurants, specialized retail, or even a micro-brewery. The upper stories are ideal for supporting higher-end market rate housing units. Regional demand for new housing is strong with an annualized demand for nearly 230 new units, and demand for 1,146 new units over the next five years. The Alleghany Highlands, and more specifically the Rinehart Building site are capable of capturing some of this housing unmet demand.

Redevelopment of this site is estimated at a cost of $2,380,000.

Construction is expected to make up a large portion of this cost at 67% of the total uses budget. Site acquisition costs should also be factored in as all three buildings together are valued around $400,000. Redevelopment projects could utilize historic tax credits and opportunity funds in addition to traditional sources of funds including conventional debt and developer equity to address any funding gaps. Together, opportunity funds and historic tax credits could make up 48% of the capital stack for this project.

Project Source & Uses Summary

Total Development Cost	**$2,380,000**

Uses

Project Development	$70,000	3%
Acquisition	$400,000	17%
Construction	$1,590,000	67%
A/E/C/ Design	$160,000	7%
Legal/Finance	$160,000	7%
TOTAL:	**$2,380,000**	**100%**

Sources

Developer Equity	$370,000	16%
Conventional Debt	$860,000	36%
Federal/State Historic Tax Credits	$330,000	14%
OZ/Opportunity Fund Equity	$820,000	34%
Public/Institutional Investors	$0	0%
TOTAL:	**$2,380,000**	**100%**

Mixed-Use

Former Covington National Bank Building

The former Covington National Bank Building is located in downtown Covington on a prominent intersection along main street. It is also adjacent to the county courthouse.

The building has been multiple uses including office space, a jewelry store, housing, and a bank. Built in 1905, the former bank building is in the downtown historic district and maintains historically significant architecture. The building is approximately 4,000 square feet with an ornate stone exterior. The building is in good condition and the interior and exterior can be maintained effectively to preserve the building's historic character. The site is well-positioned as a prime piece of real estate in the downtown Covington market and features reliable gas, water, electricity, and broadband connections. The property is C3 zoned for general business practices.

The building's location on a prominent downtown Main Street intersection creates multiple redevelopment scenarios desirable to developers and investors. Regional housing demand, in addition to the building's proximity to the county courthouse, should be factored when determining use.

Redevelopment of the building is estimated at a cost of $2,400,000

Potential Project

The **former Covington National Bank building** could support mixed-use redevelopment to restore the building as a prominent and functional space in the downtown historic district. The bank's upper floor has included luxury apartments in the past, and housing could be included in future redevelopment scenarios. Regionally, there is an annual demand for 59 new rental units. Redevelopment of the former Covington National Bank building could capitalize on this demand if it includes a residential component.

Redevelopment of the former bank building's first floor could include retail or office uses. Office uses could be an attractive reuse due to the building's proximity to the county courthouse. Currently, there is limited office space for professional occupations like lawyers in downtown Covington. Professionals would be able to walk to the courthouse from offices in the former bank building. Other retail is another potential use for first floor development which would align with existing Main Street businesses and former uses of the building. Redevelopment of the building is estimated to cost approximately **$2,400,000** with **85%** of this budget being incurred from acquisition and construction costs. Opportunity funds and historic tax credits in addition to conventional funding sources like developer equity and debt financing could be incorporated into the capital stack.

Project Source & Uses Summary

Total Development Cost	**$2,400,000**

Uses

Project Development	$70,000	3%
Acquisition	$600,000	25%
Construction	$1,440,000	60%
A/E/C/ Design	$145,000	6%
Legal/Finance	$145,000	6%
TOTAL:	**$2,400,000**	**100%**

Sources

Developer Equity	$350,000	15%
Conventional Debt	$810,000	34%
Federal/State Historic Tax Credits	$340,000	14%
OZ/Opportunity Fund Equity	$900,000	38%
Public/Institutional Investors	$0	0%
TOTAL:	**$2,400,000**	**100%**

Commercial Retail

Former Kroger Building

The former Kroger building is located in southeastern Covington near I-64, creating an accessible location for local and regional residents.

The building was a former grocery store with only one story but offers a relatively large open floor plan with 27,412 square feet. The building also has a large parking lot that creates a 2.9-acre site. Currently, the property is zoned for commercial uses.

The building and property are in good condition and have undergone improvements for lights, signage, and pavement upgrades. The large site creates multiple redevelopment opportunities on the property that could include redevelopment of the existing building and out-lot development on the parking lot. There is existing commercial development surrounding the former Kroger building that is functioning well and could complement redevelopment efforts.

The building's interior and exterior are both in better than average condition and the site has access to reliable gas, electricity, broadband and water connections. While the interior and exterior of the building are in decent conditions, upgrades are needed to promote reuse of the building.

Potential Project

The big, open space of the former Kroger grocery building lends itself well to commercial space that accommodates business or retail activities. The building was designed for a grocery store and could be adapted easily to support other big-box retail operations. The building's size could allow it to be split into multiple commercial spaces to support multiple businesses. Retail market demand analysis shows that there is unmet demand for various types of retail. The table on the following page shows the top 10 retail industry types with the most unmet demand.

2017 Industry Group	NAICS	Demand	Supply	Retail Gap
Bldg. Materials, Garden Equip. & Supply Stores	444	$17,473,000	$5,892,121	$11,580,879
Motor Vehicle & Parts Dealers	441	$55,819,832	$44,604,407	$11,215,425
Bldg. Material & Supplies Dealers	4441	$16,071,102	$5,638,819	$10,432,283
Automobile Dealers	4411	$45,825,531	$35,834,521	$9,991,010
Gen. Merchandise Stores	452	$41,382,823	$31,731,091	$9,651,732
Other Gen. Merchandise Stores	4529	$13,513,595	$4,033,695	$9,479,900
Clothing & Accessories Stores	448	$10,242,703	$2,134,411	$8,108,292
Clothing Stores	4481	$7,073,770	$539,615	$6,534,155
Other Motor Vehicle Dealers	4412	$5,932,724	$0	$5,932,724
Misc. Store Retailers	453	$9,674,057	$4,070,364	$5,603,693

Retail-oriented development related to industries included in the table above could be successful in the Alleghany Highlands and redevelopment of the former Kroger building could be a catalyst to address local retail demand.

Additionally, there are a variety of adaptive reuse opportunities around former big-box retail sites. The former Kroger building could support more creative redevelopment scenarios. The building's large space and available land could support a variety of uses at one site and could be a 'mega-center' that combines uses like a gym, self-storage units, office/warehouse units, and smaller retailers. Redevelopment costs would likely be more substantial for this scenario compared to conversion for a different commercial use other than a grocery store.

A more substantial redevelopment of the property could require approximately $4,300,000. The primary costs related to this budget would be tied to site acquisition and construction.

Project Source & Uses Summary

Total Development Cost	$4,344,200

Uses

Project Development	$130,326	3%
Acquisition	$500,000	12%
Construction	$2,888,476	66%
A/E/C/ Design	$434,420	10%
Legal/Finance	$390,978	9%
TOTAL:	**$4,344,200**	**100%**

Sources

Developer Equity	$1,200,000	28%
Conventional Debt	$2,900,000	67%
OZ/Opportunity Fund Equity	$150,000	3%
Public/Institutional Investors	$94,200	2%
TOTAL:	**$4,344,200**	**100%**

Mixed-Use

Former Boiling Spring Elementary

The former Boiling Spring Elementary School is located centrally in Alleghany County along Highway 18. The former school building is approximately 26,000 square feet and sits on five acres of property

There is also a significant amount of undeveloped land surrounding the school that could be included in new development projects. The property is zoned AR for agricultural/rural residential though it could be rezoned to suit commercial uses.

The former school building is in good condition and surrounding lands are flat and favorable for new development. The interior and exterior of the building are rated in above average condition but because the building is currently suited for education use, there is likely a need to reconfigure the floorplan to fit new uses. Infrastructure access to roads and utilities is good and property acquisition should be achievable as the building's owner is the willing to sell.

In addition to a building in relatively good condition, access to utilities, and large amounts of undeveloped land, the site's attractiveness is increased due to strong connectivity created by its location along highway 18. This in addition to a more rural setting could allow development to align with regional strengths related to outdoor recreation and tourism.

The total cost of this project is estimated around $6,000,000.

Potential Project

A 46-room boutique hotel is a strong redevelopment opportunity for the Former Boiling Springs Elementary School building. Each room is estimated at 400 SF. This hotel could capitalize on a unique scenic location in close to major roadways that are frequently traveled by tourists and residents. In addition to hotel space, the building is large enough to accommodate additional uses that align with the local agri-tourism and recreation markets, such as a farm-to-table restaurant and/or micro-brewery. It is anticipated that the hotel space could offer full-service luxury amenities with an average room price of $150 per night. The building could support 5,000 SF of commercial space with rents around $10 per SF. This project would require approximately 102 new parking spaces to accommodate hotel guests and patrons of commercial businesses and restaurants.

The total cost of this project is estimated around $6,000,000 with a financial gap of roughly $1,000,000, when factoring only financing sources such as conventional equity and debt. This financial gap could be closed through Opportunity Fund investment. A preliminary sources and uses budget developed for this project anticipates roughly 29% of project development could leverage Opportunity Funds. Historic Tax Credits Could also be included as part of the capital stack.

Project Source & Uses Summary

Total Development Cost		**$6,000,000**
Uses		
Project Development	$420,000	7%
Real Estate Acquisition	$0	0%
Construction	$4,680,000	78%
A/E/C/ Design	$450,000	8%
Legal/Finance	$450,000	8%
TOTAL:	**$6,000,000**	**100%**

Sources		
Developer Equity	$600,000	10%
Conventional Debt	$2,750,000	46%
Federal/State Historic Tax Credits	$400,000	7%
OZ/Opportunity Fund Equity	$1,750,000	29%
Public/Institutional Investors	$500,000	8%
TOTAL:	**$6,000,000**	**100%**

Residential

Clifton Forge High School

Clifton Forge High School is a large historic school building built in the 1930s and is positioned for redevelopment. There has been some interest from developers to convert the large building into housing.

The building is two stories and includes **over 50,000 square feet of space**. The building sits on a 2.5-acre site that is currently zoned for agricultural/rural residential. The building is large and rectangular and should be efficient from a redevelopment lens.

The site is in overall good condition and has seen some prior development with adjacent properties. The building's interior (columns, hallways, etc.) and its exterior (roof, foundation, façade, etc.) are in better than average condition. Additionally, the site has excellent access to reliable utilities and roads.

The development potential is strong due to the building's scale.

The school building sits outside of the Alleghany Highlands Opportunity Zone but could be included as part of a package that comprises other projects highlighted in this prospectus that are in the region's Opportunity Zones. An Opportunity Fund can have up to 30% of its assets outside of OZs so a project tied to this building could still leverage Opportunity Funds if structured appropriately. Redevelopment of this building is a high priority for Alleghany County and the Town of Clifton Forge. Public participation is possible.

Potential Project

Clifton Forge High School is currently owned by the Town, who is interested in seeing the building adaptively re-used and could be willing to part with the building for little to no cost for the right development project. A potential project scenario that appeals to the community could include development of 53- 750 SF affordable housing units within the building. Affordable units could appeal to local workforce such as teachers, healthcare professionals, or service/hospitality industry employees. Housing development could also potentially cater to the community's senior residents and include a senior housing component.

The total redevelopment cost for Clifton Forge High School in this scenario is anticipated to be just under $8,000,000.

Conventional debt and equity could fund 34% of the project and the remainder of the capital stack could be funded by a mix of sources including historic tax credits, low income housing tax credits, Opportunity Fund investment, and public/institutional participation. The most significant use is redevelopment related construction costs for the building which account for 78% of the uses budget in the scenario.

Project Source & Uses Summary

Total Development Cost	**$7,963,500**

Uses

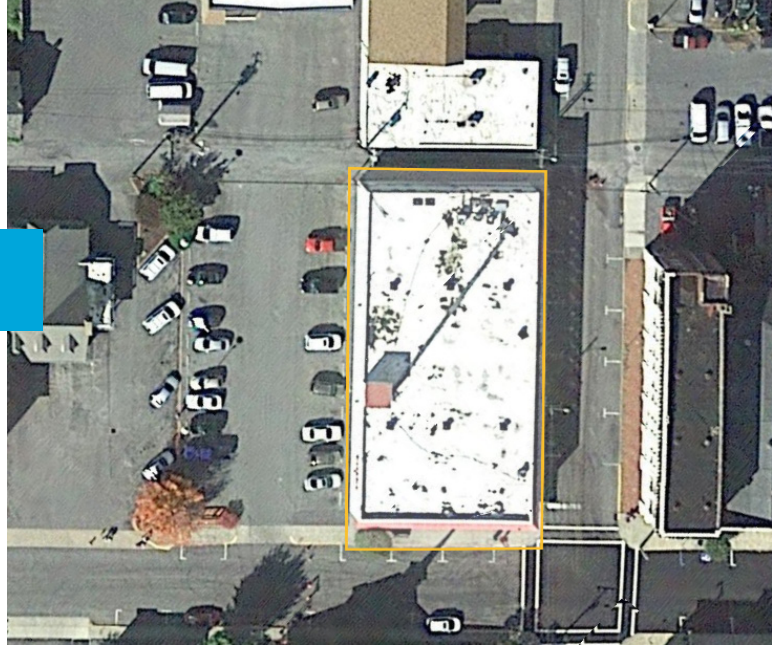
Project Development	$238,905	3%
Real Estate Acquisition	$0	0%
Construction	$6,211,530	78%
A/E/C/ Design	$796,350	10%
Legal/Finance	$716,715	9%
TOTAL:	**$7,963,500**	**100%**

Sources

Developer Equity	$828,702	10%
Conventional Debt	$1,933,000	24%
Federal/State Historic Tax Credits	$1,100,000	14%
9% LIHTC	$1,200,000	15%
OZ/Opportunity Fund Equity	$1,500,000	19%
Public/Institutional Investors	$1,401,798	18%
TOTAL:	**$7,963,500**	**100%**

Commercial

Gordmans Building



The Gordmans Building is a former clothing retail store in the downtown Covington. The building is in very good condition but does present a redevelopment opportunity to accommodate a new tenet.

The building is a two-story, **20,720 SF** building located in downtown Covington's Historic District. The property is zoned C3 for general business and city officials would like to see the building remain a retail/commercial space. Redevelopment of the building could catalyze new activity in downtown Covington.

This building will require light rehabilitation which could be appealing to developers/ investors looking for a straightforward yet impactful redevelopment project with low construction costs per/SF. Core interior and exterior elements of the building are in above average condition.

The City's desire for the building to remain a retail use aligns with existing market trends indicating certain types of retail have large demand in the Alleghany Highlands region. The table on the following page shows the top 10 retail industry types with the most unmet demand.

Potential Project

If utilized properly, the Gordmans Building could attract residents and tourists to downtown Covington. Additionally, the improvements to the building could allow the site to realize some of the highest commercial lease rates in Covington. Retail is a likely use.

2017 Industry Group	NAICS	Demand	Supply	Retail Gap
Bldg. Materials, Garden Equip. & Supply Stores	444	$17,473,000	$5,892,121	$11,580,879
Motor Vehicle & Parts Dealers	441	$55,819,832	$44,604,407	$11,215,425
Bldg. Material & Supplies Dealers	4441	$16,071,102	$5,638,819	$10,432,283
Automobile Dealers	4411	$45,825,531	$35,834,521	$9,991,010
Gen. Merchandise Stores	452	$41,382,823	$31,731,091	$9,651,732
Other Gen. Merchandise Stores	4529	$13,513,595	$4,033,695	$9,479,900
Clothing & Accessories Stores	448	$10,242,703	$2,134,411	$8,108,292
Clothing Stores	4481	$7,073,770	$539,615	$6,534,155
Other Motor Vehicle Dealers	4412	$5,932,724	$0	$5,932,724
Misc. Store Retailers	453	$9,674,057	$4,070,364	$5,603,693

The Gordmans Building had formerly housed a clothing retailer and as the table above generates, there is demand for clothing and accessories stores. Due to the building's existing floorplan and former use, locating a new clothing retailer in the building could be an appropriate and successful business venture.

Development cost is expected to be $1,300,000 with the biggest costs going to construction, 48%, and the acquisition of the building, 38%. Being right on Main Street, there is access to reliable utilities and roads that makes the site ideal for different redevelopment projects. Factoring in housing demand and proximity to other industries should be noted for any redevelopment. With the building being in good condition even before development, additional improvements could allow the building to be a standout for Covington and Alleghany County.

The capital stack for this project is straightforward and could consist of four main sources. Conventional debt and equity financing could be used to cover up to 81% of development costs. Opportunity Funds could make-up approximately 17% of the deal and public sources of financing including grant dollars could also be included in project financing. The City of Covington may be willing to participate in the deal if a developer can demonstrate a commercial retail redevelopment project with significant impact on downtown.

Project Source & Uses Summary

Total Development Cost	$1,300,000	
Uses		
Project Development	$40,000	3%
Acquisition	$500,000	38%
Construction	$630,000	48%
A/E/C/ Design	$65,000	5%
Legal/Finance	$65,000	5%
TOTAL:	**$1,300,000**	**100%**
Sources		
Developer Equity	$150,000	12%
Conventional Debt	$900,000	69%
OZ/Opportunity Fund Equity	$220,000	17%
Public/Institutional Investors	$30,000	2%
TOTAL:	**$1,300,000**	**100%**

Commercial

Karnes Creek

This 4.87-acre undeveloped commercial property is situated along the east bound ramp at Exit 21 I64 in Low Moor.

The site is cleared with approximately 556 feet of frontage on Virginia State Route 696, Selma-Low Moor Road and 339 feet on Route 1312, Karnes Road. The site is zoned for business.

The Karnes Creek site is plenty big enough for an office building, hotel/motel, or medical center. B-1 zoning in Alleghany County, VA lists nearly 30 different acceptable uses. Any of which could be a fit.

Utilities are near and there are also three robust springs nearby that could be used for commercial purposes such as cooling.

The Karnes Creek site at Exit 21 is located diagonally across the interstate from the newly opened Love's Travel Stop. Lewis Gale Hospital – Alleghany, a regional hospital, is located across the Selma-Low Moor Road (Route 696) from the Karnes Creek site.

In addition to being located in an Opportunity Zone, Karnes Creek is also within an Enterprise Zone. The site is extremely accessible due to proximity to Interstates 64 and 81 and State Routes 60 and 220. These roadways allow visitors and residents to access Lewisburg, WV and Roanoke, Virginia in roughly 35 minutes' drive time from the site.

The Karnes Creek Site has been highly studied and is positioned well for commercial, retail, or hospitality related use. A lodging study for the Alleghany Highlands region determined a need for 230 rooms at above average or better-quality standard. The local recreation market and the sites connectivity could make hospitality development successful at the site. Proximity to Lewis Gale Hospital – Alleghany could also make the site well suited for medical offices.

The total development cost for this project is estimated at $7,500,000.

Potential Project

A hotel development project is ideal for the Karnes Creek site due to its proximity to major roadways, large employers, and the demand for hospitality services. The site could support a 70 room mid-range hotel that offers above average rooms and amenities including a "Cracker Barrel" type restaurant. This type of hotel would align with local and regional market demands. A hospitality market analysis of the site has identified that a hotel of this size could be successful at the Karnes Creek site.

This hotel development scenario anticipates a development of approximately 55,000 SF of total GLA with 8.0% cap rate. It is anticipated that this hotel could charge an average room rate of $150/ night. This project could include 10,000 SF of commercial space which could achieve rents of $15 per SF. Parking would need to be developed on site. This scenario assumes 110 new surface parking spaces could accommodate commercial hotel and restaurant uses.

The total development cost for this project is estimated at $7,500,000. Developer equity and conventional debt could finance 54% of the project. This would leave a Financial GAP of approximately $3.5M. The financial gap could be closed by using TIF or other public assistance incentives tied to site development, and Opportunity Zone/ Opportunity Fund Equity Investment. These sources would account for 46% of the deal.

Project Sources & Uses Summary

Total Development Cost	**$7,500,000**

Uses

Project Development	$225,000	3%
Real Estate Acquisition	$500,000	7%
Construction	$6,025,000	80%
A/E/C/ Design	$375,000	5%
Legal/Finance	$375,000	5%
TOTAL:	**$7,500,000**	**100%**

Sources

Developer Equity	$1,200,000	16%
Conventional Debt	$2,850,000	38%
OZ/Opportunity Fund Equity	$1,750,000	23%
Public/Institutional Investors	$1,700,000	23%
TOTAL:	**$7,500,000**	**100%**

Commercial/Mixed-Use

Former True Value

A former True Value Hardware Store at 605 Lexington AVE., is a 6,975 square foot building that sits on 1.11 acres and is near downtown Covington, giving great access to the rest of the region.

This is one of the largest available sites in the City of Covington and includes five structures already on-site. These structures supported operations of a former hardware retail business. Some of these buildings are in better condition than others, and there is likely a need for moderate to high renovation to promote reuse.

The site does provide ideal infrastructure access to utilities and roads, and rail runs adjacent to the buildings. The site is currently zoned M1 for light industrial use. The area is gaining momentum because of a recent investment in the area and a school is located nearby. There are also complementary commercial uses working well around the Former True Value site. This creates massive potential for this space if developed appropriately and the City of Covington could be willing to work with a developer or investor interested in development that maximizes this site's community impact.

Potential Project

The Former True Value site has the ability to support a variety of development types and has exciting potential. The site's size, layout, existing buildings, and zoning could position it well to support light-industrial uses. A community-oriented makerspace may also be feasible on this site and would support the region's strong artisan and craftspeople community.

The largest building on the site supported main retail and office functions for a former hardware store. This building could be rehabilitated to support a makerspace with equipment and crafts space to support local artisans and craftspeople or a light industrial operation. Other structures on site supported storage space for building materials sold by the former hardware tenants. These buildings could be improved to continue to support storage needs of a new light-industrial business or makerspace users. The site could also be redeveloped in a way to support an open-air marketplace with pop-up shops that local artisans operating at the makerspace could use to sell products. This would create a multi-functional space in Covington that supports local artisans by offering affordable workspace and retail space and could also be a destination for residents and visitors to purchase unique artisanal and craft products.

Redevelopment costs for the Former True Value site are estimated at $2,495,000 with most of these costs being incurred through construction. This opportunity could be more enticing for an Opportunity Fund as it aligns well with the substantial reuse requirement. About 66% of the project could be financed through developer equity and conventional debt financing. The remaining financial gap could be closed primarily through Opportunity Fund investment. The City of Covington could also provide some public support for the project if it identifies a creative reuse of this site and offers high community impact.

Project Source & Uses Summary

Total Development Cost	**$2,495,000**

Uses

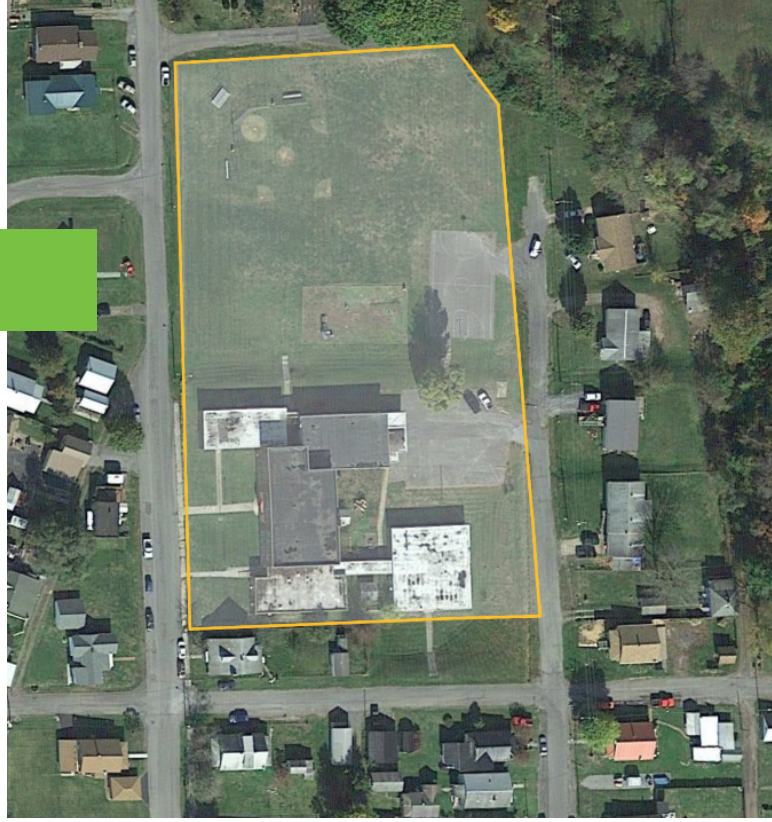
Project Development	$75,000	3%
Real Estate Acquisition	$380,000	15%
Construction	$1,700,000	68%
A/E/C/ Design	$170,000	7%
Legal/Finance	$170,000	7%
TOTAL:	**$2,495,000**	**100%**

Sources

Developer Equity	$150,000	6%
Conventional Debt	$1,500,000	60%
OZ/Opportunity Fund Equity	$770,000	31%
Public/Institutional Investors	$75,000	3%
TOTAL:	**$2,495,000**	**100%**

Workforce/Multi-family Housing

Former Rivermont School



Built in 1938, the Former Rivermont Elementary School is a 25,093 square foot two-story building.

The site is currently zoned R3 for residential use and the former school building could be redeveloped to support new housing. The former school building is located northeast of downtown Covington in close proximity to major employers. It should be noted that the property sits just outside of the Opportunity Zone boundary.

A redevelopment project that includes this building could be included as part of a package that comprises other projects highlighted in this prospectus within the region's Opportunity Zones. An Opportunity Fund can have up to 30% of its assets outside of OZs so a project tied to this building could still leverage Opportunity Funds if structured appropriately. Redevelopment of this building is a high priority for the City of Covington.

The building's historic nature could allow a redevelopment project to make use of Federal and State Historic tax credits. A housing-oriented development could also access affordable housing tax credits.

Potential Project

The City of Covington would like to see the building redeveloped and have meaningful community impact. Housing could be considered a highest and best use for the former school. The current building could support 25 new, 750 SF affordable rental units. Based on the building's historic character, it is estimated that the building includes 18,750 square feet of gross leasable area due to its historic character, which is generally less efficient than a new ground-up build.

In this scenario, redevelopment costs are estimated at $3,750,000. The majority of this cost would directly support redevelopment.

Conventional debt and equity financing could make-up about 35% of the capital stack leaving a financial gap of 65%. To address this gap, the project's financial stack could include a variety of funding sources including historic tax credits, affordable housing tax credits, and Opportunity Funds. Opportunity Funds are likely to be the largest funding source of these non-traditional funding methods and could account for 27% of the projects financing.

Project Source & Uses Summary

Total Development Cost	**$3,750,000**	
Uses		
Project Development	$112,500	3%
Acquisition	$0	0%
Construction	$2,925,000	78%
A/E/C/ Design	$375,000	10%
Legal/Finance	$337,500	9%
TOTAL:	**$3,750,000**	**100%**

Sources		
Developer Equity	$375,000	10%
Conventional Debt	$910,000	24%
Federal/State Historic Tax Credits	$540,000	14%
9% LIHTC	$560,000	15%
OZ/Opportunity Fund Equity	$1,000,000	27%
Public/Institutional Investors	$365,000	10%
TOTAL:	**$3,750,000**	**100%**

Alleghany Highlands OF VIRGINIA

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