DRAFT

Preliminary Fiscal Impact Forecast:

Proposed Townhome Development on 10.445 Acres
Located off Powder Springs Dallas Rd.

July 10, 2026

Prepared for

city of powder springs

Prepared by

KB ADVISORY GROUP

Section I: Background Information

Study Purpose, Scope and Methodology

Assignment Summary

- The City of Powder Springs has retained KB Advisory Group (KB) to prepare fiscal impact analyses (FIA) for new development proposals on an as needed basis.
- The City has received an application from Kenneth Jones ("the Applicant") to rezone a 10.445-acre parcel located on Powder Springs Dallas Rd. from Light Industrial (LI) to PUD-R. The parcel is inside the city limits and is currently undeveloped. A significant portion of the site lies within a designated floodplain.
- The proposed development plan (the Project) will consist of 32 townhomes. The townhomes occupy an estimated 2.67 acres, surrounded by 6.76 acres of HOA common area, stormwater management area and open space. Internal ROW is estimated to consume 1.02 acres and would no longer be taxed.
- The City has asked KB to forecast the net fiscal impact of this Project if developed for the proposed residential use. The information used to forecast future City Revenues and expenditures from this project incorporates inputs from a recent city-wide budget analysis and forecast prepared by the University of Georgia's Carl Vinson Institute (UGA).

Executive Summary

- The following analysis estimates annual (at build out) and 10-year cumulative net fiscal impacts associated with the requested development 32 townhomes on 10.5-acres located on the easterly side of Powder Springs Dallas Rd. in Powder Springs.
- The resulting analysis shows that this project should be fiscally positive when completed (in 2030) and produce a cumulative $40,400 surplus over the first 10 years through 2035, which is the last year of UGA's fiscal forecast.
- However, if no significant changes are made to City services, non-property tax revenue sources or millage rates, over the term of the forecast the Project's annual net surplus is projected to erode after build out as homestead exemptions reduce growth in the Project's net tax digest, and overall City service costs increase faster than revenues. Based on the 10-year City-wide general fund revenue and expense forecasts prepared by UGA, municipal service costs could exceed revenues by 2034 the development is projected to run an 8% deficit in 2035.

Estimated Forecast Conditions at Build Out	**2030**
Total Residential Units	32
Total Developed Square Footage	70,400
Estimated Taxable Real Estate Value (2026$)	$12,660,000
Real + Personal Property Gross Digest	$5,195,600
Estimated Homestead Exemptions	-$373,824
Net Digest at Build Out	$4,821,747
Estimated Tax and Non-Tax Revenues	$69,660
Estimated General Fund Service Costs	$59,500
Net Fiscal Impact at Build Out	**$10,160**
Margin Revenues/Service Costs at Build Out	17.1%
Estimated Cumulative Forcast Conditions	**2026-2035**
10-Year Revenues	$499,500
10-Year Expenditures	$459,100
Cumulative 10 Year Fiscal Impact	**$40,400**
10-year Margin of Revenues over Service Costs	8.8%

- Analysis findings are presented in the following sections.

Background

- In early 2026, the City of Powder Springs retained the University of Georgia's Carl Vinson Institute (UGA) and KB Advisory Group, Inc. (KB) to prepare aggregate revenue and expenditure forecasts for the City ("the Fiscal Forecast").
- The purpose of this effort was to:
  - Provide city policy makers with a clearer understanding of how the City's development and population growth has/will impact municipal revenues and service costs over time,
  - Evaluate the City's existing service delivery and estimate costs associated with increasing the number and average compensation of personnel needed to service the City's current / future population,
  - Develop a forecasting tool to assist staff and elected officials in preparing the City's FY 2027 and future budgets, and
  - Investigate whether implementing land use policy changes could measurably improve upon forecast conditions over time.
- A secondary study objective was to develop information that could be applied to estimate the revenue and expenditure effects of individual development proposals. A proposed townhome development on Powder Springs Dallas Rd. is the first "project-level" impact analysis prepared using information developed from UGA's Fiscal Forecast

Background (Continued)

- KB’s role in the study effort was to undertake a comprehensive analysis of the City’s current and future property tax base and was responsible for the following tasks :
  - Estimate the taxable future value of all real estate development proposals that were either under construction or had received development approvals as of early 2026,
  - Inventory remaining developable land with the city limits and forecasted potential future development on those parcels based on densities allowed by the City’s comprehensive plan,
  - Prepare a similar analysis of potential parcels that could be annexed into the City over time,
  - Conduct a comprehensive analysis of City exemptions, particularly floating homestead exemptions, to estimate their future impact on the City’s net tax digest,
  - Estimate the City’s “build out” potential, resulting population, distribution of housing units by housing type and nonresidential development square footage based on the above inputs,
  - Forecast the City’s resulting property tax base and future property tax revenues using the current millage rate, and
  - Evaluate the City’s remaining industrial- and commercially-zoned land inventory to prioritize those parcels that should be actively preserved for future non-residential development versus parcels that could be allowed to transition to housing or mixed-use.

Background (Continued)

- Inputs from KB's research were used by UGA to inform its aggregate revenue and expenditure forecasts, including property tax revenues, population growth, housing and non-residential development growth, and related metrics that were used to estimate future municipal service costs.
- UGA's analysis focused on forecasting total municipal revenues and expenditures, primarily on non-property-tax related revenues, as well as general fund expenditures at the departmental level.
- The municipal service cost analysis summed up departmental expenses and produced annual general fund expenditure forecasts through 2035. Those annual estimates incorporated departmental staffing requirements and related personnel and non-personnel expenses that were necessary to service the City's growing population.
- UGA's revenue forecast was less detailed and only extended to 2030. Three alternative forecasts were produced - a "low nominal", " mid-nominal" and "high-nominal" scenario. The three scenarios produced a 17% variation in 2030 forecast outputs between the low and high alternatives, driven mostly by wide variations in non-property tax revenues.
- The resulting outputs have been applied by KB to evaluate the fiscal impacts of individual future development proposals that are not already incorporated into UGA's analysis.

Methodology

- As noted, this fiscal impact analysis replaces an earlier methodology developed by KB Advisory Group, by incorporating findings from UGA's recently completed revenue and expenditure forecasts prepared for Powder Springs.
- Previous fiscal impact methodology was "static" in that it could not reasonably anticipate relative changes to City-wide revenues and service costs <u>outside of</u> the specific development proposal(s) being evaluated.
- The UGA forecasts provide a "dynamic" future environment within which to evaluate the potential impacts of new development proposals, which would necessarily be added <u>on top of</u> projects that are under construction or already in the development pipeline. Significant accuracy improvements are summarized below:
  - The UGA forecasts account for needed increases in municipal service costs associated with the City's overall growth, including near term spending increases to "catch up" to the rapid pace of development that has already occurred over the past several years, <u>plus</u> the future pipeline of projects that are under construction or have already been approved by the City.
  - Overall City revenues are projected to decline after FY 2027, when Cobb County no longer makes annual payments associated with acquiring the City's sewer utility infrastructure several years ago. The removal of that revenue source will cause non-property tax related revenues to grow at a slower rate than City expenditures over the forecast period. Consequently, the next 10 years are likely to present a much different fiscal environment than was the case over the past decade.

Methodology (Continued)

  - The forecast can also be updated annually as estimates are replaced with actual data and the City decides to modify current taxation and/or service delivery policies.

- UGA’s expenditure forecasts extend to 2035, while City revenues are only forecast to 2030 and are presented in a band of low to high outcomes. To meld the 3 revenue alternatives into a single forecast, KB extrapolated revenues from 2030 to 2035 using a combination of the “mid nominal” and “high nominal” scenarios. Those two scenarios appeared to be the most realistic and likely based on actual city-wide revenue growth trends experienced over the past 10 years
- KB then used UGA’s aggregate 10-year forecast results to prepare non-property tax revenue and municipal service cost multipliers based on forecasted City-wide population, housing and tax digest growth. The resulting multipliers were then applied to the proposed Project to calculate its net fiscal impact on annual basis to 2035.
- The methodology described above produces a single set of forecast outputs based on applied unit counts and taxable property values. Over time, enhancements will be added to enable testing of alternative inputs and assumptions, to assist the city in evaluating different scenarios and options to improve the fiscal performance of new development proposals.

Assumptions and Limiting Conditions

- The scope of work does not include market research, and KB makes no representations concerning the feasibility or market acceptance of the Applicant's proposed plan. Also, the forecast does not account for possible future economic downturns or other factors that could negatively impact future real estate values or rates of new construction.
- Absent of better market information, floating homestead exemptions are assumed to continue to rise faster than gross digest over the forecast period, at similar ratios to those experienced over the past decade. This assumption substantially reduces future property tax revenues associated with owner occupied housing and is therefore conservative.
- The Project's estimated taxable full value at build out reflects site plan information provided by the Applicant, supported by values of comparable new housing products in the area. The Project's construction quality and pricing are assumed to be comparable to available alternatives. A developer's decision to build products targeting price points that are significantly higher or lower than recently completed developments would obviously produce different results.
- Other than those revenue and expenditure inputs which have already been incorporated into UGA's forecasts, this analysis assumes that there will be no significant changes to City revenue sources or the scope of City services to be delivered to residents and businesses through 2035. Property tax revenues also assume that the City's millage rate will remain constant at 9.5 mils.

Assumptions and Limiting Conditions (Continued)

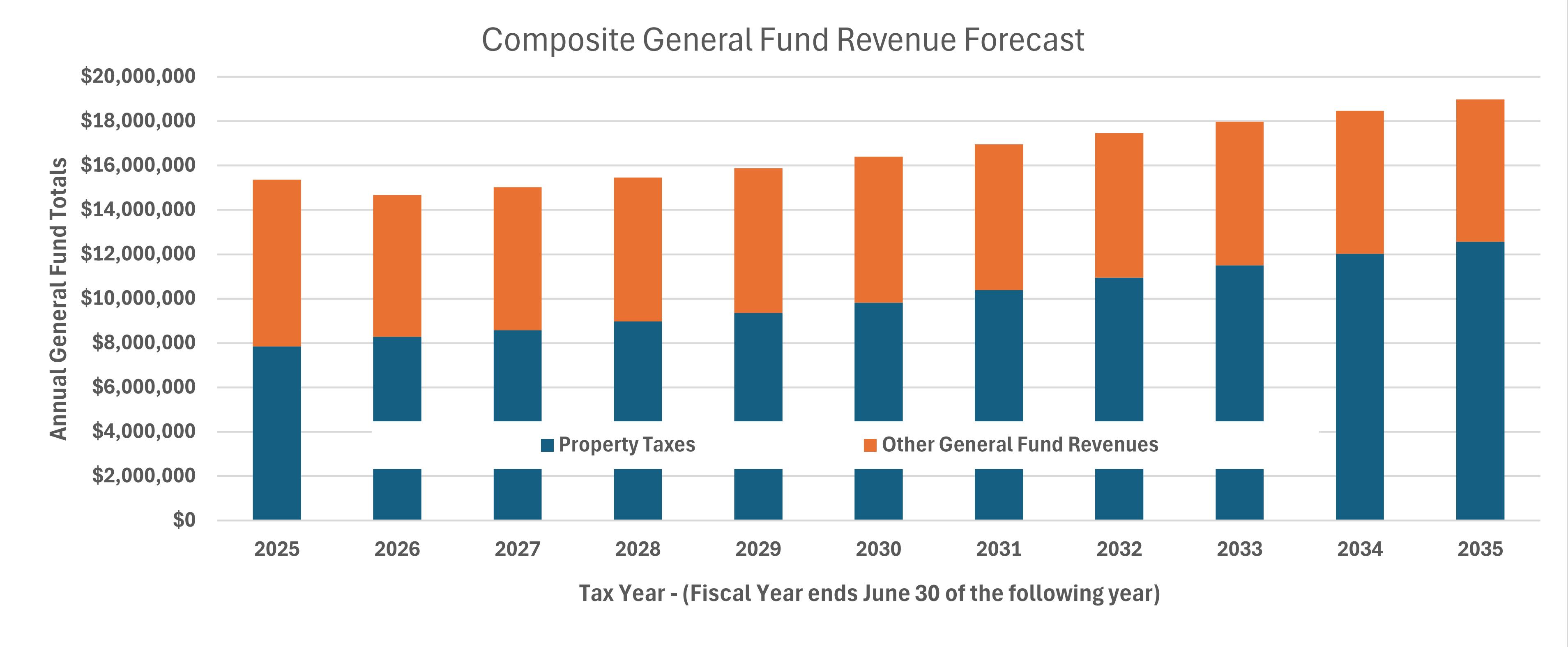
- This analysis only addresses general fund revenues and expenses. Potential impacts on the City's various business enterprise and related special purpose funds are not included. Also, this analysis does <u>not</u> factor in effects on intergovernmental revenues, nor does it include capital outlays or debt service costs which are not directly impacted by the Project.
- The model is not sophisticated enough to discern potential differences in City service costs across various housing types. Single family homes, townhomes and apartments are assumed to have similar per capita service costs.
- There is not enough available information to accurately allocate the City's current general fund costs between residential and non-residential development. This methodology assumes that 90% of City service costs and non-property tax revenues are attributable to residential uses. This assumption is higher than the percentage of residential property value to the City's total digest and is therefore conservative. Additional research is required to accurately allocate current City revenues and expenditures between residential and nonresidential land uses.
- Finally, this analysis focuses solely on City revenues and expenditures and does not address potential future growth impacts on public school enrollments or upon School District or County finances.

Section II: City-Wide Fiscal Impact Multipliers

Municipal Revenues and Service Costs

City-Wide Revenue Forecast

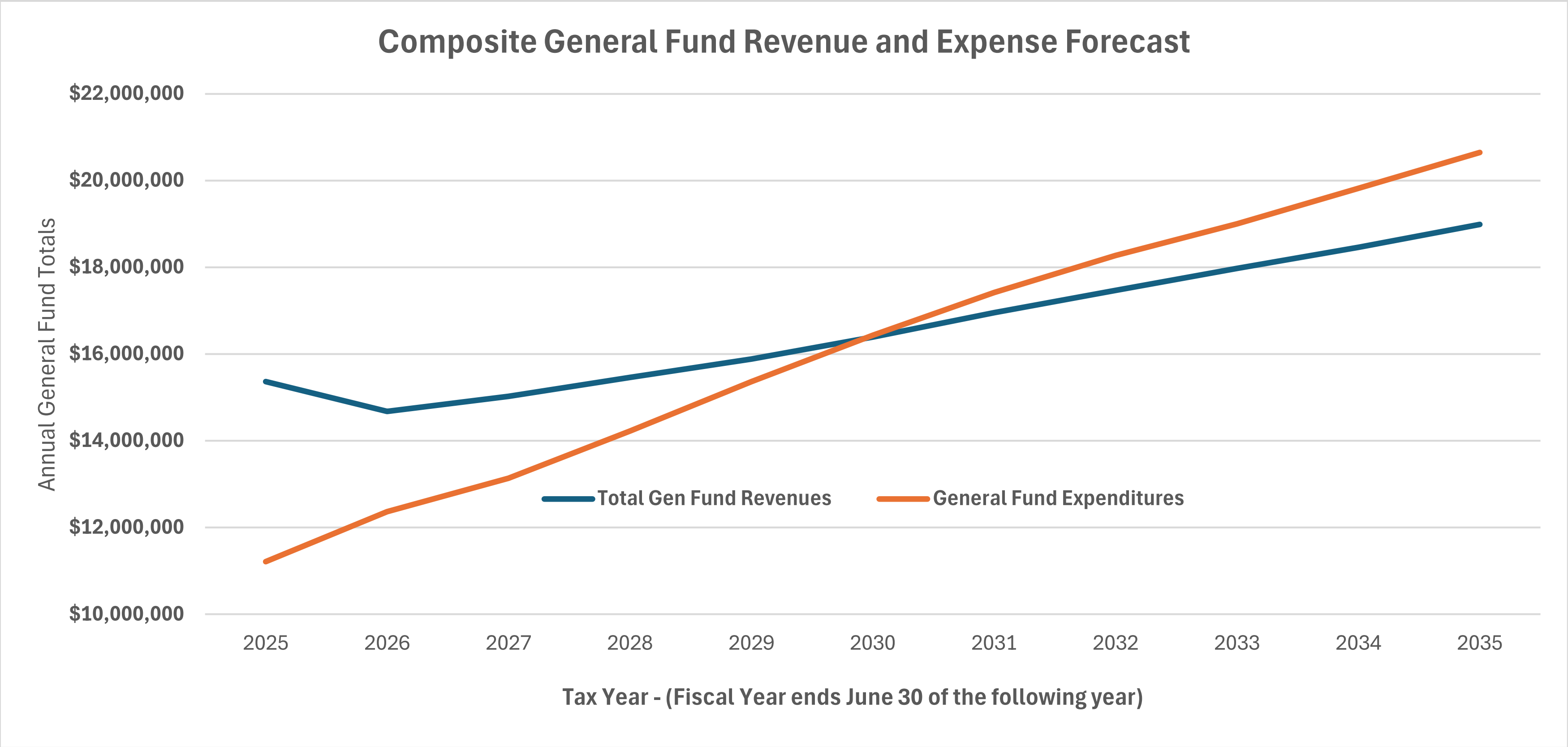
- As previously noted, UGA produced three versions of a general fund revenue forecast (low mid and high) to 2030. For purposes of this analysis, KB extrapolated and combined revenues from 2025 to 2035 into a single scenario which is illustrated in this graph.



- The forecast illustrated here indicates that real estate and personal property taxes accounted for 51% of total City general fund revenues in 2025. That percentage is expected to increase in the future due a decline in non-tax revenue sources in 2026 (FY2027). Overall, property taxes are projected to grow from the recent 51% share, to more than 66% of total general fund revenues by 2035.
- From 2026 forward, the forecasted rate of general fund revenue growth is projected to average just under 3% per year, compared to a 7.3% annual growth in revenues over the past decade.

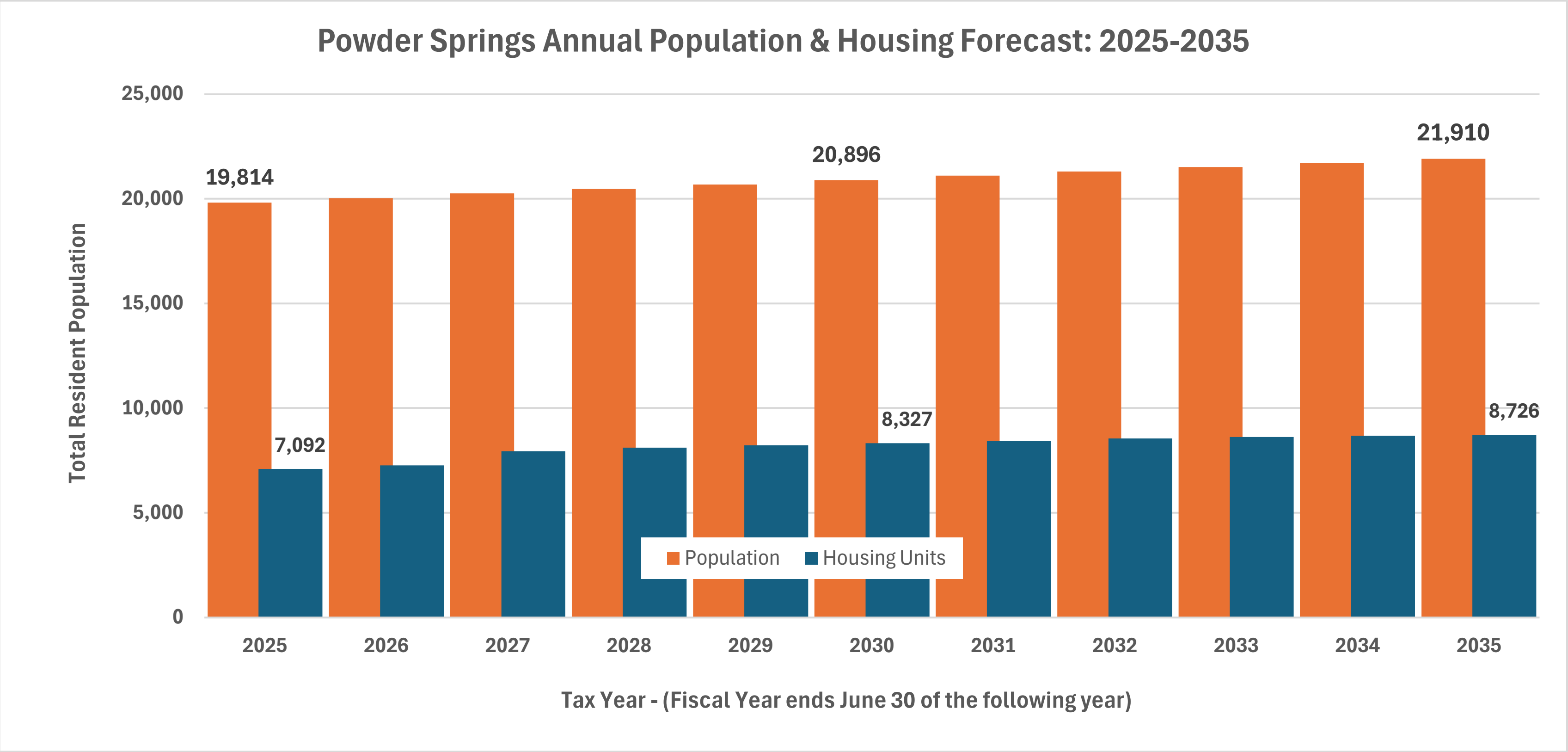
City-Wide Expenditure Forecast

- UGA also produced a single general fund expenditure forecast to 2035. That forecast incorporated an evaluation of service delivery demands at the individual departmental level and recommended significant increases to both catch up to recent growth and accommodate the pipeline of future development. Consequently, general fund expenditures are projected to rise by 7.9% annually until 2030 and then moderate to 4.7% per year over the balance of the forecast.



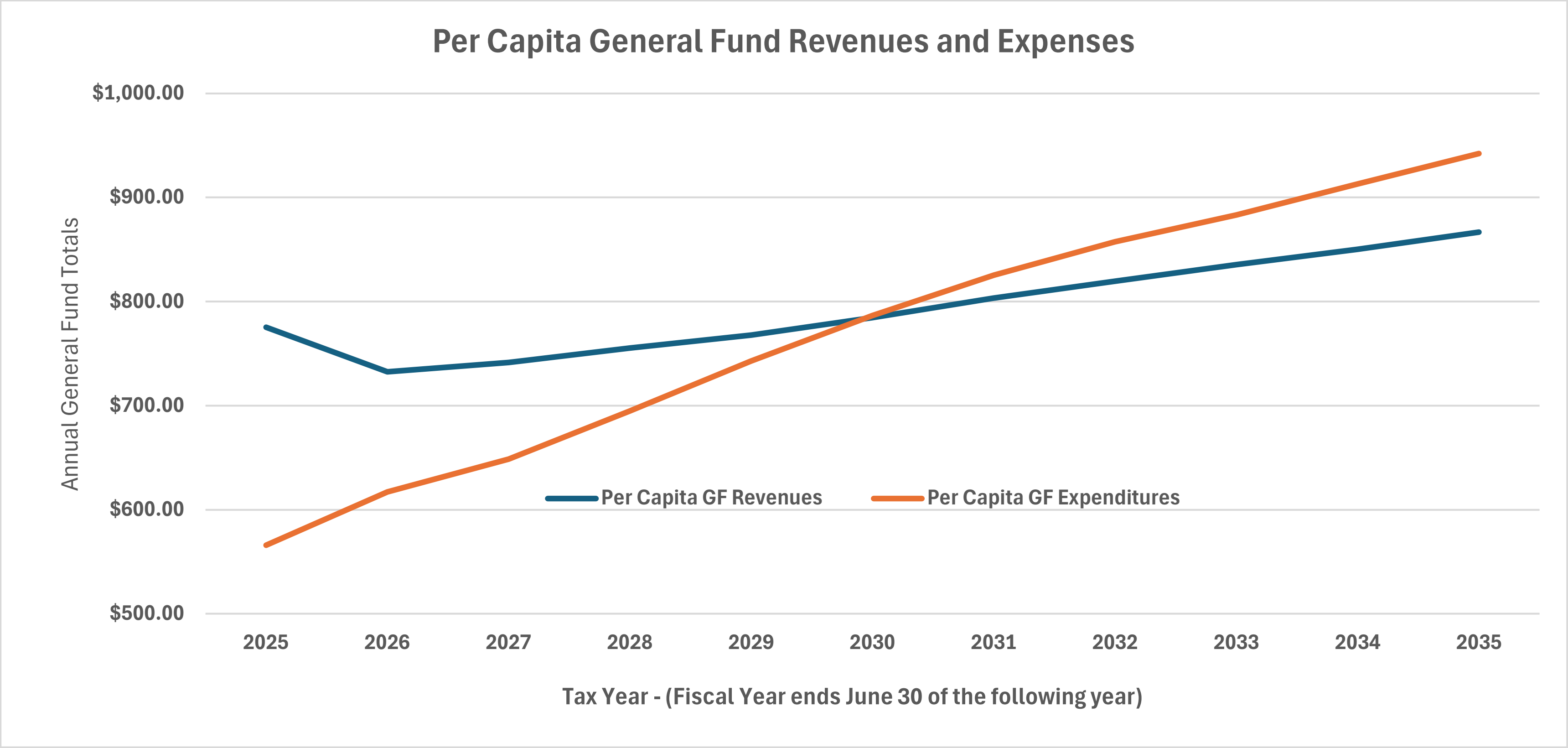
- As could be expected, these “baseline” forecasts show that municipal service cost could exceed available revenues by 2030. Eliminating shortfalls after 2030 will require some combination of increasing non-property tax revenues above expected levels, reducing future service cost increases, or raising the City millage rate. Which option(s) the City chooses to implement will similarly impact all development, including the subject of this report.

Population and Housing Growth Inputs



- To apply City-wide revenue and expense growth to a project-level fiscal impact analysis requires applying appropriate multipliers to housing units, households or resident population. This graph illustrates the annual City population and housing forecasts incorporated into UGA's analysis. The population forecast is somewhat conservative compared to recent growth and projects that the City will add roughly 2,100 residents (an approximate 1% annual growth rate) by 2035. Based on the pipeline of projects under construction or permitted, the number of housing units is projected to increase by more than 1,630 units, representing a growth rate of 2.1% per year, suggesting that average household sizes will shrink considerably over the next decade. These numbers are used to prepare the per capita multipliers graphed on the next slide.

Per Capita General Fund Revenues and Expenditures



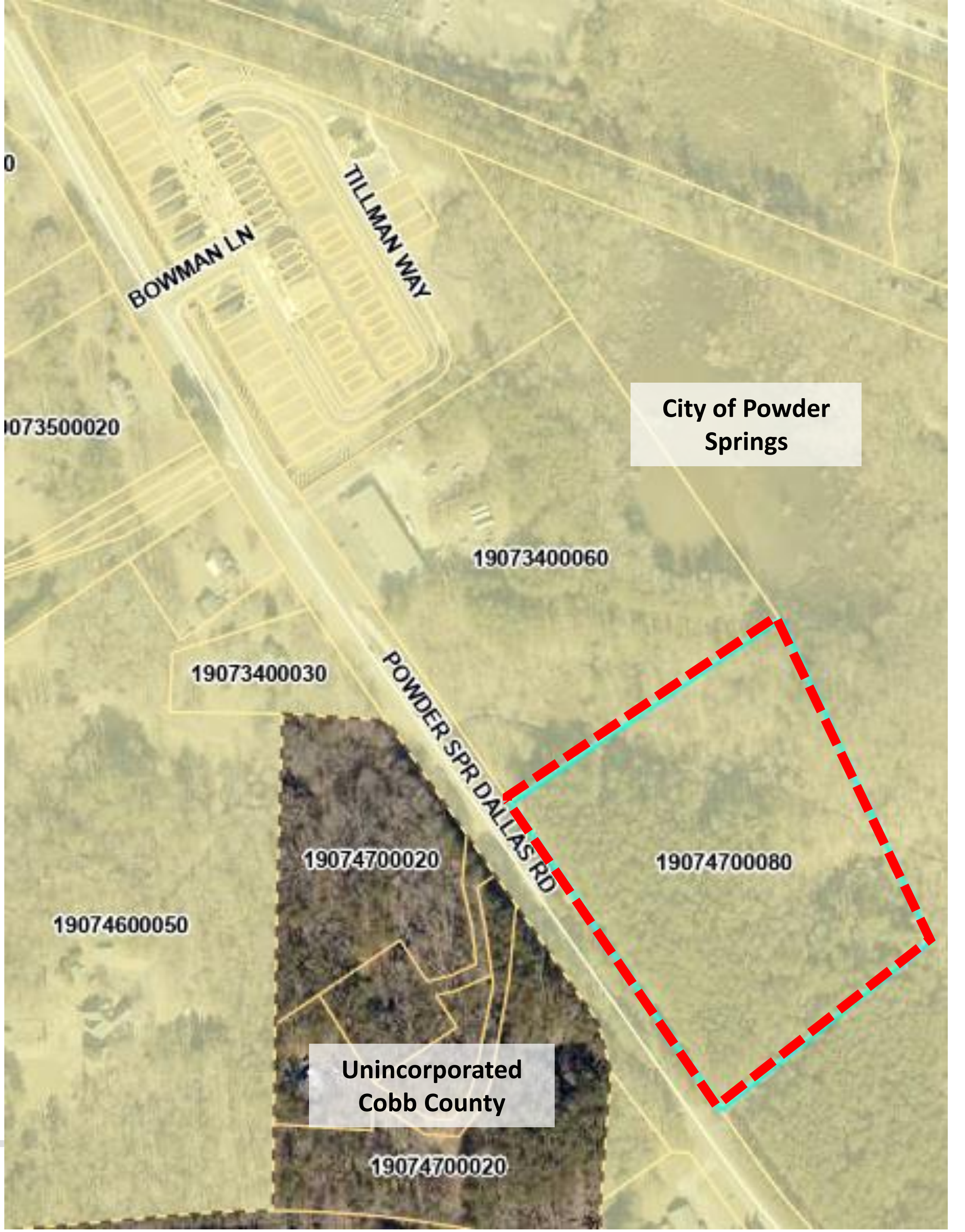
- This graph converts annual City-wide general fund revenues and expenses illustrated earlier, to a per capita measurement. City-wide per capita expenditures are forecast to climb faster and exceed general fund revenues by 2030, when the lines meet at roughly $780 per resident. Assuming no changes in tax rates or fee structures, expenses could exceed revenues by roughly $76 per resident (8.7%) by 2035.

Section III: Project Evaluation

Value Estimates, Construction Phasing and Fiscal Impacts

Existing Conditions

- The proposed development site is tax parcel 19074700080, which totals approximately 10.45 acres.
- County tax records indicate that the parcel is classified as vacant industrial land (I-5) and is unimproved. Roughly half the total acreage is designated as a flood hazard area.
- The parcel has a (2026) taxable full value of $347,740 ($33,289 per acre). Assuming no change to the City millage rate and no property tax appeal is filed this year, the parcel will generate $1,321 in City property taxes 2026. Associated service delivery costs are assumed to be $0.



Surrounding Land Uses

- The Project Site abuts an existing 12,600 SF warehouse built in 2001. That parcel totals 11 acres and the property's 2026 taxable full value is $1.41 million ($112/SF). Given the Project Site's environmental constraints, it is likely that a future industrial use would be limited to a single warehouse type building ranging from 20,000 to 25,000 SF, with a likely taxable full value in the $2.5 million range.
- The Project Site is less than a ¼ mile south of Pulte Home's Adler Springs development that is currently under construction. It is also less than a mile from other recent single family and townhome developments located near CH James Parkway. Recent townhome sales in those developments provide a reasonable indicator of potential sale prices, unit sizes and assessed values for the proposed 32-unit townhome project.

- KB pulled assessment data for a sample of 17 recent townhome sales, consisting of units built between 2020 and 2025. The townhomes averaged 2,200 SF, with a 2026 taxable full value ranging from roughly $350,000 to $410,000 and $140 to $194/SF. Values were driven primarily by recent new construction sold in Adler Springs. Based on those comparable sales and absent of elevations, floor plans or pricing information provided by the Applicant, KB assumed that townhome units on the Project Site would average 2,200 SF and be sold in the $395,000 price range (in 2026$).

Project Valuation

- Using information gathered from the site plan and a sample of tax assessment records, KB estimated the taxable full market value of the Project at build out. This table summarizes the estimated allocation of the 10.45 acres among the proposed townhome units, HOA-owned open space, and non-taxable ROW, including resulting building square footage and taxable market value.
- KB applied a baseline (2026) land value of $93,500 per lot. Improvements were estimated to average 2,200 SF and achieve an average sale price of $395,000 per unit (in 2026$). The site plan indicates that no common-area amenity buildings or structures are planned, so the HOA common area was valued at a nominal $3,000 per acre.
  - Taxable full values could vary significantly from these inputs depending on the actual products a developer chooses to build, and the targeted price points of those units. Values could also be impacted by overall real estate market conditions by the time units are delivered.
- As shown, the development of 32 lots and 70,000 SF of new construction could have a taxable full value of $12.64 million in 2026$.

Powder Springs Dallas Rd.

Development Summary and Estimated Taxable Full Value at Completion (in 2026$)

	Allocated		Average	Total	Estimated Assessed Full Value (2026$)		
Project Components	**Acres**	**Units**	**SF/Unit**	**Building SF**	**Per Unit/AC**	**Per Sq.Ft.**	**TOTAL**
Single Family Homes	-	-		-	$0	$0.00	$0
Townhomes	2.67	32	2,200	70,400	$395,000	$179.55	$12,640,000
HOA Open Space	6.76				$3,000		$20,280
Roads/ROW	1.02				$0		$0
Totals	**10.45**	**32**		**70,400**			**$12,660,280**
Value Distribution at Build Out		**Units**			**Per Lot**	**Per Bld SF**	**Total**
Land		32			$93,500		$2,992,000
Improvements		70,400				$137.05	$9,648,000
Totals							**$12,640,000**

Source: Applicant Site Plan and KB Advisory Group, Inc.

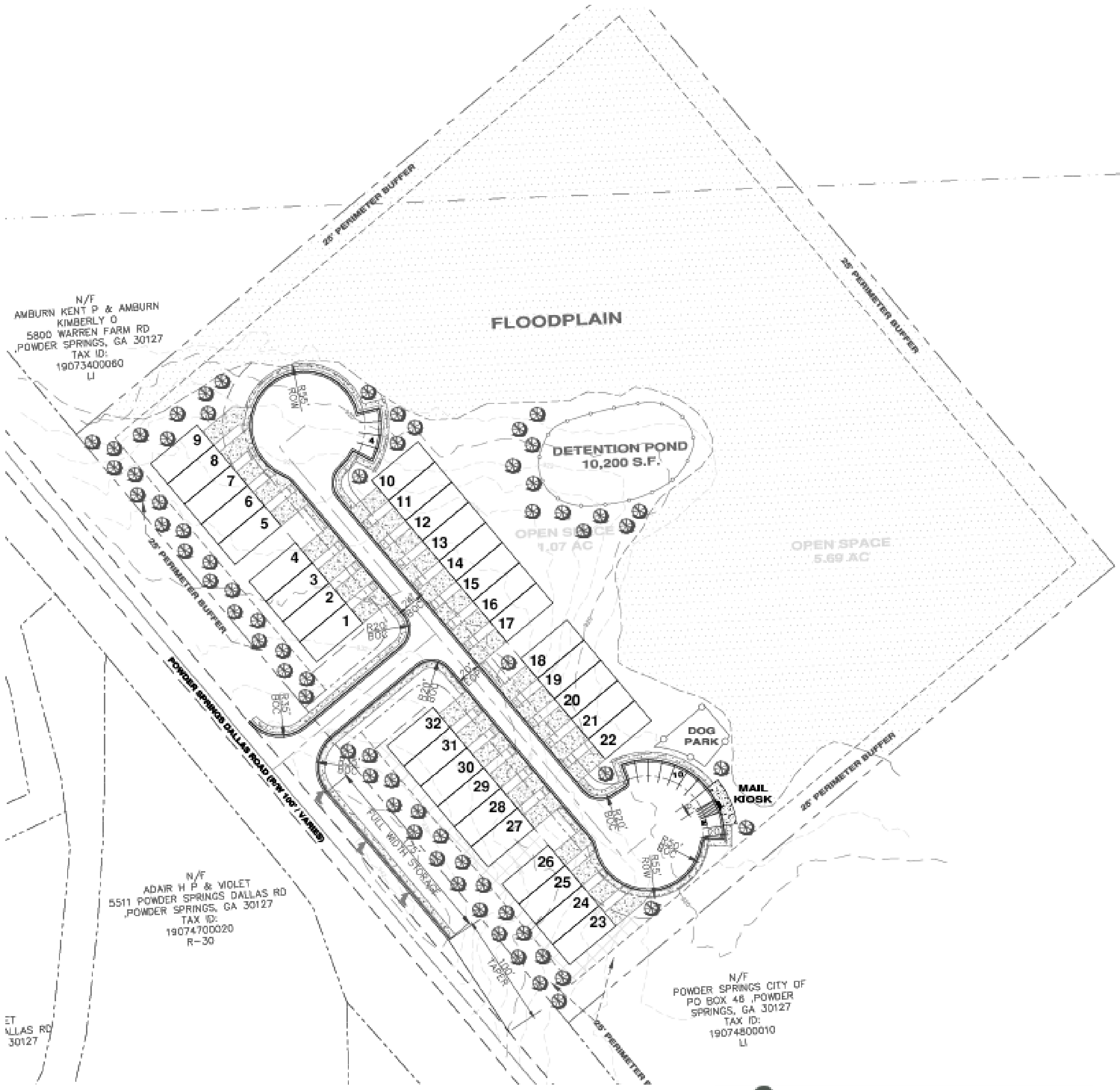
PHASING ASSUMPTIONS

- KB also developed a phasing schedule that assumes a late 2026 to early 2027 construction start, with sales of the first completed homes becoming taxable during calendar year 2028.
- Including an allowance for assessing time lag effects and resulting delays in the City's receipt of property tax revenues from new construction, KB forecasts that the project would be fully completed taxed by January 1, 2030.
  - Depending on the timing of construction and individual unit sales, resulting property tax revenues could be delayed a year or more beyond this schedule.

Powder Springs Dallas Rd. Build Out Forecast	TOTALS	1 2026	2 2027	3 2028	4 2029	5 2030
Annual Absorption Housing Units						
Townhomes	32			10	18	4
TOTALS: (Housing Units Only)	**32**	**-**	**-**	**10**	**18**	**4**
Cumulative Absorption						
SF Detached		-	-	-	-	-
Townhomes		-	-	10	28	32
TOTAL:		-	-	10	28	32
Acres Developed						
SF Detached						
Townhomes	2.67			2.7	2.7	2.7
Open Space	6.76	10.45	10.45	6.76	6.76	6.76
Total Acres Developed:	**9.43**	**10.45**	**10.45**	**9.43**	**9.43**	**9.43**
Residual Acres/ROW	1.02	-	0.00	1.02	1.02	1.02
Total Developed Building SF						
Townhomes	70,400			22,000	61,600	70,400
Total Building SF:	**70,400**	**-**	**-**	**22,000**	**61,600**	**70,400**

Homestead Exemptions

- With new information produced as part of the fiscal forecast work described above, KB was able to track homestead exemptions and digest information for a sample of 192 existing owner-occupied townhomes in the City using 2025 digest information. Findings include the following:
  - That the average city exemption for qualifying owners purchasing units built in 2024 started at $2,000. Moving back in time, exemptions rapidly increased to the $50,000 range for units purchased and built before 2020. Over approximately 10 years, floating homestead exemptions rapidly exceed value increases, reducing the gross digest of townhomes units by close to 48%.
  - Using this data, KB estimated that the average exemption would reach $18,000 when the project is sold out. The percentage of home buyers receiving exemptions would also increase from 55% in 2030 to a peak of 85% by 2035 (the last year of the forecast).
  - If past trends continue, the average city exemption can be expected to increase at a 18% annual rate until leveling off at roughly 50% of gross digest. KB applied those inputs to estimate the growth in floating City exemptions over the forecast period.



PROPERTY TAX COLLECTIONS

Powder Springs Dallas Rd. Property Tax Revenue Forecast	2026 Values	1 2026	2 2027	3 2028	4 2029	5 2030	6 2031	7 2032	8 2033	9 2034	10 2035
Full Market Value											
Residual Land	$347,740	$347,740	$108,669	$0	$0	$0	$0	$0	$0	$0	$0
Lots	$2,992,000	$0	$0	$2,992,000	$2,992,000	$2,992,000	$2,992,000	$2,992,000	$2,992,000	$2,992,000	$2,992,000
Improvements	$9,648,000	$0	$0	$3,015,000	$8,442,000	$9,648,000	$9,648,000	$9,648,000	$9,648,000	$9,648,000	$9,648,000
HOA Open Space	$20,280	$0	$20,280	$20,483	$20,792	$21,211	$21,747	$22,407	$23,203	$24,148	$25,257
ROW	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Full Market Value (2026$)	$12,660,280	$347,740	$128,949	$6,027,483	$11,454,792	$12,661,211	$12,661,747	$12,662,407	$12,663,203	$12,664,148	$12,665,257
Appreciated FMV		**$347,740**	**$129,050**	**$6,027,689**	**$11,455,106**	**$12,977,638**	**$13,302,196**	**$13,634,985**	**$13,976,223**	**$14,326,131**	**$14,684,941**
Average FMV / Unit				$602,769	$409,111	$405,551	$415,694	$426,093	$436,757	$447,692	$458,904
Average FMV / SF				$273.99	$185.96	$184.34	$188.95	$193.68	$198.53	$203.50	$208.59
Future Gross Tax Digest	40%	$139,096	$51,620	$2,411,075	$4,582,042	$5,191,055	$5,320,878	$5,453,994	$5,590,489	$5,730,452	$5,873,976
Plus Added Personal Property Digest		$0	$0	$1,411	$3,951	$4,516	$4,516	$4,516	$4,516	$4,516	$4,516
Total Gross Tax Digest		**$139,096**	**$51,620**	**$2,412,487**	**$4,585,994**	**$5,195,571**	**$5,325,394**	**$5,458,510**	**$5,595,005**	**$5,734,968**	**$5,878,492**
Less Homestead Exemptions		$0	$0	-$45,000	-$201,600	-$373,824	-$561,416	-$804,428	-$949,226	-$1,120,086	-$1,321,702
Net M&O Tax Digest		**$139,096**	**$51,620**	**$2,367,487**	**$4,384,394**	**$4,821,747**	**$4,763,978**	**$4,654,082**	**$4,645,779**	**$4,614,882**	**$4,556,791**
Annual City Property Taxes @	**9.5**	**$1,321**	**$490**	**$22,491**	**$41,652**	**$45,807**	**$45,258**	**$44,214**	**$44,135**	**$43,841**	**$43,290**

- The above table phases net gains in total City property tax collections, assuming that the development is completed and fully taxed by 2030. Based on calculations made from the City's 2025 tax digest, KB added a small allowance for residential personal property digest per household (primarily boats, older automobiles and in-home business equipment).
- At the current City millage rate, annual City property tax collections reach $45,800 at build out in 2030 and then gradually erode as homestead exemptions increase faster than gross digest. Aggregate property tax collections total $332,500 over the first 10-years.

PROJECT RELATED REVENUES & SERVICE COSTS

Powder Springs Dallas Rd. Fiscal Impact Forecast	10-Year Aggregate	1 2026	2 2027	3 2028	4 2029	5 2030	6 2031	7 2032	8 2033	9 2034	10 2035
Property Tax Revenues	$332,499	$1,321	$490	$22,491	$41,652	$45,807	$45,258	$44,214	$44,135	$43,841	$43,290
Other General Fund Revenues	$167,023	$0	$0	$7,523	$20,958	$23,851	$23,647	$23,269	$22,893	$22,575	$22,308
Total Revenues	**$499,522**	**$1,321**	**$490**	**$30,014**	**$62,610**	**$69,657**	**$68,905**	**$67,483**	**$67,028**	**$66,416**	**$65,598**
Total Service Cost Expenditures	**$459,142**	**$0**	**$0**	**$16,474**	**$49,243**	**$59,499**	**$62,352**	**$64,676**	**$66,637**	**$68,958**	**$71,303**
Net Fiscal Impact	**$40,379**	**$1,321**	**$490**	**$13,540**	**$13,366**	**$10,158**	**$6,553**	**$2,807**	**$391**	**-$2,542**	**-$5,706**
Margin Revenues Over Expenditures (%)		100.0%	100.0%	82.2%	27.1%	17.1%	10.5%	4.3%	0.6%	-3.7%	-8.0%

- Based on UGA's forecast of future City-wide revenues and expenses, if/when the Project is fully completed and assessed in 2030, KB estimates resulting property taxes and other general fund revenues at just below $69,700, ($2,175 per unit) offset by $59,500 in associated increased general fund service costs ($1,860 per unit) resulting from the addition of 32 housing units and 88 residents to the City's population. The Project produces a net positive fiscal impact on City operations of just under $10,200 in the first full year of taxation, representing a 17% margin of revenues over service costs at build out.
- After 2030, the forecast shows total revenues declining due to the impact of homestead exemptions and forecasted reductions in revenues other than property taxes, while service costs continue to increase, consequently the Project's net fiscal impact turns negative by 2034 and annual service costs potentially exceed revenues by 8% in 2035.
- Aggregated over the entire 10-year forecast the Project produces a positive overall $40,400 (9%) surplus of revenues over costs. Potential fiscal impacts beyond 2035 will depend on likely City policy decisions or future changes in market conditions.

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city of powder springs

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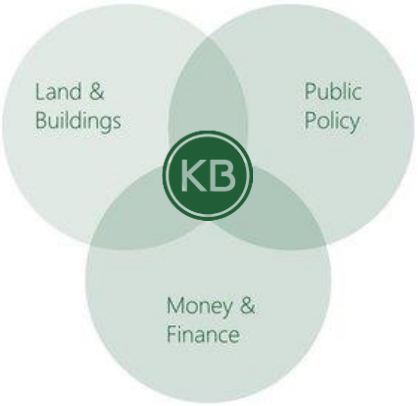

Gary Mongeon, *Author*

E: *gary@bkagroup.com*

P: *404.664.0777*

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