

Crown Appraisal Group

Corporate Office

355 E. Campus View Blvd.

Suite 150

Columbus, OH 43235

tel 614.431.3332

fax 614.431.3376

www.crownappraisal.com



Pigeon Creek Apartments

43 Rose Court

43-unit apartment complex

Manchester, Georgia

Date of Report: January 5, 2014

Prepared by

Crown Appraisal Group, Inc.

355 East Campus View Boulevard, Suite 150

Columbus, Ohio 43235

614-431-3332 (o), 614-431-3376 (f)

Prepared for

Mr. Bill Rea

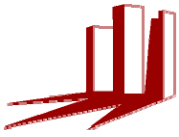
Rea Ventures Group, LLC

2964 Peachtree Road NW, Suite 640

Atlanta, Georgia 30305

PRIVILEGED AND CONFIDENTIAL

This document, and all of the statements, opinions, contents, and all attachments and addendums are privileged and confidential to the client (the addressee), and are not intended to be disclosed to or relied upon by any third party without the express written consent of the appraiser(s).



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January 5, 2014

Rea Ventures Group, LLC
Attn: Mr. Bill Rea
2964 Peachtree Road NW, Suite 640
Atlanta, Georgia 30305

**Re: Pigeon Creek Apartments
43 Rose Court
Manchester, Georgia**

Dear Mr. Rea:

At your request, we have completed an inspection and analysis of the referenced property for the purpose of developing and reporting an opinion of value for the property. The specific real property interest, real estate, type of report, and type of value are detailed within the body of the accompanying report. The accompanying report has been prepared in conformance with the requirements established by the Appraisal Institute. The appraisal is in conformance with USPAP requirements. The liability of Crown Appraisal Group, Inc. and its employees is limited to the fee collected for the preparation of the appraisal report. There is no accountability or liability to any third party. Based on discussions with market participants, the marketing period and exposure period for the property is estimated at 12 months. The following summarizes the interest being appraised, types of values, effective dates of values, and value opinions.

<i>Competitive Rent Comparable Unit Conclusions (CRCU)</i>		
	<u>1 Bed, 1 Bath</u>	<u>2 Bed, 1 Bath</u>
As-is CRCU	550	600
Prospective (Renovated) CRCU	600	650

<i>Value Opinions</i>	<u>Date of Value</u>	<u>Value</u>
Value 1 - as-is, as conventional or unrestricted	August 1, 2013	\$2,050,000
Value 2 - as-is, subject to restricted rents	August 1, 2013	\$1,090,000
Value 3 - prospective, subject to restricted rents	February 1, 2015	\$2,440,000
Value 4 - prospective, as conventional or unrestricted	February 1, 2015	\$2,380,000
Value 5 - Land Value	August 1, 2013	\$115,000
Value 6 - Interest Credit Subsidy Value (Existing 515 Loan)	December 31, 2012	\$579,000
Value 7 - LIHTC Value	February 1, 2015	\$982,870
Value 8 - Insurable Value	February 1, 2015	\$1,944,962

The opinion of value contained in the attached appraisal report is based upon the following extraordinary assumptions:

- The units and other improvements at the property that were viewed during the inspection (defined within the body of the report) are representative of all the units and other improvements at the property.

The opinion of value contained in the attached appraisal report is based upon the following hypothetical condition:

- Hypothetical conditions are stated within the Parameters of Assignment section of the report.

The opinion of value contained in the attached appraisal report is based upon the following assumptions and limiting conditions:

- The information furnished by others is believed to be reliable. No warranty is given for its accuracy, though.
- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated in the report.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations, laws, and license requirements unless otherwise stated in the report.
- The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
- The value opinions, and the costs used, are as of the date of the value opinion.
- All engineering is assumed to be correct. The plot plans and other illustrative material in this report are included only to assist the reader in visualizing the property.
- The proposed improvements, if any, on or off-site, as well as any repairs required, are considered, for purposes of the appraisal, to be completed in a good and workmanlike manner according to information submitted and/or considered by the appraiser.
- Responsible ownership and competent property management are assumed.
- It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- The appraiser is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that make it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering or environmental studies that may be required to discover them.

- Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on or in the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of such substances may affect the value of the property. The value opinion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- All mechanical components are assumed to be in good, operable condition unless otherwise noted.
- Our opinion of value does not consider the effect (if any) of possible noncompliance with the requirements of the ADA.
- Crown Appraisal Group, Inc. and its employees accept no responsibility for changes in market conditions or the inability of the client, intended user, or any other party to achieve desired outcomes.
- Projections or estimates of desired outcomes by the client, intended user, or any other party may be affected by future events. The client, intended user, or any other party using this report acknowledges and accepts that Crown Appraisal Group, Inc. and its employees have no liability arising from these events.
- Unless specifically set forth, nothing contained herein shall be construed to represent any direct or indirect recommendation of Crown Appraisal Group, Inc., its officers or employees to purchase, sell, or retain the property at the value(s) stated.
- Unless specifically set forth, nothing contained herein shall be construed to represent any direct or indirect recommendation of Crown Appraisal Group, Inc., its officers or employees to provide financing (mortgage, equity, or other) for the property at the value(s) stated.
- Rea Ventures Group, LLC, or its representative(s), agrees to indemnify and hold Crown Appraisal Group, Inc., its officers and employees, harmless from and against any loss, damages, claims, and expenses (including costs and reasonable attorney fees) sustained as a result of negligence or intentional acts or omissions by Rea Ventures Group, LLC, or its representative(s) arising from or in any way connected with the use of or purported reliance upon, the appraisal report or any part of the appraisal report.
- The contents of the appraisal report, and all attachments and information that will be contained within the report, is proprietary and confidential. Rea Ventures Group, LLC, or its representative(s) will not release or provide the report, in any form, in whole or in part, to any third party, including any borrower, potential borrower, buyer or potential buyer, without the signing appraiser's express written authorization.

ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.

Mr. Bill Rea
January 5, 2014
Page Four

The undersigned hereby certify that, except as otherwise noted in the report:

- the statements of fact contained in this report are true and correct.
- 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.
- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- our 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.
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the client, the amount of the value opinion, the attainment of the stipulated results, or the occurrence of a subsequent event.
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- the analysis was not based on a requested minimum valuation or specific valuation or the approval of a loan.
- the use of this report is subject to the requirements of the Appraisal Institute of relating to review by its duly authorized representatives.
- as of the date of this report, Andrew Moye has completed the requirements of the continuing education program of the Appraisal Institute.
- Andrew Moye has made a personal inspection of the property that is the subject of this report.
- Kim Garner and Hanna Phillips have provided significant professional assistance to the person signing the report.
- compliance with the USPAP competency rule has been achieved.

The attached appraisal report contains the results of the investigation and opinion of value. We appreciate this opportunity to serve you and your firm. Should you or anyone authorized to use this report have any questions, contact us at your convenience.

Sincerely,

CROWN APPRAISAL GROUP



Andrew J. Moye, MAI
Principal

AJM/kkg
Enclosure

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Executive Summary

Subject Real Estate Identification: The subject is known as Pigeon Creek Apartments and has an address of 43 Rose Court in Manchester, Georgia. The complex operates as a Class C, subsidized income, age restricted (62+) property. Pigeon Creek Apartments is located on the east side of US 27A (Roosevelt Highway) about 1 mile northwest of downtown Manchester. The property is in Meriwether County. Manchester is located in western Georgia.

The subject improvements include a 43-unit apartment complex (housed in 7 single-story buildings). The property includes one and two bedroom units. The improvements were built in 1992. The property is in average physical and functional condition. The 43 units total 28,394 sf. The property is currently 97.7% occupied. The subject site is ±4.600 acres.

Existing Use of Real Estate: Apartment Complex
 Highest and Best Use: Intensive Residential (current use)

Zoning: R5: High Density Residential

Pertinent dates:
 As-is date of valuation: see chart
 Prospective date of valuation: see chart
 Date of inspection: December 17, 2013
 Date of report: January 5, 2014

Type of report: Self-contained
 Values, interests appraised: see next page

Conclusions:

Competitive Rent Comparable Unit Conclusions (CRCU)		
	<u>1 Bed, 1 Bath</u>	<u>2 Bed, 1 Bath</u>
As-is CRCU	550	600
Prospective (Renovated) CRCU	600	650

Value Opinions	<u>Date of Value</u>	<u>Value</u>
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Value 8 - Insurable Value	February 1, 2015	\$1,944,962

Parameters of Assignment

Purpose, Intended Use

The purpose of this assignment is to arrive at an opinion of the market value of the property known as Pigeon Creek Apartments. A number of value opinions of a number of interests are provided. The value opinions, applicable notes (including discussion about the use of a hypothetical condition), and intended use, are detailed below:

Value 1	<p>Market value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i).</p> <p><i>Note - using the hypothetical condition “as unsubsidized conventional housing” according to 7 CFR Part 3560.656(c)(1)(i) means that when the appraiser develops their highest and best use analysis they will not recognize any Rural Development restrictions or subsidies and must only consider the property as continued use as housing.</i></p> <p>The intended use of this appraised value is to determine the value of the property that qualifies for an Incentive Offer within 7 CFR Part 3560.656 for sale/purchase and to determine the amount and availability of any equity.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value 1, as-is, as conventional or unrestricted”.</p>
Value 2	<p>Market Value, within 7 CFR Part 3560.752(b)(1)(ii).</p> <p><i>Note – this value opinion must consider all existing restrictions and prohibitions including Restrictive-Use Provisions (RUPs).</i></p> <p>The intended use of this appraised value is to determine the value of the property for sale/purchase and to determine the amount and availability of any equity.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value 2, as-is, subject to restricted rents”.</p>
Value 3	<p>Prospective Market Value, Subject To Restricted Rents within 7 CFR Part 3560.752(b)(1)(i).</p> <p><i>Note – this value opinion must consider any rent limits, rent subsidies, expense abatements, and restrict-use conditions that will affect the property. All intangible assets must be evaluated individually and separately from real estate.</i></p> <p>The intended use of this appraised value for a new or subsequent loan is to assist the underwriter with calculating the security value for the basis of a loan or loan guarantee.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value 3, prospective, subject to restricted rents”.</p>
Value 4	<p>Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If-Conventional Housing.</p> <p><i>Note – this value opinion is based upon a highest and best use analysis as-if not</i></p>

	<p><i>encumbered by USDA program provisions.</i></p> <p>The intended use of this appraised value is for reasonable analysis and comparison as to how the USDA restrictions affect the property. It should not be used as the basis of a loan or loan guarantee.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value 4, prospective, as conventional or unrestricted”.</p>
Value 5	Market value of underlying land.
Value 6	Value of the interest credit subsidy from assumed 515 loan.
Value 7	Market value of LIHTC (tax credits).
Value 8	Insurable Value.

Definitions

Market Value, incorporated in Value Opinions 1, 2, 5, 6, 7

The 4th Edition of The Dictionary of Real Estate Appraisal includes several definitions for *market value*. The following definition from the dictionary is used by the federal agencies that regulate insured financial institutions in the United States.

“Market value: the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently 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:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.

Comments from HB-1-3560

Most appraisers and users of Agency Multi-Family Housing appraisals understand the definition of *market value* to mean the value as a conventional or unrestricted or market property. However, to avoid confusion when requesting or reporting this value type, the term “as conventional or unrestricted” should be added to the term *market value* (i.e. “market value, as conventional or unrestricted”).

Market Value, subject to restricted rents – incorporated in Value Opinions 2 (possible), 3

A definition of market value, subject to restricted rents, as the term is used by RHS, derived from the definition of market value above, is stated as follows. Market value, subject to restricted rents: 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:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.

Comments from HB-1-3560

It considers any rent limits, rent subsidies, expense abatements, or restrictive-use conditions imposed by any government or non-government financing sources but does not consider any favorable financing involved in the development of the property.

Market value, subject to restricted rents, refers only to the value of the subject real estate, as restricted, and excludes the value of any favorable financing. The market value, subject to restricted rents, is based on a pro forma that projects income, vacancy, operating expenses, and reserves for the property under a restricted (subsidized) scenario. This restricted pro forma includes the scheduled restricted rents, a vacancy and collection loss factor that reflects any rental assistance (RA) or Section 8, and operating expenses and reserves projected for the subject as a subsidized property. Subsidized apartments typically experience higher management, auditing, and bookkeeping expenses, relative to similar conventional apartments, but often have lower real estate tax expenses.

Real Property Interest Valued, Value Opinions 1, 2 (possible), 4
fee simple estate, subject to short term leases.

The 4th Edition of the Dictionary of Real Estate Appraisal defines fee simple estate as “absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Real Property Interest Valued, Value Opinions 2 (possible), 3
fee simple estate, as restricted, subject to short-term leases.

The 4th Edition of the Dictionary of Real Estate Appraisal defines fee simple estate as “absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Prospective Value, Value Opinions 3, 4, 8

The term *prospective value* is defined by the 4th Edition of The Dictionary of Real Estate Appraisal as follows. “*Prospective value: a forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or 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.*”

Comments from HB-1-3560

As used in Agency regulations and instructions, the term “as-improved value” refers to the value of real property after completion of proposed improvements. The Agency’s intended meaning of “as-improved value” is the same as the definition of *prospective value*. However, use of the term “as-improved value” can cause confusion for two reasons, as follows. 1) The term “as improved”, as used in a Highest and Best Use analysis, refers to the subject real estate as it has already been improved at the time of the appraisal, not as it is proposed to be improved. Therefore, “as-improved value” could be interpreted to refer to the value of the subject property as it has already been improved at the time of the appraisal. 2) There is a common misconception with the use of the term “as-improved value” that this is a value based on a hypothetical condition; that is, the value of the property as if it were improved, as proposed, as of the date of inspection. Since this scenario is impossible, an “as-improved value”, as of appraisal date (inspection date), is not useful. The term *prospective value* is better understood than the terms “as-improved value” and “as-complete value” by appraisers and users of appraisals and has replaced these terms in appraisal literature and common usage. Therefore, the term *prospective value* should be used when requesting or reporting a forecasted value, and the associated date of value should be the projected date of completion of construction.

“As-Is” Value

The 4th Edition of the Dictionary of Real Estate Appraisal defines value as is as follows. “Value as is: the value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.”

Comments from HB-1-3560

The term “As-Is” should precede the term market value, subject to restricted rents, when the market value, subject to restricted rents, of the project at the time of the appraisal is required.

Insurable Value, Value 8

A definition of *insurable value* acceptable for use in Agency Multi-Family Housing appraisals is as follows: *Insurable value: the value of the destructible portions of a property which determines the amount of insurance that may, or should, be carried to indemnify the insured in the event of loss. The estimate is based on replacement cost new of the physical improvements that are subject to loss from hazards, plus allowances for debris removal or demolition. It should reflect only direct (hard) construction costs, such as construction labor and materials, repair design, engineering, permit fees, and contractor's profit, contingency, and overhead. It should not include indirect (soft) costs, such as administrative costs, professional fees, and financing costs.*

The term “insurable cost” is sometimes used instead of the term *insurable value* because it is based strictly on a cost estimate, not a value concluded in an appraisal. However, the term *insurable value* is more commonly used. Attachment 7-I, *Insurable Value Calculation*, is a worksheet that should be used as a guide by State Appraisers and fee appraisers contracted by the Agency in calculating *insurable value*.

Extraordinary Assumption:

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusion.

Source: Uniform Standards of Professional Appraisal Practice (USPAP)

For those reports that incorporate an extraordinary assumption, USPAP requires that the appraiser provide notice to the user of the report that the use of the extraordinary assumption might affect the assignment results. The appraiser(s) is not required to report on the impact of the extraordinary assumption on assignment results.

The following extraordinary assumptions are incorporated:

- The units and other improvements at the property that were viewed during the inspection (defined within the body of the report) are representative of all the units and other improvements at the property.

Hypothetical Condition:

That which is contrary to what exists but is supposed for the purpose of analysis.

Source: Uniform Standards of Professional Appraisal Practice (USPAP)

For those reports that incorporate a hypothetical condition, USPAP requires that the appraiser provide notice to the user of the report that the use of the hypothetical condition might affect the assignment results. The appraiser(s) is not required to report on the impact of the hypothetical condition on assignment results.

Applicable hypothetical conditions have been identified.

Intended Use, User

The intended use for most of the values developed and reported has been shown in the prior section. For those values that do not have an intended use, the use is to assist the client in their understanding and analysis of the property. Unless otherwise identified within this report, the intended use of the report has not been more fully described to the appraiser(s). The client, or intended user, for whom the report is prepared is identified in the letter of transmittal, Bill Rea of Rea Ventures Group, LLC. The only other known intended users are representatives from USDA, Georgia Department of Community Affairs, and Mr. Rex Tilley at Churchill Stateside Group, LLC and/or its Assigns. Unless otherwise identified within this report, no other intended users have been identified to the appraiser(s).

The Uniform Standards of Professional Appraisal Practice (USPAP) have a number of rules, comments, advisory opinions, and frequently asked questions relating to control or use of reports. The signatory(ies) of this report is/are bound by USPAP. Therefore, as noted in the letter of transmittal, no party other than the intended user may use this report without receiving written consent from the signing appraiser(s). Further, no part of the report shall be published or made available to the general public, nor shall any part of the report be published or made available for public or private offering memorandum or prospectus, without the written consent of the signing appraiser(s) of this report.

Scope

The scope of services was focused on reviewing issues considered relevant and appropriate by the appraisers based on their knowledge of the subject's real estate market. The appraisers believe that the scope was sufficient to arrive at an accurate value opinion. A summary of the scope of work is presented below. Additional explanatory comments regarding the scope undertaken can be found throughout the report. The scope included the following:

- Review and analysis of the subject market area, economic and demographic issues.
- Review of existing and planned comparable and/or competitive properties located within the subject area.
- Analysis of economic, demographic and development factors within the subject market area.
- Physical inspection of the real estate; specifically, observation of the above ground attributes of the site was made, observation of representative exterior facades of building(s) on site was made, observation of representative property amenities on site was made, and interior viewing of a sufficient number of representative living units within the building(s) was made in a manner considered sufficient to comprehend and analyze the physical and functional adequacy and appropriateness of the real estate in light of market conditions as of the date of valuation.
- Evaluation of the highest and best use of the property.
- Consideration of all applicable and appropriate valuation approaches.
- Reconciliation of the above opinions to a point value opinion.

Note that:

- Crown Appraisal Group, Inc. employees are not engineers and are not competent to judge matters of an engineering nature.
- Inspection of 100% of the units or other improvements at the property was not made.

Pertinent Dates

The as-is and prospective dates of valuation are noted in the charts on the first page of the letter of transmittal and the Executive Summary Page. The most recent inspection of the property was on December 17, 2013. It is noted that the term *inspection* is not intended to convey a complete, exhaustive examination of the real estate. Such an inspection is best suited for an engineer, architect, or building inspector formally educated and trained in such matters. Rather, the term denotes that the individual viewing the real estate was at the property on the date and observed the general condition and quality of the real estate at that time. The date of report--the date the report was written—is January 5, 2014.

Events subsequent to these dates may have an impact on the opinions developed through the course of the assignment, and on the opinions contained within this report. All such subsequent events are beyond the control of the appraiser(s), and any consequences thereof are beyond the scope of this assignment.

Comments Regarding Appraisal

A number of comments regarding the subject and appraisal assignment are discussed below:

- **Property.** The subject is known as Pigeon Creek Apartments and has an address of 43 Rose Court in Manchester, Georgia. The property is a 43-unit apartment complex. The property includes one and two bedroom units. The complex operates as a Class C, restricted income, age restricted (62+) property. The improvements were built in 1992. Overall, the property is in average physical and functional condition.

The unit size is based on the best information provided. Crown was given floor plans, square foot summary pages, and building plans. The information was generally consistent, but not identical.

Tenancy at the subject property is restricted to households with incomes of less than the area median household income. The units at the subject have long maintained a high level of occupancy. Demand for subsidized rental units is high locally.

Historical operating information for the subject was available for 2010, 2011, and 2012. In general the information provided indicated that the property is being run in an efficient manner. Historical information will be used when developing expenses and for valuation purposes, while market data will be used as support.

- **Near Term.** The property is part of a portfolio of apartment properties in Georgia that are to transfer ownership in the near term. There is a letter of intent on the subject property, proposing an option to purchase. The letter of intent was requested but not provided. The transfer is assumed to be between related parties and not one that is considered to be arms-length. The purchase price amount given to the appraisers is \$1,137,208. As the transfer is not arms-length no credence is given to this purchase price when determining the said values of the subject property. Subsequent to the sale, ownership plans to renovate the subject with funding from a combination of mortgage monies, sale proceeds of Section 42 Low Income Housing Tax Credits, and equity. Following the acquisition the existing Section 515 loan will remain at the property. (The loan is expected to be restated under new rates and terms.) Renovations will be extensive and will include interior unit renovation as well as exterior unit renovation. Among the items that will be replaced and/or renovated (depending upon the condition of the individual components) are air conditioning units, windows, roofs, plumbing and electric, parking areas, and kitchens and bathrooms. Furthermore, all Section 504 accessibility issues will be addressed and corrected as appropriate.
- **Property Location.** The property is located on the east side of US 27A (Roosevelt Highway) about 1 mile northwest of downtown Manchester. The property is in Meriwether County. Manchester is located in western Georgia. Manchester is a relatively small Georgia town. There are few truly comparable properties in the area. The location of the subject is considered to be a good one for the property type.
- **Competency of the Appraisers.** We have performed numerous appraisals on properties such as the subject. Files are maintained with historic and current market data relative to the subject. Competency has been established in both the property type and market through work experience or research of market trends. Therefore, we possess the requisite knowledge and experience to perform the appraisal assignment.

Apartment Housing

There is a continual change in the definition and implications of various apartment types. A number of the more prevalent apartment classifications include *luxury*, *Class A*, *Class B*, *conventional*, *LIHTC*, *HUD*, and *affordable*. With respect to the senior market, there are classifications such as *independent* or *assisted*. Some terms have specific definitions, while some can be used interchangeably (upscale or luxury, etc.). In some cases, the terms are meant to suggest a specific resident profile or income level (LIHTC or affordable are examples). To minimize confusion, the following definitions and comments are presented:

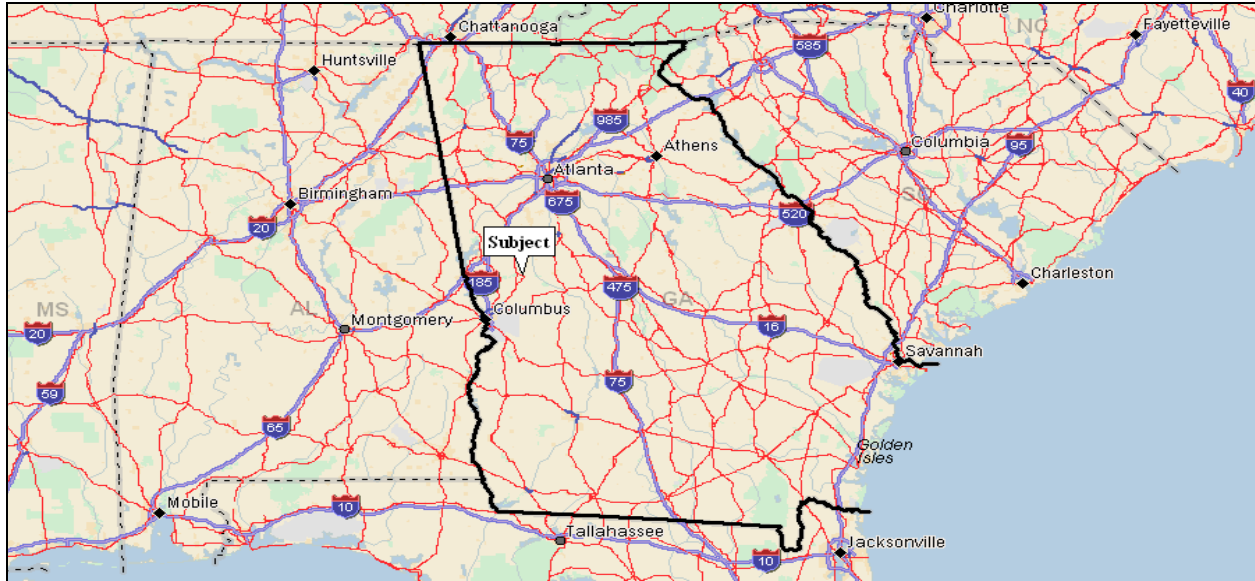
- Luxury, Class A, Class B, Class C - The type of property is designated by the year of construction and the amenities (unit and project). A luxury complex will have more amenities than a Class A property, while a Class A property has more amenities than Class B. A Class C property typically possesses few amenities. An *upscale* property could be either a luxury or a Class A property. A Class B property could be new. A Class B property does not possess all the amenities of a Class A or luxury property.
- Market rate, LIHTC, HUD - Refers to the rent limits, or rent payment structure. A market rate property has no rent constraints (other than the market) while a LIHTC (Low-Income Housing Tax Credit) property is (or could be) constrained by income levels as well as the market. A market rate property is also known as a *conventional* property. Low-income, subsidized, or affordable (such as HUD Section 8 and/or Section 236) are designations used to denote subsidy programs other than the LIHTC program, and refer to the entity (or entities) that make the rent payment to the property owner.
- Independent, assisted - Refers to the level of service offered, particularly with respect to the senior housing/care market. An independent complex has few, if any, services (such as meals, housekeeping). An assisted living facility offers more ADL (Activities of Daily Living) services. This classification also has implications as to the typical design of apartment units within a complex – an independent complex generally has apartments with full kitchens and exterior entries, while the units at an assisted living complex typically have a small kitchenette, many common areas, and interior enclosed hallways.
- Elderly Only (Age Restricted) - Refers to the minimum age of at least one of the residents of a unit. Depending upon the specific nature of a given program, the typical minimum age limit is within the 55 to 65 range.

Based on the above, the complex operates as a Class C, restricted income, age restricted (62+) property.

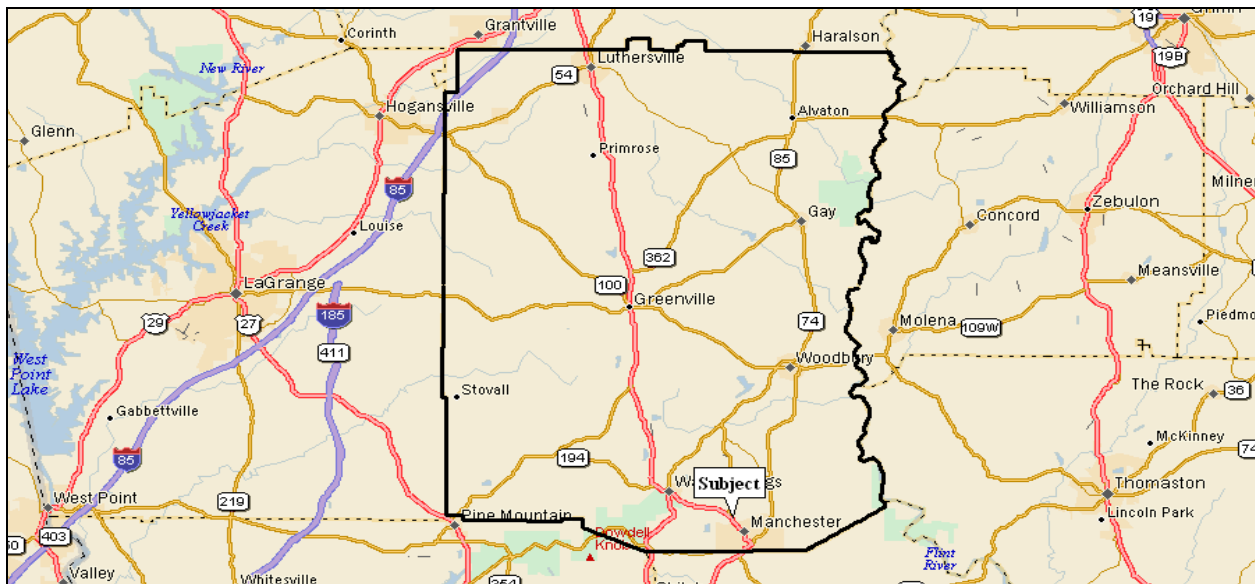
City Overview

The subject is located in the city of Manchester, Meriwether County, Georgia. Meriwether County is located in northwestern Georgia. The subject is located about 65 miles southwest of Atlanta, GA (the state capital of Georgia); about 103 miles northeast of Montgomery, AL (the state capital of Alabama); and about 135 miles southeast of Birmingham, AL. The maps below show the subject's location within the state of Georgia, Meriwether County, and the city of Manchester. An aerial of the subject's location within the city of Manchester follows the maps.

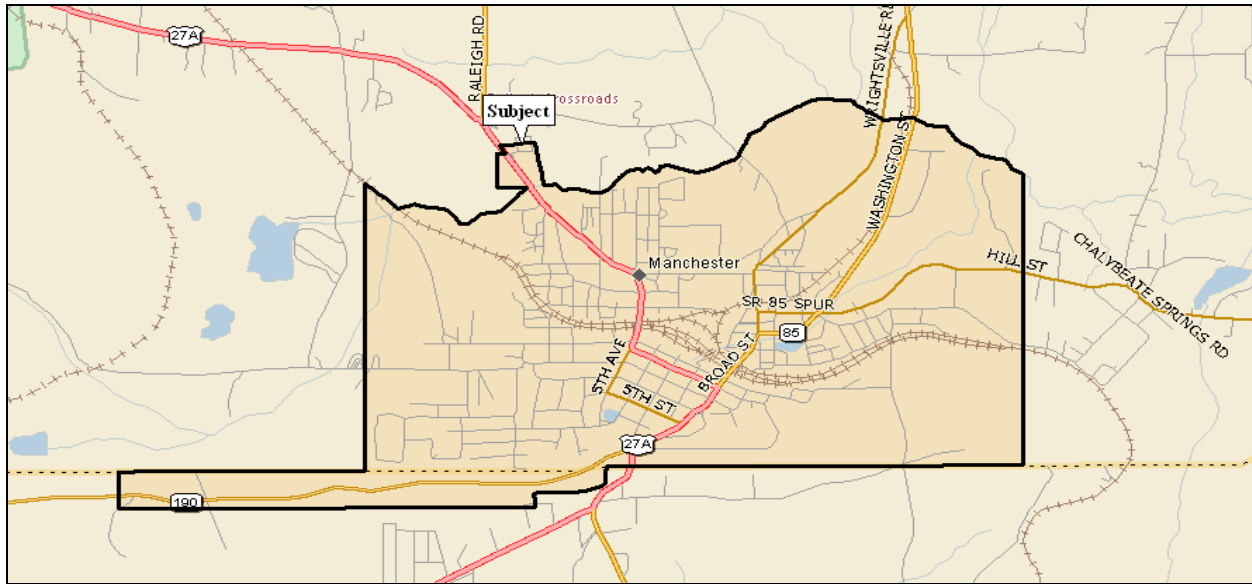
Georgia



Meriwether County



City of Manchester



Physical Boundaries

Manchester is roughly bordered by Phil Howe Road to the north, Magnolia Lane to the east, SR 190 to the south, and Judson Bullock Road to the west.

Road Infrastructure

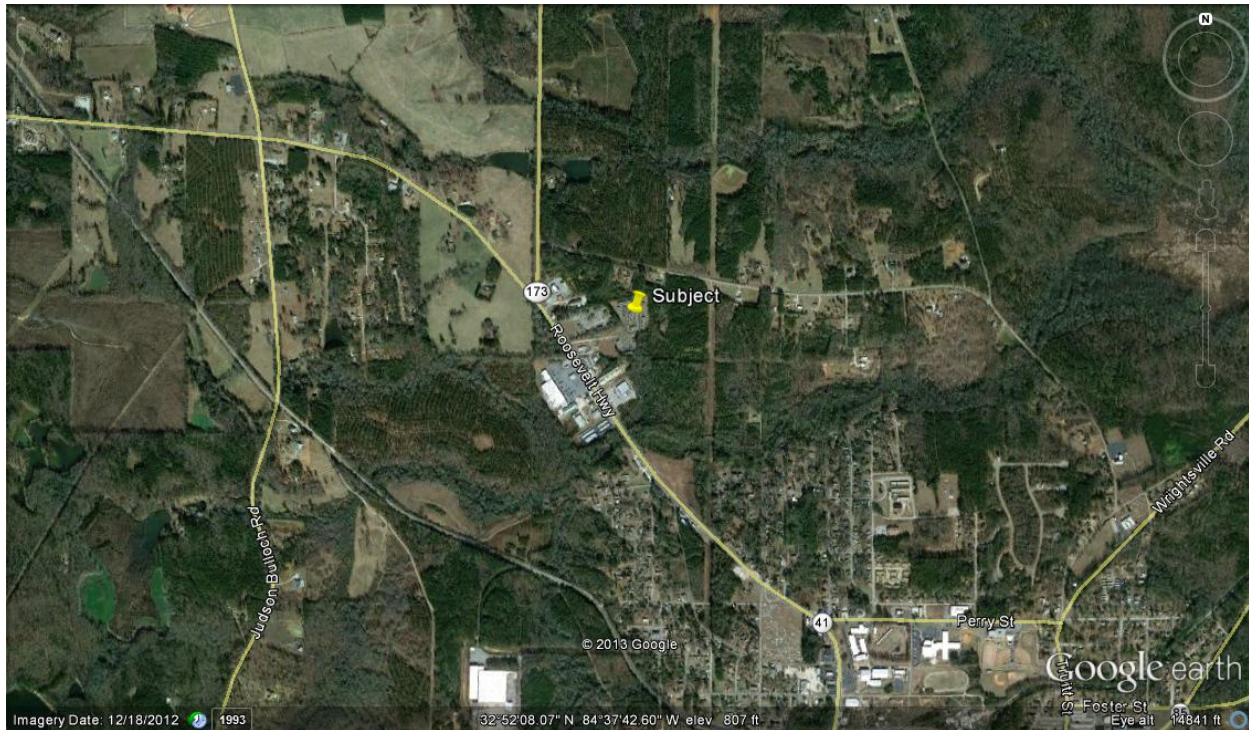
There are three major routes which service Manchester: US 27A, SR 190, and SR 85. US 27A is an alternate route to US 27. It splits from US 27 just south of Shiloh (about 5 miles southwest of the subject), travels through downtown Manchester, and then turns northwest and reconnects with US 27 in Warm Springs (about 3 miles northwest of the subject). SR 190 travels along the southern border of Manchester, and terminates at US 27A in downtown Manchester. Going west, SR 190 terminates just south of Pine Mountain, GA at US 27 (about 13 miles southwest of the subject). SR 85 enters Manchester on the south side and exits on the northeast side. SR 85 terminates at I-75 just south of Atlanta, GA (about 55 miles northeast of the subject). Going south, SR 85 connects to Columbus, GA.

Population

The Manchester population according to the 2000 census was 4,259. In 2010, the population was 4,257 (decrease of 0.05%). The 2013 population estimation is 4,111 (population decrease of $\pm 3.5\%$ from 2010). The population is expected to decrease by $\pm 4\%$ in 2018 to 3,948.

Land Uses and Development

Land uses and development in the immediate area consist of single-family residential properties, multi-family properties, retail properties, industrial properties, and institutional uses (churches, schools, parkland). The aerial photo below depicts the general location of the area and the surrounding development.



Residential development is the most prominent form of development located within the subject's immediate area. The majority of the single family residential development in the subject's immediate area was built during the early 1970s and generally includes homes ranging from $\pm 1,200$ sf to $\pm 2,000$ sf. Cross Creek Apartments (± 51 units) and Pigeon Bluff Apartments (± 18 units) are affordable (Rural Development) apartment complexes located immediately north and south, respectively, of the subject. Hidden Creek Apartments (± 49 units) is another Rural Development property located about one mile south of the subject, on the north side of Nebula Road.

Commercial development is primarily located about $1\frac{1}{2}$ miles southeast of the subject on the west side of SR 41 (Roosevelt Highway). Fifth Avenue Shopping Center ($\pm 40,000$ sf) is located about one mile southeast of the subject and is tenanted by Piggly Wiggly, Family Dollar, Subway, and local tenants. There is a Meriwether Bank & Trust outparcel. Across West Main Street from Fifth Avenue Shopping Center is a McDonald's. Historic downtown Manchester is located further east along West Main Street and consists of local users in 1 to 3 story buildings with office, storage, or apartment space above retail shops. West of the subject, across Roosevelt Highway, is Town and Country Plaza ($\pm 50,000$ sf). Town and Country Plaza is tenanted by Dollar General, Town Outlet, and Roses. There are former Pizza Hut and Movie Gallery outparcels.

About $\frac{3}{4}$ mile southwest of the subject, on the north side of West Main Street, is a $\pm 350,000$ sf industrial building which is currently listed for sale and was formerly tenanted by Rubbermaid

Incorporated. Immediately west of this property is a $\pm 25,000$ sf manufacturing property which was vacant and recently taken off the market. Further south, across Nebula Road, is a Sherwin Williams manufacturing plant ($\pm 50,000$ sf).

Institutional users in the subject's area include schools and several churches. Schools are predominately located about one mile southeast of the subject, in the southeastern quadrant of Roosevelt Highway and Perry Street. These include Manchester High School, Manchester Middle School, and Manchester Elementary School. There are also several churches in the subject's immediate area.

Immediate (Adjacent) Land Uses

North: To the north of the subject is single family residential and vacant, undeveloped land.

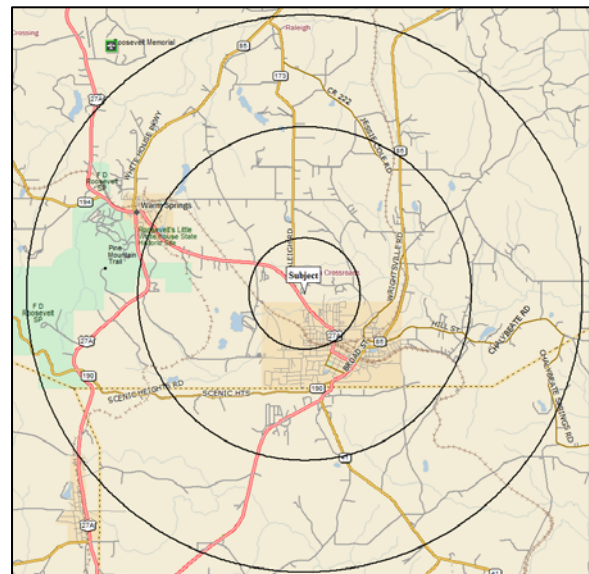
East: To the east of the subject is vacant, undeveloped land.

South: To the south of the subject is Pigeon Bluff Apartments (± 18 units).

West: To the west of the subject Cross Creek Apartments (± 51 units).

Market Area Demographic Profile

The chart below shows demographic data for the subject market for a number of identified areas. The map depicts the areas covered.

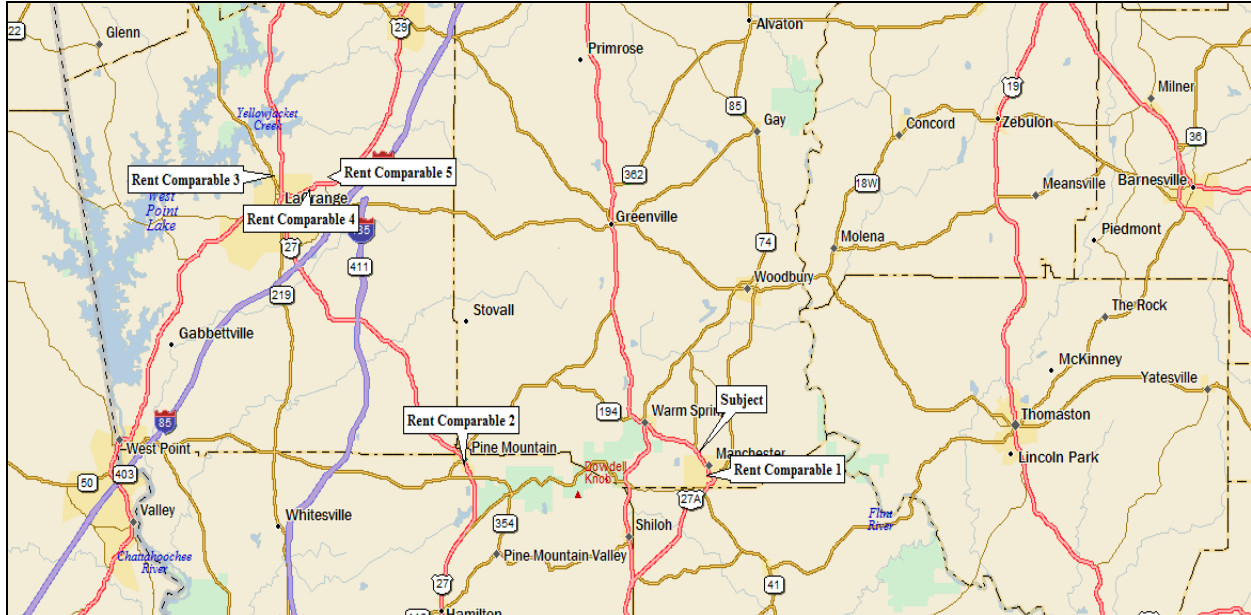


Pigeon Creek Apartments										
Demographic Profile: 1, 3 and 5-mile Radii										
	Manchester		Radius from subject				Meriwether			
	City	CAG	1 Mile	CAG	3 Mile	CAG	5 Mile	CAG		County
Population										
2000	4,238		1,339		6,143		8,573		22,534	
2010	4,230	0.0%	1,350	0.1%	6,248	0.2%	8,714	0.2%	21,992	-0.2%
2014 est.	3,980	-1.5%	1,274	-1.4%	5,875	-1.5%	8,187	-1.5%	20,752	-1.4%
2019 proj.	3,757	-1.1%	1,212	-1.0%	5,561	-1.1%	7,738	-1.1%	19,847	-0.9%
Median Age	38.20		39.60		39.60		40.70		41.40	
Average Age	39.20		39.80		39.90		40.50		40.60	
Households										
2000	1,688		524		2,422		3,354		8,248	
2010	1,680	0.0%	559	0.6%	2,501	0.3%	3,493	0.4%	8,522	0.3%
2014 est.	1,600	-1.2%	534	-1.1%	2,370	-1.3%	3,305	-1.4%	8,128	-1.2%
2019 proj.	1,527	-0.9%	514	-0.8%	2,258	-1.0%	3,140	-1.0%	7,829	-0.7%
Average Household Size										
2000	2.51		2.56		2.54		2.56		2.73	
2010	2.52	0.0%	2.42	-0.6%	2.50	-0.2%	2.49	-0.2%	2.58	-0.6%
2014 est.	2.49	-0.3%	2.39	-0.3%	2.48	-0.2%	2.48	-0.2%	2.55	-0.3%
2019 proj.	2.46	-0.2%	2.36	-0.2%	2.46	-0.1%	2.46	-0.1%	2.54	-0.1%
Owner Occupied (est.)	997	62.31%	319	59.74%	1,515	63.92%	2,189	66.23%	5,771	71.00%
Renter Occupied (est.)	603	37.69%	215	40.26%	855	36.08%	1,116	33.77%	2,357	29.00%
Est. Household Income										
\$0-\$14,999	22.00%		24.72%		22.62%		22.97%		16.62%	
\$15,000-\$24,999	18.75%		18.16%		17.76%		17.40%		16.08%	
\$25,000-\$34,999	16.69%		16.48%		15.82%		14.77%		15.32%	
\$35,000-\$49,999	13.13%		14.79%		13.88%		14.70%		15.96%	
\$50,000-74,999	15.94%		13.48%		16.46%		16.91%		19.92%	
\$75,000-\$99,000	8.31%		7.49%		8.44%		8.47%		9.78%	
\$100,000 +	5.19%		4.87%		5.02%		4.81%		6.32%	
	100.0%		100.0%		100.0%		100.0%		100.0%	
Average Household Income (est.)	\$40,703		\$38,683		\$40,875		\$40,766		\$46,156	
Median Household Income (est.)	\$30,543		\$29,359		\$31,084		\$31,525		\$36,862	

¹ Compounded Annual Growth
Source: Claritas Inc.

Supply Side Analysis - Competitive Properties Survey

A survey of nearby multi-family complexes is detailed on the following pages. Due to the scarcity of apartment complexes in Manchester the search was expanded to Pine Mountain to the west and LaGrange to the northwest. The map below shows the locations of the rent comparables and the subject.



Rent Comparable 1

General Data

Property Name:	502-506 3rd Street
Property Address:	502-506 3rd Street
City:	Manchester
County:	Meriwether
MSA:	Other
State:	GA
Zip:	31816
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Survey Date:	12/11/2013



Property Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>	<u>Rent</u>	<u>Rent/rsf</u>
Year Built:	2001	2	1.5	Garden	890	4	\$600	\$0.67
Size (Number of Units):	4							
Rentable Size (rsf):	3,560							
Occ. At Time Of Survey:	100.0%							
Floors:	1							
Property Class:	B							
Exterior:	Siding							

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	Y Att. Garage
N Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Other Comments

The property is located on the north side of 3rd Street just south of US 27A and within a mile of downtown Manchester. At the time of survey, no rent concessions were offered.

Rent Comparable 2

General Data

Property Name:	Kingsview Apartments
Property Address:	323 South King Avenue
City:	Pine Mountain
County:	Harris
MSA:	Columbus GA
State:	GA
Zip:	31822
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Survey Date:	12/11/2013



Property Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>	<u>Rent</u>	<u>Rent/rsf</u>
Year Built:	1980	2	1.0	Garden	650	8	\$475	\$0.73
Size (Number of Units):	12	3	1.0	Garden	920	4	\$525	\$0.57
Rentable Size (rsf):	8,880							
Occ. At Time Of Survey:	100.0%							
Floors:	2							
Property Class:	B							
Exterior:	Brick							

Landlord Paid Utilities

N Cable	N Sewer
N Electric	Y Trash
N Gas	N Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	N Trash
Y Gas	Y Water

Other Comments

Kingsview Apartments is located in the southeast quadrant of King Avenue and State Street, just west of US 27, and about 1/4 mile southwest of downtown Pine Mountain. At the time of survey, no rent concessions were offered.

Rent Comparable 3

General Data

Property Name:	Autumn Ridge Apartments
Property Address:	1246 Mooty Bridge Road
City:	LaGrange
County:	Troup
MSA:	Other
State:	GA
Zip:	30240
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Survey Date:	12/11/2013



Property Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>	<u>Rent</u>	<u>Rent/rsf</u>
Year Built:	1978	1	1.0	Garden	750	16	\$480	\$0.64
Size (Number of Units):	80	2	1.5	Garden	950	48	\$553	\$0.58
Rentable Size (rsf):	76,400	3	2.0	Garden	1,175	16	\$700	\$0.60
Site Size (acres):	11.080							
Density (units/acre):	7.2							
Occ. At Time Of Survey:	95.0%							
Floors:	2							
Property Class:	B							
Exterior:	Brick							

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
Y Gas	N Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	Y Playground
N Bus. Center	N Racquetball

Other Comments

Autumn Ridge Apartments is located on the east side of Mooty Bridge Road/SR 219 just northwest of the SR 219 and US 27 intersection, and about 1 1/2 miles northwest of downtown LaGrange. There is a premium of \$75/month for 2 bedroom units with updates. At the time of survey, the property was offering \$100 off the first three month's rent with a 12 month lease. Additional amenities include a picnic area.

Rent Comparable 4

General Data

Property Name:	Sunridge Apartments
Property Address:	1235 Hogansville Road
City:	LaGrange
County:	Troup
MSA:	Other
State:	GA
Zip:	30241
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Survey Date:	12/11/2013



Property Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>	<u>Rent</u>	<u>Rent/rsf</u>
Year Built:	2000	1	1.0	Garden	796	68	\$680	\$0.85
Size (Number of Units):	192	2	2.0	Garden	1,084	78	\$765	\$0.71
Rentable Size (rsf):	196,778	3	2.0	Garden	1,263	46	\$860	\$0.68
Gross Size (gsf):	208,064							
Site Size (acres):	21.480							
Density (units/acre):	8.9							
Occ. At Time Of Survey:	93.8%							
Floors:	3							
Property Class:	B							
Exterior:	Combination							

Landlord Paid Utilities

N Cable	N Sewer
N Electric	Y Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	N Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
Y Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
Y Clubhouse	Y Det. Garages
Y Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
Y Fit. Center	Y Car Wash
Y Lake	N Elevators
N Gated	Y Playground
Y Bus. Center	N Racquetball

Other Comments

Sunridge Apartments is located on the north side of US 29/SR 14 (Hogansville Road), about 2 miles northwest of the I-85/SR 109 interchange and about 2 miles northeast of downtown LaGrange.

Rent Comparable 5

General Data

Property Name:	Woodland Trail Apartments
Property Address:	140 N Davis Road
City:	LaGrange
County:	Troup
MSA:	Other
State:	GA
Zip:	30241
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Survey Date:	12/11/2013



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	2009	1	1.0	Garden	770	22	\$770	\$1.00
Size (Number of Units):	236	1	1.0	Garden	850	24	\$790	\$0.93
Rentable Size (rsf):	251,240	2	2.0	Garden	1,100	141	\$860	\$0.78
		3	2.0	Garden	1,200	49	\$960	\$0.80
Site Size (acres):	21.700							
Density (units/acre):	10.9							
Occ. At Time Of Survey:	97.9%							
Floors:	3							
Property Class:	B							
Exterior:	Siding							

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
Y Gas	N Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
Y Clubhouse	Y Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
Y Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	Y Playground
Y Bus. Center	N Racquetball

Other Comments

Woodland Trail Apartments is located in the northeast quadrant of US 29/SR 14 (Hogansville Road) and Davis Road, about one mile northwest of the I-85/SR 109 interchange and about 3 miles northeast of downtown LaGrange.

Analysis

Pigeon Creek Apartments: The subject has 43-units, was built in 1992, and is in average physical and functional condition. It is more fully described and discussed in the Property Description section of the report. It is summarized below.

Pigeon Creek Apartments									
Property and Unit Amenity Summary									
Street Address	43 Rose Court			Year Built	1992		Floors	1.0	
City	Manchester			Total Units	43		Occupancy	97.7%	
<u>Unit Types</u>	<u># units</u>	<u>Size (sf)</u>		<u>Utilities (L-landlord, T-tenant, na-not applicable)</u>					
1 Bed, 1 Bath	40	650		<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Heat</u>	<u>Trash</u>	<u>Cable</u>
2 Bed, 1 Bath	3	798		L	L	T	T	L	T
Complex Amenities (Y/N)									
Pool	N		Bus. Ctr.	N		Lake	N		
Comm. Rm.	Y		Laundry	Y		Gated	N		
Tennis	N		Det. Garages	N		Car Wash	N		
Jacuzzi	N		Cov. Storage	N		Elevators	N		
Fit. Ctr	N		Open Storage	N		Playground	N		
Unit Amenities (Y/N)									
Refrigerator	Y	Disposal	N	Fireplace	N	Central A/C	Y	Ceil. Fans	N
Range	Y	Double Sink	Y	Patio	Y	Wall A/C	N	Vlt Ceiling	N
Microwave	N	Fan Hood	Y	Balcony	N	W/D hk ups	W	Sec Sys	N
Dishwasher	N	Att Garage	N	Bsmt	N	W/D	N	Storage	N

Market Rent Conclusions

Apartment Survey Ranges				
Pigeon Creek Apartments				
		Unit Size	Adj. Monthly Rent	Rent/sf
As-Is	1 Bed, 1 Bath			
	<i>Pigeon Creek Apartments</i>	650	\$550	\$0.85
	Comparable Properties	650 - 771	\$420 - \$711	\$0.65 - \$0.92
	average of comparables	770	\$554	\$0.72
As-Is	2 Bed, 1 Bath			
	<i>Pigeon Creek Apartments</i>	798	\$600	\$0.75
	Comparable Properties	650 - 935	\$468 - \$740	\$0.72 - \$0.79
	average of comparables	950	\$600	\$0.63
As Ren.	1 Bed, 1 Bath			
	<i>Pigeon Creek Apartments</i>	650	\$600	\$0.92
	Comparable Properties	650 - 771	\$480 - \$766	\$0.74 - \$0.99
	average of comparables	770	\$610	\$0.79
As Ren.	2 Bed, 1 Bath			
	<i>Pigeon Creek Apartments</i>	798	\$650	\$0.81
	Comparable Properties	650 - 935	\$518 - \$790	\$0.80 - \$0.84
	average of comparables	950	\$650	\$0.68

Source: Crown Appraisal Group

The chart above details the as-is and as renovated market-derived rents for the subject as well as the range of rents offered at the comparable properties.

Adjustments are made to the comparables for perceived, material differences. (For example, while a given comparable unit might be 3 square feet larger than a given subject unit, there is no material difference in the unit size, so no adjustment is warranted, nor made.) Adjustments are considered for property attributes such as location (specific or general), condition/street appeal, or complex amenities, as well as unit attributes such as unit size, configuration (number of bedrooms or bathrooms, style), utility payment structure, unit amenities, and any concessions. If no adjustment is made, it is because there is no perceived difference between the comparable and the subject.

The charts that follow detail the analysis, and show the adjustments considered appropriate.

As-is Market Rent, 1 br-1 ba

The subject is comprised of 40 of these units. Comparable properties from the area are used to develop the as-is rent conclusion.

<i>1 Bed, 1 Bath As is</i>						
	Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	Pigeon Creek Apartments	502-506 3rd Street	Kingsview Apartments	Autumn Ridge Apartments	Sunridge Apartments	Woodland Trail Apartments
Address	43 Rose Court	502-506 3rd Street	323 South King Avenue	1246 Mooty Bridge Road	1235 Hogansville Road	140 N Davis Road
Unadjusted Rent		\$600	\$475	\$480	\$680	\$770
Location						
Address	43 Rose Court	502-506 3rd Street	323 South King Avenue	1246 Mooty Bridge Road	1235 Hogansville Road	140 N Davis Road
City	Manchester	Manchester	Pine Mountain	LaGrange	LaGrange	LaGrange
Population	4,111	4,111	1,358	29,795	29,795	29,795
		<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		\$0	\$0	\$0	\$0	\$0
Year Built	1992	2001	1980	1978	2000	2009
Condition/Street Appeal		<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		\$0	\$0	\$0	\$0	\$0
Unit Size (sf)	650	890	650	750	796	770
		<i>Superior</i>	<i>Similar</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>
		-\$48	\$0	-\$20	-\$29	-\$24
Bedrooms	1	2	2	1	1	1
		<i>Superior</i>	<i>Superior</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		-\$25	-\$25	\$0	\$0	\$0
Bathrooms	1.0	1.5	1.0	1.0	1.0	1.0
		<i>Superior</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		-\$15	\$0	\$0	\$0	\$0
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Sewer	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Trash	Landlord	Tenant	Landlord	Landlord	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		<i>Inferior</i>	<i>Inferior</i>	<i>Similar</i>	<i>Inferior</i>	<i>Similar</i>
		\$25	\$20	\$0	\$20	\$0
Unit Amenities	<i>Ref. Range, A/C, W/D HU, Patio, Storage</i>	<i>Ref. Range, Disp, A/C, W/D HU, B/P, Att Garage</i>	<i>Ref. Range, DHW, Disp, A/C, W/D HU, B/P</i>	<i>Ref. Range, DHW, Disp, A/C, W/D HU, B/P, Cell Fans</i>	<i>Ref. Range, Micro, DHW, Dup, A/C, W/D HU, B/P</i>	<i>Ref. Range, DHW, Disp, A/C, W/D HU, B/P, Cell Fans</i>
		<i>Superior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>
		-\$10	-\$5	-\$10	-\$10	-\$10
Complex Amenities	<i>Laundry, Comm Rm</i>	<i>None</i>	<i>None</i>	<i>Pool, Playground, Picnic</i>	<i>Pool, CH, Tennis, Fit Ctr, Bus Ctr, Laundry, Det. Garages, CW, PG</i>	<i>Pool, CH, Fit Ctr, Bus Ctr, Det. Garages, PG</i>
		<i>Inferior</i>	<i>Inferior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>
		\$5	\$5	-\$5	-\$25	-\$25
Concessions	<i>None</i>	<i>None</i>	<i>None</i>	<i>\$100 off 1st 3 months</i>	<i>None</i>	<i>None</i>
		\$0	\$0	-\$25	\$0	\$0
Net Adjustment		-\$68	-\$5	-\$60	-\$44	-\$59
Adjusted Rent		\$532	\$470	\$420	\$636	\$711
Market Rent Conclusion	\$550					

Source: Crown Appraisal Group

The comparables range in size from 650 sf to 890 sf. After making the adjustments considered appropriate, the rent range is \$420 to \$711. Central tendencies are \$554 (average) and \$532 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-is market rent of \$550/month is concluded to be appropriate.

As Renovated Market Rent, 1 br-1 ba

Comparable properties from the area are used to develop the as-renovated rent conclusion.

1 Bed, 1 Bath As Renovated						
	Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	Pigeon Creek Apartments	502-506 3rd Street	Kingsview Apartments	Autumn Ridge Apartments	Sunridge Apartments	Woodland Trail Apartments
Address	43 Rose Court	502-506 3rd Street	323 South King Avenue	1246 Mooty Bridge Road	1235 Hoganville Road	140 N Davis Road
Unadjusted Rent		\$600	\$475	\$480	\$680	\$770
Location						
Address	43 Rose Court	502-506 3rd Street	323 South King Avenue	1246 Mooty Bridge Road	1235 Hoganville Road	140 N Davis Road
City	Manchester	Manchester	Pine Mountain	LaGrange	LaGrange	LaGrange
Population	4,111	4,111	1,358	29,795	29,795	29,795
		Similar	Similar	Similar	Similar	Similar
		\$0	\$0	\$0	\$0	\$0
Year Built						
Year Built	1992/2013R	2001	1980	1978	2000	2009
Condition/Street Appeal						
		Inferior	Inferior	Inferior	Inferior	Inferior
		\$50	\$50	\$50	\$50	\$50
Unit Size (sf)						
Unit Size (sf)	650	890	650	750	796	770
		Superior	Similar	Superior	Superior	Superior
		-\$48	\$0	-\$20	-\$29	-\$24
Bedrooms						
Bedrooms	1	2	2	1	1	1
		Superior	Superior	Similar	Similar	Similar
		-\$25	-\$25	\$0	\$0	\$0
Bathrooms						
Bathrooms	1.0	1.5	1.0	1.0	1.0	1.0
		Superior	Similar	Similar	Similar	Similar
		-\$15	\$0	\$0	\$0	\$0
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Sewer	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Trash	Landlord	Tenant	Landlord	Landlord	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		Inferior	Inferior	Similar	Inferior	Similar
		\$25	\$20	\$0	\$20	\$0
Unit Amenities						
Unit Amenities	Ref. Range, DW, Patio, W/D HU, A/C, E-Call, Ceil. Fans, Storage	Ref. Range, Disp, A/C, W/D HU, B/P, Att Garage	Ref. Range, DW, Disp, A/C, W/D HU, B/P	Ref. Range, DW, Disp, A/C, W/D HU, B/P, Ceil Fans	Ref. Range, Micro, DW, Disp, A/C, W/D HU, B/P	Ref. Range, DW, Disp, A/C, W/D HU, B/P, Ceil Fans
		Superior	Similar	Superior	Superior	Superior
		-\$5	\$0	-\$5	-\$5	-\$5
Complex Amenities						
Complex Amenities	Laundry, Comm. Rm., Picnic	None	None	Pool, Playground, Picnic	Pool, CH, Tennis, Fit Ctr, Bus Ctr, Laundry, Det. Garages, CW, PG	Pool, CH, Fit Ctr, Bus Ctr, Det. Garages, PG
		Inferior	Inferior	Similar	Superior	Superior
		\$5	\$5	\$0	-\$25	-\$25
Concessions						
Concessions	None	None	None	\$100 off 1st 3 months	None	None
		\$0	\$0	-\$25	\$0	\$0
Net Adjustment						
Net Adjustment		-\$13	\$50	\$0	\$11	-\$4
Adjusted Rent						
Adjusted Rent		\$587	\$525	\$480	\$691	\$766
Market Rent Conclusion	\$600					

Source: Crown Appraisal Group

The comparables range in size from 650 sf to 890 sf. After making the adjustments considered appropriate, the rent range is \$480 to \$766. Central tendencies are \$610 (average) and \$587 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-renovated market rent of \$600/month is concluded to be appropriate.

As-is Market Rent, 2 br-1 ba

The subject is comprised of 3 of these units. Comparable properties from the area are used to develop the as-is rent conclusion.

2 Bed, 1 Bath As is						
	Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	Pigeon Creek Apartments	502-506 3rd Street	Kingsview Apartments	Autumn Ridge Apartments	Sunridge Apartments	Woodland Trail Apartments
Address	43 Rose Court	502-506 3rd Street	323 South King Avenue	1246 Mooty Bridge Road	1235 Hogansville Road	140 N Davis Road
Unadjusted Rent		\$600	\$475	\$553	\$765	\$860
Location						
Address	43 Rose Court	502-506 3rd Street	323 South King Avenue	1246 Mooty Bridge Road	1235 Hogansville Road	140 N Davis Road
City	Manchester	Manchester	Pine Mountain	LaGrange	LaGrange	LaGrange
Population	4,111	4,111	1,358	29,795	29,795	29,795
		Similar	Similar	Similar	Similar	Similar
		\$0	\$0	\$0	\$0	\$0
Year Built	1992	2001	1980	1978	2000	2009
Condition/Street Appeal		Similar	Similar	Similar	Similar	Similar
		\$0	\$0	\$0	\$0	\$0
Unit Size (sf)	798	\$90	650	950	1,084	1,100
		Superior	Inferior	Superior	Superior	Superior
		-\$18	\$30	-\$30	-\$57	-\$60
Bedrooms	2	2	2	2	2	2
		Similar	Similar	Similar	Similar	Similar
		\$0	\$0	\$0	\$0	\$0
Bathrooms	1.0	1.5	1.0	1.5	2.0	2.0
		Superior	Similar	Superior	Superior	Superior
		-\$15	\$0	-\$15	-\$25	-\$25
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Sewer	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Trash	Landlord	Tenant	Landlord	Landlord	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		Inferior	Inferior	Similar	Inferior	Similar
		\$30	\$25	\$0	\$25	\$0
Unit Amenities	Ref. Range, A/C, W/D HU, Patio, Storage	Ref. Range, Disp, A/C, W/D HU, B/P, Att Garage	Ref. Range, DW, Disp, A/C, W/D HU, B/P	Ref. Range, DW, Disp, A/C, W/D HU, B/P, Ceil Fans	Ref. Range, Micro, DW, Disp, A/C, W/D HU, B/P	Ref. Range, DW, Disp, A/C, W/D HU, B/P, Ceil Fans
		Superior	Superior	Superior	Superior	Superior
		-\$10	-\$5	-\$10	-\$10	-\$10
Complex Amenities	Laundry, Comm Rm	None	None	Pool, Playground, Picnic	Pool, CH, Tennis, Fit Ctr, Bus Ctr, Laundry, Det. Garages, CW, PG	Pool, CH, Fit Ctr, Bus Ctr, Det. Garages, PG
		Inferior	Inferior	Superior	Superior	Superior
		\$5	\$5	-\$5	-\$25	-\$25
Concessions	None	None	None	\$100 off 1st 3 months	None	None
		\$0	\$0	-\$25	\$0	\$0
Net Adjustment		-\$8	\$55	-\$85	-\$92	-\$120
Adjusted Rent		\$592	\$530	\$468	\$673	\$740
Market Rent Conclusion	\$600					

Source: Crown Appraisal Group

The comparables range in size from 650 sf to 1,100 sf. After making the adjustments considered appropriate, the rent range is \$468 to \$740. Central tendencies are \$600 (average) and \$592 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-is market rent of \$600/month is concluded to be appropriate.

As Renovated Market Rent, 2 br-1 ba

Comparable properties from the area are used to develop the as-renovated rent conclusion.

2 Bed, 1 Bath As Renovated						
	Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	Pigeon Creek Apartments	502-506 3rd Street	Kingsview Apartments	Autumn Ridge Apartments	Sunridge Apartments	Woodland Trail Apartments
Address	43 Rose Court	502-506 3rd Street	323 South King Avenue	1246 Mooty Bridge Road	1235 Hoganville Road	140 N Davis Road
Unadjusted Rent		\$600	\$475	\$553	\$765	\$860
Location						
Address	43 Rose Court	502-506 3rd Street	323 South King Avenue	1246 Mooty Bridge Road	1235 Hoganville Road	140 N Davis Road
City	Manchester	Manchester	Pine Mountain	LaGrange	LaGrange	LaGrange
Population	4,111	4,111	1,358	29,795	29,795	29,795
		<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		\$0	\$0	\$0	\$0	\$0
Year Built	1992/2013R	2001	1980	1978	2000	2009
Condition/Street Appeal		<i>Inferior</i>	<i>Inferior</i>	<i>Inferior</i>	<i>Inferior</i>	<i>Inferior</i>
		\$50	\$50	\$50	\$50	\$50
Unit Size (sf)	798	890	650	950	1,084	1,100
		<i>Superior</i>	<i>Inferior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>
		-\$18	\$30	-\$30	-\$57	-\$60
Bedrooms	2	2	2	2	2	2
		<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		\$0	\$0	\$0	\$0	\$0
Bathrooms	1.0	1.5	1.0	1.5	2.0	2.0
		<i>Superior</i>	<i>Similar</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>
		-\$15	\$0	-\$15	-\$25	-\$25
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Sewer	Landlord	Tenant	Tenant	Landlord	Tenant	Landlord
Trash	Landlord	Tenant	Landlord	Landlord	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		<i>Inferior</i>	<i>Inferior</i>	<i>Similar</i>	<i>Inferior</i>	<i>Similar</i>
		\$30	\$25	\$0	\$25	\$0
Unit Amenities	<i>Ref. Range, DW, Patio, W/D HU, A/C, E-Call, Ceil. Fans, Storage</i>	<i>Ref. Range, Disp, A/C, W/D HU, B/P, Att Garage</i>	<i>Ref. Range, DW, Disp, A/C, W/D HU, B/P</i>	<i>Ref. Range, DW, Disp, A/C, W/D HU, B/P, Ceil Fans</i>	<i>Ref. Range, Micro, DW, Disp, A/C, W/D HU, B/P</i>	<i>Ref. Range, DW, Disp, A/C, W/D HU, B/P, Ceil Fans</i>
		<i>Superior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>
		-\$10	-\$5	-\$10	-\$10	-\$10
Complex Amenities	<i>Laundry, Comm. Rm., Picnic</i>	<i>None</i>	<i>None</i>	<i>Pool, Playground, Picnic</i>	<i>Pool, CH, Tennis, Fit Ctr, Bus Ctr, Laundry, Det. Garages, CW, PG</i>	<i>Pool, CH, Fit Ctr, Bus Ctr, Det. Garages, PG</i>
		<i>Inferior</i>	<i>Inferior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>
		\$5	\$5	-\$5	-\$25	-\$25
Concessions	<i>None</i>	<i>None</i>	<i>None</i>	<i>\$100 off 1st 3 months</i>	<i>None</i>	<i>None</i>
		\$0	\$0	-\$25	\$0	\$0
Net Adjustment		\$42	\$105	-\$35	-\$42	-\$70
Adjusted Rent		\$642	\$580	\$518	\$723	\$790
Market Rent Conclusion	\$650					

Source: Crown Appraisal Group

The comparables range in size from 650 sf to 1,100 sf. After making the adjustments considered appropriate, the rent range is \$518 to \$790. Central tendencies are \$650 (average) and \$642 (median). No one property stands out as being more comparable than another – no one comparable is physically close, and all were adjusted. A point value near the mid-point is reasonable. An as-renovated market rent of \$650/month is concluded to be appropriate.

Market Vacancy Conclusion

Five market rate properties have been detailed. There are relatively few market rate rent comparables. Occupancy of the comparable properties ranges from 93.8%-100.0%.

Apartment Vacancy				
Pigeon Creek Apartments				
<u>Name</u>	<u>Location</u>	<u>Total Units</u>	<u>Occ.</u>	<u>Vacancy</u>
Pigeon Creek Apartments	43 Rose Court	43	97.7%	2.3%
502-506 3rd Street	502-506 3rd Street	4	100.0%	
Kingsview Apartments	323 South King Avenue	12	100.0%	
Autumn Ridge Apartments	1246 Mooty Bridge Road	80	95.0%	5.0%
Sunridge Apartments	1235 Hogansville Road	192	93.8%	6.3%
Woodland Trail Apartments	140 N Davis Road	236	97.9%	2.1%
	Minimum		93.8%	
	Maximum		100.0%	6.3%
Totals and average (excluding subject)		524	96.0%	4.0%

Source: *Area Managers; Crown Appraisal Group*

The subject has historically operated as a government subsidized property. Most of the units are available for rental assistance, with the tenant paying 30% of their income towards the rent figure. Historic vacancy at Pigeon Creek Apartments has been low. When inspected, there was one vacant unit.

After consideration of the market vacancy and the area supply/demand components, a figure of 5% is considered to be applicable when developing the as-is and as-renovated market value of the property.

Property Description

This section will present a description of the physical and economic characteristics of the site and building improvements. The description is based upon an inspection of the property, discussions with local municipal authorities, and data provided by the client and management.

General Location

The subject is located on the east side of US 27A (Roosevelt Highway) about 1 mile northwest of downtown Manchester. The property is in Meriwether County. Manchester is located in western Georgia. The property has an address of 43 Rose Court, Manchester, Georgia. The maps in the preceding section show the property's location.

Access, Ingress, Egress, Visibility

Overall, access is average from both a neighborhood (local) perspective, as well as a macro (regional) perspective. Ingress/egress to the property is from Rose Court. The ingress and egress attributes are average. Visibility to the subject is considered average.

History of the Property

According to public records, the subject is owned by Manchester Elderly Housing. The current owner purchased the property more than 10 years ago. The subject has not been sold in the past 10 years. The property is part of a portfolio of apartment properties in Georgia that are to transfer ownership in the near term. While the sale price is in the final stages of negotiation, the price is expected to be about \$1,137,208. The transfer is assumed to be between related parties and not one that is considered to be arms-length. As the transfer is presumably not arms-length, no credence is given to this purchase price when determining the said values of the subject property. Subsequent to the sale, ownership plans to renovate the subject with funding from a combination of mortgage monies, sale proceeds of Section 42 Low Income Housing Tax Credits, and equity. Following the acquisition the existing Section 515 loan will remain at the property. (The loan is expected to be restated under new rates and terms.) The developer estimates the renovation cost to be about \$25,080 per unit, or about \$1,053,360. Renovations will be extensive and will include interior unit renovation as well as exterior unit renovation. It is expected that the air conditioning units will be replaced, windows will be repaired/replaced, new roofs will be installed, parking areas will be repaired, and kitchens and bathrooms will be updated as needed.

Easements

No detrimental easements that would substantially deter development are known to exist. Others, such as utility easements, allow for development of the site and are considered beneficial to the tract.

Soil Conditions

Soil conditions are assumed to be adequate. The site appears to be well drained. No engineering or soil testing has been performed to the knowledge of the appraisers, and no further conclusion as to the condition of the foundation or soil condition is made. There is no reason to suspect that hazardous materials are on the property. **Note: The appraisers are not experts in environmental matters. It is assumed that the site is clean from an environmental standpoint. The user of the report is instructed to seek the advice of an expert if further questions arise pertaining to environmental issues.**

Third Party Reports

A market study completed by Bowen National was provided. No warranty is made for the completeness and accuracy of this report or any other third party report that may exist.

Topography

The topography at the site is generally level.

Flood Plain

According to FEMA's flood insurance rate map community panel number 1399C0282 E dated July 3, 2012, the subject is located in Zone X. Zone X is identified as being an area that is determined to be outside the 100- and 500-year floodplains.

Zoning

The property is zoned R5: High Density Residential. According to local government officials, the current use is a legal, conforming use under this zoning classification.

Utilities

The subject site is serviced by the following utilities (the payor of the utilities is also shown):

<i>Utility Details</i>	
<i>Pigeon Creek Apartments</i>	
<u>Service</u>	<u>Paid by</u>
Heat	Tenant
Electric	Tenant
Water	Landlord
Sewer	Landlord
Trash	Landlord
Cable	Tenant

Source: *Management*

Improvements

The subject improvements include a 43-unit apartment complex (housed in 7 single-story buildings). The improvements were initially developed in 1992.



The buildings have a poured concrete foundation. The buildings have a combination brick and siding exterior, and a pitched roof covered with shingles.



Each unit has a living room/living area, kitchen, bedroom(s), and bathroom(s). The floors in the units are a combination of carpet and vinyl tile. Windows are vinyl framed casement units. Exterior doors are metal; interior doors are hollow core wood. Interior walls are painted drywall; ceilings are painted drywall. Ceiling height is generally 8 feet. Hot water is supplied via individual water heaters.

Kitchens have vinyl flooring. They are equipped with a refrigerator, double sink, fan hood, and range.



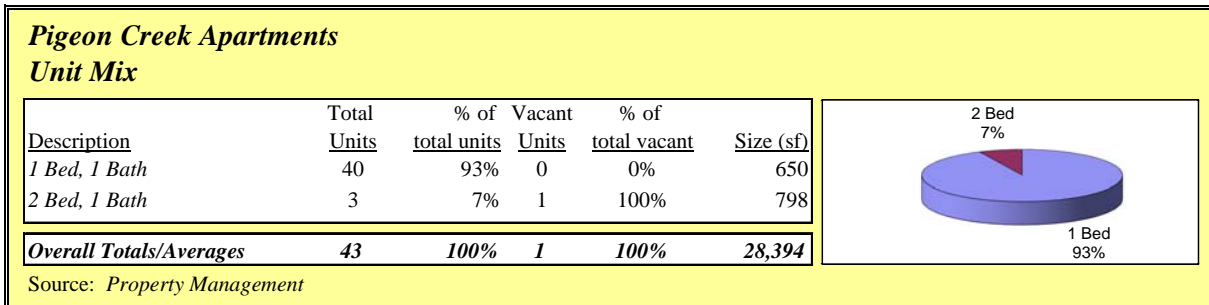
Each unit has an individual forced air furnace. The units have central air conditioning. The units have battery powered smoke alarms. Each unit includes washer and dryer hook-ups.

Property amenities include a laundry room and community room.

Parking areas are in average condition. There appears to be sufficient parking for the property. Overall parking at the subject is adequate.

Unit Mix

The composition of the property is shown in the chart below.



Physical and Functional Condition

The improvements were completed in 1992 and renovated periodically over time. The property has been maintained on an as needed basis.

The total building size is 28,584 sf. This is the sum of the apartment units (1 Bedroom - 650 sf/unit * 40 units – 26,000 sf plus 2 Bedroom – 798 sf/unit * 3 units – 2,394 sf) plus the office (988 sf).

A major renovation is planned for the property improvements. Planned renovations include replacement of all existing flooring, replacement of kitchen cabinets and countertops, replacement of existing kitchen appliances, plumbing fixtures, lighting fixtures, bathroom cabinets and countertops, HVAC, repainting, re-roofing (new shingles), as well as exterior upgrades and improvements, and re-paving and re-striping of drive and parking areas. Furthermore, all Section 504 accessibility issues will be addressed and corrected as appropriate. The renovation is expected to cost about \$28,245 per unit, or about \$1,214,535.

Upon completion of the renovations, the property’s marketability, overall quality, and aesthetic appeal will be increased and enhanced. Following the renovations, the subject is projected to have a remaining economic life – assuming normal maintenance and repairs - of 55 years. If the property were not renovated, the remaining economic life (the “as-is remaining economic life”) is estimated at 15 years.

Current Rent Parameters/Rent Roll

The chart below illustrates the current rent parameters. As has been discussed, there are LIHTC restrictions applicable to the units at the property. The as-is market rent and as-renovated market rent (CRCU) conclusions are well below the maximum LIHTC rent figure.

Pigeon Creek Apartments											
Rent Parameters											
	Total Units	% of total	Vacant Units	% of unit type	Size (sf)	Total Size (sf)	Basic Rent	Max Rents		CRCU	
								LIHTC	FMR	As-Is	As-Renovated
1 Bed, 1 Bath	40	93%	0	0%	650	26,000	\$405	\$589	\$543	\$550	\$600
2 Bed, 1 Bath	3	7%	1	33%	798	2,394	\$420	\$708	\$644	\$600	\$650
Overall Totals/Averages	43	100%	1	2%	660	28,394					

LIHTC is gross rent, prior to Utility allowance deduction
Source: Property Management

Operating History

The chart below shows the recent operating history for the subject.

Pigeon Creek Apartments							
Operating History							
43 units							
	2010	Per Unit	2011	Per Unit	2012	Per Unit	
Revenue							
Apartment Rental Income	186,447	4,336	196,084	4,560	202,749	4,715	
Plus: Other Income	330	8	212	5	295	7	
Effective Gross Income	186,777	4,344	196,296	4,565	203,044	4,722	
Operating Expenses							
Real Estate Taxes	27,155	632	24,604	572	15,811	368	
Insurance	11,061	257	11,242	261	11,213	261	
Repairs & Maintenance	14,845	345	18,058	420	17,780	413	
General & Administrative	14,901	347	14,332	333	8,481	197	
Management Fees	21,420	498	22,428	522	22,428	522	
Utilities							
Electric	4,277	99	3,548	83	3,300	77	
Water/Sewer	14,342	334	14,112	328	14,475	337	
Total Utilities	18,619	433	17,660	411	17,775	413	
Payroll	27,329	636	28,588	665	30,903	719	
Marketing	85	2	58	1	227	5	
Total Expenses	135,416	3,149	136,971	3,185	124,618	2,898	
operating expense ratio		72.5%		69.8%		61.4%	
Net Operating Income	51,360	1,194	59,325	1,380	78,426	1,824	

Source: Property Management

While individual line items will vary depending upon the specific valuation developed later in the report, the following generally holds true:

Interest Appraised

Comment

As-is market value, unrestricted rents

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be constrained by market rent levels.

The total operating expense estimate will be less than historic primarily due to reduced Repairs & Maintenance, General & Administrative, Management Fee, and Payroll expenses. The Marketing expense will be higher than historic, and there will be an explicit Reserve expense.

Market value, subject to restricted rents

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be constrained by basic rent levels.

The total operating expense estimate will be similar to historic expenses at the subject. There will be an explicit Reserve expense.

Prospective market value of the fee simple estate, upon completion of renovation and as stabilized, subject to restricted rents (RD).

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by the lesser of market rent or LIHTC constraints

With respect to operating expense line items, Real Estate Taxes, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.

Prospective market value of the fee simple estate, upon completion of renovation and as stabilized, as conventional or unrestricted.

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be based on the (prospective) market rent figures.

The total operating expense estimate should be lower due to renovation (reduced Repairs & Maintenance as well as Payroll) as well as reduced General & Administrative and Management

expenses. The Marketing expense should be higher than historic, and there will be an explicit Reserve expense.

Real Estate Taxes and Assessments

The chart below shows the tax details.

<i>Real Estate Taxes Pigeon Creek Apartments</i>		
Parcel Number	159A-036-002	
	<u>Appraised</u>	<u>Assessed</u>
Land	\$115,000	\$46,000
Improvements	466,100	186,440
Total	581,100	232,440
Real Estate Taxes	\$11,776	
Taxes/unit	\$274	
Source: <i>County Auditor</i>		

Highest and Best Use

Highest and best use is defined in The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, as follows:

...the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible, and that results in the highest value.

Some of the more germane comments from this publication regarding highest and best use are noted in the following bullet points:

- ...highest and best use relies on that analysis to then identify the most profitable, competitive use to which the subject can be put.
- In general, if the value of a property as improved is greater than the value of the land as though vacant, the highest and best use is the use of the property as improved.
- ...a property's existing use may represent an interim use, which begins with the land value for the new highest and best use and adds the contributory value of the current improvements until the new highest and best use can be achieved.
- These criteria [legally permissible, physically possible, financially feasible, maximally productive] are generally considered sequentially.

After consideration of the data, the following conclusions are drawn:

As If Vacant:

Physically Possible Uses:	Physical constraints include site area, shape, and adjacent uses. The site has all public utilities available. Noted easements are typical, and soil conditions are assumed to be adequate. There are acceptable access and visibility attributes. Based on location and site constraints, the most probable physically possible uses would be an intensive use. The existing improvements are such a use, and effectively utilize the site.
Legally Permissible Uses:	According to government officials, the current multi-family use is a permissible use.
Financially Feasible Uses:	The subject has a good location and is convenient to major traffic arteries. The surrounding area has been developed with a number of properties, including single-family residential properties, multi-family properties, retail properties, office and institutional uses (churches, schools, parkland). The residential users in the immediate area appear to have met with market acceptance. If vacant, a similar use is appropriate. The existing improvements develop a return in excess of that if the property were not improved.

Conclusion/Maximum Productivity: Of those uses that are physically possible, legally permissible, and financially supported, a residential development is concluded to be the highest and best use of the site as if vacant. Given the area demographics, development should not be speculative – rather, development should only occur with an identified end user in place.

As Improved:

Physically Possible Uses: The presence of the improvements demonstrate their physical possibility.

Legally Permissible Uses: The current multi-family use is a permissible use.

Financially Feasible Uses: As is shown in the valuation, the existing improvements develop a return well in excess of that if the property were not improved.

Conclusion/Maximum Productivity: The existing improvements are considered to be financially feasible. The chart below demonstrates that the proposed renovation is appropriate and financially viable – when considering the inclusion of the additional value from the interest credit subsidy and LIHTC. As shown, the sum of the prospective market value, interest credit values, and LIHTC values are in excess of the property's as is value plus renovation costs. Therefore, the proposed renovations provide a higher return to the property than if the property were not renovated, and the highest and best as improved is concluded to be with the renovations made to the property.

***Financial Feasibility
Pigeon Creek Apartments***

Initial Test of Financial Feasibility

Value 3, prospective, subject to restricted rents	\$2,440,000
Value 1, as-is, as conventional or unrestricted	<u>\$2,050,000</u>
Incremental difference	\$390,000
Renovation Cost	<u>\$1,186,290</u>
Benefit (cost) of renovating <i>before</i> consideration of other benefits	-\$796,290

Other Benefits

Value 6, interest credit subsidy (existing loan re-financed)	\$579,000
Value 7, LIHTC	<u>\$982,870</u>
Value of additional benefits of renovation	\$1,561,870

<i>Net benefits, or added value, of renovation</i>	<i>\$765,580</i>
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Initial Test of Financial Feasibility

Value 3, prospective, subject to restricted rents	\$2,440,000
Value 2, subject to restricted rents	<u>\$1,090,000</u>
Incremental difference	\$1,350,000
Renovation Cost	<u>\$1,186,290</u>
Benefit (cost) of renovating <i>before</i> consideration of other benefits	\$163,710

Other Benefits

Value 6, interest credit subsidy (existing loan re-financed)	\$579,000
Value 7, LIHTC	<u>\$982,870</u>
Value of additional benefits of renovation	\$1,561,870

<i>Net benefits, or added value, of renovation</i>	<i>\$1,725,580</i>
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These thoughts are carried to the Valuation section.

Valuation

The valuation process involves the gathering of data in order to develop opinions of value for the subject. A number of value opinions are provided; the value opinions are identified and the applicable approaches to value are also identified.

Value 1 , as-is, as conventional or unrestricted	The income capitalization and sales comparison approaches are used.
Value 2 , as-is, subject to restricted rents	The income capitalization approach is used.
Value 3 , prospective, subject to restricted rents	The income capitalization and cost approaches are used.
Value 4 , prospective, as conventional or unrestricted	The income capitalization approach is used.
Value 5 Market value of underlying land	This value is developed within the cost approach valuation used for Value 3.
Value 6 Market value of the interest credit subsidy from assumed loan	The income capitalization approach is used.
Value 7 Market value of LIHTC (tax credits)	The income capitalization approach is used.
Value 8 Insurable value	The cost approach is used.

As-Is Market Valuation

An opinion of the market value, unrestricted rents (fee simple estate, as conventional or unrestricted, as of the date of valuation) is subject to the hypothetical condition that the subject property is operated as a conventional, market rate property. Historically, the subject property has been operated as a subsidized property. Both the income capitalization approach and the sales comparison approach are utilized to arrive at opinions of the as-is market value of Pigeon Creek Apartments (value 1). The income capitalization approach is used to arrive at the market value, subject to restricted rents opinion (value 2).

Income Capitalization Approach

Value 1, as-is, as conventional or unrestricted

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. Market value is developed through the use of market derived financial opinions and return parameters. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is estimated by the sum of the market rents on the units less an allowance for vacancy, plus other income.
- Expenses inherent in the operation of the property, including real estate taxes, insurance, repairs and maintenance, general and administrative, management, utilities, payroll, marketing, and reserve are estimated.
- The net operating income is derived by deducting the operating expenses from the effective gross revenue.
- The net operating income is then capitalized to obtain an indication of value.

With respect to this valuation, the effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be based on market rent figures.

The total operating expense estimate will be less than historic primarily due to reduced Repairs & Maintenance, General & Administrative, Management Fee, and Payroll expenses. The Marketing expense will be higher than historic, and there will be an explicit Reserve expense.

Pro Forma Capitalization

Base Rent Revenue – is based on the market rent levels for the units at the subject. The annual market rent is shown in the chart below.

<i>Pigeon Creek Apartments</i>		<i>as-is</i>						
<i>Base Rent Revenue</i>		<i>as conventional or unrestricted</i>						
		<i>Value 1</i>						
	Total	% of	Size	Total	Market Rent			
	<u>Units</u>	<u>total</u>	<u>(rsf)</u>	<u>rsf</u>	<u>Rent/Month</u>	<u>Rent/sf</u>	<u>Monthly</u>	<u>Yearly</u>
1 Bed, 1 Bath	40	93%	650	26,000	\$550	\$0.85	\$22,000	\$264,000
2 Bed, 1 Bath	3	7%	798	2,394	\$600	0.75	1,800	21,600
Overall Totals/Averages	43	100%	660	28,394	553	0.84	23,800	285,600

Source: Crown Appraisal Group

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section. Vacancy is estimated at 5%, and is applied to base rent revenue.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at \$7/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are those costs necessary to maintain the property at or near a maximum level of economic performance. These expenses are categorized as real estate taxes, insurance, repairs and maintenance, general and administrative, management fees, utilities, payroll, and marketing. In addition, reserves are also considered. Estimated operating expenses are based on historical figures, and support from market data. The market data information is of properties similar in size, age, condition, and location relative to the subject that have been appraised by Crown Appraisal Group. All of these properties are RD properties – none are market rate ones. Like the subject, the operating histories reflect the benefits – and costs – associated with operating as a rural property subject to various RD operating costs.

With respect to operating expense line items, Real Estate Taxes, Insurance, and Utilities should be near historic. Repairs & Maintenance, General & Administrative, Management Fees and Payroll should be lower than historic due to the nature of market rate operations as compared to subsidized operations. Marketing should be above historic, also due to the nature of market rate operations. An explicit Reserve will be recognized.

The line item operating expenses are presented in the chart below. The chart details the median and average operating expenses by the operating expense comparables, the historic operating expenses at the subject, and the pro forma operating expense projections.

Operating Expense Comparables										
Pigeon Creek Apartments										
	1	2	3	4	5	6	7	8	9	10
Units	28	20	25	24	34	18	24	20	52	30
Year	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
Per Unit Basis										
Real Estate Taxes	343	455	150	277	510	617	300	232	240	320
Insurance	260	279	260	271	229	260	260	260	262	260
Repairs and Maintenance	637	740	854	511	361	424	531	572	479	818
General and Administrative	278	300	352	349	245	366	323	374	275	381
Management Fees	532	534	522	553	471	534	525	527	531	528
Utilities										
Electric	249	173	138	83	108	123	153	160	101	172
Water/Sewer	<u>395</u>	<u>30</u>	<u>466</u>	<u>178</u>	<u>362</u>	<u>386</u>	<u>594</u>	<u>3</u>	<u>405</u>	<u>57</u>
Total Utilities	644	203	604	261	470	509	747	164	506	229
Payroll	687	1,064	742	1,169	533	720	567	1,329	800	597
Marketing	6	7	23	2	2	2	10	8	7	11
Total	3,388	3,580	3,506	3,393	2,822	3,431	3,263	3,466	3,099	3,144
Per Unit Basis										
<u>Category</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>	<u>Median</u>						
Real Estate Taxes	150	617	344	310						
Insurance	229	279	260	260						
Repairs and Maintenance	361	854	593	551						
General and Administrative	245	381	324	336						
Management Fees	471	553	526	529						
Utilities										
Electric	83	249	146	145						
Water/Sewer	<u>3</u>	<u>594</u>	<u>288</u>	<u>374</u>						
Total Utilities	164	747	434	488						
Payroll	533	1,329	821	731						
Marketing	<u>2</u>	<u>23</u>	<u>8</u>	<u>7</u>						
Total	2,822	3,580	3,309	3,390						
Source: Apartment Management, Crown Appraisal Group										

Pigeon Creek Apartments
Operating Expense Estimates

as-is
as conventional or unrestricted
Value 1

Real Estate Taxes									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	310	med	344	avg	632	572	368	274	\$11,776
Insurance									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	260	med	260	avg	257	261	261	265	\$11,395
Repairs & Maintenance									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	551	med	593	avg	345	420	413	375	\$16,125
General & Administrative									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	336	med	324	avg	347	333	197	300	\$12,900
Management									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	529	med	526	avg	498	522	522	316	\$13,581
Electric Utilities									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	145	med	146	avg	99	83	77	80	\$3,440
Water & Sewer									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	374	med	288	avg	334	328	337	345	\$14,835
Total Utilities									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	488	med	434	avg	433	411	413	425	\$18,275
Payroll									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	731	med	821	avg	636	665	719	675	\$29,025
Marketing									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	7	med	8	avg	2	1	5	5	\$215
Total Operating Expenses (including consideration of Reserve)									
Source	Comparables			2010	2011	2012	Pro Forma	Amount	
Cost/unit	3,390	med	3,309	avg	3,149	3,185	2,898	2,985	\$128,342

Source: *Property Management; Crown Appraisal Group*

Pigeon Creek Apartments		<i>as-is</i>
Operating Expense Estimates		<i>as conventional or unrestricted Value 1</i>
<u>Operating Expense</u>	<u>Cost/unit</u>	<u>Discussion</u>
Real Estate Taxes	274	Based on the current real estate taxes of the subject as reported by the county.
Insurance	265	Based on historic with support from market.
Repairs & Maintenance	375	Below historic; property would not be as well maintained if it were to be operated as a market rate one.
General & Administrative	300	Below historic; market rate properties have lower general & administrative costs than subsidized properties.
Management	5.00%	Percent of effective gross income rather than fee per occupied door per month.
Utilities	80 Electric 345 Water and sewer	Based on historic with support from market. Based on historic with support from market.
Payroll	675	Based on the size of the property, a total cost per year, or a cost per month, is the appropriate manner in which to develop this operating expense estimate. The expense is based on the probable cost if the property were operated as a market rate one.
Marketing	5	Above historic; market rate properties require a higher cost for marketing.
Reserve	350	Based on market participant attitudes.

Total Operating Expenses – The chart below compares historical and market derived operating expense data with the pro forma. Notice the market estimates are lower than the historical figures as government subsidized properties typically cost more to operate than market rate.

Pro Forma Operating Expense Estimate & Comparisons (per unit basis)		<i>as-is</i>						
Pigeon Creek Apartments		<i>as conventional or unrestricted Value 1</i>						
	<u>Crown Appraisal Group Survey</u>				<u>Year End Historical</u>			<u>Subject Pro Forma</u>
	Low	High	Avg.	Med.	2010	2011	2012	
Real Estate Taxes	150	617	344	310	632	572	368	274
Insurance	229	279	260	260	257	261	261	265
Repairs and Maintenance	361	854	593	551	345	420	413	375
General and Administrative	245	381	324	336	347	333	197	300
Management Fees	471	553	526	529	498	522	522	316
Utilities								
Electric	83	249	146	145	99	83	77	80
Water/Sewer	3	594	288	374	334	328	337	345
Total Utilities	164	747	434	488	433	411	413	425
Payroll	533	1,329	821	731	636	665	719	675
Marketing	2	23	8	7	2	1	5	5
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	n/a	350
Total Operating Expenses	2,822	3,580	3,309	3,390	3,149	3,185	2,898	2,985

Note: columns with low, high, average, and median figures may not add to total
 Source: *Property Managers; Crown Appraisal Group*

The net operating income is estimated by deducting the operating expenses from the effective gross income. The pro forma is shown below.

<i>Pro Forma Operating Statement</i>		<i>as conventional or unrestricted</i>	
<i>Pigeon Creek Apartments</i>			<i>as-is</i>
		43 units	<i>Value 1</i>
		<u>% of EGI</u>	<u>Per Unit</u>
			<u>Amount</u>
Potential Rental Revenue		105.1%	\$6,642
Less: Vacancy and Collection Loss @ 5.0%		<u>-5.3%</u>	<u>-332</u>
Effective Rent		99.9%	6,310
Plus Other Revenue:			
Other Income		0.1%	7
			301
Effective Gross Income		100.0%	6,317
Less: Operating Expenses			
Real Estate Taxes		4.3%	274
Insurance		4.2%	265
Repairs and Maintenance		5.9%	375
General and Administrative		4.7%	300
Management Fees @ 5.0%		5.0%	316
Utilities			
Electric		1.3%	80
Water/Sewer		<u>5.5%</u>	<u>345</u>
Total Utilities		6.7%	425
Payroll		10.7%	675
Marketing		0.1%	5
Reserve		<u>5.5%</u>	<u>350</u>
Total Operating Expenses		47.3%	2,985
			128,342
Net Operating Income		52.7%	3,332
			143,279

Source: *Crown Appraisal Group*

Capitalization Rate Discussion

Capitalization is the process by which net operating income is converted into a value indication. A capitalization rate is utilized that most accurately represents the risk associated with receiving the property's net operating income. A property that has a "safer" income stream is one that has less risk.

In order to arrive at an appropriate range, emphasis was put on data provided by comparable sales and analysis of financing techniques.

Comparable Sales

The comparable sales utilized in the Sales Comparison Approach section indicate an overall capitalization rate range as shown below. Other data is shown, including the dates of the sales. Overall, the sales properties are comparable in the sense that they are recent sales of similar apartment complexes in the greater market area.

Comparable Sales						
Overall Capitalization Rates						
<u>Name/Location</u>	<u>Sale Date</u>	<u>Year Built</u>	<u>Units</u>	<u>Sale Price</u>	<u>Price/Unit</u>	<u>OAR</u>
Lealand Place Apts Lawrenceville, GA	Dec-11	1999	192	11,370,000	59,219	6.9%
Rumson Court Apartments Atlanta, GA	Nov-12	1950	20	1,025,000	51,250	5.5%
Legacy Century Center Atlanta, GA	Aug-12	1978	178	11,850,000	66,573	6.3%
Waldan Pond Apartments Acworth, GA	Oct-12	1987	124	4,800,000	38,710	6.5%
Clifton Ridge Townhome Apartments Marietta, GA	Sep-12	1972	152	6,600,000	43,421	7.0%
Average, Median, Range			6.4%	6.5%	5.5% - 7.0%	

Source: *Crown Appraisal Group*

A number of differences between the properties and the specifics of transaction, however, make correlation to a specific rate within the range problematic. The sales do represent current market activity and characteristics of the properties that are similar to the subject. An overall rate near the range is appropriate. Certainly, the market data alone does not support the selection of a rate below 5.5% or a rate above 7.0%. If the sales were the only data source from which to select the overall capitalization rate, a rate near the low to middle of the range is most appropriate given the net operating income figure.

Final consideration of an appropriate rate is through an analysis of lender requirements. After all, properties such as the subject are usually transferred only after financing has been arranged. The debt coverage ratio technique calculates an overall rate by multiplying the mortgage constant by the loan-to-value ratio and then by the debt coverage figure.

Financing Techniques

Debt Coverage Ratio

The debt coverage ratio technique places emphasis on lender requirements while inherently providing for a reasonable equity return. Rather than developing an explicit equity dividend, the equity position is left with a residual dividend return. This has good applicability for properties such as the subject. Using current parameters, development of the overall rate can be seen in the following chart.

Overall Rate Derivation						
Debt Coverage Ratio Technique						
<u>Mtg. Rate</u>	<u>Term of Mtg.</u>	<u>Mtg. Constant</u>	<u>Loan to Value</u>	<u>DCR</u>	<u>OAR</u>	
5.25%	30	0.0663	70.0%	1.25	5.80%	
5.25%	30	0.0663	75.0%	1.20	5.96%	
5.50%	30	0.0681	70.0%	1.25	5.96%	
5.50%	30	0.0681	75.0%	1.20	6.13%	
5.75%	30	0.0700	70.0%	1.25	6.13%	
5.75%	30	0.0700	75.0%	1.20	6.30%	
				rounded to 5.8% - 6.3%		

Source: Crown Appraisal Group

Given the specific characteristics of the property, the overall capitalization rate range derived from the debt coverage ratio appears to be reasonable.

Band of Investment

There are two primary components utilized in the band of investment technique. These are the debt and equity components. Both are explicitly developed. A weighted average, which combines these two components, is used to capitalize the net operating income. The strength of the band of investment is that it has long been used by real estate market participants in developing an overall rate. The band of investment technique quantifies the appropriate overall rate as follows:

Overall Rate Derivation						
Band of Investment Technique						
<u>Interest Rate</u>	<u>Amort.</u>				<u>Constant</u>	<u>Weighted Average</u>
5.25%	30	75%	(loan to value)	x	0.0663	= 4.970%
		25%	(equity to value)	x	6.0%	= 1.500%
						Overall Rate = 6.470%
Rounded To:						6.5%

Source: Crown Appraisal Group

Conclusion

In summarizing, most of the market-based indicators suggest that a rate toward the middle of the range is most appropriate. The weakness in the rates indicated by the comparable sales is that the figures are historic. The overall rates from the comparable sales are also suspect to relatively wide fluctuations when relatively minor changes are made (as an example, an change to the net operating income of only \$1,000 on a \$1,000,000 sale impacts the overall rate by 10 basis points). The strength in the debt coverage and the band of investment techniques, is that they are based on real participants and real mortgage rates. The information from the latter analysis suggests that the appropriate rate is in the low 6.0% range.

In the final analysis, an overall rate that lies between the comparable sale and financing technique analysis of 7.00% is selected as being appropriate to accurately reflect the risk characteristics arising from the income stream. The rate selected falls within the ranges indicated by comparable sales, and the quantitative overall rate derivation techniques (band of investment and debt coverage ratio). Application of the rate to the pro forma net operating income is shown in the chart below.

<i>Pro Forma Technique Value Conclusion</i>	<i>as-is</i>
<i>Pigeon Creek Apartments</i>	<i>as conventional or unrestricted</i>
	<i>Value 1</i>
Net Operating Income	\$143,279
Overall Capitalization Rate	<u>7.00%</u>
Value Conclusion	2,046,837
<i>Rounded To:</i>	<i>\$2,050,000</i>

Source: *Crown Appraisal Group*

Value 2, as-is, subject to restricted rents

A pro forma is used. Much of the valuation is based on the analysis previously presented. Major differences (and similarities) are detailed below.

Base Rent

The appropriate unit rent to use is the basic rent figure.

Pigeon Creek Apartments		<i>subject to restricted rents</i>							
Base Rent Revenue		<i>as-is</i>							
		Value 2							
	Total	% of	Size	Total	Basic Rent				
	<u>Units</u>	<u>total</u>	<u>(rsf)</u>	<u>rsf</u>	<u>Rent/Month</u>	<u>Rent/sf</u>	<u>Monthly</u>	<u>Yearly</u>	
1 Bed, 1 Bath	40	93%	650	26,000	\$405	\$0.62	\$16,200	\$194,400	
2 Bed, 1 Bath	3	7%	798	2,394	\$420	0.53	1,260	15,120	
Overall Totals/Averages		43	100%	660	28,394	406	0.61	17,460	209,520

Source: Crown Appraisal Group

Vacancy

Utilized historic levels.

Operating Expenses

The operating expenses are largely based on recent history at the subject. Figures used are shown below.

Pigeon Creek Apartments		<i>as-is</i>	
Operating Expense Estimates		<i>subject to restricted rents</i>	
		Value 2	
<u>Operating Expense</u>	<u>Cost/unit</u>	<u>Discussion</u>	
Real Estate Taxes	274	Based on the current real estate taxes of the subject as reported by the county.	
Insurance	265	Based on historic with support from market.	
Repairs & Maintenance	425	Near the recent historic figures with the recognition that some of the historic amounts have some costs better categorized as capital expenditures.	
General & Administrative	350	Based on historic.	
Management	44.50	Based on cost per occupied door per month.	
Utilities	80	Electric	Based on historic with support from market.
	345	Water and sewer	Based on historic with support from market.
Payroll	725	Based on historic.	
Marketing	2	Based on historic.	
Reserve	350	Based on market participant attitudes.	

The pro forma is shown below.

<i>Pro Forma Operating Statement</i>		<i>subject to restricted rents</i>	
<i>Pigeon Creek Apartments</i>		<i>as-is</i>	
		43 units	Value 2
	<u>% of EGI</u>	<u>Per Unit</u>	<u>Amount</u>
Potential Rental Revenue	101.9%	\$4,873	\$209,520
Less: Vacancy and Collection Loss @ 2.0%	<u>-2.0%</u>	<u>-97</u>	<u>-4,190</u>
Effective Rent	99.9%	4,775	205,330
Plus Other Revenue:			
Other Income	0.1%	7	301
Effective Gross Income	100.0%	4,782	205,631
Less: Operating Expenses			
Real Estate Taxes	5.7%	274	11,776
Insurance	5.5%	265	11,395
Repairs and Maintenance	7.1%	425	14,683
General and Administrative	7.3%	350	15,050
Management Fees	10.9%	523	22,503
Utilities			
Electric	1.7%	80	
Water/Sewer	<u>7.2%</u>	<u>345</u>	
Total Utilities	8.9%	425	18,275
Payroll	15.2%	725	31,175
Marketing	0.0%	2	86
Reserve	<u>7.3%</u>	<u>350</u>	<u>15,050</u>
Total Operating Expenses	68.1%	3,256	139,993
Net Operating Income	31.9%	1,526	65,637

Source: *Crown Appraisal Group*

Capitalization Rate Discussion

The appropriate rate selected should recognize two primary characteristics. There is a need for affordable housing in the area. Second, the net operating income developed is within the range at that seen during the prior three years. In that sense, the net operating income is one that is relatively “safe”. The conclusion is that the appropriate overall rate should be less than that selected for the as-is market, unrestricted. The question is, of course, how much lower. There is some information available from RD that helps answer this. The consensus is that, for properties that are comprised of all (or mostly all) RA units, the appropriate rate should be about 100 basis points less than the market rate conclusion (the rate used for as-is market unrestricted). For properties that do not have a high percentage of RA units, the overall rate should not be significantly different than the overall rate used in the as-is, unrestricted valuation. The value is developed below.

<i>Pro Forma Technique Value Conclusion</i>	<i>as-is</i>
<i>Pigeon Creek Apartments</i>	<i>subject to restricted rents</i>
	<i>Value 2</i>
Net Operating Income	\$65,637
Overall Capitalization Rate	<u>6.02%</u>
Value Conclusion	1,089,734
<i>Rounded To:</i>	<i>\$1,090,000</i>

Source: *Crown Appraisal Group*

Sales Comparison Approach

Value 1, as-is, as conventional or unrestricted

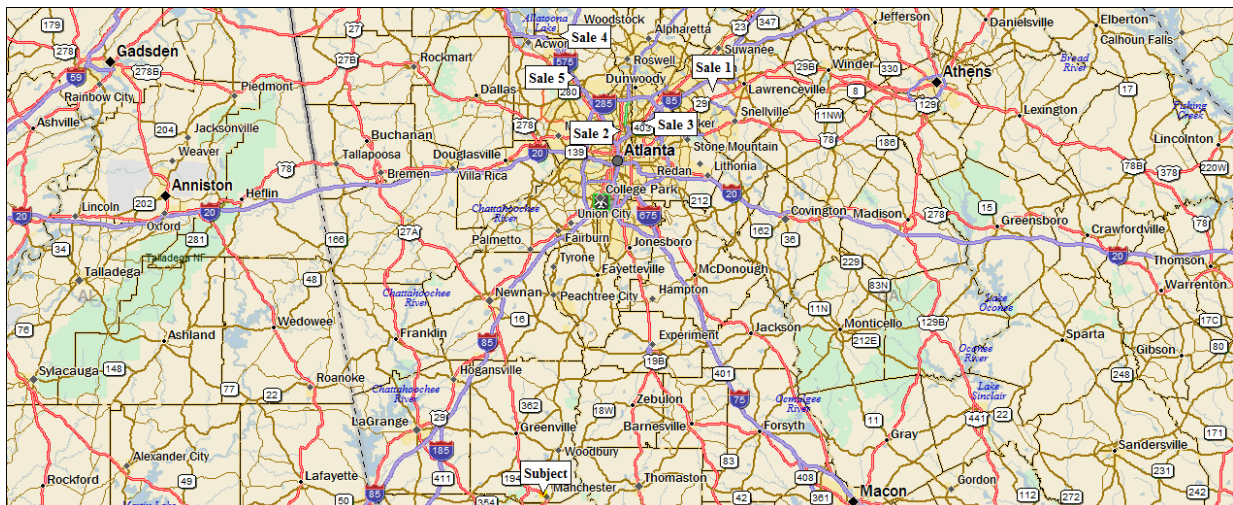
The sales comparison approach is based upon the theory that an informed purchaser will pay no more for a property than the cost of acquiring an equally desirable substitute property. The principle of substitution confirms that the maximum value of a property is set by the cost of acquisition of an equally desirable and valuable substitute property, assuming that substitution can be made without costly delay. Other appraisal principles and concepts relating to the approach include supply and demand, balance, and externalities.

In order to obtain an indication of value from the sales comparison approach, recent sales of similar properties have been analyzed and the sales prices adjusted to reflect dissimilarities between these properties and the subject. From these sales prices an indication of market value for the subject has been developed.

One of the fundamental considerations in the sales comparison approach is defining substitute or comparable properties. Issues that are involved in this consideration involve determination of physically similar properties as well as similarly located properties. Sales properties analyzed involve small to medium-sized multi-family properties. All are located in the regional area.

The accuracy of this approach relies upon the similarities, or lack thereof, between the sales properties and the subject. The greater the differences, the more subjective this valuation technique becomes. Multi-family properties, like any specialized real estate product, are complex and involve a variety of considerations. A comparison of sales properties includes reviewing size, location, financing and date of transaction. In essence, these categories are all tied to one over-riding factor--the financial aspects and implications arising from the improvements.

The initial sales search was limited to sales of similar size properties, built during the same time period as the subject, having the same general economic characteristics, and having occurred within the immediate market area during the past six months. There were no sales meeting these criteria. When expanding the time frame and geographical area, a sufficient number of comparable sales were uncovered. While the research uncovered several sales properties which share similar attributes with the subject, dissimilarities do exist. The map below locates the comparable sales that were utilized. A detailed write up page and photograph of each sale can be found after the map.



Sale Comparable 1

General Data

Property Name:	Lealand Place Apartments
Property Address:	2945 Cruse Road
City:	Lawrenceville
County:	Gwinnett
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30044
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Cruse Road Apartments, LLC
Seller (Grantor):	Lealand Place, LLC



Sale and Economic Data

			<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$11,370,000	Effective Gross Income:	1,526,004	7,948	7.90	100.0%
Size (number of units)	192	Operating Expenses:	739,200	3,850	3.83	48.4%
Sale Price/unit:	\$59,219	Net Operating Income:	786,804	4,098	4.07	51.6%
Rentable Size (rsf):	193,090					
Sale Price/rsf:	\$58.88	Overall rate:	6.9%			
Gross Size (gsf):	193,090	EGIM:	7.5			
Sale Price/gsf:	\$58.88	Occupancy at time of sale:	95.0%			
Sale Date:	Dec-11					

Physical Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>
Year Built:	1999	1	1.0	Garden	817	102
Site Size (acres):	9.410	2	2.0	Garden	1,157	72
Density (units/acre)	20.4	3	2.0	Garden	1,440	18
Floors:	2					
Property Class:	B					
Exterior:	Combination					

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
N Gas	N Water

Other Comments

Lealand Place is located on the north side of Cruse Road Northwest, about 2 miles south of the I-85/SR 316 (University Parkway) interchange and about 6 miles west of downtown Lawrenceville. This location is about 20 miles northeast of the Atlanta CBD. The property is located in Gwinnett County within the Atlanta-Sandy Springs-Marietta MSA.

Sale Comparable 2

General Data

Property Name:	Rumson Court Apartments
Property Address:	115 Rumson Rd NE
City:	Atlanta
County:	Fulton
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30305
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	12-14 Peachtree LLC
Seller (Grantor):	Rumson Court LLC



Sale and Economic Data

			<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$1,025,000					
Size (number of units)	20					
Sale Price/unit:	\$51,250	Net Operating Income:	56,375	2,819	4.95	100.0%
Rentable Size (rsf):	11,400					
Sale Price/rsf:	\$89.91	Overall rate:	5.5%			
Gross Size (gsf):	13,821	EGIM:	18.2			
Sale Price/gsf:	\$74.16	Occupancy at time of sale:	100.0%			
Sale Date:	Nov-12					

Physical Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>
Year Built:	1950	1	1.0	Garden	260	10
Site Size (acres):	0.590	2	1.0	Garden	793	10
Density (units/acre)	33.9					
Floors:	2					
Property Class:	C					
Exterior:	Wood					

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Unit Amenities

N Refrigerator	N Fireplace
N Range	N Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
N Garbage Disposal	N Basement
N Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Tenant Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Other Comments

Rumson Court Apartments is located on the east side of US 19 (Peachtree Road NE), just south of downtown Buckhead and about 2 miles north of the I-75/I-85 interchange. This location is about 5 miles north of the Atlanta CBD. The property is located in Fulton County within the Atlanta-Sandy Springs-Marietta MSA.

Sale Comparable 3

General Data

Property Name:	Legacy Century Center
Property Address:	100 Windmont Drive
City:	Atlanta
County:	DeKalb
MSA:	Atlanta-Sandy Springs-Roswell
State:	GA
Zip:	30329
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	CSP Clairmont, LLC
Seller (Grantor):	Deville Windmont Partners LLC



Sale and Economic Data

			<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$11,850,000					
Size (number of units)	178					
Sale Price/unit:	\$66,573	Net Operating Income:	740,625	4,161	5.61	100.0%
Rentable Size (rsf):	132,024					
Sale Price/rsf:	\$89.76	Overall rate:	6.3%			
Gross Size (gsf):	144,654	EGIM:	16.0			
Sale Price/gsf:	\$81.92	Occupancy at time of sale:	96.0%			
Sale Date:	Aug-12					

Physical Data

	<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>	
Year Built:	1978	1	1.0	Garden	680	44
Site Size (acres):	6.780	1	1.0	Garden	740	43
Density (units/acre)	26.3	1	1.0	Garden	870	43
Floors:	3	2	2.0	Garden	875	48
Property Class:	C					
Exterior:	Combination					

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Unit Amenities

N Refrigerator	Y Fireplace
N Range	N Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
N Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
Y Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
Y Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
Y Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
Y Bus. Center	N Racquetball

Other Comments

Legacy Century Center is located on the west side of US 23 (Clairmont Road NE), about one mile north of the I-85/US 23 interchange and about 8 miles northeast of the Atlanta CBD. The property is located in DeKalb County, within the Atlanta-Sandy Springs-Roswell MSA.

Sale Comparable 4

General Data

Property Name:	Waldan Pond Apartments
Property Address:	450 Waldan Cir
City:	Acworth
County:	Cherokee
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30102
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Waldan Pond Apartments LLC
Seller (Grantor):	RDZ Waldan Pond Partners LLC



Sale and Economic Data

			<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$4,800,000					
Size (number of units)	124					
Sale Price/unit:	\$38,710	Net Operating Income:	312,000	2,516	2.28	100.0%
Rentable Size (rsf):	136,722					
Sale Price/rsf:	\$35.11	Overall rate:	6.5%			
Gross Size (gsf):	136,722	EGIM:	15.4			
Sale Price/gsf:	\$35.11	Occupancy at time of sale:	95.0%			
Sale Date:	Oct-12					

Physical Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>
Year Built:	1987	1	1.0	Garden	750	28
Site Size (acres):	12.250	2	1.0	Garden	1,020	47
Density (units/acre)	10.1	2	2.0	Garden	1,100	49
Floors:	2					
Property Class:	C					
Exterior:	Combination					

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Unit Amenities

N Refrigerator	N Fireplace
N Range	N Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
N Garbage Disposal	N Basement
N Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Other Comments

Waldan Pond Apartments are located on the west side of Bells Ferry Road, about 0.25 miles south of SR 92 (Alabama Road NE). This location is about 6 miles north of the I-75/I-575 interchange and about 6 miles northeast of downtown Acworth. The property is located about 25 miles northwest of the Atlanta CBD.

Sale Comparable 5

General Data

Property Name:	Clifton Ridge Townhome Apartments
Property Address:	800 Allgood Road
City:	Marietta
County:	Cobb
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30062
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Clifton Ridge, LLC
Seller (Grantor):	All Good Apartment Partners, LLC



Sale and Economic Data

			<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$6,600,000					
Size (number of units)	152					
Sale Price/unit:	\$43,421	Net Operating Income:	462,000	3,039	2.35	100.0%
Rentable Size (rsf):	196,504					
Sale Price/rsf:	\$33.59	Overall rate:	7.0%			
Gross Size (gsf):	200,134	EGIM:	14.3			
Sale Price/gsf:	\$32.98	Occupancy at time of sale:	96.0%			
Sale Date:	Sep-12					

Physical Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>
Year Built:	1972	2	1.0	Townhouse	896	44
Site Size (acres):	12.600	2	1.5	Townhouse	1,344	16
Density (units/acre)	12.1	3	1.0	Townhouse	1,064	42
Floors:	2	3	1.5	Townhouse	1,596	50
Property Class:	C					
Exterior:	Combination					

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
N Gas	N Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	Y Basement
N Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
Y Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	Y Playground
N Bus. Center	N Racquetball

Other Comments

Clifton Ridge Apartments is located in the southwest quadrant of I-75/US 401 and Allgood Road NE, about 0.50 miles north of US 41 (Cobb Parkway N) and about 1.50 miles northeast of downtown Marietta. This location is about 15 miles northwest of the Atlanta CBD. The property is located in Cobb County within the Atlanta-Sandy Springs-Marietta MSA. About \$1,100,000 in renovations were completed at the property in 2011.

Comparable Sales Data

The sales that were utilized to develop the value of the subject are detailed in the chart that follows. The sale price per unit of comparison is used to develop the value of the subject. To arrive at a value conclusion, the comparables are adjusted for dissimilarities to the subject with respect to property rights conveyed, financing terms, conditions of sale, date of sale, location, physical and economic attributes. Adjustments are made based on a comparison with one another as well as the appraisers' knowledge about the sales as they relate to the subject. The chart also notes the adjustments.

Pigeon Creek Apartments						
Improved Sales						
Sale	Subject	1	2	3	4	5
Name	Pigeon Creek Apartments	Lealand Place Apts	Ramson Court Apartments	Legacy Century Center	Waldan Pond Apartments	Clifton Ridge Townhome Apartments
Location	43 Rose Court	2945 Cruse Road	115 Ramson Rd NE	100 Windmont Dr	450 Waldan Cir	800 Allgood Rd
City or Township	Manchester	Lawrenceville	Atlanta	Atlanta	Acworth	Marietta
County	Meriwether	Gwinnett	Fulton	DeKalb	Cherokee	Cobb
MSA	Other	Atlanta	Atlanta	Atlanta	Atlanta	Atlanta
Date of Sale		December-11	November-12	August-12	October-12	September-12
Sale Price		\$11,370,000	\$1,025,000	\$11,850,000	\$4,800,000	\$6,600,000
Building Size (units)	43	192	20	178	124	152
Building Size (inc. community)	29,382	193,090	11,400	132,024	136,722	196,504
Sale Price/Unit		\$59,219	\$51,250	\$66,573	\$38,710	\$43,421
Sale Price/sf		\$58.88	\$89.91	\$89.76	\$35.11	\$33.59
Year Built	1992	1999	1950	1978	1987	1972
Site Size	4,600	9,410	0,590	6,780	12,250	12,600
Coverage	15%	47%	44%	45%	26%	36%
Average Unit Size (sf)	683	1,006	570	742	1,103	1,293
Units per Acre	9.3	20.4	33.9	26.3	10.1	12.1
EG/Unit	\$6,317	\$7,948				
EGIM		7.5				
Expenses/Unit	\$2,985	\$3,850				
NOL/unit	\$3,332	\$4,098	\$2,819	\$4,161	\$2,516	\$3,039
OAR		6.9%	5.5%	6.3%	6.5%	7.0%
Sale Adjustments						
Property Rights Conveyed	<i>Fee Simple</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		0%	0%	0%	0%	0%
Financing Terms	<i>Market</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		0%	0%	0%	0%	0%
Conditions of Sale	<i>Arm's Length</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		0%	0%	0%	0%	0%
Market Conditions	<i>Current</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
		0%	0%	0%	0%	0%
Total Sale Adjustments		0%	0%	0%	0%	0%
Adjusted Price per Unit		\$59,219	\$51,250	\$66,573	\$38,710	\$43,421
Property Adjustments						
Location	43 Rose Court	2945 Cruse Road	115 Ramson Rd NE	100 Windmont Dr	450 Waldan Cir	800 Allgood Rd
	Manchester	Lawrenceville	Atlanta	Atlanta	Acworth	Marietta
	Meriwether	Gwinnett	Fulton	DeKalb	Cherokee	Cobb
Comparison to subject		<i>Superior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>
		-10%	-25%	-25%	-10%	-10%
Physical						
Avg. Unit Size	683	1,006	570	742	1,103	1,293
Comparison to subject		<i>Superior</i>	<i>Inferior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>
		-15%	5%	-5%	-25%	-25%
Age	1992	1999	1950	1978	1987	1972
Quality/Condition		Average	Below Average	Below Average	Average	Below Average
Comparison to subject		<i>Similar</i>	<i>Inferior</i>	<i>Inferior</i>	<i>Similar</i>	<i>Inferior</i>
		0%	10%	10%	0%	5%
Total Property Adjustments		-25%	-10%	-20%	-35%	-30%
Value Indication per Unit		\$44,414	\$46,125	\$53,258	\$25,161	\$30,395
Source: Crown Appraisal Group						

As shown, no sale adjustments are indicated as appropriate for property rights conveyed, financing terms, conditions of sale, and market conditions, as they are considered to be the same as the subject. With respect to property adjustments, all location, physical, and economic attributes were reviewed – the analysis of each comparable sale is below.

Lealand Place Apartments (Comparable 1) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute, as compared to the average unit size at the subject, and the comparable is adjusted downward. Combined, the adjustments total -25%. This results in a value indication of \$44,414/unit for Pigeon Creek Apartments.

Rumson Court Apartments (Comparable 2) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is smaller, which is considered to be an inferior attribute, as compared to the average unit size at the subject, and the comparable is adjusted upward. At the time of sale, the general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject, and an adjustment is made. Combined, the adjustments total -10%. This results in a value indication of \$46,125/unit for Pigeon Creek Apartments.

Legacy Century Center (Comparable 3) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute, as compared to the average unit size at the subject, and the comparable is adjusted downward. At the time of sale, the general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject, and an adjustment is made. Combined, the adjustments total -20%. This results in a value indication of \$53,258/unit for Pigeon Creek Apartments.

Waldan Pond Apartments (Comparable 4) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute, as compared to the average unit size at the subject, and the comparable is adjusted downward. Combined, the adjustments total -35%. This results in a value indication of \$25,161/unit for Pigeon Creek Apartments.

Clifton Ridge Townhome Apartments (Comparable 5) - The comparable is considered to have a superior location when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute, as compared to the average unit size at the subject, and the comparable is adjusted downward. At the time of sale, the general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject, and an adjustment is made. Combined, the adjustments total -30%. This results in a value indication of \$30,395/unit for Pigeon Creek Apartments.

All of the sales were given credence when determining the value via this approach. This approach is used only as support for the primary approach, and the value conclusion reflects a hypothetical condition. This value indication is concluded to as representative of the property's as-is value as if operated under the hypothetical conventional, market rate scenario. **A value conclusion of \$42,000/unit, within the central tendencies of the comparable sales, is selected to represent the as-is market value as of the date of valuation. This indicates an aggregate value of \$1,810,000.** The following summarizes the projections of value via the sales comparison approach.

Sales Comparison Approach Summary		Value 1	
Pigeon Creek Apartments			
Unadjusted Value Range Per Unit	38,710	-	66,573
Indicated Value Range (rounded)	1,700,000	-	2,900,000
Adjusted Value Range Per Unit	25,161	-	53,258
Indicated Value Range (rounded)	1,100,000	-	2,300,000
Average, Median (adjusted)	39,871		44,414
Indicated Value (rounded)		1,810,000	
Value per Unit		42,000 /unit	
Source: Crown Appraisal Group			

Prospective Market Value

The prospective market value subject to restricted rents is projected under the extraordinary assumption that the proposed renovations to the subject property are complete. This valuation also assumes that the subject is operated as a subsidized, rural housing property. Both the income capitalization approach and the cost comparison approach are utilized to project the prospective market value subject to restricted rents (value 3). The income capitalization approach is used to arrive at the prospective market value, as conventional or unrestricted (value 4).

Income Capitalization Approach Value 3, prospective, subject to restricted rents

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. A discounted case flow technique is not considered appropriate. Market value is projected through the use of market derived financial projections and return parameters. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is projected by the rents on the units less an allowance for vacancy, plus other income.
- Expenses inherent in the operation of the property, including real estate taxes, insurance, repairs and maintenance, general and administrative, management, utilities, payroll, marketing, and reserve are projected.
- The net operating income is derived by deducting the operating expenses from the effective gross revenue.
- The net operating income is then capitalized to obtain an indication of value.

With respect to this valuation, the effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by the lesser of market rent or LIHTC constraints.

With respect to operating expense line items, Real Estate Taxes, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.

Pro Forma Capitalization

Base Rent Revenue – is based on the market rent levels for the units at the subject. The annual market rent is shown in the chart below. The rent is based on the lesser of market rent or LIHTC restrictions.

<i>Pigeon Creek Apartments</i>		<i>subject to restricted rents</i>							
<i>Base Rent Revenue</i>		<i>prospective</i>							
		<i>Value 3</i>							
	<u>Rent</u>	<u>Total</u>	<u>% of</u>	<u>Size</u>	<u>Total</u>	<u>Market Rent</u>			
	<u>Constraint</u>	<u>Units</u>	<u>total</u>	<u>(rsf)</u>	<u>rsf</u>	<u>Rent/Month</u>	<u>Rent/sf</u>	<u>Monthly</u>	<u>Yearly</u>
1 Bed, 1 Bath	Market	40	93%	650	26,000	589	\$0.91	\$23,560	\$282,720
2 Bed, 1 Bath	Market	3	7%	798	2,394	650	\$0.81	\$1,950	23,400
Overall Totals/Averages		43	100%	660	28,394	593	0.90	25,510	306,120

Source: Crown Appraisal Group

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section. Vacancy is estimated at 5%, and is applied to base rent revenue.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at \$7/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are based on historic and comparable data. The comparable data has been presented previously. As noted, Real Estate Taxes, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.

Pigeon Creek Apartments		<i>prospective</i>	
Operating Expense Estimates		<i>subject to restricted rents</i>	
		Value 3	
<u>Operating Expense</u>	<u>Cost/unit</u>	<u>Discussion</u>	
Real Estate Taxes	301	Based on the current real estate taxes of the subject as reported by the county, and increased to reflect the renovations.	
Insurance	265	Based on historic with support from market.	
Repairs & Maintenance	400	Lower end of the historic range reflecting the renovation.	
General & Administrative	350	Based on historic.	
Management	44.50	Based on cost per occupied door per month.	
Utilities	80	Electric	Based on historic with support from market.
	345	Water and sewer	Based on historic with support from market.
Payroll	700	Near the lower end of historic range reflecting the renovation.	
Marketing	2	Based on historic.	
Reserve	350	Based on market participant attitudes recognizing the renovation.	

Total Operating Expenses – The chart below compares historical and market derived operating expense data with the pro forma.

Pro Forma Operating Expense Estimate & Comparisons (per unit basis)					<i>prospective</i>			
Pigeon Creek Apartments					<i>subject to restricted rents</i>			
					Value 3			
	<u>Crown Appraisal Group Survey</u>				<u>Year End Historical</u>			<u>Subject Pro Forma</u>
	Low	High	Avg.	Med.	2010	2011	2012	
Real Estate Taxes	150	617	344	310	632	572	368	301
Insurance	229	279	260	260	257	261	261	265
Repairs and Maintenance	361	854	593	551	345	420	413	400
General and Administrative	245	381	324	336	347	333	197	350
Management Fees	471	553	526	529	498	522	522	507
Utilities								
Electric	83	249	146	145	99	83	77	80
Water/Sewer	3	594	288	374	334	328	337	345
Total Utilities	164	747	434	488	433	411	413	425
Payroll	533	1,329	821	731	636	665	719	700
Marketing	2	23	8	7	2	1	5	2
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	n/a	350
Total Operating Expenses	2,822	3,580	3,309	3,390	3,149	3,185	2,898	3,301

Note: columns with low, high, average, and median figures may not add to total

Source: *Property Managers; Crown Appraisal Group*

The net operating income is estimated by deducting the operating expenses from the effective gross income. The pro forma is shown below.

Pro Forma Operating Statement		<i>subject to restricted rents</i>		
Pigeon Creek Apartments		<i>prospective</i>		
		43 units	Value 3	
		<u>% of EGI</u>	<u>Per Unit</u>	<u>Amount</u>
Potential Rental Revenue		105.2%	\$7,119	\$306,120
Less: Vacancy and Collection Loss @	5.0%	<u>-5.3%</u>	<u>-356</u>	<u>-15,306</u>
Effective Rent		99.9%	6,763	290,814
Plus Other Revenue:				
Other Income		0.1%	7	301
Effective Gross Income		100.0%	6,770	291,115
Less: Operating Expenses				
Real Estate Taxes		4.4%	301	12,954
Insurance		3.9%	265	11,395
Repairs and Maintenance		5.9%	400	17,200
General and Administrative		5.2%	350	15,050
Management Fees		7.5%	507	21,814
Utilities				
Electric		1.2%	80	3,440
Water/Sewer		<u>5.1%</u>	<u>345</u>	<u>14,835</u>
Total Utilities		6.3%	425	18,275
Payroll		10.3%	700	30,100
Marketing		0.0%	2	86
Reserve		<u>5.2%</u>	<u>350</u>	<u>15,050</u>
Total Operating Expenses		48.8%	3,301	141,924
Net Operating Income		51.2%	3,470	149,191

Source: Crown Appraisal Group

Capitalization Rate Discussion

Capitalization is the process by which net operating income is converted into a value indication. A capitalization rate is utilized that most accurately represents the risk associated with receiving the property's net operating income. A property that has a "safer" income stream is one that has less risk.

In order to arrive at an appropriate range, emphasis was put on data provided by comparable sales and analysis of financing techniques.

It is noted that Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

Use of an overall rate from the conventional market, which reflects conventional financing, is appropriate because all favorable financing will be valued separately from the market value, subject to restricted rents, of the real estate.

The handbook also notes that there is additional value of RA (rental assistance) to the net operating income stream through reducing the risk of investment by improving the durability of the [rental] income stream (through the assistance of the rent subsidy). The handbook further recognizes that the overall rate can be adjusted downward to account for the reduced risk due to RA.

Before consideration of the ramifications of the RA units, an overall rate of 7.00% is selected as being appropriate to accurately reflect the risk characteristics arising from the income stream. The rate selected falls within the ranges indicated by comparable sales, and the quantitative overall rate derivation techniques (band of investment and debt coverage ratio).

Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

When the subject property has RA, the appraisal must include a discussion of the Section 521 Rental Assistance Program, the number of RA units at the subject, and how RA affects the market value, subject to restricted rents, of the property. Rental assistance is a rent subsidy provided to owners of 514/515 projects. The renter of an RA unit is required to pay a tenant contribution toward the approved shelter cost (rent plus tenant based utilities) of the unit that is equal to no more than 30 percent of his/her income. RA is the portion of the approved shelter cost paid by the Agency to compensate a borrower for the difference between the approved shelter cost and the tenant contribution. RA usually adds value to a 514/515 project in three ways: 1) it guarantees that the scheduled base rate rent for all occupied RA units will be attained; 2) it usually increases demand for the subject's units and consequently decreases the vacancy rate; and 3) it reduces the risk of investment in the subject project by improving the durability of the income stream. Rental assistance need not be separately valued; the value of RA can be incorporated within the market value, subject to restricted rents. This can be accomplished within the Income Approach by taking into account the three ways that RA increases value, listed above, as follows. 1) Base rate rents should be included as Potential Gross Income (PGI) in the restricted pro forma; 2) a vacancy and collection loss factor that reflects the amount of RA at the property should be included; and 3) a capitalization rate for the subject may be adjusted downward to account for the reduced risk to the investor due to RA.

Based on market participant attitudes and prior experience in the valuation of subsidized properties, overall capitalization rates for properties that have 100% subsidized tenancy typically are ± 50 basis points lower than the overall capitalization rates of similar properties than are market rate properties. This is due to market participant attitudes that view the income that is provided by a government funded source to be “safer” than income that is provided from market rate tenants.

When arriving at an opinion of the *Market Value of the fee simple estate, as conventional or unrestricted, subject to the short term leases as of the date of valuation* a weighted average technique is utilized to arrive at an overall capitalization rate conclusion. The weighted average technique take the relative “safeness” of the income streams attributable to the rental assistance and non rental assistance units at the property into consideration. The chart below summarizes the technique utilized to arrive at a final overall capitalization rate opinion for the *Market Value of the fee simple estate, as conventional or unrestricted, subject to the short term leases as of the date of valuation*.

Overall Capitalization Rate Selection				Value 3
Prospective Market Value Subject to Restricted Rents				
<u>Lease Guarantor</u>	<u># of Units</u>	<u>% of Total</u>	<u>Selected OAR</u>	<u>Weighted Rate</u>
Tenant	1	2.3%	7.00%	0.163%
Rental Assistance	42	97.7%	6.10%	5.958%
Total	43	100.0%		6.121%
Indicated OAR				6.12%

Source: *Crown Appraisal Group*

Recognizing that none of the units have RA, an overall rate of 6.12% is selected as being appropriate to accurately reflect the risk characteristics arising from the subject income stream. Application of the rate to the pro forma net operating income is shown in the chart below.

Pro Forma Technique Value Conclusion		prospective
Pigeon Creek Apartments		subject to restricted rents
		Value 3
Net Operating Income		\$149,191
Overall Capitalization Rate		6.12%
Value Conclusion		2,437,393
Rounded To:		\$2,440,000

Source: *Crown Appraisal Group*

Value 4, prospective, as conventional or unrestricted

As has been discussed, the prospective market value market value upon completion and as stabilized (unrestricted rents) assumes that the subject is operated as a conventional, market rate property.

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by market rent.

The total operating expense estimate should be lower due to renovation (reduced Repairs & Maintenance as well as Payroll) as well as reduced General & Administrative and Management expenses. The Marketing expense should be higher than historic, and there will be an explicit reserve expense.

Many of the parameters used in this valuation have been extensively discussed and analyzed. A summary of them follows.

<i>Pigeon Creek Apartments</i>		<i>prospective</i>	
<i>Operating Expense Estimates</i>		<i>as conventional or unrestricted</i>	
		<i>Value 4</i>	
<u>Operating Expense</u>	<u>Cost/unit</u>	<u>Discussion</u>	
Real Estate Taxes	301	Based on the current real estate taxes of the subject as reported by the county, and increased to reflect the renovations.	
Insurance	265	Based on historic with support from market.	
Repairs & Maintenance	350	Below historic; reflects the renovation as well as the recognition that the property would not be as well maintained if it were to be operated as a market rate one.	
General & Administrative	300	Below historic; market rate properties have lower general & administrative costs than subsidized properties.	
Management	5.00%	Percent of effective gross income rather than fee per occupied door per month.	
Utilities	80	Electric	Based on historic with support from market.
	345	Water and sewer	Based on historic with support from market.
Payroll	675	Based on the size of the property, a total cost per year, or a cost per month, is the appropriate manner in which to develop this operating expense estimate. The expense recognizes the renovation and is based on the probable cost if the property were operated as a market rate one.	
Marketing	5	Above historic; market rate properties require a higher cost for marketing.	
Reserve	350	Based on market participant attitudes reflecting the renovation.	

The pro forma and value conclusion are below.

Pigeon Creek Apartments		<i>prospective</i>						
Base Rent Revenue		<i>as conventional or unrestricted</i>						
		Value 4						
	Total	% of	Size	Total	Market Rent			
	<u>Units</u>	<u>total</u>	<u>(rsf)</u>	<u>rsf</u>	<u>Rent/Month</u>	<u>Rent/sf</u>	<u>Monthly</u>	<u>Yearly</u>
1 Bed, 1 Bath	40	93%	650	26,000	\$600	\$0.92	\$24,000	\$288,000
2 Bed, 1 Bath	3	7%	798	2,394	\$650	0.81	1,950	23,400
Overall Totals/Averages	43	100%	660	28,394	603	0.91	25,950	311,400

Source: Crown Appraisal Group

Pro Forma Operating Statement		<i>prospective</i>		
Pigeon Creek Apartments		<i>as conventional or unrestricted</i>		
		43 units		
		Value 4		
		<u>% of EGI</u>	<u>Per Unit</u>	<u>Amount</u>
Potential Rental Revenue		105.2%	\$7,242	\$311,400
Less: Vacancy and Collection Loss @	5.0%	<u>-5.3%</u>	<u>-362</u>	<u>-15,570</u>
Effective Rent		99.9%	6,880	295,830
Plus Other Revenue:				
Other Income		0.1%	7	301
Effective Gross Income		100.0%	6,887	296,131
Less: Operating Expenses				
Real Estate Taxes		4.4%	301	12,954
Insurance		3.8%	265	11,395
Repairs and Maintenance		5.1%	350	15,050
General and Administrative		4.4%	300	12,900
Management Fees		5.0%	344	14,807
Utilities				
Electric		1.2%	80	3,440
Water/Sewer		<u>5.0%</u>	<u>345</u>	<u>14,835</u>
Total Utilities		6.2%	425	18,275
Payroll		9.8%	675	29,025
Marketing		0.1%	5	215
Reserve		<u>5.1%</u>	<u>350</u>	<u>15,050</u>
Total Operating Expenses		43.8%	3,016	129,671
Net Operating Income		56.2%	3,871	166,460

Source: Crown Appraisal Group

Pro Forma Technique Value Conclusion		<i>prospective</i>
Pigeon Creek Apartments		<i>as conventional or unrestricted</i>
		Value 4
Net Operating Income		\$166,460
Overall Capitalization Rate		<u>7.00%</u>
Value Conclusion		2,378,007
Rounded To:		\$2,380,000

Source: Crown Appraisal Group

Cost Approach

Value 3, prospective, subject to restricted rents

The cost approach aggregates land value as if vacant, plus the cost to replace the existing improvements, less any accrued depreciation. The cost approach reflects value by recognizing that participants relate value to cost. Appraisal principles and concepts relating to this approach include substitution, supply and demand, balance, externalities, and highest and best use. Land valuation concepts and principles include anticipation, change, supply and demand, substitution, and balance. This approach provides an opinion of value principally based on the principle of substitution that states that:

No rational person would pay more for a property than that amount by which he or she can obtain, by purchase of a site and construction of a building, without undue delay, a property of equal desirability and utility.

Methodology

The cost approach involves several steps (presented below) that have been employed to project the value of the subject:

- Comparable land sales are typically analyzed and adjusted to provide an estimate of the subject's site as if vacant. However, although due to the size and location of Manchester, minimal development has taken place and land rarely trades in the area. Given this, the appraised courthouse land value estimate for the subject is utilized.
- The improvement cost was projected using the Marshall Valuation Service.
- The amount of accrued depreciation or obsolescence (physical, functional and economic) has been projected and deducted from the replacement cost opinion.
- The depreciated replacement cost opinion is then added to the land value projected for the subject site.
- The sum of these opinions produces an indication of value by the cost approach.

Value 5, Land Value

In order to obtain a value for the subject via the cost approach, land sales within the area are typically utilized. However, a search for comparable land sales in the subject’s market area found no results. The reality is that few properties have been acquired to construct new multi-family properties in those parts of the state. Given this, the courthouse appraised value of the subject land is utilized when estimating the value of the subject site.

The county appraised value of the ±4.600 acre site is \$115,000. *A point value of \$115,000 is estimated for the subject land as of the date of valuation.*

Improvement Valuation

The Marshall Valuation service has been used to develop the replacement cost of the improvements. The chart below develops the improvement replacement cost, and the value via the cost approach.

<i>Improvement Value</i>							
<i>Pigeon Creek Apartments</i>							
	Square feet	Unadjusted Cost/sf	Current Multiplier	Local Multiplier	Total Adjusted Multiplier	Adjusted Cost/sf	Total Cost
Multiple Residences, Average/Good, Class D	28,394	75.00	1.04	0.86	0.89	67.08	1,904,670
Additional buildings	988	75.00	1.04	0.86	0.89	67.08	<u>66,275</u>
							Total Cost Estimate 1,970,945
							Less: Depreciation
							Effective Age 5
							Economic Life <u>55</u>
							Depreciation 9.1%
							Total Depreciation <u>179,177</u>
							Improvement Cost 1,791,768
							Improvement Cost (rounded) 1,790,000

Source: *Marshall Valuation; Crown Appraisal Group*

A base cost per square foot is developed. Adjustments are made for current and local multipliers; the adjusted cost is multiplied by the size of the improvements. After adjusting for the current and local cost multipliers, the undepreciated replacement cost estimate for the subject improvements is \$1,917,415.

Depreciation/Obsolescence Estimates for Improvements

A depreciated age-life method is used to estimate depreciation. There are two types of depreciation and/or obsolescence that need to be considered for the improvements. Physical deterioration and functional/economic obsolescence are considered. Following renovations, the improvements will be in good physical and functional condition. Marshall Valuation estimates the economic life of the improvements at 55 years. The effective age of the building (following renovations) is estimated at 5 years. Total depreciation of the subject improvements is estimated at 9.1% or \$174,310. The total depreciation is deducted from the undepreciated replacement cost opinion to arrive at a depreciated improvement cost opinion.

Entrepreneurial Incentive

Entrepreneurial incentive is defined in The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, as follows:

A market derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk.

Typically, properties like the subject are constructed as investment properties. Entrepreneurs, or developers/builders, of these properties usually seek profit margins of 12% to 25%. Rather than develop an explicit opinion of entrepreneurial incentive, this item is considered in the Reconciliation and Final Value Opinion section of the report. The reasoning for the treatment of entrepreneurial incentive in this manner is that entrepreneurial incentive is, in reality, only realized as a result of how well a particular property meets market [participant] attitudes. The reality is that the incentive may be less than anticipated by a developer, or may be more, depending upon the circumstances.

Conclusion

The cost approach value opinion is reached by adding the land value and depreciated improvement cost opinions. ***The following value indication, before entrepreneurial incentive, is reached for the subject.***

<i>Cost Approach Summary</i>	<i>land value</i>	<i>Value 5</i>
<i>Pigeon Creek Apartments</i>	<i>cost approach total</i>	<i>Value 3</i>
Land Value		\$115,000
Depreciated Improvement Cost		<u>1,790,000</u>
<i>Cost Approach Value Estimate (rounded)</i>		<i>1,905,000</i>
<i>before entrepreneurial incentive</i>		

Source: Crown Appraisal Group

Reconciliation and Final Value Opinion

The purpose of this assignment is to develop and report an opinion of value for Pigeon Creek Apartments. The specific real property interest, real estate, and type of value have been detailed within the body of this report. The values developed by the approaches are summarized as follows:

Reconciliation and Final Value Conclusions				
Pigeon Creek Apartments				
	Value 1	Value 2	Value 3	Value 4
	<u>as conventional or unrestricted</u>	<u>subject to restricted rents</u>	<u>subject to restricted rents</u>	<u>as conventional or unrestricted</u>
Income Capitalization Approach	2,050,000	1,090,000	2,440,000	2,380,000
Sales Comparison Approach	1,810,000	n/a	n/a	n/a
Cost Approach before entrepreneurial incentive	n/a	n/a	1,905,000	n/a

Source: *Crown Appraisal Group*

The methodology and applicability of each approach has been previously explained.

Value 1

The income capitalization approach is the primary approach, with support from the sales comparison approach.

Value 2

The income capitalization approach is the only approach considered applicable.

Value 3

The income capitalization approach is the primary approach, with support from the cost approach.

Value 4

The income capitalization approach is the only approach considered applicable.

The income capitalization approach is based on the principle of anticipation in the potential of receiving future income streams from the property. Its applicability is good, as the property being appraised was developed to produce income. As such, the property is typically valued by participants based on its ability to do so. Revenue, expense, and capitalization rate criteria were all derived from actual, market, and/or investor-based criteria. A pro forma technique was explicitly utilized and considered in developing all value opinions. The income capitalization approach is the primary approach for all value opinions.

The sales comparison approach is based on the principle of substitution, and is a viable technique when comparable properties have transferred ownership in the market. It is also viable when the participants base their investment decisions on the principle of substitution. This approach is rarely applicable in concluding a market value, subject to restricted rents, due to the lack of sales of subsidized apartments in small rural markets and the difficulty of making meaningful adjustments for financing terms to the sales comparables.

When developing an opinion of the Prospective market value subject to restricted rents, of the fee simple estate, as restricted, subject to short-term leases as of completion of construction, the cost approach is utilized. It excludes entrepreneurial incentive, because it is only actualized

subsequent to completion/stabilization and in the event of a sale. The implied entrepreneurial incentive or difference between the value indicated by the cost approach and the final market value opinion is about 8.6%. This figure is taken at face value.

As noted, primary emphasis was placed on the income capitalization approach for point value opinions of the all market value opinions. Therefore, based upon the analyses and conclusions contained within this report and subject to the assumptions and limiting conditions contained herein, the value opinions, as of the as-is and prospective dates of valuation are:

<i>Value Opinions</i>	<u>Date of Value</u>	<u>Value</u>
<i>Value 1 - as-is, as conventional or unrestricted</i>	August 1, 2013	<i>\$2,050,000</i>
<i>Value 2 - as-is, subject to restricted rents</i>	August 1, 2013	<i>\$1,090,000</i>
<i>Value 3 - prospective, subject to restricted rents</i>	February 1, 2015	<i>\$2,440,000</i>
<i>Value 4 - prospective, as conventional or unrestricted</i>	February 1, 2015	<i>\$2,380,000</i>

Interest Credit Subsidy Value Opinion

Value 6

Interest credit is a form of federal assistance available to eligible borrowers that reduces the effective interest rate of a loan. The USDA Rural Housing Service (RHS or RD) offers direct loans with favorable terms for affordable housing in the Rural Rental Housing Program and the Farm Labor Housing Program. The 515 loan falls within this program. In this case, Section 515 permanent loans for new construction and subsequent loans for rehabilitation include interest rates as low as 1 percent. These loans are made at a “note rate” of interest, but a “basic rate” of interest to the borrower is typically 1 percent. A monthly mortgage payment is calculated at the note rate of interest, and the loan is amortized at the note rate of interest, but the borrower's actual mortgage payment is based on the basic rate of 1 percent. The difference between the note rate payment and the basic rate payment is the *interest credit*. The borrower is effectively subsidized with an income stream represented by the monthly *interest credit* that is available for the term of the loan.

In appraisals of Section 515 funded properties, valuation of the *interest credit subsidy* (favorable financing) is part of the assignment when the *market value, subject to restricted rents*, must be concluded. When *interest credit subsidy* is the only favorable financing involved, the security value, on which the loan is based, has two components: 1) the *market value, subject to restricted rents*, of the real estate, and 2) the value of the *interest credit subsidy*.

The value of the *interest credit subsidy* from RD direct loans on most existing properties can be calculated by subtracting the monthly debt service at the below-market rate of interest from the monthly payment at the current rate offered for conventional loans and discounting the difference by the current conventional interest rate over the remaining loan term. For the subject, interest credit subsidy values are calculated for the existing Section 515 loan and the subsequent “new” 515 loan (the existing 515 loan that is rewritten with new terms. These calculations are as of the as-is date of valuation and are summarized in the following chart:

Interest Credit Subsidy Valuation		Value 6	
Existing Section 515 Loan/Restated 515 Loan Terms		Pigeon Creek Apartments	
Existing/Restated 515 Loan		New 538 Loan	
<i>Existing Lender's Terms (market rate)</i>		<i>Market Rate</i>	
Principal Balance of	December 31, 2012	Principal Balance	\$643,000
Conventional Loan Interest Rate	5.500%	Conventional Loan Interest Rate	5.500%
Term of Existing Section 515 Loan (years)	30	Term (years)	30
Loan Monthly Payment	\$6,400	Conventional Loan Monthly Payment	\$3,651
<i>Restated Section 515 Loan Terms</i>		<i>Section 538 Loan Terms</i>	
Principal Balance	\$1,127,208	Principal Balance	\$643,000
Interest Rate	1.000%	Interest Rate	3.125%
Term (years)	50	Term (years)	30
Section 515 Loan Monthly Payment	\$2,388	Section 538 Loan Monthly Payment	\$2,754
Monthly Savings from Below Market Financing	\$4,012	Monthly Savings from Below Market Financing	\$896
Present Value of Monthly Savings from Below Market Financing	\$706,613	Present Value of Monthly Savings	\$157,881
Note Rate	3.125%		
Monthly Payment at Note Rate	\$3,716		
Future Value of Balloon Payment	\$662,521		
Present Value of Balloon Payment	\$127,718		
Value of Interest Credit Subsidy	\$578,895	Value of Interest Credit Subsidy	\$157,881
Existing Section 515 Loan Interest Credit Subsidy Value (Rounded)	\$579,000	New Section 538 Loan Interest Credit Subsidy Value (Rounded)	\$158,000

Source: Greystone, Crown Appraisal Group

LIHTC Value Opinion

Value 7

The Low Income Housing Tax Credit (LIHTC or Tax Credit) program was created by the Tax Reform Act of 1986 as an alternate method of funding housing for low- and moderate-income households, and has been in operation since 1987. Until 2000, each state received a tax credit of \$1.25 per person that it can allocate towards funding housing that meets program guidelines (currently, legislation is pending to increase this per capita allocation). This per capita allocation was raised to \$1.50 in 2001, to \$1.75 in 2002, and adjusted for inflation beginning in 2003. These tax credits are then used to leverage private capital into new construction or acquisition and rehabilitation of affordable housing.

The tax credits are determined by the development costs, and are used by the owner. Often, because of IRS regulations and program restrictions, the owner of the property will not be able to use all of the tax credits, and therefore, many LIHTC properties are owned by limited partnership groups that are put together by syndicators. In this manner, a variety of companies and private investors participate within the LIHTC program, investing in housing development and receiving credit against their federal tax liability in return.

Tax Credits must be used for new construction, rehabilitation, or acquisition and rehabilitation and projects must also meet the following requirements:

- 20% or more of the residential units in the project are both rent restricted and occupied by individuals whose income is 50% or less of area median gross income *or* 40% or more of the residential units in the project are both rent restricted and occupied by individuals whose income is 60% or less of area median gross income.
- When the LIHTC program began in 1987, properties receiving tax credits were required to stay eligible for 15 years. This eligibility time period has since been increased to 30 years.

These are minimums. Because of the way states award credits, it is in the interest of developers to exceed these minimums, as most states look more favorably on projects serving a higher percentage of income-eligible households.

Most states determine the amount of tax credit an individual project receives based on its *qualified basis*. First, total project cost is calculated. Second, *eligible basis* is determined by subtracting non-depreciable costs, such as land, permanent financing costs, rent reserves and marketing costs. The project developer may also voluntarily reduce the requested eligible basis in order to gain a competitive advantage. If the development is located in a HUD designated high cost area (HCA), the eligible basis receives a 130% HCA adjustment. These areas include both Qualified Census Tracts (QCTs) and Difficult Development Areas (DDAs). Finally, to determine the qualified basis, the eligible basis is multiplied by the applicable fraction, which is the smaller of, (1) the percentage of low income units to total units, or, (2) the percentage of square footage of the low income units to the square footage of the total units, to arrive at the qualified basis.

The qualified basis is multiplied by the federal tax credit rate, published monthly by the IRS, to determine the maximum allowable tax credit allocation. For projects that are new construction or rehabilitation, which are not financed with a federal subsidy, the rate is approximately 9%. For projects involving a federal subsidy (including projects financed more than 50% with tax exempt bonds), the rate is approximately 4%. The 9% and 4% rates are used to determine a project's initial tax credit reservation. A project's final (placed-in-service) tax credit allocation is based on actual project sources and uses of funds, the financing shortfall and the actual applicable federal rate. The rate applicable to a project is the rate published for the month each building is placed in service or in an earlier month elected by the sponsor. The allocation cannot exceed the initial reservation amount and may be reduced if an analysis determines that the maximum allowable amount would generate excess equity proceeds to the project.

Pigeon Creek Apartments LIHTC

An annual LIHTC of \$85,467 is anticipated to be granted for the acquisition and rehabilitation of the subject. This low income housing tax credit will be granted annually over a 10-year term. The overall net sum of the LIHTC to the ownership entity of the subject over the 10-year term is \$854,670. The tax credits reduce the owner's tax liability. Thus, they have value to the owner. The tax credits can be transferred if the seller guarantees that the transfer will still maintain the LIHTC requirements.

Current LIHTC Market

Not surprising, LIHTC pricing has not remained static. In May, 2009, average pricing of LIHTC was about \$0.70 per credit (data compiled and reported by Novogradac & Company). Pricing dropped to about \$0.62 in March 2010, but has risen steadily. In November, 2011 (pricing was about \$0.90 per credit. Since January 2011, pricing has been consistently above \$0.80 per credit.

Specific to the subject (and the portfolio of properties to which it is a part), there is a contract to purchase the tax credits at \$1.15 per gross credit. This is the best evidence of the appropriate value of the tax credits.

Value of Tax Credits

The value of the tax credits is a fairly simple calculation. The value is developed by taking the total tax credits and multiplying them by the appropriate pricing – in this case, \$1.15 per tax credit. The value is shown below.

<i>LIHTC Analysis</i>	<i>Pigeon Creek Apartments Value 7</i>
<u>Period</u>	
Annual Tax Credits	85,467
Years	<u>10</u>
Total Tax Credits	854,670
Total Pricing	1.15
Value of Tax Credits	982,870

Source: *Crown Appraisal Group*

Insurable Value Opinion

Value 8

The insurable value opinion is shown below. The insurable value opinion is based on Marshall Valuation Service figures. The reported cost is the opinion to replace the improvements described within this report with improvements of generally similar utility (physical condition, quality, and functionality), under the assumption that the improvements need to be completely replaced for insurance coverage purposes.

<i>USDA Rural Development</i>				<i>Value 8</i>
<i>Insurable Value Calculation</i>				
Property Name				Pigeon Creek Apartments
Street Address				43 Rose Court
City, County, State, Zip				Manchester, Meriwether County, Georgia 31816
Base Cost				
Main Structure/sf				75.00
Sprinkler/sf				0.00
Other/sf				0.00
Adjustments and/or Multipliers	1.04 current cost	0.86 local cost		0.89
Total Base Cost per square foot				67.08
Building Area square footage				29,382
Total Replacement Cost New				1,970,945
Exclusions				
	<u>per sf</u>	<u>percent</u>		
Excavations	0.00	0.0%		0
Foundations	2.35	3.5%		68,983
Site Work	0.00	0.0%		0
Site Improvements	0.00	0.0%		0
Architect's Fees	0.00	0.0%		0
Underground Piping	0.00	0.0%		0
Total Exclusions	2.35	3.5%		68,983
Inclusions				
	<u>per unit</u>	<u>units</u>		
Appliance Packages	750	43		32,250
Patios/Balconies	250	43		10,750
Total Inclusions				43,000
Concluded Insurable Value				
Total Replacement Cost New				1,970,945
Less Total Exclusions				68,983
Plus Total Inclusions				43,000
Concluded Insurable Value				1,944,962
Source: <i>Marshall Valuation; Crown Appraisal Group</i>				

ADDENDUM

SUBJECT PHOTOGRAPHS



PROFESSIONAL QUALIFICATIONS

ANDREW J. MOYE, MAI

Business Experience

Crown Appraisal Group, Columbus, Ohio.

Principal

Real estate consulting, including appraisal and market study assignments for commercial real estate.

Vista Capital/Chemical Mortgage Company, Columbus, Ohio.

Vice President.

Responsible for appraisals and market studies of commercial real property.

Landauer Associates, Inc., West Palm Beach, Florida.

Assistant Vice President.

Valuation and evaluation of real property, and development of land use studies for large commercial and residential PUDs.

Education

Masters of Business Administration (Finance), The Ohio State University, Columbus, Ohio.

Bachelor of Science in Business Administration (Real Estate), The Ohio State University, Columbus, Ohio.

Professional Education

Appraisal Principles	AI Course 110
Appraisal Procedures	AI Course 120
Basic Income Capitalization	AI Course 310
General Applications	AI Course 320
Standards of Professional Practice.....	AI Course 410
Standards of Professional Practice.....	AI Course 420
Advanced Income Capitalization.....	AI Course 510
Highest & Best Use and Market Analysis	AI Course 520
Advanced Sales Comparison and Cost	AI Course 530
Report Writing and Valuation Analysis.....	AI Course 540
Advanced Applications.....	AI Course 550

Professional Qualifications

MAI (Member, Appraisal Institute), Appraisal Institute

Young Advisory Council, Appraisal Institute

Certified General Appraiser, AL, AZ, CO, FL, GA, IN, KY, MI, MS, NC, NY, OH, SC, WV

Expert witness in Federal Bankruptcy Court, Common Pleas Courts throughout Ohio, various Boards of Revision, State Board of Tax Appeal

STATE OF GEORGIA
REAL ESTATE APPRAISERS BOARD

ANDREW JOHN MOYE

5464

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CERTIFIED GENERAL REAL PROPERTY APPRAISER

THE PRIVILEGE AND RESPONSIBILITIES OF THIS APPRAISER CLASSIFICATION SHALL CONTINUE IN EFFECT AS LONG AS THE APPRAISER PAYS REQUIRED APPRAISER FEES AND COMPLIES WITH ALL OTHER REQUIREMENTS OF THE OFFICIAL CODE OF GEORGIA ANNOTATED, CHAPTER 43-39-A. THE APPRAISER IS SOLELY RESPONSIBLE FOR THE PAYMENT OF ALL FEES ON A TIMELY BASIS.

D. SCOTT MURPHY
Chairperson

JEFF LAWSON
KEITH STONE
MARILYN R. WATTS

SANDRA MCALISTER WINTER
Vice Chairperson

46535503

ANDREW JOHN MOYE

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END OF RENEWAL
09/30/2014

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State of Georgia
Real Estate Commission
Suite 1000 - International Tower
229 Peachtree Street, N.E.
Atlanta, GA 30303-1605



WILLIAM L. ROGERS, JR.
Real Estate Commissioner

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