

**Appraisal Report\***

**For**

**An Existing Senior Apartment Complex**

**Called**

**Whispering Pines Apartments  
261 North Court Street  
Pearson, Georgia 31642**

**Prepared For  
Ms. Melanie Ferrell  
Investors Management Company  
3548 North Crossing Circle  
Valdosta, Georgia 31602**

**And**

**Georgia Department of Community Affairs  
60 Executive Park South, NE  
Atlanta, Georgia 30329**

**Intended Users  
Investors Management Company, Georgia Department of Community Affairs and  
United States Department of Agriculture, Rural Development**

**Date of Appraisal  
September 22, 2017**

**Effective Date of Appraisal  
May 8, 2017**

**Appraised By  
Samuel T. Gill**

***Gill  
Group***  
*P.O. Box 784  
512 N. One Mile Road  
Dexter, MO 63841*



September 22, 2017

Ms. Melanie Ferrell  
Investors Management Company  
3548 North Crossing Circle  
Valdosta, Georgia 31602

and

Georgia Department of Community Affairs  
60 Executive Park South, NE  
Atlanta, Georgia 30329

RE: Whispering Pines Apartments  
261 North Court Street  
Pearson, Georgia 31642  
"As Is" and "As Stabilized" Appraisal Report  
As of May 8, 2017

Dear Ms. Ferrell:

In accordance with your request, I have personally appraised the existing Rural Development property targeted towards seniors ages 62 and older known as Whispering Pines Apartments. The site contains approximately 2.30 acres. The subject is improved with four garden one-story buildings containing 25 units and one accessory building.

The purpose of the Appraisal Report is to estimate the market value, subject to restricted rents, within 7 CFR Part 3560.752(b)(1)(i) as defined in the USDA-RD guidelines; market value, within 7 CFR Part 3560.752(b)(1)(ii) as defined in the USDA-RD guidelines; the prospective market value, subject to restricted rents, within 7 CFR Part 3560.752(b)(1)(i) as defined in the USDA-RD guidelines; prospective market value within 7 CFR Part 3560.752(b)(1)(ii), premised upon a hypothetical condition as-if conventional housing as defined in the USDA-RD guidelines; the value of interest credit subsidy from the existing 515 loan as defined in the USDA-RD guidelines; the value of interest credit subsidy from the assumed 515 loan as defined in the USDA-RD guidelines; the value of favorable financing as defined in the USDA-RD guidelines; the value of the Low Income Housing Tax Credits as defined in the USDA-RD guidelines. Additional values required by Georgia Department of Community Affairs include the value of the land; as is market value; the prospective market value upon stabilization - restricted rents; the prospective market value upon stabilization – market rents; and the prospective market value at loan maturity – market rents. The property interest being appraised is the fee simple interest. The function of this appraisal is to aid the client, Investors Management Company, Georgia Department of Community Affairs and United States Department of Agriculture, Rural Development in the decision-making process involved in evaluating the value of the subject property.

*\*Prior to the 2014-2015 USPAP, this report would have been considered a complete self-contained appraisal report.*

The intended users of the appraisal are Investors Management Company, Georgia Department of Community Affairs and United States Department of Agriculture, Rural Development. The appraisal is assignable to other lenders or participants in the transaction. In addition to this appraisal, Gill Group, Inc., has also completed a market study.

A description of the property, together with information providing a basis for estimates, is presented in the accompanying report. This appraisal is subject to the definitions, assumptions, conditions and certification contained in the attached report. During the fieldwork, it has been determined the appraised property has no natural, cultural, scientific or recreational value. Samuel T. Gill, State Certified General Real Estate Appraiser, is the signing appraiser on this report. He completed valuation and analysis as indicated in the Scope of Work of this report. Trey Johnson and Scott Hassler inspected the interior and exterior of the subject property, and Samuel T. Gill inspected the exterior of the property.

*The market value of the fee simple estate, unrestricted or conventional, subject to short-term leases, was determined under the hypothetical condition that the subject was a conventional property and not subject to any rent restrictions.*

*The "prospective" values upon stabilization of the fee simple estate were determined under the extraordinary assumption that the rehabilitation is completed as detailed in the scope of work and that the proposed rents indicated in the report are approved.*

*The following values are determined for the Clients and Intended Users:*

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Market Value, within 7 CFR part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition as-if Conventional Housing, as of May 8, 2017, is as follows.

**ONE MILLION TWO HUNDRED THOUSAND DOLLARS**  
**\$1,200,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Market Value, Subject to Restricted Rents, within 7 CFR part 3560.752(b)(1)(i), as of May 8, 2017, is as follows.

**FOUR HUNDRED FIFTY FIVE THOUSAND DOLLARS**  
**\$455,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Market Value, within 7 CFR part 3560.752(b)(1)(ii), as of May 8, 2017, is as follows.

**FOUR HUNDRED FIFTY FIVE THOUSAND DOLLARS**  
**\$455,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If Conventional Housing as of January 31, 2019, is as follows.

**ONE MILLION FOUR HUNDRED THOUSAND DOLLARS**  
**\$1,400,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Prospective Market Value, Subject to Restricted Rents, within 7 CFR part 3560.752(b)(1)(i), as of January 31, 2019, is as follows.

**ONE MILLION FOUR HUNDRED TEN THOUSAND DOLLARS**  
**\$1,410,000**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the Value of the Interest Credit Subsidy from the Existing USDA RD Section 515 Loan of the subject property, as of May 8, 2017, is as follows:

**TWO HUNDRED SEVENTY SEVEN THOUSAND DOLLARS**  
**\$277,000**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the Value of the Interest Credit Subsidy from the Proposed USDA RD Section 515 Loan of the subject property, as of May 8, 2017, is as follows:

**TWO HUNDRED EIGHTEEN THOUSAND DOLLARS**  
**\$218,000**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the value of the Low Income Housing Tax Credits, as of May 8, 2017, is as follows:

**FIVE HUNDRED THOUSAND DOLLARS**  
**\$500,000**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the As Is Market Rent (CRCU) of the 654 square feet one-bedroom units of the subject property, as of May 8, 2017, is as follows:

**FIVE HUNDRED SEVENTY FIVE DOLLARS**  
**\$575.00**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the As Complete Market Rent (CRCU) of the 654 square feet one-bedroom units of the subject property, as of January 31, 2019, is as follows:

**SIX HUNDRED TWENTY FIVE DOLLARS**  
**\$625.00**

*The following values are determined for the DCA:*

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the market value of the land, as of May 8, 2017, is as follows.

**EIGHTY ONE THOUSAND DOLLARS**  
**\$81,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the "As Is" market value of the subject property, subject to market rents, as of May 8, 2017, is as follows.

**ONE MILLION TWO HUNDRED THOUSAND DOLLARS**  
**\$1,200,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the “As Is” market value of the subject property, subject to restricted rents, as of May 8, 2017, is as follows.

**FOUR HUNDRED FIFTY FIVE THOUSAND DOLLARS**

**\$455,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the prospective market value upon stabilization – market rents, of the subject property, as of January 31, 2019, is as follows.

**ONE MILLION FOUR HUNDRED THOUSAND DOLLARS**

**\$1,400,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the prospective market value upon stabilization – restricted rents, as of January 31, 2019, is as follows.

**ONE MILLION FOUR HUNDRED TEN THOUSAND DOLLARS**

**\$1,410,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the prospective market value at loan maturity – market rents, of the subject property, as of January 31, 2019, is as follows.

**THREE MILLION EIGHT HUNDRED TWO THOUSAND DOLLARS**

**\$3,802,000.00**

This report and its contents are intended solely for your information and assistance for the function stated previously, and should not be relied upon for any other purpose. Otherwise, neither the whole nor any part of this appraisal or any reference thereto may be included in any document, statement, appraisal or circular without my explicit, prior written approval of the form and context in which it appears.

The accompanying prospective financial analysis is based on estimates and assumptions developed in connection with the appraisal. However, some assumptions inevitably will not materialize and unanticipated events and circumstances will occur. The actual results achieved during the holding period will vary from my estimates and these variations may be material. I have not been engaged to evaluate the effectiveness of management, and I am not responsible for management’s actions such as marketing efforts.

The estimated marketing period is one to nine months. This appraisal report sets forth only the appraiser's conclusions. Supporting documentation is retained in the appraiser's file. A copy of this report, together with the field data from which it was prepared, is retained in my files. This data is available for your inspection upon request.

Respectfully submitted,

A handwritten signature in cursive script that reads "Samuel T. Gill".

Samuel T. Gill  
State Certified General Real Estate Appraiser  
GA# 258907

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**EXECUTIVE SUMMARY**

**Name of the Property** Whispering Pines Apartments

**Location** 261 North Court Street, Pearson, Atkinson County, Georgia 31642

**Current Owner** Pearson Elderly Housing, Ltd., L.P.

**Type of Report** "As Is" and "As Stabilized" Appraisal Report

**Total Land Area** 2.30 acres or 100,300+/- square feet

**Floodplain Hazard** According to RiskMeter, Flood Map Number 13003C0175A, dated August 3, 2009, the subject is zoned X, an area determined to be outside the 100- and 500-year floodplains. Federal flood insurance is available but is not required.

**Zoning** According to the City of Pearson, the subject is zoned Residential District. The subject is a legal, conforming use.

**Property Description** The subject is improved with four garden one-story buildings containing 25 units and one accessory building. The net rentable area is approximately 16,492 square feet. The gross building area, according to the Atkinson County Assessor's Office, is 18,678 square feet.

Unit Type	# of Units	Square Footage	Total Square Footage
1/1	24	654	15,696
2/1	1	796	796
	<b>25</b>		<b>16,492</b>

**Real Estate Taxes** \$8,672.74 for 2016      **Parcel Number** P008 075

**Property Type** Apartment Complex      **Highest and Best Use** Apartment Complex

**Date of Inspection** May 8, 2017      **Date of Report** September 22, 2017

**Sales History of Subject** According to the Atkinson County Assessor's Office, the property is owned by Pearson Elderly Housing, Ltd., L.P. The property has not transferred ownership within the past five years. The property is currently under contract to be sold. The property is currently under contract for sale between Pearson Elderly Housing, Ltd., L.P. (seller) and Whispering Pines Pearson, LP (buyer). The purchase price will be negotiated based upon the fair market value of the property determined by an independent appraisal report commissioned by and paid by the purchaser from a certified and USDA-approved appraiser. The purchase price shall include the assumption of existing debt on the first lien mortgage plus gross equity to the seller in an amount to be determined after receipt and approval of the appraisal. The sale is between two related entities and is not an arms-length transaction.

**EXECUTIVE SUMMARY VALUES**

<b>Cost Approach</b>	<b>\$500,000 (As Is Restricted)</b> <b>\$1,160,000 (As Is Market)</b> <b>\$1,285,000 (As Stabilized Restricted)</b> <b>\$1,285,000 (As Stabilized Market)</b>
<b>Income Approach</b>	<b>\$455,000 (As Is Restricted)</b> <b>\$1,200,000 (As Is Market)</b> <b>\$1,410,000 (As Stabilized Restricted)</b> <b>\$1,400,000 (As Stabilized Market)</b>
<b>Sales Comparison Approach</b>	<b>Not Developed (As Is Restricted)</b> <b>\$1,025,000 (As Is Market)</b> <b>Not Developed (As Stabilized Restricted)</b> <b>\$1,125,000 (As Stabilized Market)</b>
<b>Value of Land</b>	<b>\$81,000</b>
<b>Value of Existing 515 Loan</b>	<b>\$277,000</b>
<b>Value of Proposed 515 Loan</b>	<b>\$218,000</b>
<b>Value of Low Income Housing Tax Credits</b>	<b>\$500,000</b>
<b>Insurable Value</b>	<b>\$1,046,000</b>
<b>Market Value at Loan Maturity – Market</b>	<b>\$3,802,000</b>
<b>As Is Market Rent (CRCU)</b> <b>One-Bedroom with 654 SF</b>	<b>\$575.00</b>
<b>As Complete Market Rent (CRCU)</b> <b>One-Bedroom with 654 SF</b>	<b>\$625.00</b>

## CERTIFICATION

I certify that to the best of my knowledge and belief:

- ◆ 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 is my personal, impartial and unbiased professional analyses, opinions and conclusions.
- ◆ I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- ◆ I have performed services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. I have previously completed a market study and an appraisal in August 2015 and again in April 2016.
- ◆ I have no bias with respect to the property that is the subject of the report or to the parties involved with this assignment.
- ◆ My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ◆ My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- ◆ My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- ◆ Trey Johnson and Scott Hassler inspected the interior and exterior of the subject property and inspected the exteriors of the properties used as comparables in this report. Samuel T. Gill inspected the exterior of the property that is the subject of this report.
- ◆ No one provided significant professional assistance to the person signing this report. His contribution is identified in the Scope of Work section of this report.
- ◆ The appraiser retained by the lender inspected the subject property.



Samuel T. Gill  
State Certified General Real Estate  
Appraiser  
GA# 258907

## **SCOPE OF WORK**

The appraisal development and reporting process required gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work of this appraisal assignment is outlined below:

- ◆ Samuel T. Gill analyzed the regional and local area economic profiles including employment, population, household income and real estate trends. The local area was further studied to assess the general quality and condition and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- ◆ Samuel T. Gill confirmed and analyzed legal and physical features of the subject property including sizes of the site and improvements, floodplain data, zoning, easements and encumbrances, access and exposure of the site and construction materials and condition of the improvements. This process also includes estimating the remaining economic life of the improvements, analysis of the subject's site coverage compared to market standards, a process to identify deferred maintenance and a conclusion of the subject's overall functional utility.
- ◆ Samuel T. Gill completed an apartment market analysis that included market and sub-market overviews. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- ◆ Samuel T. Gill conducted a Highest and Best Use analysis, if required, determining the highest and best use of the subject property As-Vacant and As-Proposed. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject property. Development of the Highest and Best Use As-Improved explored potential alternative treatments of the property including demolition, expansion, renovation, conversion and continued use "as-is".
- ◆ Samuel T. Gill confirmed and analyzed financial features of the subject property including budgeted income/expense data, if available and tax and assessment records. This information as well as trends established by confirmed market indicators was used to forecast performance of the subject property.
- ◆ The appraisal report is intended to satisfy the scope of work and requirements agreed upon by Investors Management Company and the engaged appraiser. The client requested a full narrative appraisal in the engagement letter.
- ◆ I understand the Competency Rule of USPAP and the author of this report meets the standards.
- ◆ No one provided significant real property appraisal assistance to the appraiser signing this certification, except as noted on the following page.

- ◆ Samuel T. Gill, a State Certified General Real Estate Appraiser, oversaw and supervised all data collection and analysis and performed the research. The following actions were taken to complete this appraisal.
  - On May 8, 2017, Trey Johnson and Scott Hassler, Market Analysts, conducted an interior and exterior inspection of the subject property to determine the property's physical and functional characteristics. Samuel T. Gill, State Certified Real Estate Appraiser, also inspected the exterior. Trey Johnson and Scott Hassler inspected all common areas and at least one unit of each varying type.
  - Trey Johnson and Scott Hassler and Samuel T. Gill researched comparable apartment rental activity in the subject market and competing locations. The research retrieve data from several of the following: internet sites, local newspapers and rental publications, town records, owners and managers of local apartment properties, local real estate brokers, fellow appraisers and the appraiser's office files.
  - During the week of May 8, 2017, Trey Johnson and Scott Hassler inspected the exterior of each comparable property used in the analysis.
  - During the verification process, Samuel T. Gill or one of his associates talked with the managers or leasing agents of the comparable properties, to confirm all data and to collect additional information about each comparable, including size, age, amenities, occupancy rates and general market information. Whenever possible, floor plans and brochures were obtained, which describe the comparable properties unit size, feature and amenities.
  - Samuel T. Gill completed all data and adjustments on the analysis and determined all value conclusions determined in the appraisal.

## INTRODUCTION

### **Identification of the Subject Property**

The property appraised is the land and improvements known as Whispering Pines Apartments. The site is located at 261 North Court Street, Pearson, Atkinson County, Georgia.

### **Legal Description**

See Addendum A.

### **Past Five Years Sales History of the Subject**

According to the Atkinson County Assessor's Office, the property is owned by Pearson Elderly Housing, Ltd., L.P. The property has not transferred ownership within the past five years. The property is currently under contract to be sold. The property is currently under contract for sale between Pearson Elderly Housing, Ltd., L.P. (seller) and Whispering Pines Pearson, LP (buyer). The purchase price will be negotiated based upon the fair market value of the property determined by an independent appraisal report commissioned by and paid by the purchaser from a certified and USDA-approved appraiser. The purchase price shall include the assumption of existing debt on the first lien mortgage plus gross equity to the seller in an amount to be determined after receipt and approval of the appraisal. The sale is between two related entities and is not an arms-length transaction.

### **Property Rights Appraised**

For this appraisal, I have valued the property rights inherent in the **Fee Simple Estate** which is defined in the definitions section of this report.

### **Purpose of the Appraisal**

The purpose of the Appraisal Report is to estimate the market value, subject to restricted rents, within 7 CFR Part 3560.752(b)(1)(i) as defined in the USDA-RD guidelines; market value, within 7 CFR Part 3560.752(b)(1)(ii) as defined in the USDA-RD guidelines; the prospective market value, subject to restricted rents, within 7 CFR Part 3560.752(b)(1)(i) as defined in the USDA-RD guidelines; prospective market value within 7 CFR Part 3560.752(b)(1)(ii), premised upon a hypothetical condition as-if conventional housing as defined in the USDA-RD guidelines; the value of interest credit subsidy from the existing 515 loan as defined in the USDA-RD guidelines; the value of interest credit subsidy from the assumed 515 loan as defined in the USDA-RD guidelines; the value of favorable financing as defined in the USDA-RD guidelines; the value of the Low Income Housing Tax Credits as defined in the USDA-RD guidelines. Additional values required by Georgia Department of Community Affairs include the value of the land; as is market value; the prospective market value upon stabilization - restricted rents; the prospective market value upon stabilization – market rents; and the prospective market value at loan maturity – market rents. The date of the inspection and the effective date of the as is value are both May 8, 2017. The effective date of the as complete value is January 31, 2019.



### **Function of the Appraisal**

The function of this appraisal is to aid the client, Investors Management Company, Georgia Department of Community Affairs and United States Department of Agriculture, Rural Development in the decision-making process involved in evaluating the value of the subject property.

### **Intended Use of Report**

This appraisal report is intended for the sole purpose of assisting the client in the decision-making process involving financing.

### **Intended Users of Report**

The intended users of the appraisal are Investors Management Company, Georgia Department of Community Affairs and United States Department of Agriculture, Rural Development.

### **Extent of the Investigation (Scope)**

As part of this appraisal, the appraiser made a number of independent investigations and analyses. The investigations undertaken and the major data sources used are as follows: City of Pearson, the Atkinson County Recorder; the Atkinson County Assessor; United States Bureau of Labor Statistics; United States Census Bureau; Walkscore; ESRI Business Information Solutions; and Nielsen Claritas and Ribbon Demographics.

### **Area and Neighborhood Analyses**

Primary data was gathered pertaining to the subject neighborhood and the area during the week of May 8, 2017, to May 12, 2017. This information was analyzed and summarized in this report. Area data was obtained from the City of Pearson; the Atkinson County Recorder; the Atkinson County Assessor; United States Bureau of Labor Statistics; United States Census Bureau; ESRI Business Information Solutions; Walkscore; and Nielsen Claritas and Ribbon Demographics. The neighborhood analysis was based on the observations made by the appraiser as well as the sales in the neighborhood.

### **Improvement and Description Analyses**

Detailed descriptions of the site are included in this report. Interior and exterior photographs of the buildings at the subject are included in this report. Exterior photos of the rent comparables are also included in this report.

### **Statement of Competency**

We have the knowledge and experience to complete the assignment competently based upon having completed appraisals of properties of a similar type throughout the United States for the past several years.

### **Market Data**

Market data on land sales were obtained from the subject neighborhood in Pearson and the surrounding area. Market data on improved sales and leased properties were obtained from Pearson and the surrounding area. The improved sales were obtained from parties involved with the sales. Summaries of the sales and leases are included in this report.

Attention of the reader is also directed to the assumptions and limiting conditions contained within the report.

### **Reasonable Exposure Time**

In the definition of market value, one of the conditions of a "market value sale" is as follows: a reasonable time is allowed for exposure in the open market. Marketing time has a definite influence on the potential selling price of a property. To obtain a maximum selling price, a property must be exposed to a given market for a time long enough to enable most market participants to gain full knowledge of the sale and the attributes of the property.

To produce a reliable estimate of the expected normal marketing period for the subject property, the following factors were considered and findings analyzed:

1. Historical evidence.
2. Supply and demand relationships including vacancy and occupancy rates.
3. Revenue and expense changes.
4. Future market conditions.

### **Historical Evidence**

Generally, the sales in the Sales Comparison Approach were on the market for one to two years. Since current supply and demand relationships are similar to historical relationships, there is justification for some reliance on historical evidence.

### **Supply and Demand Relationships**

A survey of apartment complexes in Pearson, Georgia, and the surrounding area indicate that they are not owner-occupied. The Income Approach discusses similar apartment complexes in Pearson, Atkinson County, Georgia, which were leased.

### **Revenue and Expense Changes and Future Market Conditions**

The revenue from apartment complexes has increased corresponding to increases in expenses at generally the same rate. A survey completed by PwC indicated that the change rate of apartment complexes ranges from 0.00 to 5.00 percent, with an average of 2.80 percent for the first quarter of 2017. During the same period a year ago, the market rent change rate ranged from 0.00 to 6.00 percent, with an average of 3.18 percent.

The changes in expenses range from 2.00 to 4.00 percent, with an average of 2.73 percent (first quarter of 2017). The survey for a year ago indicated a range of expenses from 2.00 to 4.00 percent, with an average of 2.91 percent.

### **Summary**

For the purpose of this report the reasonable exposure time is estimated at one to nine months based on the previous discussion and the length of time the comparables were on the market. The 2017 First Quarter National Apartment Market Survey conducted by PwC Real Estate Investor Survey indicated a range of one to nine months for marketing time. In accordance with the Uniform Standards of Professional Appraisal Practice, special financial arrangements and related special situations were not used in estimating the value of the property. In accordance with the Uniform Standards of Professional Appraisal Practice; the appraisal was completed using the current or anticipated use of the property as an apartment complex without regard to the highest and best use.

### **Estimated Marketing Time**

Marketing time is similar to exposure time in that it refers to a time during which a property is marketed prior to its sale. Marketing time differs from exposure time in that it is estimated to occur after the date of value as opposed to before that date of value. This time would be measured from the date of value and would be a measure of time necessary to secure a willing buyer for the property, at a market price. Since this refers to prospective events, it is typically necessary to analyze neighborhood trends. In theory, in a market which is near equilibrium, the estimated marketing time should be equal to past trends or the reasonable exposure time. In a market, which is experiencing down turning conditions, the estimated marketing time should be greater than the reasonable exposure time. In the case of the subject property, the market for this type of facility should be similar to previous market conditions. Therefore, the estimated marketing time is estimated at one to nine months.

## **Definition of Terms**

### **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 are 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 U.S. cash 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.<sup>1</sup>

### **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 are 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.

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.<sup>2</sup>

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<sup>1</sup>Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015. and Attachment 7-A of Chapter 7 of the USDA RD Handbook HB-1-3560.

<sup>2</sup>Attachment 7-A of Chapter 7 of the USDA RD Handbook HB-1-3560

### **“As-Is” Value**

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.<sup>3</sup>

### **Prospective Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.<sup>4</sup>

### **Investment Value**

The specific value of an investment to a particular investor or class of investors based on individual requirements; as distinguished from market value, which is impersonal and detached.<sup>5</sup> Investment value of the leased fee estate is determined utilizing the subject’s contract rents, historical and projected subject expenses and an overall capitalization rate based on the subject’s mortgage terms.

### **Fee Simple Estate**

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

### **Leased Fee Estate**

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

### **Leasehold Estate**

The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.

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<sup>3</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015. and Attachment 7-A of Chapter 7 of the USDA RD Handbook HB-1-3560.

<sup>4</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015. and Attachment 7-A of Chapter 7 of the USDA RD Handbook HB-1-3560.

<sup>5</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015.

**Replacement Cost**

The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout.

**Reproduction Cost**

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout and quality of workmanship and embodying all the deficiencies, superadequacies and obsolescence of the subject building.

**Contract Rent**

The actual rental income specified in a lease.

**Market Rent**

The rental income that a property would most probably command in the open market; indicated by the current rents paid and asked for comparable space as of the date of the appraisal.

**Excess Rent**

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect a locational advantage, unusual management, unknowledgeable parties or a lease execution in an earlier, stronger rental market.

**Percentage Rent**

Rental income received in accordance with the terms of a percentage lease; typically derived from retail store tenants on the basis of a certain percentage of their retail sales.

**Overage Rent**

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified break-even sales volume.

**Special Purpose Property**

A limited market property with a unique physical design, special construction materials or layout that restricts its utility to the use for which it was built; also called special-design property.

## **Special Limited Conditions and Assumptions**

### **1. Limit of Liability**

The liability of Gill Group, employees and subcontractors is limited to the client. There is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies present in the property. Possession of this or any copy thereof does not carry with it the right of publication nor may it be used for other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only. This appraisal report is prepared for the sole and exclusive use of the client to assist with the mortgage lending decision. It is not to be relied upon by any third parties for any purpose whatsoever.

### **2. Copies, Publications, Distribution, Use of Report**

The client may distribute copies of the appraisal report in its entirety to such third parties as he may select; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of this appraisal report. Neither all nor any part of this appraisal report shall be disseminated to the general public for the use of advertising media, public relations, news, sales or other media for public communication without prior written consent of the appraiser.

### **3. Confidentiality**

This appraisal is to be used only in its entirety. All conclusions and opinions of the analyses set forth in the report were prepared by the Appraiser(s) whose signature(s) appear on the appraisal report unless indicated as "Review Appraiser". No change of any item in the report shall be made by anyone other than the Appraiser and/or officer of the firm. The Appraiser and the firm shall have no responsibility if any such unauthorized change is made.

The Appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions or give a copy of the report to anyone other than the client or his designee as specified in writing except by a court of law or body with the power of subpoena.

### **4. Information Used**

No responsibility is assumed for accuracy of information furnished by or from others, the client, his designee or public records. I am not liable for such information or the work of possible subcontractors. Be advised that some of the people associated with the consultant and possibly signing the report are independent contractors. The comparable data relied upon in this report have been confirmed with one or more parties familiar with the transaction or from affidavit or other source thought reasonable; all are considered appropriate for inclusion to the best of my factual judgment and knowledge. An impractical

and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification within these categories as a prerequisite to any transaction involving sale, lease or other significant commitment of subject property and that such verification be performed by the appropriate specialists.

#### **5. Testimony, Consultation, Completion of Contract for Appraisal Services**

The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post-appraisal consultation with client or third parties except under separate and special arrangement and at additional fee. If testimony or deposition is required because of any subpoena issued on the behalf of the client, then the client shall be responsible for any additional time fees and changes.

#### **6. Exhibits**

The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose as of the date of the photos. Site plans are not surveys unless shown as being prepared by a professional surveyor. As noted in the Scope of Work section of the report, the appraiser inspected the exterior of the comparable properties. Our comparable database automatically includes pictures we have recently taken. The only time a comparable picture is replaced is when the inspection shows a material change. Otherwise, the pictures shown in the report are representative of how the comparables looked during the inspection.

#### **7. Legal, Engineering, Financial, Structural or Mechanical Nature Hidden Components, Soil**

No responsibility is assumed for matters legal in character or nature or matters of survey or of any architectural, structural, mechanical or engineering nature. The title to the property is good and marketable. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. The use of the land and improvements is confined within the boundaries or property lines of the property described.

The property is appraised as if free and clear unless otherwise stated in particular parts of the report. The legal description is assumed to be correct as used in this report as furnished by the client, his designee or as derived by the appraiser.

Please note that no advice is given regarding mechanical equipment or structural integrity or adequacy or soils and potential for settlement, drainage, etc., (seek assistance from qualified architect and/or engineer) nor matters concerning liens, title status and legal marketability (seek legal assistance). The



lender and owner should inspect the property before any disbursement of funds; further, it is likely that the lender or owner may wish to require mechanical or structural inspections by qualified and licensed contractor, civil or structural engineer, architect or other expert.

The appraiser has inspected, as far as possible by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden structural or other components. I have not critically inspected mechanical components within the improvements, and no representations are made therein as to these matters unless specifically stated conditions that would cause a loss of value. The land or the soil of the area being appraised appears firm; however, subsidence in the area is unknown. The appraiser(s) do not warrant against this condition or occurrence of problems arising from soil conditions.

The appraisal is based on there being no hidden unapparent or apparent conditions of the property site subsoil or structures or toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them.

All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. Conditions of heating, cooling ventilation, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made as to adequacy of insulation, type of insulation or energy efficiency of the improvements or equipment.

If the Appraiser has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above-mentioned items.

The Appraiser assumes no responsibility for any costs or consequences arising due to the need or the lack of need for flood hazard insurance. An Agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

## **8. Legality of Use**

The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report and that all applicable zoning, building and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits or other

legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

#### **9. Component Values**

The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

#### **10. Auxiliary and Related Studies**

No environmental or impact studies, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report. The appraiser reserves the unlimited right to alter, amend, revise or rescind any of the statements, findings, opinions, values, estimations or conclusions upon any subsequent such study or analysis or previous study or factual information as to market or subject or analysis subsequently becoming known to him.

#### **11. Dollar Values, Purchasing Power**

The market value estimated and the costs used are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the value estimate.

#### **12. Inclusions**

Furnishings and equipment or personal property or business operations except as specifically indicated and typically considered as part of real estate have been disregarded with only the real estate being considered in the value estimate unless otherwise stated. In some property types business and real estate interests and values are combined.

#### **13. Proposed Improvements, Conditioned Value**

Improvements proposed, if any, on or off-site as well as any repairs required are considered, for purposes of this appraisal, to be completed in good and workmanlike manner according to information submitted and/or considered by the appraisers. In cases of proposed construction, the appraisal is subject to change upon inspection of property after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operating at levels shown and projected.

#### **14. Value Change, Dynamic Market, Influences**

The estimated market value is subject to change with market changes over time; value is highly related to exposure, time, promotional effort, terms, motivation and conditions surrounding the offering. The value

estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace.

In cases of appraisals involving the capitalization of income benefits, the estimate of market value or investment value or value in use is a reflection of such benefits and appraiser's interpretation of income, yields and other factors derived from general and specific client and market information. Such estimates are as of the date of the estimate of value; they are thus subject to change as the market and value are naturally dynamic.

The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

The Appraiser reserves the right to alter the opinion of value on the basis of any information withheld or not discovered in the original normal course of a diligent investigation.

#### **15. Management of the Property**

It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management neither inefficient nor super-efficient.

#### **16. Fee**

The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.

#### **17. Authentic Copies**

The authentic copies of this report are signed originals. Any copy that does not have the above is unauthorized and may have been altered.

#### **18. Insulation and Toxic Materials**

Unless otherwise stated in this report, the appraiser(s) signing this report have no knowledge concerning the presence or absence of toxic materials, asbestos and/or urea-formaldehyde foam insulation in existing improvements; if such is present, the value of the property may be adversely affected and reappraisal an additional cost necessary to estimate the effects of such.

**19. Hypothetical Conditions\***

The market value of the fee simple estate, unrestricted or conventional, subject to short-term leases, was determined under the hypothetical condition that the subject was a conventional property and not subject to any rent restrictions. The use of a hypothetical condition might have affected the assignment results.

**20. Extraordinary Assumptions\***

The "prospective" value upon stabilization was determined under the extraordinary assumption that the rehabilitation is completed as detailed in the scope of work and that the proposed rents indicated in the report are approved. The use of an extraordinary assumption might have affected the assignment results.

**21. Americans with Disabilities Act (ADA)**

The Americans with Disabilities Act (ADA) became effective January 26, 1992, as to the removal of barriers in existing public accommodations. The ADA applies to alterations of existing public accommodations or commercial facilities or places of public accommodation designed for first occupancy after January 26, 1993. A compliance survey of the subject property has not been conducted to determine if it conforms to the various requirements of the ADA. A compliance survey of the property, in conjunction with a detailed study of the ADA requirements, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this could have a negative effect on the value of the property. Since I am not qualified to determine if the subject property complies with the various ADA regulations, I did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.

**22. Review**

Unless otherwise noted herein, the review appraiser has reviewed the report only as to general appropriateness of technique and format and has not necessarily inspected the subject or market comparable properties.

The appraiser(s) and/or associates of Gill Group reserve the right to alter statements, analyses, conclusions or any value estimate in the appraisal if there becomes known to them facts pertinent to the appraisal process which were unknown to Gill Group when the report was finished.

**Acceptance Of And/Or Use Of This Appraisal Report  
Constitutes Acceptance of the Above Conditions**

**DESCRIPTIVE SECTION**

## **Regional and Area Data and Area Maps**

The following data on the City of Pearson and Atkinson County are included to give the reader an insight into the social, economic, governmental and environmental factors which provide the setting and ultimate stability for the subject neighborhood and the property which is the subject of this appraisal. The various social, economic, governmental and environmental factors within any locality are the underlying forces which create, modify or destroy real property values.

### **Location**

The City of Pearson is located in Atkinson County which is located in the southern portion of Georgia. Nearby cities include Douglas, Waycross, Nashville, Homerville, Tifton, Unionville, Moultrie and Vidalia. Atkinson County has the following boundaries: North – Coffee County; East – Ware County; South – Clinch and Lanier Counties; and West – Berrien County.

### **Utilities**

The City of Pearson provides water and sewer services to the residents of the city. Georgia Power provides electricity services. Basic telephone service is provided by Plant Telecommunications.

### **Health Care**

South Central Primary Care Center is a health care facility located in Pearson that serves the residents of Pearson and the surrounding area. Coffee Regional Medical Center is located in Douglas, approximately 15 miles from Pearson.

### **Transportation**

Major highways in the County of Atkinson include U.S. Highways 82, 221 and 441 and State Highways 31, 64, 89, 90, 135 and 520. Waycross-Ware County Airport is approximately 29 miles away in Waycross. There is no public transportation in Pearson.

**Population and Employment Statistics**

CENSUS: 2015

	City	County	State
<b>Population</b>	1,935	8,294	10,006,693
<b>Households</b>	596	2,772	3,574,362
<b>Renter Occupied</b>	324	787	1,310,665

**LABOR STATISTICS**

COUNTY				
	Labor Force	Employment	Unemployment	Unemployment Rate
<b>2005</b>	3,504	3,315	189	5.4
<b>2010</b>	3,451	2,925	526	15.2
<b>March 2017</b>	4,172	3,984	188	4.5

STATE				
	Labor Force	Employment	Unemployment	Unemployment Rate
<b>2005</b>	4,586,427	4,341,229	245,198	5.3
<b>2010</b>	4,696,692	4,202,061	494,631	10.5
<b>March 2017</b>	5,003,700	4,747,227	256,473	5.1

**Major Employers**

Major employers and industry in the City of Pearson and Atkinson County are as follows:

MAJOR EMPLOYERS	
Name	Industry
Cady Bag Company, LLC	Manufacturing
First String Space, Inc.	Contracting
Freedom Trailer, LLC	Manufacturing
Pope Trucking, Inc.	Transportation
South Central Primary Care Center, Inc.	Health Care
South Georgia Cargo	Manufacturing
TLC Mouldings	Manufacturing
U.S. Erosion Control Products, Inc.	Contracting
Willacoochee Industrial Fabrics, Inc.	Manufacturing

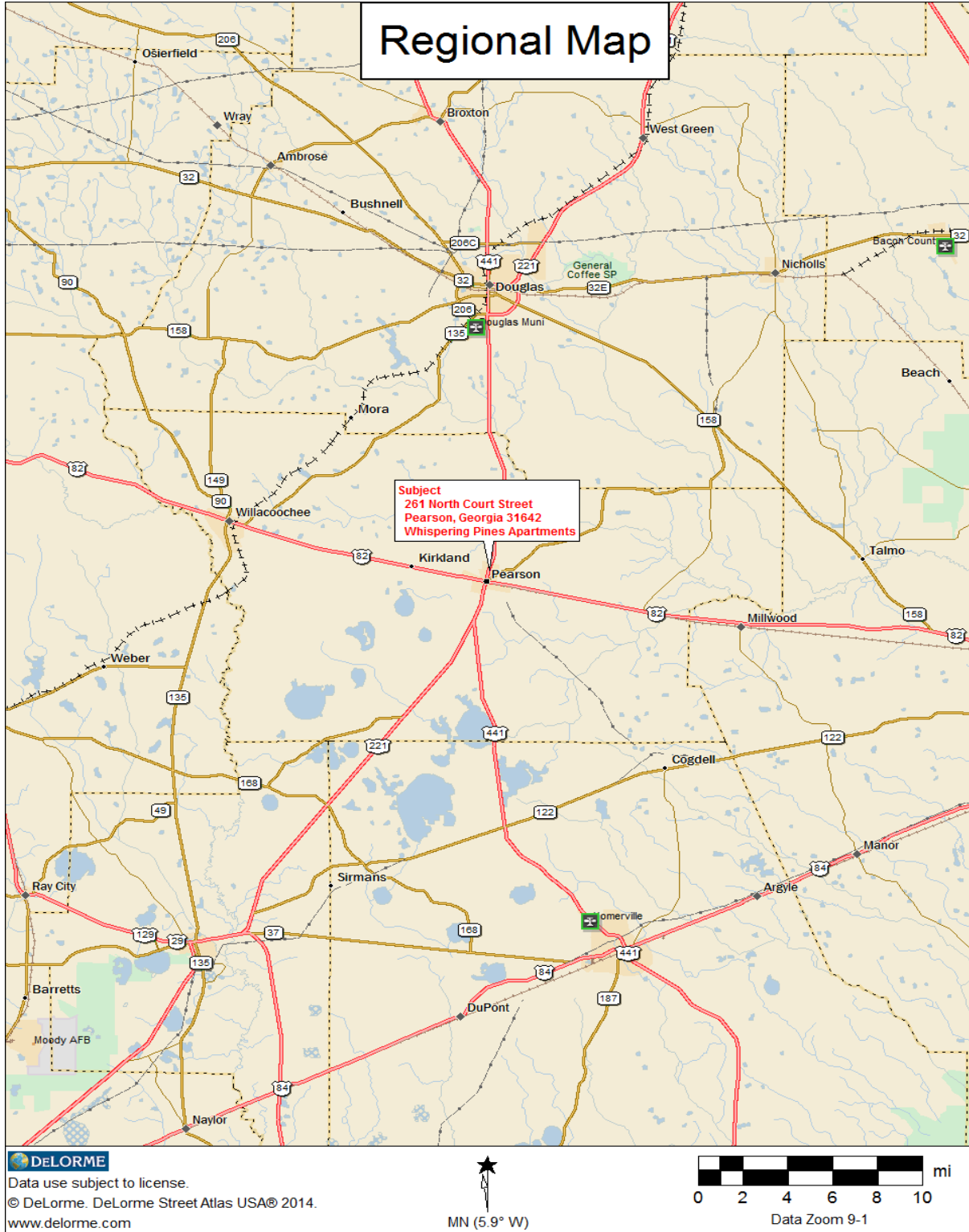
Source: City of Atkinson

**Summary and Conclusions**

Pearson is a city located in the southern portion of Georgia. The unemployment rate has consistently decreased since 2010. Therefore, the economic outlook for future growth and development appears to be stable.







**Neighborhood Data**

**Location**

The subject property is located in the northern portion of the City of Pearson, Georgia. The neighborhood has average attractiveness and appeal. The neighborhood has the following boundaries: North – Felicia Avenue; South – East Legion Avenue and Pearson Street; East - Byron Street; and West – U.S. Highway 221.

**Access**

The neighborhood is accessed by U.S. Highway 221, East Legion Avenue, Pearson Street, Felicia Avenue and Byron Street. There are additional roads running north to south and west to east that provide access to the neighborhood as well. Street widths and patterns appear to be adequate for the surrounding uses.

**Proximity to Services**

<b>Restaurants</b>	
0.06 mi	Jerry Davis Chicken House
0.3 mi	Kikken Chicken
0.4 mi	Coolie's Bar BQ
0.4 mi	Chen's China
0.4 mi	Citallis Mexican Restaurant
0.4 mi	Subway
0.5 mi	Hardee's
0.7 mi	Smokey Jim's
0.7 mi	Novedades Citlalli
1.3 mi	Corbitt's Restaurant
1.3 mi	Traceys Burgers
1.4 mi	Treat Shop
1.5 mi	Tiempo Dos Hermanos
1.5 mi	Jerry Davis Chicken House
6.6 mi	Country Cabin Steak House

<b>Groceries</b>	
0.4 mi	Harvey's Supermarket
0.4 mi	La Paquena
0.7 mi	Walmart Neighborhood Market
7 mi	Green Acres Grocery
8.4 mi	Paul's Country Store
12 mi	Wingate Grocery & Feed
12 mi	Tienda Mexicana 6 Hermanos
12 mi	Mickey's Food Store
12 mi	Walmart Supercenter
12 mi	Harper's Grocery
13 mi	Save-A-Lot
13 mi	Harveys Supermarket
13 mi	S & P Foods
14 mi	Angeles Mexican Store LLC

<b>Schools</b>	
0.8 mi	Pearson Elementary School
1.3 mi	Atkinson County High School
11 mi	Satilla Elementary School
12 mi	Willacoochee Elementary School
13 mi	Charter High School Freshman Campus
13 mi	Indian Creek Elementary School
13 mi	Citizens Christian Academy
14 mi	Westside Elementary School
14 mi	Eastside Elementary School
15 mi	Faith Christian Academy
16 mi	Coffee Middle School
17 mi	Coffee County High School
18 mi	Clinch County Primary School
18 mi	Clinch County High School

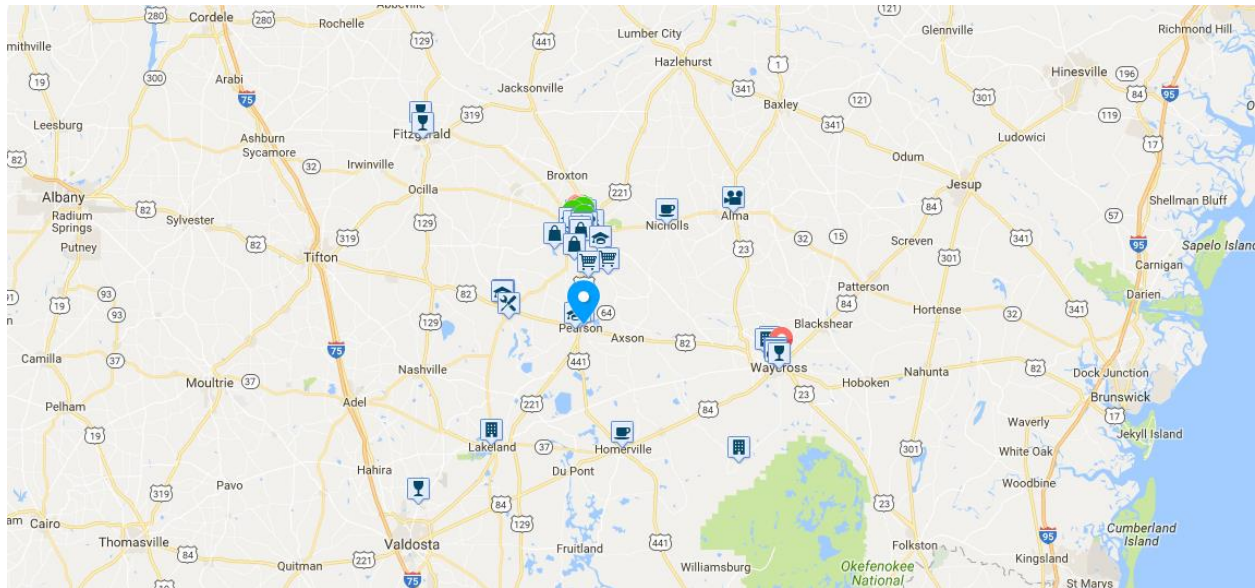
<b>Shopping</b>	
9.7 mi	Williams Clothing
11 mi	Big Dan's Army Navy Store
11 mi	Chickadeez
12 mi	rue21
12 mi	Belk
13 mi	Hibbett Sports
13 mi	Cato
13 mi	Kmart
13 mi	Circle D Farm & Ranch Supply
13 mi	It's Fashion
13 mi	Dockers
13 mi	Katz9Boutique
13 mi	Strawberry Lizard
13 mi	Connie's Unique Boutique
13 mi	Family Dollar

<b>Banks</b>	
0.4 mi	Pearson Stop & Shop
0.4 mi	ATM
0.5 mi	The Citizens Exchange Bank
0.5 mi	The Peoples Bank
0.5 mi	Moneytree ATM
0.7 mi	ATM (Aden's Minit Market)
12 mi	The Peoples Bank
12 mi	Colony Bank
13 mi	Ameris Bank
13 mi	FNB South
14 mi	Wells Fargo Bank
14 mi	Southeastern Bank
14 mi	First National Bank of Coffee County
14 mi	SunTrust Bank
14 mi	BB&T

<b>Police</b>	
0.6 mi	Pearson Police Department

<b>Medical Facilities</b>	
14 mi	Douglas Medical Weightloss Clinic
14 mi	Mayo Clinic Health System-Multi-Specialty Physician Office
14 mi	Coffee Regional Medical Center Walk-In Clinic
14 mi	Mayo Clinic Health System
14 mi	Apple Care Immediate Care
14 mi	Hanger Clinic: Prosthetics & Orthotics
14 mi	Sleep Apnea Treatment Centers of America
29 mi	Mayo Clinic Health System- Hospital

Whispering Pines Apartments \* 261 North Court Street \* Pearson, Georgia



**Land Use Pattern**

The subject neighborhood is comprised primarily of residential properties and is 80 percent built up. Approximately 65 percent of the land use is made up of single-family residences. About 10 percent is comprised of commercial properties. Approximately 5 percent of the land use is made up of multifamily residences. The remaining 25 percent is vacant land. The area is mostly rural.

**Neighborhood Characteristics**

According to Neighborhood Scout, the median real estate price of the neighborhood is \$84,900, which is less expensive than 86.2 percent of the neighborhoods in Georgia and 86.2 percent of the neighborhoods in the United States. The average rental price in the neighborhood is \$665, according to Neighborhood Scout, which is lower than 94.5 percent of all Georgia neighborhoods.

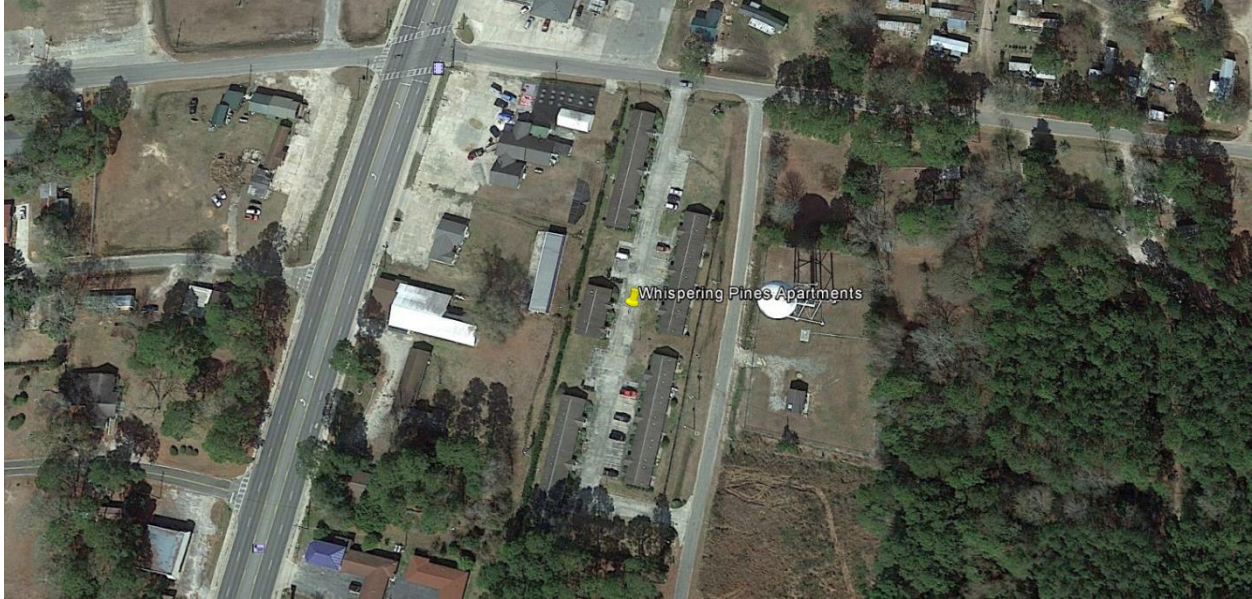
The neighborhood has 19.3 percent of the working population employed in office and administrative support occupations. Another 14.0 percent of the residents are employed in farm management occupations. Sales jobs make up 9.9 percent of the occupations of the working population.

According to Neighborhood Scout, the school quality rating is 28 (100 is the best). The neighborhood is served by the Atkinson County School District which contains 4 schools and approximately 1,697 students. The school district quality is considered better than 4 percent of Georgia school districts.

Most of the properties in the neighborhood maintain an acceptable level of property maintenance and condition. The ages of buildings in the area generally range from new to 100 years. The subject neighborhood is in average condition with average appeal. There are no rent controls affecting the marketability of the subject.

### **Neighboring Property Use**

The neighborhood is comprised primarily of residential properties. Commercial properties are located north of the site. Single-family residences are located south of the site. Single-family residences are located east of the subject. Single-family residences is located west of the subject.



### **Crime**

According to [www.neighborhoodscout.com](http://www.neighborhoodscout.com), the crime index for the subject neighborhood is 75. There are 30 total crimes annually in the neighborhood, 5 of which are violent crimes and 25 of which are property crimes. The annual violent crime rate is 2.37 per 1,000 residents, while the property crime rate is 11.84 per 1,000 residents. The total annual crime rate is 14.20 per 1,000 residents. The chances of becoming a victim of a violent crime are 1 in 422 which is lower than for the state which is 1 in 273. The chances of becoming a victim of a property crime are 1 in 84 which is lower than the rate for the state which is 1 in 30.

### **Adverse Influences**

There are no major adverse influences or hazards observed or known by the appraiser in the immediate surrounding area.

### **Utilities**

Utilities generally available in the neighborhood include water, electricity, sewer and telephone.

## **Demographics**

The population for the subject's neighborhood for 2017, according to ESRI, is 5,449, an increase of 396 people from the 2010 population of 5,053. The population is expected to increase at an annual rate of 5.9 percent between 2017 and 2022. Therefore, the 2022 population is projected at 5,771. The median age for the neighborhood is 33.8.

The total number of households increased from 1,763 in 2010 to 1,894 in 2017. Household totals are expected to increase, with a projected 2,003 households in 2022.

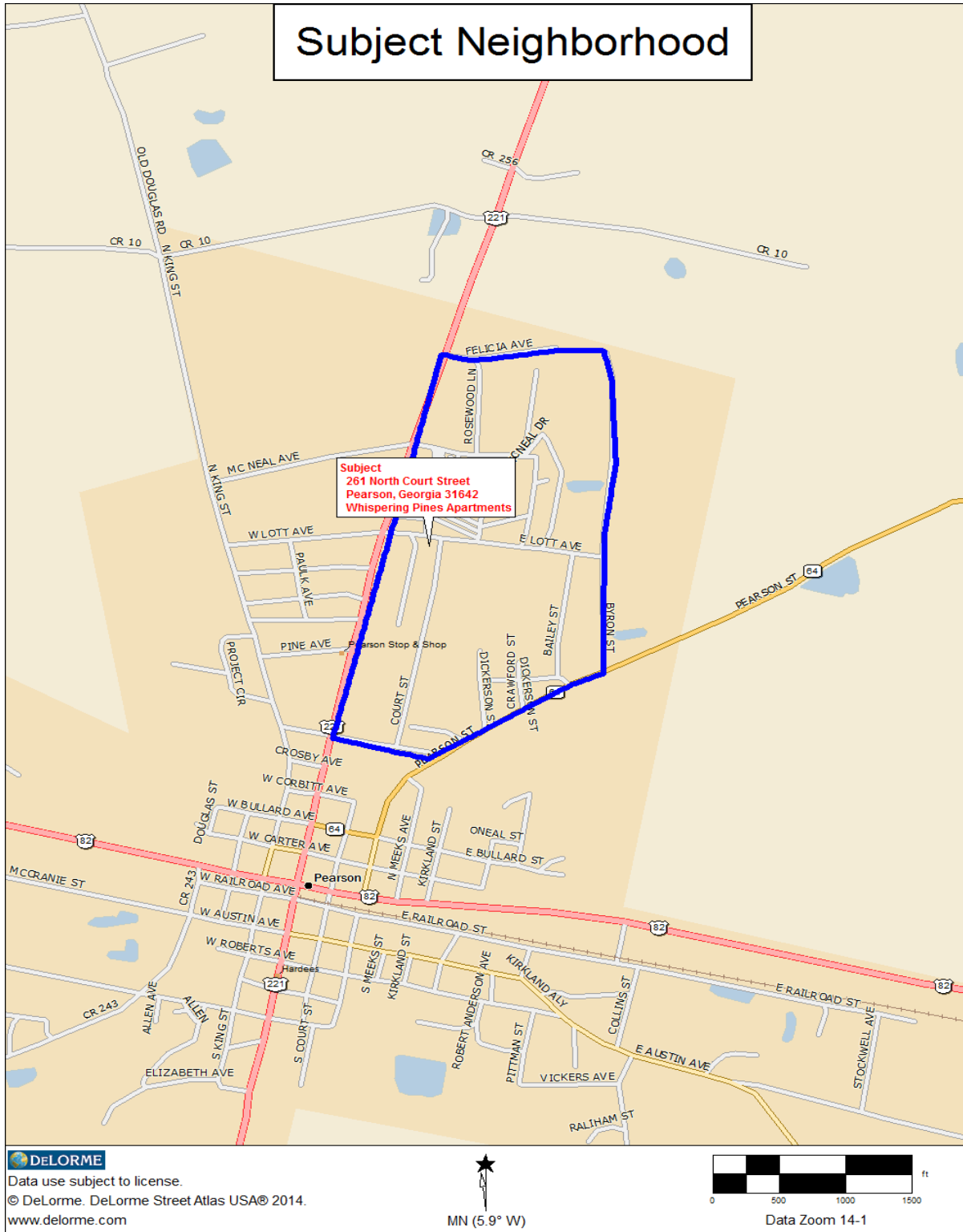
The median household income for the neighborhood in 2017 is \$32,310. It is expected to increase to \$36,827 by 2022. The per capita income is \$16,208.

The median home value for the neighborhood in 2017, according to ESRI, is \$74,935. According to ESRI, the average amount spent for owner-occupied households in the subject's neighborhood is \$16,152.00, or \$1,346 per month. The average amount spent for renter-occupied households is \$10,548.00, or \$879 per month.

## **Analysis/Comments**

In conclusion, the subject is located in the northern portion of Pearson, Georgia. The subject is considered to be compatible with the adjacent properties. Based on the current and projected population and household data, the neighborhood appears to be stable. There have been no significant changes in the make-up of the neighborhood over the past few years. Properties in the neighborhood are generally well maintained. Therefore, it is anticipated that the neighborhood will remain stable and in acceptable condition.

Neighborhood Map



**Defining the Market Area**

The market area for the subject consists of Census Tracts 9602.00 and 9603.00 in Atkinson County. The market area has the following boundaries: North – Coffee County; South – Clinch County; East – Ware County; and West – County Road 38, County Road 31, Hog Creek, County Road 36, County Road 243, U.S. Highway 82, Pudding Creek, Dark Bay and State Highway 135.

Surveying existing apartment complexes helps to show what the competition is offering. Vacancy rates are an indicator of current market strength. In a field survey, an attempt is made to survey 100 percent of all units in the market area. This is not always possible. There are several apartments in the market area. Information was gathered through interviews with owners and managers and through field inspection. These sources appear to be reliable, but it is impossible to authenticate all data. The appraiser does not guarantee this data and assumes no liability for any errors in fact, analysis or judgment.

The field/phone survey was conducted in May 2017. Six market-rate properties responded to the survey and three restricted properties, including the subject, responded to the survey. Of the apartments surveyed an overall vacancy rate of two percent was determined for the market-rate vacancy and four percent was determined for the restricted vacancy. The subject is currently 96 percent occupied. Historically, the subject’s occupancy rate has ranged from 95 to 99 percent since 2014. After considering the vacancy rate and collection loss of the subject and the comparables, a vacancy rate of five percent was deemed appropriate for “as is” conventional housing; five percent was deemed appropriate for “as complete” conventional housing; three percent was deemed appropriate for “as is” affordable housing; and three percent was deemed appropriate for “as complete” affordable housing.

<b>Market Area Vacancy by Development - Conventional</b>			
<b>Property Name</b>	<b># of Units</b>	<b># of Vacant Units</b>	<b>Vacancy Percentage</b>
Three Oaks Apartments	240	5	2.1%
Spring Chase Apartments	288	0	0.0%
Tall Tree Apartments	148	4	2.7%
Mar-Mel-Go Apartments	70	1	1.4%
Hill House Apartments	12	0	0.0%
Staten Crossing Apartments	196	6	3.1%
<b>TOTALS</b>	<b>954</b>	<b>16</b>	<b>1.7%</b>

<b>Market Area Vacancy by Development - Affordable</b>			
<b>Property Name</b>	<b># of Units</b>	<b># of Vacant Units</b>	<b>Vacancy Percentage</b>
Whispering Pines Apartments	25	1	4.0%
Evergreen Apartments	20	0	0.0%
Cypresswood Apartments	28	2	7.1%
<b>TOTALS</b>	<b>73</b>	<b>3</b>	<b>4.1%</b>

**Absorption Period**

The subject is an existing 25-unit complex that is currently 96 percent occupied. The proposed rehabilitation of the development will not permanently displace residents. Therefore, no additional absorption of units will be needed as the property typically maintains a stabilized occupancy.





**Subject Description**

The area of the site and the site dimensions are based on the building plans provided by the Atkinson County Assessor's Office and a survey provided by the owner. A copy of the survey is included in the addenda.

**Total Land Area** 2.30 acres, or 100,300+/- square feet

**Shape/Dimensions** Rectangular

**Access & Exposure** The subject property is located on North Court Street. The site is at or near pavement grade with North Court Street. The site has ingress and egress on North Court Street.

**Topography/Drainage** The site is gently rolling. A water detention area is not located on the site. No adverse soil conditions are known in the area which would prevent development.

**Flood Plain** According to RiskMeter, Flood Map Number 13003C0175A, dated August 3, 2009, the subject is zoned X, an area determined to be outside the 100- and 500-year floodplains. Federal flood insurance is available but is not required.

**Environmental Issues** The appraisers are not qualified to determine whether or not hazards exist. A copy of a Phase I Environmental Site Assessment was provided to the appraisers with this assignment. No environmental hazards were observed on the site on the date of the inspection.

**Encroachments** No encroachments were observed. A survey not provided with this assignment. The appraisers are not qualified to determine whether or not the adjacent properties encroach on the subject site.

**Easements** Typical utility easements that are not adverse to the site's development run on the property. A title insurance report was not provided to the appraisers with this assignment. No significant easements are known.

**Site Ratios**

Building to Land Ratio: 1 to 5.37;

Site Coverage Ratio - 18.62 percent

There is limited room for expansion of the existing facility as the current buildings do not occupy 100 percent of the site. The size of the buildings when compared to the total lot size does not preclude expansion of the facility and, therefore, does not negatively affect the estimated market value of the subject. The site coverage ratio indicates the available land around the buildings has been utilized at the subject to preclude a “cramped” feel to the property.

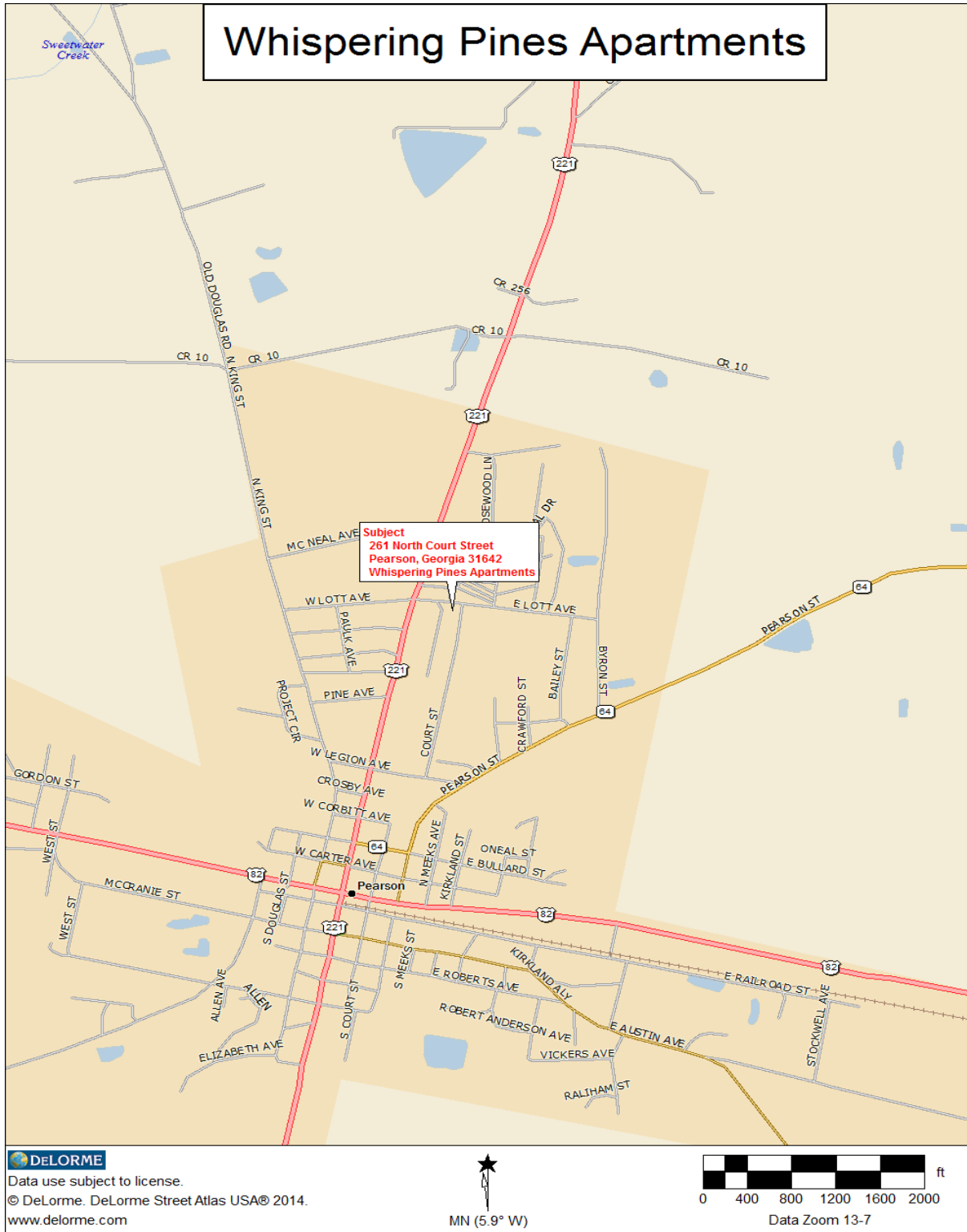
**Utilities**

Water, sewer and electricity are provided by city utilities along the site boundaries. These services appear to be adequate for commercial use.

**Zoning**

According to the City of Pearson, the subject is zoned Residential, District. The subject is a legal, conforming use. Therefore, it is unlikely that a zoning change will occur. The subject appears to meet site and setback requirements and appears to conform to the current zoning restrictions. The subject could be re-built if it were destroyed. The current zoning is consistent with the Highest and Best Use of the subject. A copy of the zoning ordinances was not available. Since there are no obvious conflicts between the subject property and the zoning of the property, there is no negative impact on the market value by the zoning classification.

Subject Map



**Improvement Description**

<b>Number of Buildings</b>	The subject contains four garden one-story buildings containing 25 units and one accessory building.
<b>Net Rentable Building Area</b>	16,492 square feet
<b>Gross Building Area</b>	18,678 square feet
<b>Year Built/Year Renovated</b>	1991/Proposed
<b>Economic Life</b>	55 Years
<b>Effective Age</b>	10 Years (As Is) 5 Years (As Complete)

The subject contains four garden one-story buildings containing 25 units. The property also contains one accessory building housing the laundry facility, meeting room, leasing office and maintenance area. According to the Atkinson County Assessor, the gross building area of the property is 18,678 square feet. A copy of the plans, dated July 10, 1989, and completed by Ellis, Ricket and Associates of Valdosta, Georgia, is included in the addenda.

The following table shows the unit mix for the subject property. The unit sizes shown in the table are based on inspector measurements taken the date of inspection.

<b>Unit Type</b>	<b># of Units</b>	<b>Square Footage</b>	<b>Total Square Footage</b>
1/1	24	654	15,696
2/1	1	796	796
	<b>25</b>		<b>16,492</b>

The property includes the following amenities:

Unit Amenities	Included	Fee	Project Amenities	Included	Fee
Refrigerator	X		Clubhouse		
Range/Oven	X		Meeting Room	X	
Garbage Disposal			Dining Room		
Dishwasher			Swimming Pool		
Microwave			Spa/Hot Tub		
Washer/Dryer			Exercise Room		
Washer/Dryer Hook-Ups	X		Picnic Area		
Carpet	X		Playground		
Vinyl	X		Tot Lot		
Wood			Volleyball Court		
Wood Composite			Basketball Court		
Ceramic Tile			Tennis Court		
Blinds	X		Exterior Storage	X	\$0
Drapes/Shades			Housekeeping		
Ceiling Fans			Business Center		
Vaulted Ceilings			Educational Classes		
Fireplace			Transportation		
Walk-In Closet			Service Coordinator/HUD Paid		
Coat Closet	X		Concierge Services		
Balcony			Computer Room		
Patio	X		Car Wash Area		
Pull Cords	X		Laundry Facility	X	
Emergency Call			On-Site Management	X	
Safety Bars	X		On-Site Maintenance	X	
<b>Parking</b>	<b>Included</b>	<b>Fee</b>	Intercom/Electronic Entry		
Parking Lot/# of Spaces	X/38	\$0	Limited Access Gate		
Covered Parking/# of Spaces			Perimeter Fencing	X	
Garage/# of Spaces			Security Patrol		
Parking Garage/Underground/# of Spaces			Video Surveillance		

The subject is 100 percent Rural Development with Rental Assistance for 24 units. The unit types, current rents, utility allowances and square footages for the units are shown in the table below:

Unit Type	# of Units	Square Footage	Current Rent	Utility Allowance
1/1	24	654	\$422	\$92
2/1	1	796	N/A	N/A

The property will undergo rehabilitation and will be in good condition after rehabilitation. The proposed scope of work is comprehensive and includes a complete rehabilitation of units, appliances and systems, kitchen cabinets, bath vanities and medicine cabinets, windows, interior and exterior doors, hot water heaters, air conditioning units, toilets and baths, flooring and structural elements such as exterior brick and wall supports, roofing and re-grading and striping of the parking lots. The rehabilitation is anticipated to take nine months.

The unit types, proposed rents after completion of the rehabilitation, utility allowances and square footages for the units are shown in the table below:

Unit Type	# of Units	Square Footage	Proposed Rent	Utility Allowance
1/1	24	654	\$418	\$92
2/1	1	796	N/A	N/A

The rents indicated in the table are assuming LIHTC restrictions, but the subject will retain its Rental Assistance for 24 units. The subject is currently a Rural Development property that, after rehabilitation, will remain a Rural Development property with Rental Assistance for 24 units as well as be a Low Income Housing Tax Credit property at 60 percent of the area median income. As a result of the Rental Assistance, tenants in those units will never be asked to pay more than 30 percent of their gross annual income for rent and utilities.

**CONSTRUCTION SUMMARY**

Foundation	Concrete Slab on Grade
Construction	Frame
Exterior Walls	Brick/Vinyl Siding
Floors	Carpet/Vinyl
Roof	Asphalt Shingle

**UTILITIES**

UTILITY SCHEDULE		
Utility	Type	Who Pays
Heat	Central Electric	Tenant
Air Conditioning	Central Electric	Tenant
Hot Water	Electric	Tenant
Cooking	Electric	Tenant
Other Electric	N/A	Tenant
Cold Water/Sewer	N/A	Landlord
Trash Collection	N/A	Landlord

**APPEAL**

Landscaping	Grass, Trees and Shrubs
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**Age, Life and Condition**

The subject was constructed in 1991 using both residential and commercial industry standard workmanship and materials. At the time of the inspection, the facility was observed to be in average physical condition. The subject will be in good condition after the rehabilitation is complete. The remaining estimated useful life is calculated by subtracting the effective age of a property as determined by the appraiser from the total economic life as determined by *Marshall and Swift Cost Valuation Services*. The

effective age of a property is its age as compared with other properties performing like functions. It is the actual age less the age which has been taken off by face-lifting, structural reconstruction, removal of functional inadequacies, modernization of equipment, etc. It is an age which reflects the true remaining life for the property, taking into account the typical life expectancy of buildings or equipment of its class and its usage. It is a matter of judgment, taking all factors, current and those anticipated in the immediate future, into consideration.

In evaluating the remaining economic life, consideration of the following points was included:

*a. The economic make-up of the community or region and the on-going demand for accommodations of the type represented.*

As noted in the Neighborhood Data section of this report, the subject is considered to be compatible with the adjacent properties in its neighborhood. The median home value for the neighborhood in 2017, according to ESRI, is \$74,935. According to ESRI, the average amount spent for owner-occupied households in the subject's neighborhood is \$16,152.00, or \$1,346 per month. The average amount spent for renter-occupied households is \$10,548.00, or \$879 per month. This data indicates that the cost to rent is significantly lower than the cost to own, thereby increasing the demand for rental housing. Therefore, the demand for rental units continues to be strong.

*b. The relationship between the property and the immediate environment. Older properties may have legally non-conforming use if they pre-dated real property zoning for the neighborhood. Observations within the neighborhood in which the subject is situated may reveal a conflicting relationship. This should be fully explored to determine any potential external obsolescence.*

In selecting an appropriate effective age for the subject, the property's compatibility within the neighborhood was considered. The property is a compatible use in the neighborhood and remains in demand by residents as exhibited by the stable occupancy rate of the property. The existing multifamily use of the subject does not conflict with adjacent property uses. Therefore, the property's compatibility does not have a detrimental impact on the property's remaining economic life. Surrounding and nearby land uses are not detrimental to the subject property. There is no evidence of external obsolescence arising from undesirable or non-conforming properties within the subject district.

*c. To the extent possible, the appraiser should analyze architectural design, style and utility from a functional point of view and the likelihood of obsolescence attributable to new inventions, new materials, changes in building codes, and changes in tastes.*



The property's architectural design is typical for the local rental market and is generally similar to rental projects in the area. In addition, the functional utility of the subject is similar to rental projects in the area, and the property does not suffer from functional obsolescence.

*d. The trend and rate of change in the characteristics of the neighborhood that affect property values and their effect on those values.*

Essential goods and services are readily accessible. Access to primary transportation routes is average to good, with ready linkage to both north-south and east-west highways. These neighborhood characteristics have resulted in a stable environment where occupancy rates are strong. No significant changes to the market area characteristics are anticipated.

*e. Workmanship and durability of construction and the rapidity with which natural and man-made forces may cause physical deterioration.*

The physical aspects reflect Class D construction which is viewed as having good durability.

*f. Physical condition and the practice of owners and occupants with respect to maintenance, the use or abuse to which the improvements are subjected, the physical deterioration and functional obsolescence within the subject property.*

The property is well-maintained, exhibits no evidence of deferred maintenance and is functionally adequate. The subject property is not anticipated to experience physical deterioration at a higher rate than projected for similar properties in the area.

The buildings are classified as Average Class D Multiple Residences, according to the Marshall & Swift Cost Manual. Based on the life expectancy tables found in the Marshall & Swift Cost Manual, the economic life of the building is approximately 55 years. Therefore, the effective age is 10 years, and the remaining economic life is 45 years. The subject will undergo a substantial rehabilitation. Upon completion of the rehabilitation the subject will be in good condition, and the effective age of the subject will be five years, and the remaining economic life will be 50 years.

**Subject Photos**



View of Sign



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Laundry Facility



View of Meeting Room



View of Living Area – One-Bedroom Unit



View of Kitchen – One-Bedroom Unit



View of Bedroom – One-Bedroom Unit



View of Bath – One-Bedroom Unit



View of Parking Lot



View of Street





View to the North



View to the South



View to the East



View to the West

**Assessments and Current Real Estate Taxes**

The combined tax rate for Atkinson County is 43.722 per \$1,000 of assessed value. The property has a total appraised value of \$495,902, with \$22,514 allocated to land and \$473,388 allocated to improvements. The assessor uses 40 percent of the appraised value to determine the assessed value. As a result, the assessed value was \$198,361. The 2016 real estate taxes for the subject were \$8,672.74. The taxes have been paid.

In order to determine the reasonableness of the real estate taxes when considering the Market Value within 7 CFR part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition As-If Unsubsidized Conventional Housing, real estate tax comparables were verified. These comparables are shown in the following table:

Property	No. of Units	Year Built	Parcel #	FMV - Land - 2016	FMV - Improvements - 2016	FMV - Total - 2016	Real Estate Taxes - 2016	Taxes Per Unit
Mar-Mel-Go Apartments 4650 Rolling Pine Drive Lake Park, Lowndes County, Georgia	70	2008	0171 042D	\$570,600	\$2,854,922	\$3,425,522	\$38,550.83	\$550.73
Three Oaks Apartments 3833 North Oak Street Valdosta, Lowndes County, Georgia	240	1991	0107D 102	\$583,200	\$3,794,571	\$4,377,771	\$63,309.63	\$263.79
Tall Tree Apartments 420 Connell Road Valdosta, Lowndes County, Georgia	148	1985	0112A 006	\$900,000	\$3,339,769	\$4,239,769	\$61,313.78	\$414.28
Spring Chase Apartments 1601 Norman Drive Valdosta, Lowndes County, Georgia	288	1996	0084C 006 0084C 007	\$2,745,766	\$11,480,499	\$14,226,265	\$205,734.50	\$714.36
Staten Crossing 3925 North Oak Street Valdosta, Lowndes County, Georgia	196	1997	0107D 104	\$837,200	\$8,617,368	\$9,454,568	\$136,728.26	\$697.59
Park East Apartments 1635 East Park Drive Valdosta, Lowndes County, Georgia	100	1992	0153C 079	\$161,250	\$2,540,404	\$2,701,654	\$39,070.21	\$390.70

These comparables are all market-rate facilities in Lowndes County. The comparables were utilized due to the lack of market-rate properties in the subject's county. The comparables indicated a range of \$263.79 per unit to \$714.36 per unit. The subject's actual real estate taxes are \$347.00 per unit. The subject's real estate taxes are lower than the comparable range. According to the assessor's office, restricted and market properties are assessed the same. for the market scenario. The subject's taxes are within the comparable range. Therefore, real estate taxes were projected similar to the subject at \$350 per unit, or \$8,750, for the market "as is" scenario.

## **Highest and Best Use Analysis**

Highest and Best Use is defined in *The Dictionary of Real Estate Appraisal*, sponsored by the Appraisal Institute (Sixth Edition 2015), as follows:

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

Implied in this definition is that the determination of highest and best use takes into account the contribution of specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations, the highest and best use of land may be for parks, greenbelt, preservation, conservation, wildlife habitat, etc.

In determining the highest and best use of the subject property, careful consideration was given to the economic, legal, and social factors which motivate investors to develop, own, buy, sell and lease real estate.

There are four criteria that are used in evaluating the highest and best use of a property. The highest and best must be:

1. **Physically Possible**
2. **Legally Permissible**
3. **Financially Feasible**
4. **Maximally Productive**

The four criteria are applied in sequential order. The selection of uses is narrowed through the consideration of each criteria, so that by the time the last criteria is applied, only a single use is indicated. Hence, a property often will have numerous uses which are physically possible, a lesser number which are both physically possible and legally permissible; fewer still which are physically possible, legally permissible and financially feasible; and only a single use which meets all four criteria.

In addition to the preceding four criteria, the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation further indicate that the following items must be considered as they relate to the use and value of the property:

1. Existing land use regulations
2. Reasonably probable modifications of such regulations
3. Economic demand
4. The physical adaptability of the property
5. Neighborhood trends

The previous sections of this report were used to render a judgment as to the highest and best use of the site as though vacant and as though improved.

### **Highest and Best Use as though Vacant**

Highest and best use of land or a site as though vacant assumes that a parcel of land is vacant or can be made vacant by demolishing any improvements. With this assumption, uses that create value can be identified, and the appraiser can begin to select comparable properties and estimate land value. The questions to be answered in this analysis are as follows:

If the land is, or were, vacant, what use should be made of it?

What type of building or improvement, if any, should be constructed on the land and when?<sup>6</sup>

### **Physically Possible Use as Vacant**

The first constraint imposed on the possible use of the property is dictated by the physical aspects of the site itself. The size and location within a given block are the most important determinants of value. In general, the larger the site, the greater its potential to achieve economies of scale and flexibility in development. The size of the parcel, considered within the provisions of the zoning, has considerable influence on its ultimate development.

The key determinant in developing a site is the permitted size of the project. More land permits higher density development, higher floor to area ratios (FAR), etc. the total number of square feet allowed for a building structure tends to rise in proportion to the size of the lot. Location is important when considering a site's proximity to open plazas, office trade areas, work force areas, public transportation, major highways (access/visibility), etc.

As noted in the Site Data section of this report, the subject site has a land area of 2.30 acres. Topographically, the site is gently rolling. The subject is not located in a flood hazard area. No subsoil or drainage conditions are known that would adversely affect the development of the site. Public utilities available to the subject include electricity, water, sewer and telephone. The size of the subject and the adjacent properties suggest a number of possible uses for the subject site.

### **Legally Permissible Use As Vacant**

Legal restrictions, as they apply to the subject property, are of two types, private restrictions (deed restriction easements) and public restrictions, namely zoning. No information regarding private restrictions affecting title was provided with this assignment other than those mentioned below. It is assumed that only common restrictions (i.e. utility easements, etc.) are applicable and are not of any consequence to the development of this site.

<sup>6</sup> The Appraisal Institute. *The Appraisal of Real Estate*. 14<sup>th</sup> ed. (Chicago, 2013), 337

### **FINANCIALLY FEASIBLE USE AS VACANT**

After the discussion of the physically possible and legally permissible uses for the site as vacant, the adjacent property uses suggest that the possibilities for the subject have been narrowed to multifamily development.

### **MAXIMALLY PRODUCTIVE AS VACANT**

Based on the analysis of the previous elements, it is reasonable to assume, if the site were vacant and available for development on the date of valuation, the highest and best use would be for multifamily development, most likely a multifamily use which could produce a higher return.

### **HIGHEST AND BEST USE AS IMPROVED**

Highest and best use of a property as improved pertains to the use that should be made of an improved property in light of its improvements. The use that maximizes an investment property's value, consistent with the long-term rate of return and associated risk, is its highest and best use as improved.<sup>7</sup>

This part of highest and best use analysis is structured to answer the following problems:

1. Should the building be maintained as is?
2. Should the building be renovated, expanded, or demolished?
3. Should the building be replaced with a different type or intensity of use?

### **PHYSICALLY POSSIBLE AS IMPROVED**

The subject site supports an existing multifamily development with a gross building area of approximately 18,678 square feet. The subject does suffer from functional or external obsolescence. The subject is in average condition.

### **LEGALLY PERMISSIBLE AS IMPROVED**

Based on the adjacent property uses and the zoning restrictions for the subject, the highest and best use of the subject site is considered to be a multifamily facility. The configuration of the improvements is not in violation of any known regulations and is considered to be a compatible use with the adjacent commercial and residential properties.

<sup>7</sup> The Appraisal Institute. *The Appraisal of Real Estate*. 14<sup>th</sup> ed. (Chicago, 2013), 345

**FINANCIALLY FEASIBLE AS IMPROVED**

The third factor that must be considered is the economical feasibility of the types of uses that are physically and legally permissible. Based on the data presented in the Income Approach section of this report, the existing improvements appear to be capable to produce an adequate return to be financially feasible as they exist.

**MAXIMALLY PRODUCTIVE AS IMPROVED**

Considering the previous discussions, the existing improvements are physically possible, legally permissible and financially feasible. There currently is no alternative legal use that could economically justify razing the existing improvement or significantly changing their use. Based on the foregoing analysis, it is my opinion that the maximally productive use of the property is as a multifamily development.

## **Appraisal Procedures**

### **The Cost Approach**

The Cost Approach considers the current cost of replacing a property, less depreciation from three sources: physical deterioration, functional obsolescence and external obsolescence. A summation of the market value of the land, assumed vacant and the depreciated replacement cost of the improvements provides an indication of the total value of the property.

### **The Income Approach**

The Income Approach is based on an estimate of the subject property's possible net income. The net income is capitalized to arrive at an indication of value from the standpoint of an investment. This method measures the present worth and anticipated future benefits (net income) derived from the property.

### **The Sales Comparison Approach**

The Sales Comparison Approach produces an estimate of value by comparing the subject property to sales and/or listings of similar properties in the same or competing areas. This technique is used to indicate the value established by informed buyers and sellers in the market.

In preparing this appraisal, the appraiser inspected the subject property and analyzed historic operating data for the subject. A Cost Approach was used to determine the effective age and economic life of the proposed development. Furthermore, information was gathered on competitive properties in the region for comparable improved rentals and operating expenses. Lastly, comparable sales were gathered primarily for their use as overall rate indicators. This information was applied in the Income Capitalization Approach. The application of each measure of value is discussed further in appropriate sections of this report.



**VALUATION SECTION**

### **Cost Approach**

The Cost Approach is a method in which the value of a property is derived by estimating the replacement cost of the improvements, deducting the estimated depreciation, and adding the market value of the land. The first Step in the Cost Approach is to estimate the value of the subject site.

### **Site Value**

The comparison method is the most common way of developing a market value estimate for land. In the comparison method, sales of vacant land comparable to the subject property are gathered and analyzed. Ideally, such vacant sales are close in time and proximity to the subject property.

The sales prices are adjusted for time, location, physical characteristics, and other relevant variations. The adjusted prices are reduced to some common unit of comparison and conclude a unit value applicable to the subject property. This unit value, when applied to the appropriate unit measure, results in an estimate of market value for land.

An investigation revealed several sales of similar sites in the subject's area. The comparables found are summarized on the following pages.

**Land Sale No. 1**



**Property Identification**

<b>Record ID</b>	4418
<b>Property Name</b>	1843 West Hill Avenue
<b>Address</b>	1843 West Hill Avenue, Valdosta, Lowndes County, Georgia 31601
<b>Tax ID</b>	0088B 016
<b>Market Type</b>	Land

**Sale Data**

<b>Grantor</b>	Deutsche Bank 2005-b
<b>Grantee</b>	M & M Stalvey Properties, LLC.
<b>Sale Date</b>	September 16, 2015
<b>Deed Book/Page</b>	005815000031
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal
<b>Financing</b>	Conventional
<b>Verification</b>	Assessor; May 10, 2017

<b>Sale Price</b>	\$31,649
<b>Cash Equivalent</b>	\$31,649
<b>Adjusted Price</b>	\$31,649

**Land Data**

<b>Zoning</b>	H-C, Highway-Commercial District
<b>Topography</b>	Nearly Level
<b>Utilities</b>	E, G, W, S
<b>Shape</b>	Irregular

**Land Sale No. 1 (Cont.)**

**Land Size Information**

**Gross Land Size**

1.250 Acres or 54,450 SF

**Front Footage**

West Hill Avenue

**Indicators**

**Sale Price/Gross Acre**

\$25,319

**Sale Price/Gross SF**

\$0.58

**Land Sale No. 2**



**Property Identification**

<b>Record ID</b>	4422
<b>Property Name</b>	State Highway 133
<b>Address</b>	State Highway 133, Valdosta, Brooks County, Georgia 31602
<b>Tax ID</b>	146 00117
<b>Market Type</b>	Land

**Sale Data**

<b>Grantor</b>	Tim Blanton
<b>Grantee</b>	Dosta Development, LLC
<b>Sale Date</b>	April 15, 2016
<b>Deed Book/Page</b>	763/179
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal
<b>Financing</b>	Conventional
<b>Verification</b>	Assessor; May 03, 2017

<b>Sale Price</b>	\$69,000
<b>Cash Equivalent</b>	\$69,000
<b>Adjusted Price</b>	\$69,000

**Land Data**

<b>Zoning</b>	C-4, Commercial
<b>Topography</b>	Nearly Level
<b>Utilities</b>	E, G, W, S
<b>Shape</b>	Irregular

**Land Sale No. 2 (Cont.)**

**Land Size Information**

**Gross Land Size**

**Front Footage**

1.700 Acres or 74,052 SF

State Highway 133

**Indicators**

**Sale Price/Gross Acre**

**Sale Price/Gross SF**

\$40,588

\$0.93

**Land Sale No. 3**



**Property Identification**

<b>Record ID</b>	4423
<b>Property Name</b>	4100 Old Pine Road
<b>Address</b>	4100 Old Pine Road, Valdosta, Lowndes County, Georgia 31605
<b>Tax ID</b>	0145B 071
<b>Market Type</b>	Land

**Sale Data**

<b>Grantor</b>	Kight Chong Hui
<b>Grantee</b>	Zirkles Ltd., LLC
<b>Sale Date</b>	April 08, 2016
<b>Deed Book/Page</b>	005935000111
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal
<b>Financing</b>	Conventional
<b>Verification</b>	Assessor; May 10, 2017

<b>Sale Price</b>	\$45,000
<b>Cash Equivalent</b>	\$45,000
<b>Adjusted Price</b>	\$45,000

**Land Data**

<b>Zoning</b>	R-M, Residential Multifamily District
<b>Topography</b>	Nearly Level
<b>Utilities</b>	E, G, W, S
<b>Shape</b>	Irregular

**Land Sale No. 3 (Cont.)**

**Land Size Information**

**Gross Land Size**

**Front Footage**

1.000 Acres or 43,560 SF

Old Pine Road

**Indicators**

**Sale Price/Gross Acre**

**Sale Price/Gross SF**

\$45,000

\$1.03



**Land Listing No. 4**



**Property Identification**

<b>Record ID</b>	4522
<b>Property Name</b>	7066 Lakes Boulevard
<b>Address</b>	7066 Lakes Boulevard, Lake Park, Lowndes County, Georgia 31636
<b>Tax ID</b>	0171 032
<b>Market Type</b>	Land

**Sale Data**

<b>Grantor</b>	SBATL Real Estate Holdings, LLC
<b>Survey Date</b>	May 10, 2017
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal
<b>Financing</b>	Conventional
<b>Verification</b>	Broker; May 10, 2017

<b>Listing Price</b>	\$450,000
<b>Cash Equivalent</b>	\$450,000
<b>Adjusted Price</b>	\$450,000

**Land Data**

<b>Zoning</b>	H-C, Highway-Commercial District
<b>Topography</b>	Nearly Level
<b>Utilities</b>	E, G, W, S
<b>Shape</b>	Irregular
<b>Depth</b>	550

**Land Listing No. 4 (Cont.)**

**Land Size Information**

**Gross Land Size**

8.980 Acres or 391,169 SF

**Front Footage**

665 ft. Total Frontage; 665 ft. Lakes Boulevard

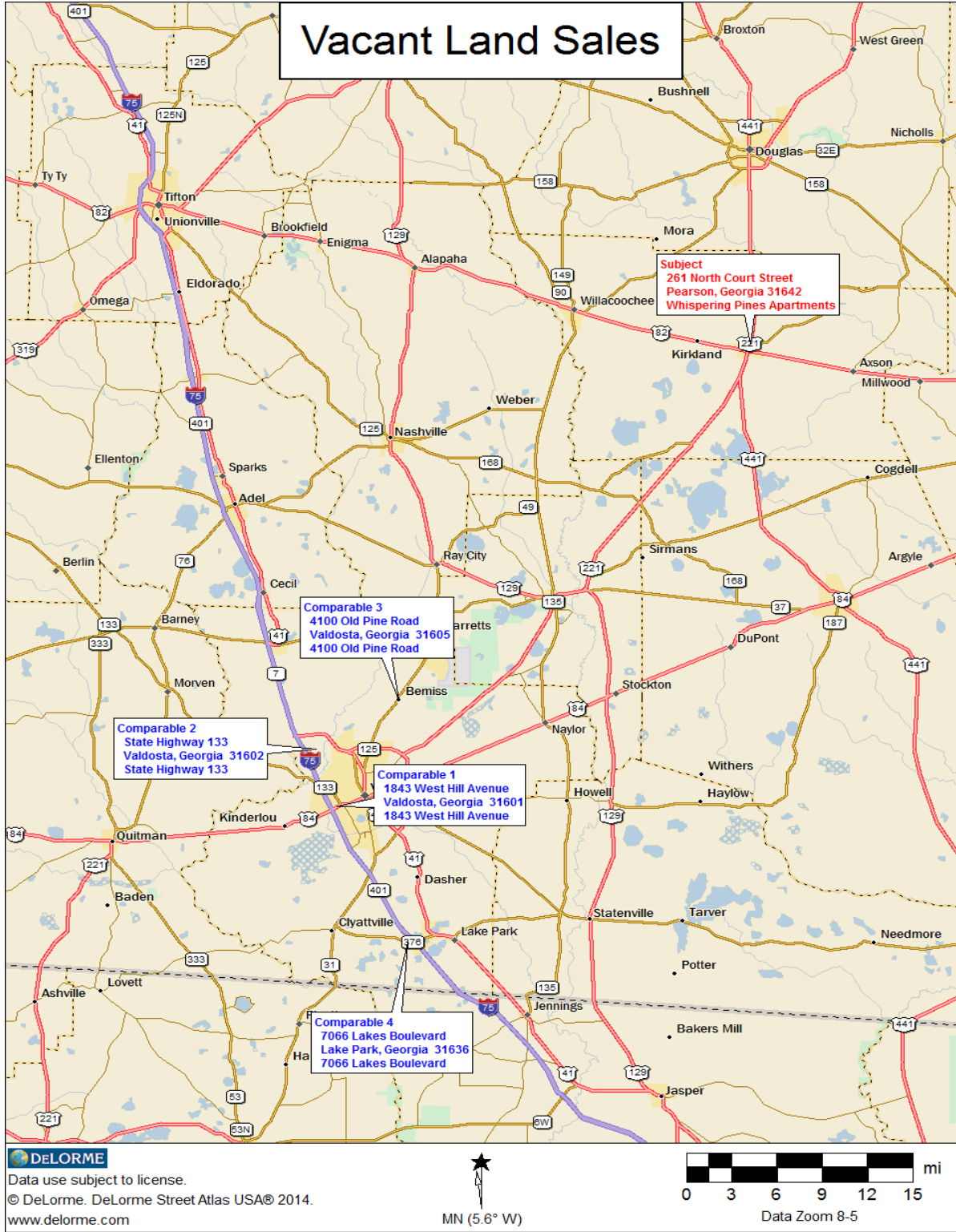
**Indicators**

**Sale Price/Gross Acre**

\$50,111

**Sale Price/Gross SF**

\$1.15



Whispering Pines Apartments \* 261 North Court Street \* Pearson, Georgia

Land Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4
Address	261 North Court Street	1843 West Hill Avenue	State Highway 133	4100 Old Pine Road	7066 Lakes Boulevard
City	Pearson	Valdosta	Valdosta	Valdosta	Lake Park
State	GA	GA	GA	GA	GA
Date	5/8/2017	9/16/2015	4/15/2016	4/8/2016	Listing
Price		\$31,649	\$69,000	\$45,000	\$450,000
Acres	2.30	1.25	1.70	1.00	8.98
Acre Unit Price		\$25,319	\$40,588	\$45,000	\$50,111
<b>Transaction Adjustments</b>					
Property Rights	Fee Simple	Fee Simple	0.0%	Fee Simple	0.0%
Financing	Conventional	Conventional	0.0%	Conventional	0.0%
Conditions of Sale	Normal	Normal	0.0%	Normal	0.0%
Adjusted Acre Unit Price		\$25,319	\$40,588	\$45,000	\$40,089
Market Trends Through	05/08/17	0%	0%	0%	0%
Adjusted GBA Unit Price		\$25,319	\$40,588	\$45,000	\$40,089
Location	Average	Superior	Superior	Superior	Similar
% Adjustment		-10%	-10%	-10%	0%
\$ Adjustment		-\$2,532	-\$4,059	-\$4,500	\$0
Acres	2.30	1.25	1.70	1.00	8.98
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Visibility/Access	Average	Similar	Similar	Similar	Similar
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Topography	Gently Rolling	Nearly Level	Nearly Level	Nearly Level	Nearly Level
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Zoning	Residential	H-C	C-4	R-M	H-C
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Utilities	E, G, W, S	E, G, W, S	E, G, W, S	E, G, W, S	E, G, W, S
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Adjusted Acre Unit Price		\$22,787	\$36,529	\$40,500	\$40,089
Net adjustments		-10.0%	-10.0%	-10.0%	0.0%
Gross adjustments		-10.0%	-10.0%	-10.0%	0.0%

After analyzing the land sales and adjusting each sale accordingly, it is our opinion that the estimated Market Value of the subject site as of May 8, 2017, is as follows:

**2.30 acres x \$35,000 per acre = \$80,500**

**Rounded \$81,000**

**Summary of Vacant Land Sales**

Comp	Address	Sale Date	Sale Price	Acre Unit Price	Acres	Land SF	Zoning
1	1843 West Hill Avenue	9/16/2015	\$31,649	\$25,319	1.25	54,450	H-C
2	State Highway 133	4/15/2016	\$69,000	\$40,588	1.70	74,052	C-4
3	4100 Old Pine Road	4/8/2016	\$45,000	\$45,000	1.00	43,560	R-M
4	7066 Lakes Boulevard	5/10/2017	\$450,000	\$50,111	8.98	391,169	H-C

**Adjustments**

The prices of the comparable land sales range from \$25,319 to \$50,111 per acre before adjustments. Each of the comparables was adjusted for differences from the subject site. The adjustments are based on the following characteristics.

**Location**

The location of the subject property and the comparables relative to residential population, population wealth, traffic patterns, centers of employment, economic levels and other locational attributes was analyzed. Location comparisons were made based on the appraiser’s judgment as to the relative desirability of the property to a potential commercial or multifamily investor. These factors also include degree and quality of surrounding development and view. The subject is located in Pearson. Comparable 1 is located in Valdosta. Comparable 2 is located in Valdosta. Comparable 3 is located in Valdosta. Lake Park and Pearson are considered similar in location. Though there are some differences in the location of the two cities, the differences are not significant enough to warrant an adjustment. However, Valdosta was considered superior to Pearson. The following table was utilized to determine appropriate adjustments for differences in location between Pearson and Valdosta.

U.S. Census Bureau Stats	Pearson	Valdosta	% Diff
2015 Population	1,935	56,504	96.58%
Households	596	21,029	97.17%
Median Home Value	\$58,300	\$125,700	53.62%
Median Rent	\$430	\$732	41.26%

Valdosta has a larger population, households and median home value and rent. Pearson has fewer services available than Valdosta. Therefore, it was considered superior. Based on the previous table as well as considering all other factors, a downward adjustment of 10 percent was determined for the comparables in Valdosta.

**Size**

Consideration was given to the size of the subject as compared to the comparables. Size can have an impact on site value based on the premise that smaller parcels often sell for a higher price per unit than larger parcels with equal utility. The subject site consists of a total area of 2.30 acres. The comparables range in size from 1.00 acres to 8.98 acres. The market did not indicate a need for adjustment due to size. Therefore, no adjustments were made.

**Visibility/Access**

Consideration was given to the subject's visibility/access. The subject has average visibility/access. All comparables are similar. No adjustment was needed.

**Topography**

Consideration was given to the subject's topography. The subject is gently rolling. Comparable 1 is nearly level. Comparable 2 is nearly level. Comparable 3 is nearly level. No adjustment was needed.

**Zoning**

The adjustment for zoning reflects not only the zoning of the comparables relative to the subject property but also the potential utility of the sites. The subject is zoned Residential. Comparable 1 is zoned H-C. Comparable 2 is zoned C-4. Comparable 3 is zoned R-M. Comparable 4 is zoned H-C. The market did not indicate an adjustment was needed for zoning differences. Therefore, no adjustments were made.

**Utilities**

Consideration was given to the subject's utilities. The subject has access to electricity, gas, water sand sewer. All comparables are similar. No adjustment was needed.

**Summary Conclusions**

The land sales analysis indicates the quantitative or qualitative adjustments. The comparable land sales range from \$22,787 to \$40,500 per acre after adjustments. All comparables were given consideration. The comparables indicated a reconciled value of \$35,000 per acre. These were considered to be the best comparables available after researching sales with local realtors and the county assessor's office.

**2.30 acres x \$35,000 per Acre = \$80,500**

**Rounded \$81,000**

## **Improvement Valuation**

The next step in the Cost Approach is to estimate the replacement cost new of the improvements.

Replacement cost new (RCN) is defined as follows:

The estimated cost to construct, at current prices as of the effective date of the appraisal, a building with utility equivalent to the building being appraised, using modern materials and current standards, design and layout.<sup>8</sup>

A description of the improvements was presented in the Improvement Data section. The costs estimated were made based on the developer's plans. Cost estimates were made based on the replacement cost new of the improvements using the **Marshall Valuation Service Cost Manual**. Soft costs are included in the base cost determined by the **Marshall Valuation Service Cost Manual**.

## **Depreciation Analysis**

Depreciation may be defined as any loss of value from any cause. There are three general areas of depreciation: physical deterioration, functional obsolescence and external obsolescence. Depreciation may be curable or incurable, the test being that money spent to cure the depreciation be gained in value. If the depreciation costs more to fix than will be gained in value, then the depreciation is considered incurable.

## **Physical Deterioration**

This results from deterioration from aging and use. This type of depreciation may be curable or incurable.

## **Depreciation Accrued To The Subject**

The buildings have an effective age of 10 years. Properties of this type are anticipated to have a total economic life of 55 years. Based upon the concept of age/life depreciation, the overall depreciation applicable to the subject is 10/55, or 18 percent.

The subject will undergo a substantial rehabilitation. Upon completion of the rehabilitation, the buildings will have an effective age of five years. Properties of this type are anticipated to have a total economic life of 55 years. Based upon the concept of age/life depreciation, the overall depreciation applicable to the subject will be 5/55, or 9 percent.

<sup>8</sup>Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015

**External Obsolescence**

External obsolescence is due to circumstances outside the property itself, such as industry, demographic and economic conditions or an undesirable proximate use. This type of depreciation is rarely curable. The subject does seem to suffer from external obsolescence.

**Deferred Maintenance**

There were no visible signs of deferred maintenance at the subject.

The following formula shows the external obsolescence for the "as is" restricted value.

**External Obsolescence - As Is Restricted**

<b>Total Construction Cost of Structures</b>				\$1,204,756
<b>Plus: Entrepreneur's Profit</b>				\$120,476
<b>Depreciation</b>				(\$245,974)
<b>Cost of Structures before External Obsolescence</b>				<u>\$1,079,257</u>
<b>Value of Land</b>				\$81,000
<b>Plus: Entrepreneur's Profit</b>				<u>\$8,100</u>
<b>Cost before External Obsolescence</b>				\$1,168,357
<b>Current Capitalization Rate</b>				6.00%
<b>Economic Net Operating Income (RCN x CR)</b>				\$70,101
<b>Net Operating Income from the Subject</b>				<u>\$27,362</u>
<b>Net Loss Due to Economic Obsolescence</b>				(\$42,739)
<b>Ratio of Improvements Total Property Value</b>				0.9237
<b>Year</b>		<b>Actual NOI Loss</b>	<b>Overall Cap Rate</b>	<b>Capitalized NOI Loss</b>
1		(\$42,739)	6.00%	(\$712,321)
<b>Times ratio of Improvements to Total Property</b>				0.9237
<b>Total External Obsolescence</b>				(\$657,998)



**Cost Analysis - Restricted As Is - Section 1 of 1**

**Marshall & Swift**

<b>Cost Source:</b> Marshall & Swift	# 12: Dwellings, Duplexes & Motels
<b>No. of Stories Multiplier:</b> 1.0000	<b>Local Multiplier:</b> 0.8300
<b>Height/Story Multiplier:</b> 1.0000	<b>Current Cost Multiplier:</b> 1.0300
<b>Perimeter Multiplier:</b> 1.0000	<b>Combined Multipliers:</b> 0.8549

**Building Improvements**

<b>Item</b>	<b>Unit Type</b>	<b>Cost</b>	<b>Quantity</b>	<b>Multiplier</b>	<b>Total</b>
Average Class D Multiple Residences	Sq. Ft.	\$71.55	18,678	0.855	\$1,142,498
Built-Ins	Per Unit	\$1,925.00	25	0.855	\$41,142
<b>Total Building Improvement Costs</b>					<b>\$1,183,640</b>
Price per SF Gross Building Area					\$63.37

**Site Improvements**

<b>Item</b>	<b>Unit Type</b>	<b>Cost</b>	<b>Quantity</b>	<b>Multiplier</b>	<b>Total</b>
Paving	Per Unit	\$650.00	38	0.855	\$21,116
<b>Total Site Improvement Costs</b>					<b>\$21,116</b>
<b>Subtotal: Building &amp; Site Costs</b>					<b>\$1,204,756</b>
Price per SF Gross Building Area					\$64.50

**Total Costs**

Subtotal: Building, Site & Soft Costs		\$1,204,756
Developer's Profit 10.0%		\$120,476
<b>Total Cost</b>		<b>\$1,325,231</b>
Price per SF Gross Building Area		\$70.95

**Depreciation**

<b>Component</b>	<b>Eff. Age</b>	<b>Life</b>	<b>Percent</b>	<b>Amount</b>
Physical Depreciation: Building	10	55	18%	\$234,361
Physical Depreciation: Site	10	20	50%	\$11,614
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$657,998
<b>Total Depreciation</b>				<b>\$903,972</b>
<b>Depreciated Value of Improvements</b>				<b>\$421,259</b>
Cost Per Square Foot Gross Building Area				\$22.55

**Additional Cost Sections**

Cost Section 2	\$0
Cost Section 3	\$0

**Land Value**

Land Value	\$81,000	
Other	\$0	
<b>Cost Approach Value Indication</b>		<b>\$502,259</b>
<b>Rounded</b>		<b>\$500,000</b>
<b>Price per SF Gross Building Area</b>		<b>\$26.77</b>

The costs in the preceding charts were derived by using the "Marshall Swift Valuation Service" and by conversations with local builders and comparable sales data. The total Estimated Value indicated by the Cost Approach for the subject "as is":

**Restricted Value As Is = \$500,000**

**Cost Analysis - Market As Is - Section 1 of 1**

**Marshall & Swift**

<b>Cost Source:</b> Marshall & Swift	# 12: Dwellings, Duplexes & Motels
<b>No. of Stories Multiplier:</b> 1.0000	<b>Local Multiplier:</b> 0.8300
<b>Height/Story Multiplier:</b> 1.0000	<b>Current Cost Multiplier:</b> 1.0300
<b>Perimeter Multiplier:</b> 1.0000	<b>Combined Multipliers:</b> 0.8549

**Building Improvements**

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	18,678	0.855	\$1,142,498
Built-Ins	Per Unit	\$1,925.00	25	0.855	\$41,142
<b>Total Building Improvement Costs</b>					<b>\$1,183,640</b>
Price per SF Gross Building Area					\$63.37

**Site Improvements**

Item	Unit Type	Cost	Quantity	Multiplier	Total
Paving	Per Unit	\$650.00	38	0.855	\$21,116
<b>Total Site Improvement Costs</b>					<b>\$21,116</b>
<b>Subtotal: Building &amp; Site Costs</b>					<b>\$1,204,756</b>
Price per SF Gross Building Area					\$64.50

**Total Costs**

Subtotal: Building, Site & Soft Costs	\$1,204,756
Developer's Profit 10.0%	\$120,476
<b>Total Cost</b>	<b>\$1,325,231</b>
Price per SF Gross Building Area	\$70.95

**Depreciation**

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	10	55	18%	\$234,361
Physical Depreciation: Site	10	20	50%	\$11,614
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$0
<b>Total Depreciation</b>				<b>\$245,974</b>
<b>Depreciated Value of Improvements</b>				<b>\$1,079,257</b>
Cost Per Square Foot Gross Building Area				\$57.78

**Additional Cost Sections**

Cost Section 2	\$0
Cost Section 3	\$0

**Land Value**

Land Value	\$81,000
Other	\$0
<b>Cost Approach Value Indication</b>	<b>\$1,160,257</b>
<b>Rounded</b>	<b>\$1,160,000</b>
<b>Price per SF Gross Building Area</b>	<b>\$62.11</b>

The costs in the preceding charts were derived by using the "Marshall Swift Valuation Service" and by conversations with local builders and comparable sales data. The total Estimated Value indicated by the Cost Approach for the subject "as is":

**Market Value As Is = \$1,160,000**

**Cost Analysis - Restricted As Complete - Section 1 of 1**

**Marshall & Swift**

<b>Cost Source:</b> Marshall & Swift	# 12: Dwellings, Duplexes & Motels
<b>No. of Stories Multiplier:</b> 1.0000	<b>Local Multiplier:</b> 0.8300
<b>Height/Story Multiplier:</b> 1.0000	<b>Current Cost Multiplier:</b> 1.0300
<b>Perimeter Multiplier:</b> 1.0000	<b>Combined Multipliers:</b> 0.8549

**Building Improvements**

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	18,678	0.855	\$1,142,498
Built-Ins	Per Unit	\$1,925.00	25	0.855	\$41,142
<b>Total Building Improvement Costs</b>					<b>\$1,183,640</b>
Price per SF Gross Building Area					\$63.37

**Site Improvements**

Item	Unit Type	Cost	Quantity	Multiplier	Total
Paving	Per Unit	\$650.00	38	0.855	\$21,116
<b>Total Site Improvement Costs</b>					<b>\$21,116</b>
<b>Subtotal: Building &amp; Site Costs</b>					<b>\$1,204,756</b>
Price per SF Gross Building Area					\$64.50

**Total Costs**

Subtotal: Building, Site & Soft Costs	\$1,204,756
Developer's Profit 10.0%	\$120,476
<b>Total Cost</b>	<b>\$1,325,231</b>
Price per SF Gross Building Area	\$70.95

**Depreciation: Section 1 of 1**

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	5	55	9%	\$117,180
Physical Depreciation: Site	5	20	25%	\$5,807
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$0
<b>Total Depreciation</b>				<b>\$122,987</b>
<b>Depreciated Value of Improvements</b>				<b>\$1,202,244</b>
Cost Per Square Foot Gross Building Area				\$64.37

**Additional Cost Sections**

Cost Section 2	\$0
Cost Section 3	\$0

**Land Value**

Land Value	\$81,000
Other	\$0
<b>Cost Approach Value Indication</b>	<b>\$1,283,244</b>
<b>Rounded</b>	<b>\$1,285,000</b>
<b>Price per SF Gross Building Area</b>	<b>\$68.80</b>

The costs in the preceding charts were derived by using the "Marshall Swift Valuation Service" and by conversations with local builders and comparable sales data. The total Estimated Value indicated by the Cost Approach for the subject "as complete":

**Restricted Value As Complete = \$1,285,000**

**Cost Analysis - Market As Complete - Section 1 of 1**

**Marshall & Swift**

<b>Cost Source:</b> Marshall & Swift	# 12: Dwellings, Duplexes & Motels
<b>No. of Stories Multiplier:</b> 1.000	<b>Local Multiplier:</b> 0.830
<b>Height/Story Multiplier:</b> 1.000	<b>Current Cost Multiplier:</b> 1.030
<b>Perimeter Multiplier:</b> 1.000	<b>Combined Multipliers:</b> 0.855

**Building Improvements**

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	18678	0.855	\$1,142,498
Built-Ins	Per Unit	\$1,925.00	25	0.855	\$41,142
<b>Total Building Improvement Costs</b>					<b>\$1,183,640</b>
Price per SF Gross Building Area					\$63.37

**Site Improvements**

Item	Unit Type	Cost	Quantity	Multiplier	Total
Paving	Per Unit	\$650.00	38	0.855	\$21,116
<b>Total Site Improvement Costs</b>					<b>\$21,116</b>
<b>Subtotal: Building &amp; Site Costs</b>					<b>\$1,204,756</b>
Price per SF Gross Building Area					\$64.50

**Total Costs**

Subtotal: Building, Site & Soft Costs	\$1,204,756
Developer's Profit 10.0%	\$120,476
<b>Total Cost</b>	<b>\$1,325,231</b>
Price per SF Gross Building Area	\$70.95

**Depreciation: Section 1 of 1**

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	5	55	9%	\$117,180
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<b>Depreciated Value of Improvements</b>				<b>\$1,202,244</b>
Cost Per Square Foot Gross Building Area				\$64.37

**Additional Cost Sections**

Cost Section 2	\$0
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**Land Value**

Land Value	\$81,000
Other	\$0
<b>Cost Approach Value Indication</b>	<b>\$1,283,244</b>
<b>Rounded</b>	<b>\$1,285,000</b>
<b>Price per SF Gross Building Area</b>	<b>\$68.80</b>

The costs in the preceding charts were derived by using the "Marshall Swift Valuation Service" and by conversations with local builders and comparable sales data. The total Estimated Value indicated by the Cost Approach for the subject "as complete":

**Market Value As Complete = \$1,285,000**

### **Income Approach**

The Income Approach is a procedure in which the value of a property is estimated by means of capitalization of a net income stream, either imputed or actual. The steps in the procedure are as follows:

1. Analyze the income the property is capable of generating.
2. Estimate the rental loss from vacancy and uncollected rents.
3. Estimate the amount of expense that will be incurred in operating the property.
4. Subtract 2 and 3 above from 1 to arrive at a net income estimate before capital charges.
5. Using an appropriate rate, capitalize the net income estimate into an indication of value.

### **Income Analysis**

The first step in forming an opinion of reasonable net income expectancy is the estimation of market rent. Market rent is defined as the rental warranted by a property in the open real estate market based upon current rentals being paid for comparable space.

HUD-Forms 92273 – As Is

One-Bedroom Units (654 SF) – As Is

Estimates of Market Rent  
by Comparison - As Is

U.S. Department of Housing and Urban Development  
Office of Housing  
Federal Housing Commissioner

OMB Approval No. 2502-0029  
(exp. 09/30/2016)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required by the Housing Appropriation Act of 9/28/1994. The information is needed to analyze the reasonableness of the Annual Adjustment Factor formula, and will be used where rent levels for a specific unit type, in a Substantial Rehabilitation or New Construction Contract, exceed the existing FMR rent. The information is considered nonsensitive and does not require special protection. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

1. Unit Type	2. Subject Property (Address)	A. Comparable Property No. 1 (address)			B. Comparable Property No. 2 (address)			C. Comparable Property No. 3 (address)			D. Comparable Property No. 4 (address)			E. Comparable Property No. 5 (address)		
One-Bedroom	Whispering Pines Apartments 261 North Court Street Pearson, Atkinson, GA	Three Oaks Apartments 3833 North Oak Street Valdosta, Lowndes, GA			Spring Chase Apartments 1601 Norman Drive Valdosta, Lowndes, GA			Tall Tree Apartments 420 Connell Road Valdosta, Lowndes, GA			Mar-Mel-Go Apartments 4650 Rolling Pine Drive Lake Park, Lowndes, GA			Hill House Apartments 620 East Peachtree Street Douglas, Coffee, GA		
Characteristics		Data	Data	Adjustments	Data	Adjustments	Data	Adjustments	Data	Adjustments	Data	Adjustments	Data	Adjustments		
3. Effective Date of Rental		05/2017	05/2017		05/2017		05/2017		05/2017		05/2017		05/2017			
4. Type of Project/Stories		G/1	WU/2		WU/2		WU/2		WU/2		WU/2		WU/2			
5. Floor of Unit in Building		First	Varies		Varies		Varies		Varies		Varies		Varies			
6. Project Occupancy %		96%	98%		99%		97%		99%		99%		100%			
7. Concessions		N	N		N		N		N		N		N			
8. Year Built		1991	1991/Ren		1996/Ren		1985	\$30	2008	(\$20)	1972		1972			
9. Sq. Ft. Area		654	809	(\$30)	690	(\$5)	770	(\$20)	775	(\$20)	800	(\$25)	800	(\$25)		
10. Number of Bedrooms		1	1		1		1		1		1		1			
11. Number of Baths		1.0	1.0		1.0		1.0		1.0		1.0		1.0			
12. Number of Rooms		3	3		3		3		3		3		3			
13. Balc./Terrace/Patio		Y	Y		Y		Y		Y		Y		Y			
14. Garage or Carport		L/0	L/0		L/0		L/0		L/0		L/0		L/0			
15. Equipment a. A/C		C	C		C		C		C		C		C			
b. Range/Refrigerator		RF	RF		RF		RF		RF		RF		RF			
c. Disposal		N	Y		Y		Y		Y		Y		Y			
d. Microwave/Dishwasher		N	D	(\$10)	D	(\$10)	MD	(\$15)	D	(\$10)	D	(\$10)	D	(\$10)		
e. Washer/Dryer		HU	HU		HU		L	\$5	HU		HU		HU			
f. Carpet		C	C		C		C		C		C		C			
g. Drapes		B	B		B		B		B		B		B			
h. Pool/Rec. Area		N	PER	(\$30)	PER	(\$30)	PER	(\$30)	P	(\$10)	N		N			
16. Services a. Heat/Type		N/E	N/G		N/E		N/E		N/E		N/E		N/E			
b. Cooling		N/E	N/E		N/E		N/E		N/E		N/E		N/E			
c. Cook/Type		N/E	N/E		N/E		N/E		N/E		N/E		N/E			
d. Electricity		N	N		N		N		N		N		N			
e. Hot Water		N/E	N/G		N/E		N/E		N/E		N/E		N/E			
f. Cold Water/Sewer		Y	Y		N	\$38	Y		N	\$38	N	\$38	N	\$38		
g. Trash		Y	Y		N	\$15	Y		N	\$15	N	\$15	N	\$15		
17. Storage		Y/0	Y/0		N	\$5	N	\$5	N	\$5	N	\$5	N	\$5		
18. Project Location		Average	Superior	(\$25)	Superior	(\$25)	Superior	(\$25)	Similar		Similar		Similar			
19. Security		N	Y	(\$5)	Y	(\$10)	N		N		N		N			
20. Clubhouse/Meeting Room		MR	C		MR		N	\$5	N	\$5	N	\$5	N	\$5		
21. Special Features		A	N	\$10	N	\$10	N	\$10	N	\$10	N	\$10	N	\$10		
22. Business Center / Nhd Netwk		N	BC	(\$5)	BC	(\$5)	N		N		N		N			
23. Unit Rent Per Month			\$676		\$675		\$547		\$550		\$545		\$545			
24. Total Adjustment				(\$95)		(\$17)		(\$35)		\$13				\$38		
25. Indicated Rent			\$581		\$658		\$512		\$563		\$583		\$583			
26. Correlated Subject Rent		\$575	<input type="checkbox"/> If there are any Remarks, check here and add the remarks to the back of page.													
		high rent	\$658	low rent	\$512	60% range	\$541	to	\$629							

Note: In the adjustments column, enter dollar amounts by which subject property varies from comparable properties. If subject is better, enter a "Plus" amount and if subject is inferior to the comparable, enter a "Minus" amount. Use back of page to explain adjustments as needed.

Appraiser's Signature: *Samuel S. Hill* Date (mm/dd/yy): 05/08/17  
Reviewer's Signature: \_\_\_\_\_ Date (mm/dd/yyyy): \_\_\_\_\_

Previous editions are obsolete

form HUD-92273 (07/2003)

## ***Explanation of Adjustments and Market Rent Conclusions – As Is***

### **Whispering Pines Apartments**

#### **Primary Unit Types – One-Bedroom Units (654 SF)**

**Please note:** Minor adjustments in the \$5 to \$10 range are based on the appraiser's evaluation of the overall market as well as typical responses indicated by existing tenants. In addition, this is standard industry practice when there is insufficient market data present to support adjustments. It is also considered an acceptable practice by HUD as indicated in the Section 8 Renewal Guide Chapter 9-12 (B) (2b) which states: "For minor adjustments (generally in the \$5 to \$10 range), the appraiser may state his/her subjective evaluation of why the observed differences would affect rent."

A rent comparability grid was prepared for the primary unit types with 654 square feet. Comparable apartments used include the following: Three Oaks Apartments (Comparable 1), Spring Chase Apartments (Comparable 2), Tall Tree Apartments (Comparable 3), Mar-Mel-Go Apartments (Comparable 4) and Hill House Apartments (Comparable 5).

**Structure/Stories** – The subject is located in garden one-story buildings. All comparables are located in walk-up or townhouse two- and three-story buildings. The market did not indicate an adjustment for differences in number of stories. No adjustments were needed.

**Project Occupancy** – The subject is currently 100 percent occupied. The occupancy rates of the comparables range from 97 to 100 percent. No adjustments were needed.

**Concessions** – The subject is not currently offering concessions. None of the comparables are currently offering concessions. No adjustment was needed.

**Year Built/Year Renovated** – The subject was constructed in 1991. Comparable 1 was built in 1991, Comparable 2 was constructed in 1996, and Comparable 3 was built in 1985. Comparable 4 was constructed in 2008, and Comparable 5 was built in 1972. The majority of the comparables were considered similar in condition as there were no differences significant enough to warrant an adjustment. Comparable 4, however, is newer than the subject and was considered superior in condition, while Comparable 3, though similar in age, was considered inferior to the subject. It is difficult to determine adjustment amounts for condition/street appeal as it is difficult to determine rent level fluctuations based on these items. Therefore, it was necessary to rely in large part on opinions of area apartment managers and tenants. In addition, adjusted rents of the comparables were considered as the difference in rents of the comparables after everything else is factored out is assumed to be attributable to condition/street appeal. When performing the analysis, the appraiser compared the units at Comparable 4 individually to

the units at Comparables 1, 2, 3 and 5. The first table below show the comparison of Comparable 4 and Comparables 1, 2 and 5. As can be seen in the following table, the appraiser adjusted the street rent of each comparable for all differences between the subject and comparables to come up with a net adjusted rent for each comparable. The differences that warranted adjustments included unit size, number of baths, microwave/dishwasher, washer/dryer, pool/exercise room/recreation area, cold water/sewer, trash, location, security, clubhouse/meeting room and business center. Once the net adjusted rents were determined, these rents were compared to the street rent at Comparable 4. The differences between the rents indicate the appropriate adjustments for condition.

<b>Paired Analysis - One-Bedroom Units</b>			
<b>Item</b>	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 5</b>
<b>Street Rent</b>	\$676	\$675	\$545
<b>Unit Size</b>	-\$5	\$15	-\$5
<b>Microwave/Dishwasher</b>	\$0	\$0	\$0
<b>Washer/Dryer</b>	\$0	\$0	\$0
<b>Pool/Exercise Room/Rec. Area</b>	-\$20	-\$20	\$10
<b>Cold Water/Sewer</b>	-\$38	\$0	\$0
<b>Trash</b>	-\$15	\$0	\$0
<b>Location</b>	-\$25	-\$25	\$0
<b>Security</b>	-\$5	-\$10	\$0
<b>Clubhouse/Meeting Room</b>	-\$5	-\$5	\$0
<b>Business Center</b>	-\$5	-\$5	\$0
<b>Net Rent</b>	\$558	\$625	\$550
<b>Comparable 4 Street Rent</b>	\$547	\$547	\$547
<b>Indicated Adjustment</b>	<b>-\$11</b>	<b>-\$78</b>	<b>-\$3</b>

The results were grouped together to determine a range for the adjustments for condition. Because the paired analysis cannot always account for renter perceptions, the results were multiplied by 50 percent. A range of (\$3) to (\$78) was determined, and an adjustment within this range was considered appropriate. After considering all factors, an adjustment of (\$20) was selected for Comparable 4. The adjustment is negative because Comparable 4 is considered superior to these comparables. Comparable 4 was also compared to Comparable 3. The results of that paired analysis are shown below:



Paired Analysis - One-Bedroom Units	
Item	Comparable 3
Street Rent	\$547
Unit Size	\$0
Microwave/Dishwasher	-\$5
Washer/Dryer	\$5
Pool/Exercise Room/Rec. Area	-\$20
Cold Water/Sewer	-\$38
Trash	-\$15
Location	-\$25
Security	\$0
Clubhouse/Meeting Room	\$0
Business Center	\$0
Net Rent	\$449
Comparable 4 Street Rent	\$550
Indicated Adjustment	<b>\$101</b>

The indicated adjustments for this comparison were averaged and then multiplied by 50 percent as indicated above. The result was \$51 which was rounded to \$50. Therefore, it was determined that Comparable 3 is \$50 inferior to Comparable 4. Since Comparable 4 was adjusted downward \$20 per month for the as is analysis, Comparable 3 was adjusted upward \$30 per month.

**SF Area** – For the purpose of this report, a range of comparable rents per square foot was derived. To determine this adjustment, each comparable’s dollar per square foot rental rate was determined. This number was then multiplied by 25 percent for each comparable to derive an adjusted dollar per square foot rental rate. The median dollar per square foot rental rate is determined. Next, the difference in square footage between the subject and each comparable is determined. The difference is multiplied by the determined adjusted dollar per square foot rate to arrive at the adjustment for each comparable. The selected dollar per square foot for the one-bedroom comparison is \$0.18. No adjustments were made to comparables within 25 square feet of the subject. The adjustments were rounded to the nearest \$5. These adjustments are reflected on the HUD-Forms 92273, which are attached.

**# of Bedrooms** – The subject contains one-bedroom units. All comparables are similar. No adjustments were needed.

**# of Baths** – The subject contains one bath. All comparables are similar. No adjustments were needed.

**Balcony/Patio** – The subject contains patios. All comparables are similar. No adjustments were needed.

**Parking** – The subject contains open asphalt parking for all units. All comparables contain lot parking for no additional fee. No adjustments were needed.

**AC: Central/Wall** – The subject contains central air conditioning. All comparables are similar. No adjustments were needed.

**Range/Refrigerator** – The subject contains both features in all units. All comparables contain these features in the units. No adjustment was needed.

**Garbage Disposal** – The subject does not contain a garbage disposal in the units. However, since there is no market data concerning units with this feature, no adjustment was given.

**Microwave/Dishwasher** – The subject does not contain either microwave or dishwasher. All comparables contain dishwashers. Comparable 3 also contains microwaves. Although there is little market data available concerning units with these features versus those without these features, the added amenity is an enhancement to the unit. Therefore, Comparables 1, 2, 4 and 5 were adjusted downward \$10 per month, and Comparable 2 was adjusted downward \$15 per month.

**Washer/Dryer** – The subject contains washer/dryer hook-ups in the units. Comparables 1, 2, 4 and 5 are similar. Comparable 3 contains a laundry facility and was adjusted upward \$5 per month. Although there is little market data available concerning units with these features versus those without these features, the added amenity is an enhancement to the unit.

**Carpet** – The subject contains carpet floor covering. All comparables contain carpet floor covering. No adjustments were needed.

**Drapes** – The subject and all comparables contain window coverings. No adjustment was needed.

**Pool/Exercise Room/Recreation Areas** – The subject does not contain any of these amenities. Comparable 1 contains swimming pool, exercise room, picnic area, playground, basketball court and tennis court. Comparable 2 contains a swimming pool, exercise room, playground, basketball court and tennis court. Comparable 3 contains a swimming pool, exercise room and picnic area. Comparable 4 contains swimming pool. Comparable 5 does not contain any of these amenities. No comparable in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement. Therefore, the comparables were adjusted downward \$10 per month per recreation type.

**Heat** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Cooling** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Cooking** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Electricity** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Hot Water** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Cold Water/Sewer** – The subject does not have these utilities provided by the landlord. Comparables 1 and 2 are similar. The remaining comparables do provide these utilities. Comparables 2, 4 and 5 were adjusted downward \$38 per month for one-bedroom units as indicated by the Georgia Department of Community Affairs Housing Authority's Allowances for Tenant-Furnished Utilities and Other Services.

**Trash** – The subject does have this utility provided by the landlord. Comparables 1 and 3 are similar. The remaining comparables do not provide this utility. Comparables 2, 4 and 5 were adjusted upward \$15 per month as indicated by the Georgia Department of Community Affairs Housing Authority's Allowances for Tenant-Furnished Utilities and Other Services.

**Extra Storage** – The subject contains extra storage. Comparable 1 is similar. The remaining comparables do not contain this feature. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement to the unit. Therefore, the comparables without this amenity were adjusted upward \$5 per month.

**Location** – The subject's location is average with easy access to all services available within the city limits. Comparable 4 is located in Lake Park, and Comparable 5 is located in Douglas. Although there were slight differences in the locations, there were no differences significant enough to warrant an adjustment. The remaining comparables are located in Valdosta and were considered superior in location. The location of the subject property and the comparables relative to residential population, population wealth, traffic patterns, centers of employment, economic levels and other locational attributes was analyzed. Location comparisons were made based on the appraiser's judgment as to the relative

desirability of the property to a potential renter. The following table was utilized to determine appropriate adjustments for any differences in location between Pearson and Valdosta.

U.S. Census Bureau Stats	Pearson	Valdosta	% Diff
2015 Population	1,935	56,504	96.58%
Households	596	21,029	97.17%
Median Home Value	\$58,300	\$125,700	53.62%
Median Rent	\$430	\$732	41.26%

Valdosta has a larger population, households and median home value and rent. Pearson has fewer services available than Valdosta. Therefore, it was considered superior. Based on the previous table as well as considering all other factors, a downward adjustment of \$25 was determined for the comparables in Valdosta.

**Security** – The subject does not contain security features. Comparable 1 contains security patrol. Comparable 2 contains intercom entry, limited access gate and video surveillance. Comparables 3, 4 and 5 do not contain security features. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement to the unit, particularly security that limits access to the property. Therefore, Comparable 1 was adjusted downward \$5 per month, and Comparables 2 and 3 were adjusted downward \$10 per month.

**Clubhouse/Meeting Room** – The subject contains a meeting room. Comparable 2 is similar. Comparable 1 contains a clubhouse. The remaining comparables do not contain either feature. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement. Therefore, all comparables without either feature were adjusted upward \$5 per month for each amenity.

**Special Features** – The subject contains pull cords. None of the comparables contain special features. Pull cords are an enhancement to the unit, particularly for senior properties such as the subject. Therefore, an adjustment of \$10 per month was determined to be appropriate.

**Business Center/Neighborhood Network** – The subject does not contain a business center. Comparables 1 and 2 contain business centers. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement. Therefore, Comparables 1 and 2 were adjusted \$5 per month.

**Conclusion of Market Rents – As Is**

The adjusted rents range from \$512 to \$658 for the one-bedroom comparison. All comparables were given consideration. Comparables 4 and 5 are located within the same city as the subject and is very similar to the subject in terms of amenities provided. Therefore, these comparables were given significant consideration. The remaining comparables were also considered. The appraiser concluded the market rent for the units at the subject as follows:

- **654 SF One-Bedroom Units** - **\$575**

The following table shows the current rents at the subject. The estimated market rents are above the current rents.

Unit Type	# of Units	Square Footage	Maximum Net LIHTC Rent	Current Rent	Utility Allowance
1/1	24	654	\$418	\$422	\$92
2/1	1	796	N/A	N/A	N/A

HUD-Forms 92273 – As Complete

One-Bedroom Units (654 SF) – As Complete

Estimates of Market Rent  
by Comparison - As Complete

U.S. Department of Housing and Urban Development  
Office of Housing  
Federal Housing Commissioner

OMB Approval No. 2502-0029  
(exp. 09/30/2016)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required by the Housing Appropriation Act of 9/28/1994. The information is needed to analyze the reasonableness of the Annual Adjustment Factor formula, and will be used where rent levels for a specific unit type, in a Substantial Rehabilitation or New Construction Contract, exceed the existing FMR rent. The information is considered non-sensitive and does not require special protection. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

1. Unit Type	2. Subject Property (Address)	A. Comparable Property No. 1 (address)			B. Comparable Property No. 2 (address)			C. Comparable Property No. 3 (address)			D. Comparable Property No. 4 (address)			E. Comparable Property No. 5 (address)		
		Data	Adjustments		Data	Adjustments		Data	Adjustments		Data	Adjustments		Data	Adjustments	
One-Bedroom	Whispering Pines Apartments 261 North Court Street Pearson, Atkinson, GA	Three Oaks Apartments 3833 North Oak Street Valdosta, Lowndes, GA			Spring Chase Apartments 1601 Norman Drive Valdosta, Lowndes, GA			Tall Tree Apartments 420 Connell Road Valdosta, Lowndes, GA			Mar-Mel-Go Apartments 4650 Rolling Pine Drive Lake Park, Lowndes, GA			Hill House Apartments 620 East Peachtree Street Douglas, Coffee, GA		
3. Effective Date of Rental	05/2017	05/2017			05/2017			05/2017			05/2017			05/2017		
4. Type of Project/Stories	G/1	WU/2			WU/2			WU/2			WU/2			T/2		
5. Floor of Unit in Building	First	Varies			Varies			Varies			Varies			First		
6. Project Occupancy %	96%	98%			99%			97%			99%			100%		
7. Concessions	N	N			N			N			N			N		
8. Year Built	1991/Proposed	1991/Ren		\$50	1996/Ren		\$50	1985		\$80	2008		\$30	1972		\$50
9. Sq. Ft. Area	654	809		(\$30)	690		(\$5)	770		(\$20)	775		(\$20)	800		(\$25)
10. Number of Bedrooms	1	1			1			1			1			1		
11. Number of Baths	1.0	1.0			1.0			1.0			1.0			1.0		
12. Number of Rooms	3	3			3			3			3			3		
13. Balc./Terrace/Patio	Y	Y			Y			Y			Y			Y		
14. Garage or Carport	L/0	L/0			L/0			L/0			L/0			L/0		
15. Equipment a. A/C	C	C			C			C			C			C		
b. Range/Refrigerator	RF	RF			RF			RF			RF			RF		
c. Disposal	N	Y			Y			Y			Y			Y		
d. Microwave/Dishwasher	N	D		(\$10)	D		(\$10)	MD		(\$15)	D		(\$10)	D		(\$10)
e. Washer/Dryer	HU	HU			HU			L		\$5	HU			HU		
f. Carpet	C	C			C			C			C			C		
g. Drapes	B	B			B			B			B			B		
h. Pool/Rec. Area	N	PER		(\$30)	PER		(\$30)	PER		(\$30)	P		(\$10)	N		
16. Services a. Heat/Type	N/E	N/G			N/E			N/E			N/E			N/E		
b. Cooling	N/E	N/E			N/E			N/E			N/E			N/E		
c. Cook/Type	N/E	N/E			N/E			N/E			N/E			N/E		
d. Electricity	N	N			N			N			N			N		
e. Hot Water	N/E	N/G			N/E			N/E			N/E			N/E		
f. Cold Water/Sewer	Y	Y			N		\$38	Y			N		\$38	N		\$38
g. Trash	Y	Y			N		\$15	Y			N		\$15	N		\$15
17. Storage	Y/0	Y/0			N		\$5	N		\$5	N		\$5	N		\$5
18. Project Location	Average	Superior		(\$25)	Superior		(\$25)	Superior		(\$25)	Similar			Similar		
19. Security	N	Y		(\$5)	Y		(\$10)	N			N			N		
20. Clubhouse/Meeting Room	MR	C			MR			N		\$5	N		\$5	N		\$5
21. Special Features	A	N		\$10	N		\$10	N		\$10	N		\$10	N		\$10
22. Business Center / Nbdh Netwk	N	BC		(\$5)	BC		(\$5)	N			N			N		
23. Unit Rent Per Month		\$676			\$675			\$547			\$550			\$545		
24. Total Adjustment				(\$45)			\$33			\$15			\$63			\$88
25. Indicated Rent		\$631			\$708			\$562			\$613			\$633		
26. Correlated Subject Rent	\$625		<input type="checkbox"/> If there are any Remarks, check here and add the remarks to the back of page.													
	high rent	\$708		low rent	\$562		60% range	\$591		to	\$679					

Note: In the adjustments column, enter dollar amounts by which subject property varies from comparable properties. If subject is better, enter a "Plus" amount and if subject is inferior to the comparable, enter a "Minus" amount. Use back of page to explain adjustments as needed.

Appraiser's Signature: *Samuel S. Hill* Date (mm/dd/yy): 05/08/17  
Reviewer's Signature: \_\_\_\_\_ Date (mm/dd/yyyy): \_\_\_\_\_

Previous editions are obsolete

form HUD-92273 (07/2003)

## ***Explanation of Adjustments and Market Rent Conclusions – As Complete***

### **Whispering Pines Apartments**

#### **Primary Unit Types – One-Bedroom Units (654 SF)**

**Please note:** Minor adjustments in the \$5 to \$10 range are based on the appraiser's evaluation of the overall market as well as typical responses indicated by existing tenants. In addition, this is standard industry practice when there is insufficient market data present to support adjustments. It is also considered an acceptable practice by HUD as indicated in the Section 8 Renewal Guide Chapter 9-12 (B) (2b) which states: "For minor adjustments (generally in the \$5 to \$10 range), the appraiser may state his/her subjective evaluation of why the observed differences would affect rent."

Rent comparability grids were prepared for the primary unit types with 654, 865 and 924 square feet. Comparable apartments used include the following: Three Oaks Apartments (Comparable 1), Spring Chase Apartments (Comparable 2), Tall Tree Apartments (Comparable 3), Mar-Mel-Go Apartments (Comparable 4) and Hill House Apartments (Comparable 5).

**Structure/Stories** – The subject is located in garden one-story buildings. All comparables are located in walk-up or townhouse two- and three-story buildings. The market did not indicate an adjustment for differences in number of stories. No adjustments were needed.

**Project Occupancy** – The subject is currently 100 percent occupied. The occupancy rates of the comparables range from 97 to 100 percent. No adjustments were needed.

**Concessions** – The subject is not currently offering concessions. None of the comparables are currently offering concessions. No adjustment was needed.

**Year Built/Year Renovated** – The subject was constructed in 1991 and will be rehabilitated. It will be in good condition. Comparable 1 was built in 1991, Comparable 2 was constructed in 1996, and Comparable 3 was built in 1985. Comparable 4 was constructed in 2008, and Comparable 5 was built in 1972. All comparables were considered inferior to varying degrees. It is difficult to determine adjustment amounts for condition/street appeal as it is difficult to determine rent level fluctuations based on these items. Therefore, it was necessary to rely in large part on opinions of area apartment managers and tenants. In addition, adjusted rents of the comparables were considered as the difference in rents of the comparables after everything else is factored out is assumed to be attributable to condition/street appeal. After considering all factors, Comparables 1, 2 and 5 were adjusted upward \$50 per month; Comparable 3 was adjusted upward \$80 per month; and Comparable 4 was adjusted upward \$30 per month.

**SF Area** – For the purpose of this report, a range of comparable rents per square foot was derived. To determine this adjustment, each comparable's dollar per square foot rental rate was determined. This number was then multiplied by 25 percent for each comparable to derive an adjusted dollar per square foot rental rate. The median dollar per square foot rental rate is determined. Next, the difference in square footage between the subject and each comparable is determined. The difference is multiplied by the determined adjusted dollar per square foot rate to arrive at the adjustment for each comparable. The selected dollar per square foot for the one-bedroom comparison is \$0.18. No adjustments were made to comparables within 25 square feet of the subject. The adjustments were rounded to the nearest \$5. These adjustments are reflected on the HUD-Forms 92273, which are attached.

**# of Bedrooms** – The subject contains one-bedroom units. All comparables are similar. No adjustments were needed.

**# of Baths** – The subject contains one bath. All comparables are similar. No adjustments were needed.

**Balcony/Patio** – The subject contains patios. All comparables are similar. No adjustments were needed.

**Parking** – The subject contains open asphalt parking for all units. All comparables contain lot parking for no additional fee. No adjustments were needed.

**AC: Central/Wall** – The subject contains central air conditioning. All comparables are similar. No adjustments were needed.

**Range/Refrigerator** – The subject contains both features in all units. All comparables contain these features in the units. No adjustment was needed.

**Garbage Disposal** – The subject does not contain a garbage disposal in the units. However, since there is no market data concerning units with this feature, no adjustment was given.

**Microwave/Dishwasher** – The subject does not contain either microwave or dishwasher. All comparables contain dishwashers. Comparables 3 also contains microwaves. Although there is little market data available concerning units with these features versus those without these features, the added amenity is an enhancement to the unit. Therefore, Comparables 1, 2, 4 and 5 were adjusted downward \$10 per month, and Comparable 2 was adjusted downward \$15 per month.



**Washer/Dryer** – The subject contains washer/dryer hook-ups in the units. Comparables 1, 2, 4 and 5 are similar. Comparable 3 contains a laundry facility and was adjusted upward \$5 per month. Although there is little market data available concerning units with these features versus those without these features, the added amenity is an enhancement to the unit.

**Carpet** – The subject contains carpet floor covering. All comparables contain carpet floor covering. No adjustments were needed.

**Drapes** – The subject and all comparables contain window coverings. No adjustment was needed.

**Pool/Exercise Room/Recreation Areas** – The subject does not contain any of these amenities. Comparable 1 contains swimming pool, exercise room, picnic area, playground, basketball court and tennis court. Comparable 2 contains a swimming pool, exercise room, playground, basketball court and tennis court. Comparable 3 contains a swimming pool, exercise room and picnic area. Comparable 4 contains swimming pool. Comparable 5 does not contain any of these amenities. No comparable in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement. Therefore, the comparables were adjusted downward \$10 per month per recreation type.

**Heat** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Cooling** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Cooking** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Electricity** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Hot Water** – The subject does not have this utility provided by the landlord. None of the comparables have this utility provided. No adjustments were needed.

**Cold Water/Sewer** – The subject does not have these utilities provided by the landlord. Comparables 1 and 2 are similar. The remaining comparables do provide these utilities. Comparables 2, 4 and 5 were adjusted downward \$38 per month for one-bedroom units as indicated by the Georgia Department of Community Affairs Housing Authority's Allowances for Tenant-Furnished Utilities and Other Services.

**Trash** – The subject does have this utility provided by the landlord. Comparables 1 and 3 are similar. The remaining comparables do not provide this utility. Comparables 2, 4 and 5 were adjusted upward \$15 per month as indicated by the Georgia Department of Community Affairs Housing Authority’s Allowances for Tenant-Furnished Utilities and Other Services.

**Extra Storage** – The subject contains extra storage. Comparable 1 is similar. The remaining comparables do not contain this feature. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement to the unit. Therefore, the comparables without this amenity were adjusted upward \$5 per month.

**Location** – The subject’s location is average with easy access to all services available within the city limits. Comparable 4 is located in Lake Park, and Comparable 5 is located in Douglas. Although there were slight differences in the locations, there were no differences significant enough to warrant an adjustment. The remaining comparables are located in Valdosta and were considered superior in location. The location of the subject property and the comparables relative to residential population, population wealth, traffic patterns, centers of employment, economic levels and other locational attributes was analyzed. Location comparisons were made based on the appraiser’s judgment as to the relative desirability of the property to a potential renter. The following table was utilized to determine appropriate adjustments for any differences in location between Pearson and Valdosta.

U.S. Census Bureau Stats	Pearson	Valdosta	% Diff
2015 Population	1,935	56,504	96.58%
Households	596	21,029	97.17%
Median Home Value	\$58,300	\$125,700	53.62%
Median Rent	\$430	\$732	41.26%

Valdosta has a larger population, households and median home value and rent. Pearson has fewer services available than Valdosta. Therefore, it was considered superior. Based on the previous table as well as considering all other factors, a downward adjustment of \$25 was determined for the comparables in Valdosta.

**Security** – The subject does not contain security features. Comparable 1 contains security patrol. Comparable 2 contains intercom entry, limited access gate and video surveillance. Comparables 3, 4 and 5 do not contain security features. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement to the unit, particularly security that limits access to the property. Therefore, Comparable 1 was adjusted downward \$5 per month, and Comparables 2 and 3 were adjusted downward \$10 per month.

**Clubhouse/Meeting Room** – The subject contains a meeting room. Comparable 2 is similar. Comparable 1 contains a clubhouse. The remaining comparables do not contain either feature. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement. Therefore, all comparables without either feature were adjusted upward \$5 per month for each amenity.

**Special Features** – The subject contains pull cords. None of the comparables contain special features. Pull cords are an enhancement to the unit, particularly for senior properties such as the subject. Therefore, an adjustment of \$10 per month was determined to be appropriate.

**Business Center/Neighborhood Network** – The subject does not contain a business center. Comparables 1 and 2 contain business centers. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement. Therefore, Comparables 1 and 2 were adjusted \$5 per month.

**Conclusion of Market Rents – As Complete**

The adjusted rents range from \$562 to \$708 for the one-bedroom comparison. Comparables 4 and 5 are located within the same city as the subject and is very similar to the subject in terms of amenities provided. Therefore, these comparables were given significant consideration. The remaining comparables were also considered. The appraiser concluded the market rent for the units at the subject as follows:

- **654 SF One-Bedroom Units** - **\$625**

The following table shows the proposed rents at the subject. The estimated “as complete” market rents are above the proposed rents. Therefore, the proposed rents were considered achievable.

Unit Type	# of Units	Square Footage	Maximum Net LIHTC Rent	Proposed Rent	Utility Allowance
1/1	24	654	\$418	\$418	\$92
2/1	1	796	N/A	N/A	N/A

**Rent Comparables**

**Multi-Family Lease No. 1**



**Property Identification**

**Record ID** 4814  
**Property Type** Walk-Up  
**Property Name** Three Oaks Apartments  
**Address** 3833 North Oak Street, Valdosta, Lowndes County, Georgia  
 31605  
**Market Type** Market

**Verification** Jennifer; 229-247-1175, May 10, 2017

<u>Unit Type</u>	<u>Unit Mix</u>			<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	
1/1	24	809	\$676	\$0.84
1/1		809	\$906	\$1.12
1/1	24	809	\$756	\$0.93
1/1		809	\$858	\$1.06
2/1	60	1,044	\$696	\$0.67
2/1		1,044	\$834	\$0.80
2/2	60	1,044	\$783	\$0.75
2/2		1,044	\$904	\$0.87
3/2	36	1,220	\$780	\$0.64
3/2		1,220	\$949	\$0.78
3/2	36	1,236	\$695	\$0.56
3/2		1,236	\$984	\$0.80

**Occupancy** 98%  
**Rent Premiums** None  
**Total Units** 240  
**Unit Size Range** 809 - 1236  
**Avg. Unit Size** 1,052

**Multi-Family Lease No. 1 (Cont.)**

<b>Avg. Rent/Unit</b>	\$734
<b>Avg. Rent/SF</b>	\$0.70
<b>SF</b>	252,528

**Physical Data**

<b>No. of Buildings</b>	20
<b>Construction Type</b>	Siding
<b>HVAC</b>	Central Gas/Central Elec
<b>Stories</b>	2
<b>Utilities with Rent</b>	Water, Sewer, Trash Collection
<b>Parking</b>	L/0
<b>Year Built</b>	1991/Ren
<b>Condition</b>	Average
<b>Gas Utilities</b>	Heating, Hot Water
<b>Electric Utilities</b>	Cooling, Cooking, Other Electric

**Amenities**

Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Hardwood, Blinds, Ceiling Fans, Fireplace, Walk-In Closet, Coat Closet, Balcony, Patio, Clubhouse, Swimming Pool, Exercise Room, Picnic Area, Playground, Basketball Court, Tennis Court, Extra Storage, Business Center, Car Wash Area, Laundry Facility, On-Site Management, On-Site Maintenance, Security Patrol

**Remarks**

The property does not maintain an active waiting list. The annual turnover rate was not disclosed. The rental ranges are due to renovations, unit amenities and floor layouts.

**Multi-Family Lease No. 2**



**Property Identification**

**Record ID** 4831  
**Property Type** Walk-Up  
**Property Name** Spring Chase Apartments  
**Address** 1601 Norman Drive, Valdosta, Lowndes County, Georgia 31601  
**Market Type** Market

**Verification** Glen; 229-247-8472, May 10, 2017

<u>Unit Type</u>	<u>Unit Mix</u>			
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	24	690	\$675	\$0.98
1/1 w/Den	8	1,126	\$753	\$0.67
2/1	104	960	\$787	\$0.82
2/2	72	1,226	\$811	\$0.66
2/2		1,226	\$850	\$0.69
3/2	72	1,376	\$896	\$0.65
3/2	8	1,400	\$943	\$0.67

**Occupancy** 100%  
**Rent Premiums** None  
**Total Units** 288  
**Unit Size Range** 690 - 1400  
**Avg. Unit Size** 1,125  
**Avg. Rent/Unit** \$814  
**Avg. Rent/SF** \$0.72  
  
**SF** 323,952

**Multi-Family Lease No. 2 (Cont.)**

**Physical Data**

<b>No. of Buildings</b>	33
<b>Construction Type</b>	Siding
<b>HVAC</b>	Central Elec/Central Elec
<b>Stories</b>	2
<b>Utilities with Rent</b>	None
<b>Parking</b>	L/0
<b>Year Built</b>	1996
<b>Condition</b>	Average
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

**Amenities**

Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Hardwood (select), Blinds, Ceiling Fans, Walk-In Closet (select), Balcony, Patio, Meeting Room, Swimming Pool, Exercise Room, Playground, Basketball Court, Tennis Court, Business Center, Computer Room, Laundry Facility, On-Site Management, On-Site Maintenance, Intercom/Electronic Entry, Limited Access Gate, Video Surveillance, Library

**Remarks**

The property contains a waiting list of 15-20 applicants. The annual turnover rate was not disclosed. The rental range is due to renovations.

**Multi-Family Lease No. 3**



**Property Identification**

**Record ID** 4834  
**Property Type** Walk-Up/Townhouse  
**Property Name** Tall Tree Apartments  
**Address** 420 Connell Road, Valdosta, Lowndes County, Georgia 31602  
**Market Type** Market

**Verification** Emma; 229-244-9632, May 10, 2017

**Unit Mix**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
Efficiency	8	457	\$455	\$1.00
1/1	36	770	\$547	\$0.71
1/1	20	852	\$595	\$0.70
2/1	28	928	\$626	\$0.67
2/1.5 TH	16	971	\$597	\$0.61
2/2	24	1,072	\$667	\$0.62
3/2	16	1,333	\$730	\$0.55

**Occupancy** 97%  
**Rent Premiums** None  
**Total Units** 148  
**Unit Size Range** 457 - 1333  
**Avg. Unit Size** 926  
**Avg. Rent/Unit** \$608  
**Avg. Rent/SF** \$0.66  
  
**SF** 136,992



**Multi-Family Lease No. 3 (Cont.)**

**Physical Data**

<b>No. of Buildings</b>	39
<b>Construction Type</b>	Brick/Siding
<b>HVAC</b>	Central Elec/Central Elec
<b>Stories</b>	2
<b>Utilities with Rent</b>	Water, Sewer, Trash Collection
<b>Parking</b>	L/0
<b>Year Built</b>	1985
<b>Condition</b>	Average
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

**Amenities**

Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Microwave, Washer/Dryer Hook-Ups (select), Carpet, Vinyl, Blinds, Ceiling Fans, Walk-In Closet, Coat Closet, Balcony, Patio, Swimming Pool, Exercise Room, Picnic Area, Pet Play Area, Playground, Laundry Facility, On-Site Management, On-Site Maintenance

**Remarks**

The property does not maintain an active waiting list. The annual turnover rate was is 16.2 percent.

**Multi-Family Lease No. 4**



**Property Identification**

**Record ID** 4809  
**Property Type** Walk-Up  
**Property Name** Mar-Mel-Go Apartments  
**Address** 4650 Rolling Pine Drive, Lake Park, Lowndes County, Georgia 31636  
**Market Type** Market

**Verification** Clair; 229-559-7368, May 10, 2017

<u>Unit Type</u>	<u>Unit Mix</u>			<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	
1/1	14	775	\$550	\$0.71
2/2	48	880	\$600	\$0.68
3/2	8	1,081	\$695	\$0.64

**Occupancy** 99%  
**Rent Premiums** None  
**Total Units** 70  
**Unit Size Range** 775 - 1081  
**Avg. Unit Size** 882  
**Avg. Rent/Unit** \$601  
**Avg. Rent/SF** \$0.68  
  
**SF** 61,738

**Multi-Family Lease No. 4 (Cont.)**

**Physical Data**

<b>No. of Buildings</b>	7
<b>Construction Type</b>	Siding
<b>HVAC</b>	Central Elec/Central Elec
<b>Stories</b>	2
<b>Utilities with Rent</b>	None
<b>Parking</b>	L/0
<b>Year Built</b>	2008
<b>Condition</b>	Good
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

**Amenities**

Refrigerator, Range/Oven, Dishwasher, Garbage Disposal, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Balcony, Patio, Swimming Pool, On-Site Management, On-Site Maintenance, Perimeter Fencing

**Remarks**

There are two applicants on the waiting list. The annual turnover rate is 51.4 percent.

**Multi-Family Lease No. 5**



**Property Identification**

**Record ID** 5440  
**Property Type** Townhouse  
**Property Name** Hill House Apartments  
**Address** 620 East Peachtree Street, Douglas, Coffee County, Georgia 31533  
**Market Type** Market

**Verification** Ines; 912-384-5555, May 08, 2017

<u>Unit Type</u>	<u>Unit Mix</u>			
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	12	800	\$545	\$0.68
<b>Occupancy</b>	100%			
<b>Rent Premiums</b>	N			
<b>Total Units</b>	12			
<b>Unit Size Range</b>	800			
<b>Avg. Unit Size</b>	800			
<b>Avg. Rent/Unit</b>	\$545			
<b>Avg. Rent/SF</b>	\$0.68			
<b>Net SF</b>	9,600			

**Multi-Family Lease No. 5 (Cont.)**

**Physical Data**

<b>No. of Buildings</b>	1
<b>Construction Type</b>	Brick/Siding
<b>HVAC</b>	Central Elec/Central Elec
<b>Stories</b>	2
<b>Utilities with Rent</b>	None
<b>Parking</b>	L/0
<b>Year Built</b>	1972
<b>Condition</b>	Average
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

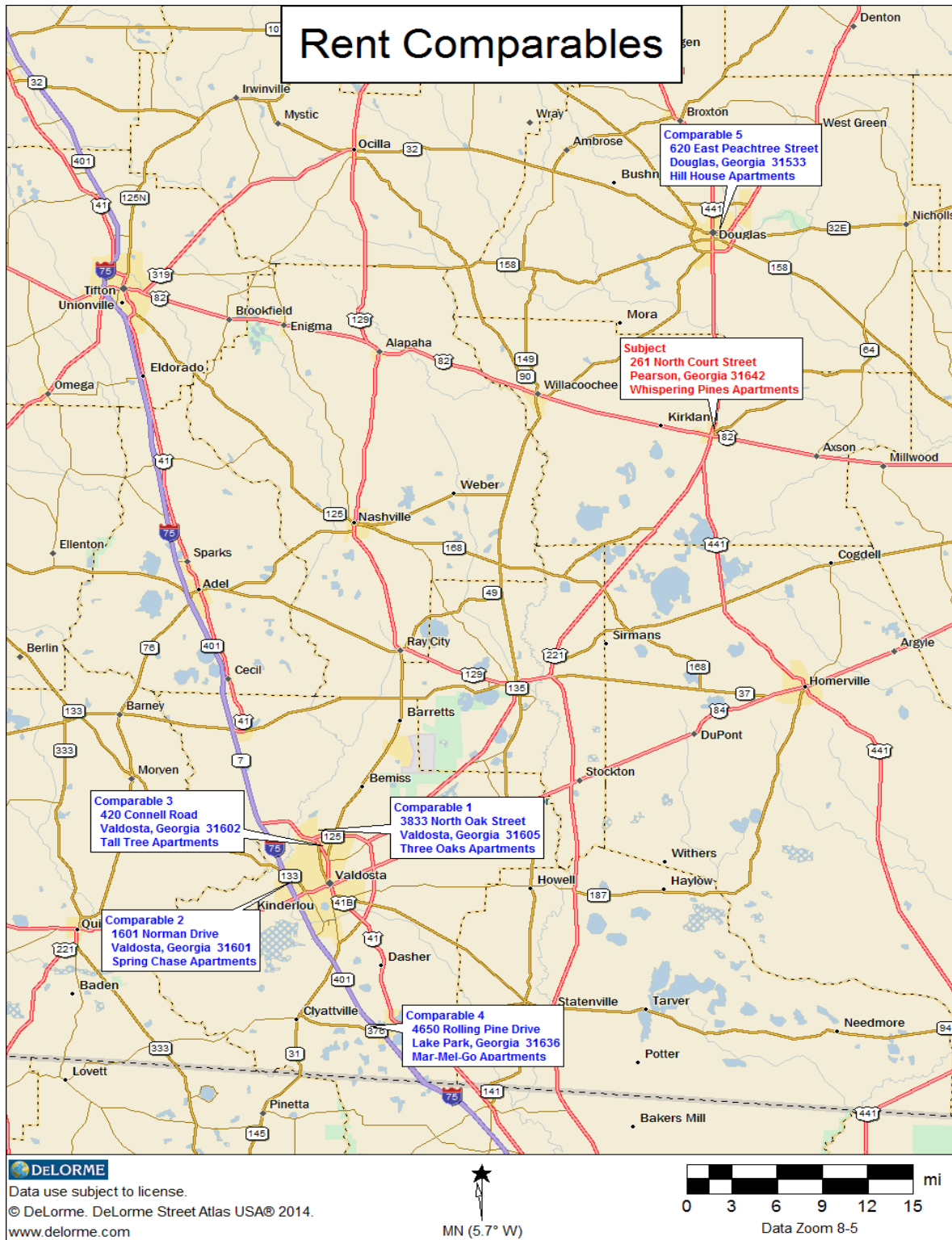
**Amenities**

Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Balcony, Patio

**Remarks**

There are three applicants on the waiting list. The annual turnover rate was not disclosed. The property is a general occupancy development. The typical lease term is 12 months.

Rent Comparable Map



**Summary and Conclusion**

Comparable apartment complexes were analyzed as shown on the attached HUD-Forms 92273. Adjustments were based on market rates for individual items as discussed on the previous pages. After analyzing the aforementioned data, market rates were established with special emphasis placed on the best comparables for each unit type to arrive at the estimated market rents as shown in the chart below. After all adjustments, the comparables with the least amount of adjustments for each bedroom type were considered to determine market rates. These rates were used throughout the report as the “Market Rates” for all subject apartment types.

**Potential Gross Rental Income**

**Total Potential Gross Rental Income (Restricted Rent As Is)**

# of Units	Unit Type	Unit SF	Max. Net LIHTC Rent	Current Rent	Potential Gross Income
24	1/1	654	\$418	\$422	\$10,128
1	2/1	796	N/A	N/A	\$0
Total Potential Monthly Rental Income					\$10,128
					x 12
Total Potential Gross Rental Income					\$121,536
Miscellaneous Income					\$625
<b>Total Potential Gross Income</b>					<b>\$122,161</b>

**Total Potential Gross Rental Income (Market Rent As Is)**

# of Units	Unit Type	Unit SF	Max. Net LIHTC Rent	Market Rent	Potential Gross Income
24	1/1	654	\$418	\$575	\$13,800
1	2/1	796	N/A	N/A	\$0
Total Potential Monthly Rental Income					\$13,800
					x 12
Total Potential Gross Rental Income					\$165,600
Miscellaneous Income					\$625
<b>Total Potential Gross Income</b>					<b>\$166,225</b>

**Total Potential Gross Rental Income (Restricted Rent As Complete)**

# of Units	Unit Type	Unit SF	Max. Net LIHTC Rent	Proposed Rent	Potential Gross Income
24	1/1	654	\$418	\$625	\$15,000
1	2/1	796	N/A	N/A	\$0
Total Potential Monthly Rental Income					\$15,000
					x 12
Total Potential Gross Rental Income					\$180,000
Miscellaneous Income					\$625
<b>Total Potential Gross Income</b>					<b>\$180,625</b>

\*The subject contains Rental Assistance for all revenue units. The current rent at the property is higher than the maximum net LIHTC rent. The Rental Assistance at the property will make up the difference between the maximum net LIHTC rent and the rent charged at the subject. The “as complete” market rent determined on the rent grids is the maximum achievable rent at the subject. As the subject has Rental Assistance for all units, the “as complete” market rent was used as the proposed rent in the restricted “as complete” analysis.

**Total Potential Gross Rental Income (Market Rent As Complete)**

# of Units	Unit Type	Unit SF	Max. Net LIHTC Rent	Market Rent	Potential Gross Income
24	1/1	654	\$418	\$625	\$15,000
1	2/1	796	N/A	N/A	\$0
Total Potential Monthly Rental Income					\$15,000
					x 12
Total Potential Gross Rental Income					\$180,000
Miscellaneous Income					\$625
<b>Total Potential Gross Income</b>					<b>\$180,625</b>

**Vacancy and Expense Explanations**

**Vacancy and Collection Loss**

*Vacancy and collection loss is an allowance for reductions in potential rental income because space is not leased or rents that are due cannot be collected.*

Annual rent collections are typically less than the potential annual gross income; therefore, an allowance for vacancy and collection loss is typically included in an appraisal of income-producing property. The allowance is usually estimated as a percentage of potential gross income. The percentage varies according to the type and characteristics of the physical property, the quality of tenancy, current and projected supply and demand relationships, and general and local economic conditions.

The field/phone survey was conducted in May 2017. Six market-rate properties responded to the survey and three restricted properties, including the subject, responded to the survey. Of the apartments surveyed an overall vacancy rate of two percent was determined for the market-rate vacancy and four percent was determined for the restricted vacancy. The subject is currently 96 percent occupied. Historically, the subject’s occupancy rate has ranged from 95 to 99 percent since 2014. After considering the vacancy rate of the subject and the comparables, a vacancy rate of five percent was deemed appropriate for “as is” conventional housing; five percent was deemed appropriate for “as complete” conventional housing; three percent was deemed appropriate for “as is” affordable housing; and three percent was deemed appropriate for “as complete” affordable housing.

**Expenses**

To develop an estimate of the net operating income, the appraiser analyzes data for the property. Net operating income (NOI), the income remaining after total expenses have been deducted from the effective gross income, may be calculated before or after deducting replacement reserves. The actual expenses a landlord is required to defray include two specific categories: those incurred by the property itself, such as taxes and insurance, and those resulting from the operation of the property, such as utilities and maintenance. Generally, expenses incurred by the property per se are called fixed expenses. Expenses tied to the operation of the property, which rise or fall with occupancy, are called variable expenses.



## **Management**

Building size determines the type of management. Generally, buildings of more than 25 units are of sufficient size to bear the additional burden of professional property management; larger high-rise or garden apartment projects of over 40 units often require the additional services of a site or resident manager. Lenders generally prefer that properties be professionally managed.

A property manager reports to the property owners, sets rent levels, establishes marketing procedures and does the fiscal planning for the project. The property manager also supervises on-site employees, among whom the resident manager is responsible for looking after the day-to-day dealings with the tenants, leasing of units, collection of rents, and coordination of routine and long-term building maintenance. The resident manager may oversee janitorial staff, an on-site maintenance crew, or various outside contractors. Large-scale apartment projects and newly built developments also employ leasing agents to fill vacancies or negotiate lease renewals and to assist with marketing programs, promotion, and advertising.

## **Tax and Assessment Information**

Real property taxes are based on ad valorem assessments. The records of the county assessor or tax collector can provide the details of a property's assessed value and annual tax burden. From the present assessment data and recent history of tax rates, the appraiser can formulate conclusions about future taxes. Property taxes directly increase the cost of ownership and therefore reduce the net income derived from the rental of apartment units. The fairness of the assessment and anticipated future taxes must be thoroughly analyzed and their impact on value considered in the property appraisal. Property taxes are generally imposed to pay for local government services such as firefighting, police protection and schools. Apartment properties in well-run communities, however, will attract potential tenants willing to pay higher rents for the superior services provided.

Special assessments are levied to pay for infrastructure development (roads or utilities) and extraordinary services (fire or police protection). Ideally, the value of the properties' subject to special assessment is not penalized. The enhancement resulting from the new infrastructure or the provision of additional services should offset the tax increase. However, when a property is subject to a special assessment that exceeds the benefit derived, the value of the property is diminished.

## **Insurance**

The insurance expense is the responsibility of the landlord.

## **Maintenance**

The property manager is responsible for the janitorial staff and on-site maintenance crew and various outside contractors.

### **Utilities and Service**

Water, electricity, natural or liquid petroleum (propane) gas, sewage, trash collection, street maintenance, telephone and cable television are essential utilities and services in most residential markets. If the utilities on the site are inadequate, the cost of improving utility service must be considered. Utilities may be publicly provided or privately owned as part of a community system. In some cases, utilities are individual to the site. The availability and reliability of utilities have a direct bearing on the amount of rent a tenant will pay. At the same time, the cost of utility services is an operating expense that affects the potential net income of the project. The effect of this expenditure is investigated by comparing the costs of utilities and services at competing buildings in relation to rents with the costs incurred by the subject.

### **Reserves for Replacement**

For large properties, the cost of replacing items such as heating/cooling equipment or hallway carpeting may occur regularly. Thus, an allowance for replacements is treated as a separate expense. Even for smaller apartment properties, however, mortgage lenders and property managers may require that part of net operating income be withheld as a reserve to fund the replacement of building components. Consequently, appraisers often estimate an allowance for replacements when projecting cash flow to be capitalized into market value. Other allowances are sometimes made for unusual circumstances—e.g., reserves to cover periodic non-annual repairs, eventual compliance with environmental regulations (asbestos removal), or bringing the building up to code for handicapped persons. Estimates of such reserves should be included in the income forecast if the appraiser believes the situation warrants it.

Because possible differences in the way accountants and property managers enter line-item expenses, the appraiser should ensure the subject property's operating statement is reconstructed to provide that the expense items recorded correspond to proper appraisal practice. In the reconstruction of the operating statement 1) nonrecurring past items are not repeated, 2) any deductions taken for non-operating expenses (personal expenses) are eliminated, 3) ambiguous, repetitive or atypical expense items are recategorized and 4) line items are appropriately grouped to facilitate analysis.

An expense comparison should be made on a uniform or standardized basis. If most of the expense comparables include a replacement reserve, an estimate of this item should be included in the reconstructed operating statement for the subject property. Recategorizing expense items allows the appraiser to compare the operation of the subject with the operating expenses of other properties and the expense averages from benchmark data.

For example, apartment managers often record air conditioning as an expense category. In some cases, this may simply cover the cost of maintaining the equipment, while in others it includes allocations for water, electricity, supplies (filters) and maintenance. Similarly, the category for management may reflect

different items because of different ways of operating a property. Some apartment managers will contract for landscaping, snow removal, boiler maintenance and redecoration, while others have these functions performed by on-site managers. By grouping all expense items that are management-controllable, the appraiser will be able to compare the operations of building maintained on contract accounts with those of buildings that employ a permanent workforce to look after maintenance.

Utility expense often differ among properties because some managers operate apartments on a “self-contained” basis, whereby tenants pay directly for meterable natural gas and electricity, while other managers pay the costs of fuel for heating and cooking but not for electricity. Typically, the landlord absorbs all utility charges incurred by vacant units and public spaces (corridors, lobbies, office, basement storage rooms, laundry, parking and exterior lighting) as well as water and sewer charges.

In analyzing operating expenses, the appraiser may also consult benchmark data. For example, the Institute of Real Estate Management's annual reports include the following groupings:

- \* Administration and management
- \* Utilities
- \* Repairs and maintenance
- \* Real estate taxes and insurance
- \* Payroll (salaries for maintenance and administrative staff)

These data are quoted per square foot of rentable area, as dollars per unit, and as percentage of effective gross income. Such data may be compared against the historic expense data for the subject and cited in the appraisal report. In this instance, the benchmark data was merely used to reflect the validity of my report.

### **Market Rent and Contract Rent**

In the income capitalization approach, the appraiser arrives at an estimate of market rent, or rental income the subject property would likely command in the open market, by analyzing current rents paid and asked for space in comparable buildings. Estimated market rent is important for both proposed and operating properties. In the case of the former, market rent allows the forecast of gross income, and with the latter it is used to calculate the income for vacant rental space or space occupied by the ownership or property management. Contract rent is the actual rental income specified in a lease. It is calculated for operating properties from existing leases, including month-to-month extensions of former leases. It is essential to specify whether the cited rent is 1) the former or existing contract rent, 2) the asking amount sought by the landlord or property manager or 3) the market rent estimated by the appraiser.

### **Other Miscellaneous Income**

In addition to income from apartment rents, income to the building may be generated from a variety of sources. License fees are paid for temporary, nonexclusive use of special facilities, such as party room or swimming pool fees. Service fees are charged for elective maid service. An apartment project may earn concession income from coin telephones, vending machines and laundry room equipment.

Rental income can also be generated from non-apartment space such as an on-site retail store, restaurant, beauty parlor or physician's office. A parking garage may be leased to an operator or, alternatively, the building may directly license the parking spaces to tenants or non-tenants (on-site parking, however, is often available to tenants at no additional charge). Finally, interest income may accrue on the balance between rents collected in advance and expenses paid in arrears. Interest can also be earned on security deposits, although in some jurisdictions such interest must ultimately be paid back to the tenants. Thus, other income includes rent for non-apartment space and miscellaneous income from various tenant charges.

In many instances, a significant degree of the apartment project's income stream is imputable to intangible as well as tangible personality. Apartment properties may earn business income from profits on the rental of in-suite furniture to tenants, marking up the cost of electricity privately metered to tenants, as well as for opening tenants' doors when the key is left inside, licensing the concierge function and the coin machines, profit centers such as storage rooms (including the sale of abandoned tenant goods), and the interest on company bank accounts.

## Operating Expenses & Restricted Projections

Property: Whispering Pines Apartments  
 # of Rental Units: 25  
 Revenue and Expense Analysis  
 Historical and Proforma

REVENUE - Annual											REVENUE - Annual					
	2014	PUPA	2015	PUPA	%	2016	PUPA	%	4 months				Budget	PUPA	%	
									YTD	2017	Annualized	PUPA				%
<b>Residential &amp; Ancillary Income</b>																
Annual Gross Potential Rental Income	120,720	4,829	118,656	4,746	-2%	121,536	4,861	2%	40,512	121,536	4,861	0%	121,536	4,861	0%	Residential & Ancillary Income
Annual Ancillary Income	317	13	676	27	113%	634	25	-6%	125	375	15	-41%	400	16	-37%	Annual Ancillary Income
Annual Gross Potential Income	121,037	4,841	119,332	4,773	-1%	122,170	4,887	2%	40,637	121,911	4,876	0%	121,936	4,877	0%	Annual Gross Potential Income
Occupancy	94.71%	256	99.04%	46	5%	98.72%	63	0%	97.99%	1	98	-1%	98.01%	97	0%	Occupancy
Effective Gross Income (EGI)	114,635	4,585	118,192	4,728	3%	120,606	4,824	2%	39,819	119,456	4,778	-1%	119,505	4,780	-1%	Effective Gross Income (EGI)

ITEMIZED EXPENSES - Annual											ITEMIZED EXPENSES - Annual					
Estimate of Annual Expense	2014	PUPA	2015	PUPA	%	2016	PUPA	%	4 months				Budget	PUPA	%	
									YTD	2017	Annualized	PUPA				%
<b>Administrative</b>																
Advertising	120	5	133	5	11%	93	4	-30%	0	0	0	-100%	50	2	-46%	Administrative
Management Fee	12,772	511	13,122	525	3%	13,465	539	3%	4,560	13,680	547	2%	14,112	564	5%	Management Fee
Other (Specify)	14,346	574	17,898	716	25%	21,349	854	19%	7,678	23,034	921	8%	17,488	700	-18%	Other (Specify)
<b>Total Administrative</b>	<b>27,237</b>	<b>1,089</b>	<b>31,153</b>	<b>1,246</b>	<b>14%</b>	<b>34,908</b>	<b>1,396</b>	<b>12%</b>	<b>12,238</b>	<b>36,714</b>	<b>1,469</b>	<b>5%</b>	<b>31,650</b>	<b>1,266</b>	<b>-9%</b>	<b>Total Administrative</b>
<b>Operating</b>																
Elevator Maintenance Exp.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Operating
Fuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Elevator Maintenance Exp.
Lighting and Misc. Power	2,530	101	2,672	107	6%	2,690	108	1%	777	2,332	93	-13%	2,800	112	4%	Fuel - Heating
Water	6,902	276	6,482	259	-6%	12,294	492	90%	4,567	13,700	548	11%	9,000	360	-27%	Lighting and Misc. Power
Gas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Water
Garbage and Trash Removal	1,983	79	1,650	66	-17%	2,181	87	32%	670	2,010	80	-8%	2,800	112	28%	Gas
Payroll	3,248	130	4,969	199	53%	3,012	120	-39%	2,791	8,374	335	178%	4,000	160	33%	Garbage and Trash Removal
Other (Specify)	9,610	384	9,918	397	3%	10,562	422	6%	4,743	14,228	569	35%	10,900	436	3%	Payroll
<b>Total Operating</b>	<b>24,272</b>	<b>971</b>	<b>25,690</b>	<b>1,028</b>	<b>6%</b>	<b>30,739</b>	<b>1,230</b>	<b>20%</b>	<b>13,548</b>	<b>40,644</b>	<b>1,626</b>	<b>32%</b>	<b>29,500</b>	<b>1,180</b>	<b>-4%</b>	<b>Total Operating</b>
<b>Maintenance</b>																
Decorating	348	14	1,804	72	418%	1,994	80	11%	781	2,342	94	17%	2,000	80	0%	Maintenance
Repairs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Decorating
Exterminating	1,328	53	1,341	54	1%	2,154	86	61%	711	2,133	85	-1%	2,341	94	9%	Repairs
Insurance	4,955	198	5,018	201	1%	5,016	201	0%	4,971	14,913	597	197%	5,700	228	14%	Exterminating
Ground Expense	7,550	302	6,796	272	-10%	6,610	264	-3%	2,200	6,600	264	0%	7,600	304	15%	Insurance
Other (specify)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Ground Expense
<b>Total Maintenance</b>	<b>14,181</b>	<b>567</b>	<b>14,959</b>	<b>598</b>	<b>5%</b>	<b>15,774</b>	<b>631</b>	<b>5%</b>	<b>8,663</b>	<b>25,988</b>	<b>1,040</b>	<b>65%</b>	<b>17,641</b>	<b>706</b>	<b>12%</b>	<b>Total Maintenance</b>
<b>Taxes</b>																
Real Estate Tax	10,977	439	9,320	373	-15%	6,739	270	-28%	0	0	0	-100%	13,000	520	93%	Taxes
Personal Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Real Estate Tax
Employee Payroll Tax	925	37	1,168	47	26%	941	38	-19%	459	1,377	55	46%	1,100	44	17%	Personal Property Tax
Employee Benefits	413	17	580	23	40%	534	21	-8%	539	1,618	65	203%	550	22	3%	Employee Payroll Tax
Other	234	9	385	15	64%	359	14	-7%	109	328	13	-9%	250	10	-30%	Employee Benefits
<b>Total Taxes</b>	<b>12,550</b>	<b>502</b>	<b>11,453</b>	<b>458</b>	<b>-9%</b>	<b>8,573</b>	<b>343</b>	<b>-25%</b>	<b>1,108</b>	<b>3,323</b>	<b>133</b>	<b>-61%</b>	<b>14,900</b>	<b>596</b>	<b>74%</b>	<b>Total Taxes</b>
Operating Exp. before RFR	78,240	3,130	83,255	3,330	6%	89,993	3,600	8%	35,556	106,668	4,267	19%	93,691	3,748	4%	Operating Exp. before RFR
Reserve For Replacement	6,552	262	6,552	262	0%	6,552	262	0%	2,184	6,552	262	0%	6,549	262	0%	Reserve For Replacement
<b>Operating Exp. Incl. RFR</b>	<b>84,792</b>	<b>3,392</b>	<b>89,807</b>	<b>3,592</b>	<b>6%</b>	<b>96,545</b>	<b>3,862</b>	<b>8%</b>	<b>37,740</b>	<b>113,220</b>	<b>4,529</b>	<b>17%</b>	<b>100,240</b>	<b>4,010</b>	<b>4%</b>	<b>Operating Exp. Incl. RFR</b>
<b>NOI</b>	<b>29,842</b>	<b>1,194</b>	<b>28,386</b>	<b>1,135</b>	<b>-5%</b>	<b>24,061</b>	<b>962</b>	<b>-15%</b>	<b>2,078</b>	<b>6,235</b>	<b>249</b>	<b>-74%</b>	<b>19,265</b>	<b>771</b>	<b>-20%</b>	<b>NOI</b>

Whispering Pines Apartments \* 261 North Court Street \* Pearson, Georgia

**Property:** Whispering Pines Apartments  
 # of Rental Units: 25  
**Revenue and Expense Analysis**  
**Historical and Proforma**

REVENUE - Annual	As Is			As Complete			REVENUE - Annual
	Restricted Projections	PUPA	%	Restricted Projections	PUPA	%	
<b>Residential &amp; Ancillary Income</b>							Residential & Ancillary Income
Annual Gross Potential Rental Income	121,536	4,861	0%	180,000	7,200	48%	Annual Gross Potential Rental Income
Annual Ancillary Income	625	25	-1%	625	25	-1%	Annual Ancillary Income
Annual Gross Potential Income	122,161	4,886	0%	180,625	7,225	48%	Annual Gross Potential Income
Occupancy	97.00%	147	0%	97.00%	217	0%	Occupancy
Effective Gross Income (EGI)	118,496	4,740	-2%	175,206	7,008	45%	Effective Gross Income (EGI)

ITEMIZED EXPENSES - Annual Estimate of Annual Expense	As Is			As Complete			ITEMIZED EXPENSES - Annual Estimate of Annual Expense
	Restricted Projections	PUPA	%	Restricted Projections	PUPA	%	
<b>Administrative</b>							Administrative
Advertising	125	5	34%	125	5	34%	Advertising
Management Fee	14,259	570	6%	14,259	570	6%	Management Fee
Other (Specify)	17,500	700	-18%	17,500	700	-18%	Other (Specify)
<b>Total Administrative</b>	<b>31,884</b>	<b>1,275</b>	<b>-9%</b>	<b>31,884</b>	<b>1,275</b>	<b>-9%</b>	<b>Total Administrative</b>
<b>Operating</b>							Operating
Elevator Maintenance Exp.	0	0	0	0	0	0	Elevator Maintenance Exp.
Fuel	0	0	0	0	0	0	Fuel - Heating
Lighting and Misc. Power	2,750	110	2%	2,750	110	2%	Lighting and Misc. Power
Water	9,000	360	-27%	9,000	360	-27%	Water
Gas	0	0	0	0	0	0	Gas
Garbage and Trash Removal	2,125	85	-3%	2,125	85	-3%	Garbage and Trash Removal
Payroll	3,750	150	24%	3,750	150	24%	Payroll
Other (Specify)	7,125	285	-33%	5,875	235	-44%	Other (Specify)
<b>Total Operating</b>	<b>24,750</b>	<b>990</b>	<b>-19%</b>	<b>23,500</b>	<b>940</b>	<b>-24%</b>	<b>Total Operating</b>
<b>Maintenance</b>							Maintenance
Decorating	2,000	80	0%	2,000	80	0%	Decorating
Repairs	0	0	0	0	0	0	Repairs
Exterminating	2,125	85	-1%	2,125	85	-1%	Exterminating
Insurance	5,000	200	0%	5,000	200	0%	Insurance
Ground Expense	6,875	275	4%	6,875	275	4%	Ground Expense
Other (specify)	0	0	0	0	0	0	Other (specify)
<b>Total Maintenance</b>	<b>16,000</b>	<b>640</b>	<b>1%</b>	<b>16,000</b>	<b>640</b>	<b>1%</b>	<b>Total Maintenance</b>
<b>Taxes</b>							Taxes
Real Estate Tax	8,750	350	30%	9,375	375	39%	Real Estate Tax
Personal Property Tax	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	375	15	-60%	375	15	-60%	Employee Payroll Tax
Employee Benefits	250	10	-53%	250	10	-53%	Employee Benefits
Other	375	15	4%	375	15	4%	Other
<b>Total Taxes</b>	<b>9,750</b>	<b>390</b>	<b>14%</b>	<b>10,375</b>	<b>415</b>	<b>21%</b>	<b>Total Taxes</b>
Operating Exp. before RFR	<b>82,384</b>	<b>3,295</b>	<b>-8%</b>	<b>81,759</b>	<b>3,270</b>	<b>-9%</b>	Operating Exp. before RFR
Reserve For Replacement	8,750	350	34%	8,750	350	34%	Reserve For Replacement
<b>Operating Exp. Incl. RFR</b>	<b>91,134</b>	<b>3,645</b>	<b>-6%</b>	<b>90,509</b>	<b>3,620</b>	<b>-6%</b>	<b>Operating Exp. Incl. RFR</b>
<b>NOI</b>	<b>27,362</b>	<b>1,094</b>	<b>14%</b>	<b>84,697</b>	<b>3,388</b>	<b>252%</b>	<b>NOI</b>

**Estimating Restricted Expenses Per Unit**

<b>Estimating Restricted Expenses Per Unit</b>							
Subject As Is	Expenses	Subject As Complete	Comparable One	Comparable Two	Comparable Three	Comparable Four	IREM Region IV
\$5	Advertising	\$5	\$13	\$12	\$21	\$14	\$0
\$570	Management	\$570	\$563	\$537	\$539	\$501	\$441
\$700	Other Administrative Expenses	\$700	\$805	\$366	\$443	\$368	\$1,272
\$0	Elevator Maintenance Expense	\$0	\$0	\$0	\$0	\$0	\$0
\$0	Fuel	\$0	\$0	\$0	\$0	\$0	\$0
\$110	Lighting & Misc. Power	\$110	\$173	\$131	\$164	\$148	\$177
\$360	Water/Sewer	\$360	\$23	\$12	\$1,025	\$1,316	\$199
\$0	Gas	\$0	\$0	\$0	\$12	\$43	\$10
\$85	Garbage/Trash Removal	\$85	\$162	\$161	\$0	\$145	\$0
\$150	Payroll	\$150	\$327	\$680	\$935	\$1,292	\$732
\$285	Other Operating Expenses	\$235	\$281	\$0	\$297	\$190	\$272
\$80	Decorating	\$80	\$22	\$0	\$0	\$200	\$92
\$0	Repairs	\$0	\$0	\$0	\$223	\$1,575	\$252
\$85	Exterminating	\$85	\$62	\$0	\$0	\$0	\$0
\$200	Insurance	\$200	\$201	\$201	\$599	\$308	\$355
\$275	Ground Expenses	\$275	\$400	\$297	\$0	\$393	\$249
\$0	Other Maintenance	\$0	\$0	\$509	\$0	\$0	\$0
\$350	Real Estate Taxes	\$375	\$246	\$248	\$440	\$824	\$422
\$15	Payroll Taxes	\$15	\$60	\$0	\$0	\$124	\$0
\$10	Employee Benefits	\$10	\$59	\$45	\$0	\$243	\$0
\$15	Other Taxes	\$15	\$8	\$6	\$0	\$14	\$3
\$350	Replacement Reserves	\$350	\$524	\$461	\$0	\$0	\$0
\$3,645	<b>Total Per Unit</b>	\$3,620	\$3,929	\$3,666	\$4,698	\$7,698	\$4,476
<p><b>Comments:</b>                      Subject expenses were estimated based on comparable apartments and industry norms. Comparable apartment expenses were estimated after discussions with area apartment managers. The comparable estimates were substantiated by the <i>2016 Income/Expense Analysis: Federally Assisted Apartments</i> printed by the <i>Institute of Real Estate Management</i>. No major fluctuations from the total expenses per unit are anticipated from the expenses provided above, although itemized expenses may deviate on the specific factors affecting the individual properties.</p> <p>The expenses for the comparable apartments vary per unit but are consistently between 51 and 72 percent of the gross rent potential. The subject's expenses were estimated at 50 percent of the gross rent potential which is lower than the comparable range. Market expenses for the subject were categorized similar to the actual expenses as different properties categorize expenses in different ways. Explanations of specific itemized expenses are indicated on the following pages.</p>							

**Itemized Expense Explanations - Restricted  
Expense Numbers per Unit**

<b>Expense</b>	<b>As Is</b>	<b>As Complete</b>	<b>Comp Range</b>
1. Advertising	\$5	\$5	\$0- \$21
<p>An advertising expense of \$5 per unit was projected for the subject. A comparable range of \$0 to \$21 per unit was determined. The expense was projected considering the subject's historical financials, the comparable range and the <i>2016 Income/Expense Analysis: Federally Assisted Apartments</i> printed by Institute of Real Estate Management.</p>			
2. Management	\$570	\$570	\$501-\$563
<p>A management expense of \$570 per unit was projected for the as is scenario, and a management expense of \$570 per unit was projected for the as complete scenario. A comparable range of \$501 to \$563 was determined. The expense was projected based on \$49 per unit as indicated by the budget.</p>			
3. Other Administrative	\$700	\$700	\$366- \$805
<p>An other administrative expense of \$700 per unit was projected. A comparable range of \$366 to \$805 was determined. The expense was projected considering the subject's historical financials, the comparable range and the <i>2016 Income/Expense Analysis: Federally Assisted Apartments</i> printed by Institute of Real Estate Management.</p>			
4. Elevator	\$0	\$0	\$0- \$0
<p>The property does not have this expense. The expense is not typical in the market. Therefore, no expense was projected.</p>			
5. Fuel	\$0	\$0	\$0- \$0
<p>The property does not have this expense. The expense is not typical in the market. Therefore, no expense was projected.</p>			
6. Lighting & Misc. Power	\$110	\$110	\$131-\$173
<p>A lighting and miscellaneous power expense of \$110 was projected for the subject. A comparable range of \$131 to \$173 per unit was determined. Due to properties having unique utility characteristics, the subject's historical data was determined to be the most accurate indicator of this expense. The expense was projected using the subject's historical financials.</p>			



- |    |             |       |       |               |
|----|-------------|-------|-------|---------------|
| 7. | Water/Sewer | \$360 | \$360 | \$12- \$1,316 |
|----|-------------|-------|-------|---------------|
- A water/sewer expense of \$360 per unit was projected for the subject. A comparable range of \$12 to \$1,316 per unit was determined. Due to properties having unique utility characteristics, the subject's historical data was determined to be the most accurate indicator of this expense. The expense was projected using the subject's historical financials.
- |    |     |     |     |          |
|----|-----|-----|-----|----------|
| 8. | Gas | \$0 | \$0 | \$0-\$43 |
|----|-----|-----|-----|----------|
- A gas expense of \$0 per unit was projected for the subject. A comparable range of \$0 to \$43 per unit was determined. Due to properties having unique utility characteristics, the subject's historical data was determined to be the most accurate indicator of this expense. The expense was projected using the subject's historical financials.
- |    |                       |      |      |            |
|----|-----------------------|------|------|------------|
| 9. | Garbage/Trash Removal | \$85 | \$85 | \$0- \$162 |
|----|-----------------------|------|------|------------|
- A garbage/trash removal expense of \$85 per unit was projected for the subject. A comparable range of \$0 to \$162 per unit was determined. Due to properties having unique utility characteristics, the subject's historical data was determined to be the most accurate indicator of this expense. The expense was projected using the subject's historical financials.
- |     |         |       |       |               |
|-----|---------|-------|-------|---------------|
| 10. | Payroll | \$150 | \$150 | \$327-\$1,292 |
|-----|---------|-------|-------|---------------|
- The payroll expense of \$150 per unit was projected. A comparable range of \$327 to \$1,292 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Federally Assisted Apartments* printed by Institute of Real Estate Management.
- |     |                          |       |       |           |
|-----|--------------------------|-------|-------|-----------|
| 11. | Other Operating Expenses | \$285 | \$235 | \$0-\$297 |
|-----|--------------------------|-------|-------|-----------|
- An other operating expense of \$285 per unit was projected for the "as is" scenario and \$235 was projected for the "as complete" scenario. A comparable range of \$0 to \$297 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Federally Assisted Apartments* printed by Institute of Real Estate Management.
- |     |            |      |      |            |
|-----|------------|------|------|------------|
| 12. | Decorating | \$80 | \$80 | \$0- \$200 |
|-----|------------|------|------|------------|
- A decorating expense of \$80 was projected. A comparable range of \$0 to \$200 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Federally Assisted Apartments* printed by Institute of Real Estate Management.





## Operating Expenses & Market Projections

Property: Whispering Pines Apartments

# of Rental Units: 25

### Revenue and Expense Analysis Historical and Proforma

REVENUE - Annual													REVENUE - Annual				
	2014	PUPA	2015	PUPA	%	2016	PUPA	%	YTD	4 months		PUPA	%	Budget	PUPA	%	
										2017	Annualized						
<b>Residential &amp; Ancillary Income</b>																	Residential & Ancillary Income
Annual Gross Potential Rental Income	120,720	4,829	118,656	4,746	-2%	121,536	4,861	2%		40,512	121,536	4,861	0%	121,536	4,861	0%	Annual Gross Potential Rental Income
Annual Ancillary Income	317	13	676	27	113%	634	25	-6%		125	375	15	-41%	400	16	-37%	Annual Ancillary Income
Annual Gross Potential Income	121,037	4,841	119,332	4,773	-1%	122,170	4,887	2%		40,637	121,911	4,876	0%	121,936	4,877	0%	Annual Gross Potential Income
Occupancy	94.71%	256	99.04%	46	5%	98.72%	63	0%		97.99%	1	98	-1%	98.01%	97	0%	Occupancy
Effective Gross Income (EGI)	114,635	4,585	118,192	4,728	3%	120,606	4,824	2%		39,819	119,456	4,778	-1%	119,505	4,780	-1%	Effective Gross Income (EGI)
<b>ITEMIZED EXPENSES - Annual</b>																	
Estimate of Annual Expense													Estimate of Annual Expense				
	2014	PUPA	2015	PUPA	%	2016	PUPA	%	YTD	4 months		PUPA	%	Budget	PUPA	%	
										2017	Annualized						
<b>Administrative</b>																	Administrative
Advertising	120	5	133	5	11%	93	4	-30%		0	0	0	-100%	50	2	-46%	Advertising
Management Fee	12,772	511	13,122	525	3%	13,465	539	3%		4,580	13,680	547	2%	14,112	564	5%	Management Fee
Other (Specify)	14,346	574	17,888	716	25%	21,349	854	19%		7,678	23,034	921	8%	17,486	700	-18%	Other (Specify)
<b>Total Administrative</b>	<b>27,237</b>	<b>1,089</b>	<b>31,153</b>	<b>1,246</b>	<b>14%</b>	<b>34,908</b>	<b>1,396</b>	<b>12%</b>		<b>12,238</b>	<b>36,714</b>	<b>1,469</b>	<b>5%</b>	<b>31,650</b>	<b>1,266</b>	<b>-9%</b>	<b>Total Administrative</b>
<b>Operating</b>																	Operating
Elevator Maintenance Exp.	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	Elevator Maintenance Exp.
Fuel	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	Fuel - Heating
Lighting and Misc. Power	2,530	101	2,672	107	6%	2,690	108	1%		777	2,332	93	-13%	2,800	112	4%	Lighting and Misc. Power
Water	6,902	276	6,482	259	-6%	12,294	492	90%		4,567	13,700	548	11%	9,000	360	-27%	Water
Gas	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	Gas
Garbage and Trash Removal	1,983	79	1,650	66	-17%	2,181	87	32%		670	2,010	80	-8%	2,800	112	23%	Garbage and Trash Removal
Payroll	3,248	130	4,969	199	53%	3,012	120	-39%		2,791	8,374	335	178%	4,000	160	33%	Payroll
Other (Specify)	9,610	384	9,918	397	3%	10,562	422	6%		4,743	14,228	569	35%	10,900	436	3%	Other (Specify)
<b>Total Operating</b>	<b>24,272</b>	<b>971</b>	<b>25,690</b>	<b>1,028</b>	<b>6%</b>	<b>30,739</b>	<b>1,230</b>	<b>20%</b>		<b>13,548</b>	<b>40,644</b>	<b>1,626</b>	<b>32%</b>	<b>29,500</b>	<b>1,180</b>	<b>-4%</b>	<b>Total Operating</b>
<b>Maintenance</b>																	Maintenance
Decorating	348	14	1,804	72	418%	1,994	80	11%		781	2,342	94	17%	2,000	80	0%	Decorating
Repairs	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	Repairs
Exterminating	1,328	53	1,341	54	1%	2,154	86	61%		711	2,133	85	-1%	2,341	94	9%	Exterminating
Insurance	4,955	198	5,018	201	1%	5,016	201	0%		4,971	14,913	597	197%	5,700	228	14%	Insurance
Ground Expense	7,550	302	6,796	272	-10%	6,610	264	-3%		2,200	6,600	264	0%	7,600	304	15%	Ground Expense
Other (Specify)	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	Other (Specify)
<b>Total Maintenance</b>	<b>14,181</b>	<b>567</b>	<b>14,959</b>	<b>598</b>	<b>5%</b>	<b>15,774</b>	<b>631</b>	<b>5%</b>		<b>8,663</b>	<b>25,988</b>	<b>1,040</b>	<b>65%</b>	<b>17,641</b>	<b>706</b>	<b>12%</b>	<b>Total Maintenance</b>
<b>Taxes</b>																	Taxes
Real Estate Tax	10,977	439	9,320	373	-15%	6,739	270	-28%		0	0	0	-100%	13,000	520	93%	Real Estate Tax
Personal Property Tax	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	925	37	1,168	47	26%	941	38	-19%		459	1,377	55	46%	1,100	44	17%	Employee Payroll Tax
Employee Benefits	413	17	580	23	40%	534	21	-8%		539	1,618	65	203%	550	22	3%	Employee Benefits
Other	234	9	385	15	64%	359	14	-7%		109	328	13	-9%	250	10	-30%	Other
<b>Total Taxes</b>	<b>12,550</b>	<b>502</b>	<b>11,453</b>	<b>458</b>	<b>-9%</b>	<b>8,573</b>	<b>343</b>	<b>-25%</b>		<b>1,108</b>	<b>3,323</b>	<b>133</b>	<b>-61%</b>	<b>14,900</b>	<b>596</b>	<b>74%</b>	<b>Total Taxes</b>
Operating Exp. before RFR	78,240	3,130	83,255	3,330	6%	89,993	3,600	8%		35,556	106,668	4,267	19%	93,691	3,748	4%	Operating Exp. before RFR
Reserve For Replacement	6,552	262	6,552	262	0%	6,552	262	0%		2,184	6,552	262	0%	6,549	262	0%	Reserve For Replacement
<b>Operating Exp. Incl. RFR</b>	<b>84,792</b>	<b>3,392</b>	<b>89,807</b>	<b>3,592</b>	<b>6%</b>	<b>96,545</b>	<b>3,862</b>	<b>8%</b>		<b>37,740</b>	<b>113,220</b>	<b>4,529</b>	<b>17%</b>	<b>100,240</b>	<b>4,010</b>	<b>4%</b>	<b>Operating Exp. Incl. RFR</b>
<b>NOI</b>	<b>29,842</b>	<b>1,194</b>	<b>28,386</b>	<b>1,135</b>	<b>-5%</b>	<b>24,061</b>	<b>962</b>	<b>-15%</b>		<b>2,078</b>	<b>6,235</b>	<b>249</b>	<b>-74%</b>	<b>19,265</b>	<b>771</b>	<b>-20%</b>	<b>NOI</b>

Whispering Pines Apartments \* 261 North Court Street \* Pearson, Georgia

**Property:** Whispering Pines Apartments  
 # of Rental Units: 25  
**Revenue and Expense Analysis**  
**Historical and Proforma**

REVENUE - Annual	As Is			As Complete			REVENUE - Annual
	Market Projections	PUPA	%	Market Projections	PUPA	%	
<b>Residential &amp; Ancillary Income</b>							Residential & Ancillary Income
Annual Gross Potential Rental Income	165,600	6,624	36%	180,000	7,200	48%	Annual Gross Potential Rental Income
Annual Ancillary Income	625	25	-1%	625	25	-1%	Annual Ancillary Income
Annual Gross Potential Income	166,225	6,649	36%	180,625	7,225	48%	Annual Gross Potential Income
Occupancy	95.00%	332	0%	95.00%	361	0%	Occupancy
Effective Gross Income (EGI)	157,914	6,317	31%	171,594	6,864	42%	Effective Gross Income (EGI)

ITEMIZED EXPENSES - Annual Estimate of Annual Expense	As Is			As Complete			ITEMIZED EXPENSES - Annual Estimate of Annual Expense
	Market Projections	PUPA	%	Market Projections	PUPA	%	
<b>Administrative</b>							Administrative
Advertising	125	5	34%	125	5	34%	Advertising
Management Fee	6,317	253	-53%	6,864	275	-49%	4.000% Management Fee
Other (Specify)	10,625	425	-50%	10,625	425	-50%	Other (Specify)
<b>Total Administrative</b>	<b>17,067</b>	<b>683</b>	<b>-51%</b>	<b>17,614</b>	<b>705</b>	<b>-50%</b>	<b>Total Administrative</b>
<b>Operating</b>							Operating
Elevator Maintenance Exp.	0	0	0	0	0	0	Elevator Maintenance Exp.
Fuel	0	0	0	0	0	0	Fuel - Heating
Lighting and Misc. Power	2,750	110	2%	2,750	110	2%	Lighting and Misc. Power
Water	9,000	360	-27%	9,000	360	-27%	Water
Gas	0	0	0	0	0	0	Gas
Garbage and Trash Removal	2,125	85	-3%	2,125	85	-3%	Garbage and Trash Removal
Payroll	3,750	150	24%	3,750	150	24%	Payroll
Other (Specify)	7,125	285	-33%	5,875	235	-44%	Other (Specify)
<b>Total Operating</b>	<b>24,750</b>	<b>990</b>	<b>-19%</b>	<b>23,500</b>	<b>940</b>	<b>-24%</b>	<b>Total Operating</b>
<b>Maintenance</b>							Maintenance
Decorating	2,000	80	0%	2,000	80	0%	Decorating
Repairs	0	0	0	0	0	0	Repairs
Exterminating	2,125	85	-1%	2,125	85	-1%	Exterminating
Insurance	5,000	200	0%	5,000	200	0%	Insurance
Ground Expense	6,875	275	4%	6,875	275	4%	Ground Expense
Other (specify)	0	0	0	0	0	0	Other (specify)
<b>Total Maintenance</b>	<b>16,000</b>	<b>640</b>	<b>1%</b>	<b>16,000</b>	<b>640</b>	<b>1%</b>	<b>Total Maintenance</b>
<b>Taxes</b>							Taxes
Real Estate Tax	8,750	350	30%	9,375	375	39%	Real Estate Tax
Personal Property Tax	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	375	15	-60%	375	15	-60%	Employee Payroll Tax
Employee Benefits	250	10	-53%	250	10	-53%	Employee Benefits
Other	375	15	4%	375	15	4%	Other
<b>Total Taxes</b>	<b>9,750</b>	<b>390</b>	<b>14%</b>	<b>10,375</b>	<b>415</b>	<b>21%</b>	<b>Total Taxes</b>
Operating Exp. before RFR	67,567	2,703	-25%	67,489	2,700	-25%	Operating Exp. before RFR
Reserve For Replacement	6,250	250	-5%	6,250	250	-5%	Reserve For Replacement
<b>Operating Exp. Incl. RFR</b>	<b>73,817</b>	<b>2,953</b>	<b>-24%</b>	<b>73,739</b>	<b>2,950</b>	<b>-24%</b>	<b>Operating Exp. Incl. RFR</b>
<b>NOI</b>	<b>84,097</b>	<b>3,364</b>	<b>250%</b>	<b>97,855</b>	<b>3,914</b>	<b>307%</b>	<b>NOI</b>

**Estimating Market Expenses Per Unit**

<b>Estimating Market Expenses Per Unit</b>							
Subject As Is	Expenses	Subject As Complete	Comparable One	Comparable Two	Comparable Three	Comparable Four	IREM Region IV
\$5	Advertising	\$5	\$506	\$128	\$100	\$0	\$0
\$253	Management	\$275	\$256	\$417	\$300	\$0	\$382
\$425	Other Administrative Expenses	\$425	\$128	\$341	\$250	\$70	\$650
\$0	Elevator Maintenance Expense	\$0	\$0	\$0	\$0	\$0	\$0
\$0	Fuel	\$0	\$0	\$0	\$0	\$0	\$0
\$110	Lighting & Misc. Power	\$110	\$197	\$300	\$195	\$191	\$161
\$360	Water/Sewer	\$360	\$0	\$463	\$764	\$136	\$278
\$0	Gas	\$0	\$0	\$0	\$0	\$0	\$7
\$85	Garbage/Trash Removal	\$85	\$0	\$0	\$0	\$148	\$0
\$150	Payroll	\$150	\$1,344	\$974	\$900	\$382	\$628
\$285	Other Operating Expenses	\$235	\$55	\$200	\$300	\$0	\$282
\$80	Decorating	\$80	\$285	\$0	\$0	\$0	\$190
\$0	Repairs	\$0	\$453	\$0	\$500	\$0	\$407
\$85	Exterminating	\$85	\$0	\$244	\$300	\$65	\$0
\$200	Insurance	\$200	\$416	\$378	\$250	\$0	\$248
\$275	Ground Expenses	\$275	\$117	\$116	\$0	\$142	\$193
\$0	Other Maintenance	\$0	\$0	\$0	\$0	\$0	\$0
\$350	Real Estate Taxes	\$375	\$417	\$638	\$1,013	\$0	\$696
\$15	Payroll Taxes	\$15	\$0	\$0	\$0	\$0	\$0
\$10	Employee Benefits	\$10	\$0	\$0	\$0	\$0	\$0
\$15	Other Taxes	\$15	\$0	\$0	\$0	\$0	\$11
\$250	Replacement Reserves	\$250	\$0	\$250	\$300	\$0	\$0
\$2,953	<b>Total Per Unit</b>	\$2,950	\$4,174	\$4,449	\$5,172	\$1,134	\$4,133
<p><b>Comments:</b>                      Subject expenses were estimated based on comparable apartments and industry norms. Comparable apartment expenses were estimated after discussions with area apartment managers. The comparable estimates were substantiated by the <i>2016 Income/Expense Analysis: Conventional Apartments printed by the Institute of Real Estate Management</i>. No major fluctuations from the total expenses per unit are anticipated from the expenses provided above, although itemized expenses may deviate on the specific factors affecting the individual properties.</p> <p>The expenses for the comparable apartments vary per unit but are consistently between 30 and 48 percent of the gross rent potential. The subject's expenses were estimated at 41 percent of the gross rent potential which is within the comparable range. Market expenses for the subject were categorized similar to the actual expenses as different properties categorize expenses in different ways. Explanations of specific itemized expenses are indicated on the following pages.</p>							

**Itemized Expense Explanations - Market  
Expense Numbers per Unit**

<b>Expense</b>	<b>As Is</b>	<b>As Complete</b>	<b>Comp Range</b>
1. Advertising	\$5	\$5	\$0- \$506
An advertising expense of \$5 per unit was projected for the subject. A comparable range of \$0 to \$506 per unit was determined. The expense was projected considering the subject's historical financials, the comparable range and the <i>2016 Income/Expense Analysis: Conventional Apartments</i> printed by Institute of Real Estate Management.			
2. Management	\$253	\$275	\$0-\$417
A management expense of \$253 per unit was projected for the as is scenario, and a management expense of \$275 per unit was projected for the as complete scenario. A comparable range of \$0 to \$417 was determined. The expense was projected using approximately four percent of the effective gross income as indicated by the comparables.			
3. Other Administrative	\$425	\$425	\$70-\$341
An other administrative expense of \$425 per unit was projected. A comparable range of \$70 to \$341 was determined. The expense was projected considering the subject's historical financials, the comparable range and the <i>2016 Income/Expense Analysis: Conventional Apartments</i> printed by Institute of Real Estate Management.			
4. Elevator	\$0	\$0	\$0-\$0
The property does not have this expense. The expense is not typical in the market. Therefore, no expense was projected.			
5. Fuel	\$0	\$0	\$0-\$0
The property does not have this expense. The expense is not typical in the market. Therefore, no expense was projected.			
6. Lighting & Misc. Power	\$110	\$110	\$191-\$300
A lighting and miscellaneous power expense of \$110 was projected for the subject. A comparable range of \$191 to \$300 per unit was determined. Due to properties having unique utility characteristics, the subject's historical data was determined to be the most accurate indicator of this expense. The expense was projected using the subject's historical financials.			

- |    |             |       |       |           |
|----|-------------|-------|-------|-----------|
| 7. | Water/Sewer | \$360 | \$360 | \$0-\$764 |
|----|-------------|-------|-------|-----------|
- A water/sewer expense of \$360 per unit was projected for the subject. A comparable range of \$0 to \$764 per unit was determined. Due to properties having unique utility characteristics, the subject's historical data was determined to be the most accurate indicator of this expense. The expense was projected using the subject's historical financials.
- |    |     |     |     |         |
|----|-----|-----|-----|---------|
| 8. | Gas | \$0 | \$0 | \$0-\$0 |
|----|-----|-----|-----|---------|
- A gas expense of \$0 per unit was projected for the subject. A comparable range of \$0 to \$0 per unit was determined. Due to properties having unique utility characteristics, the subject's historical data was determined to be the most accurate indicator of this expense. The expense was projected using the subject's historical financials.
- |    |                       |      |      |           |
|----|-----------------------|------|------|-----------|
| 9. | Garbage/Trash Removal | \$85 | \$85 | \$0-\$148 |
|----|-----------------------|------|------|-----------|
- A garbage/trash removal expense of \$85 per unit was projected for the subject. A comparable range of \$0 to \$148 per unit was determined. Due to properties having unique utility characteristics, the subject's historical data was determined to be the most accurate indicator of this expense. The expense was projected using the subject's historical financials.
- |     |         |       |       |               |
|-----|---------|-------|-------|---------------|
| 10. | Payroll | \$150 | \$150 | \$382-\$1,344 |
|-----|---------|-------|-------|---------------|
- The payroll expense of \$150 per unit was projected. A comparable range of \$382 to \$1,344 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Conventional Apartments* printed by Institute of Real Estate Management.
- |     |                          |       |       |           |
|-----|--------------------------|-------|-------|-----------|
| 11. | Other Operating Expenses | \$285 | \$235 | \$0-\$300 |
|-----|--------------------------|-------|-------|-----------|
- An other operating expense of \$285 per unit was projected. A comparable range of \$0 to \$300 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Conventional Apartments* printed by Institute of Real Estate Management.
- |     |            |      |      |           |
|-----|------------|------|------|-----------|
| 12. | Decorating | \$80 | \$80 | \$0-\$285 |
|-----|------------|------|------|-----------|
- A decorating expense of \$80 was projected. A comparable range of \$0 to \$285 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Conventional Apartments* printed by Institute of Real Estate Management.



- |     |         |     |     |           |
|-----|---------|-----|-----|-----------|
| 13. | Repairs | \$0 | \$0 | \$0-\$500 |
|-----|---------|-----|-----|-----------|
- A repairs expense of \$0 was projected for the as is scenario. A comparable range of \$0 to \$500 was determined. Expenses such as repairs are typically based on unique property characteristics. Therefore, the subject's historical data was determined to be the most accurate indicator of this expense. The subject does not itemize specific repairs expenses. Instead, the repairs are included in other categories which are wrapped into other expense categories. Therefore, no specific repairs expense was projected.
- |     |               |      |      |           |
|-----|---------------|------|------|-----------|
| 14. | Exterminating | \$85 | \$85 | \$0-\$300 |
|-----|---------------|------|------|-----------|
- An exterminating expense of \$85 per unit was projected. A comparable range of \$0 to \$300 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Conventional Apartments* printed by Institute of Real Estate Management.
- |     |           |       |       |           |
|-----|-----------|-------|-------|-----------|
| 15. | Insurance | \$200 | \$200 | \$0-\$416 |
|-----|-----------|-------|-------|-----------|
- An insurance expense of \$200 per unit was projected for the subject's as is scenario, and \$200 per unit for the subject's as complete scenario. A comparable range of \$0 to \$416 per unit was determined. Expenses such as insurance are typically based on unique property characteristics. Therefore, the subject's historical data was determined to be the most accurate indicator of this expense. The expense was projected using the subject's historical financials.
- |     |                 |       |       |           |
|-----|-----------------|-------|-------|-----------|
| 16. | Ground Expenses | \$275 | \$275 | \$0-\$142 |
|-----|-----------------|-------|-------|-----------|
- A ground expense of \$275 per unit was projected. A comparable range of \$0 to \$142 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Conventional Apartments* printed by Institute of Real Estate Management.
- |     |                   |     |     |         |
|-----|-------------------|-----|-----|---------|
| 17. | Other Maintenance | \$0 | \$0 | \$0-\$0 |
|-----|-------------------|-----|-----|---------|
- Other maintenance expenses of \$0 per unit were projected for the subject. A comparable range of \$0 to \$0 per unit was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Conventional Apartments* printed by Institute of Real Estate Management.

- |     |                   |       |       |             |
|-----|-------------------|-------|-------|-------------|
| 18. | Real Estate Taxes | \$350 | \$375 | \$0-\$1,013 |
|-----|-------------------|-------|-------|-------------|
- A real estate tax expense of \$350 per unit was projected for the subject based on the information obtained by the Atkinson County Assessor's Office. It is likely that this expense will increase after completion of the rehabilitation. Therefore, the as complete expense was projected higher than the as is expense.
- |     |               |      |      |         |
|-----|---------------|------|------|---------|
| 19. | Payroll Taxes | \$15 | \$15 | \$0-\$0 |
|-----|---------------|------|------|---------|
- Payroll taxes were projected at \$15 per unit. A comparable range of \$0 to \$0 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Conventional Apartments* printed by Institute of Real Estate Management.
- |     |                   |      |      |         |
|-----|-------------------|------|------|---------|
| 20. | Employee Benefits | \$10 | \$10 | \$0-\$0 |
|-----|-------------------|------|------|---------|
- Employee benefits were projected at \$10 per unit. A comparable range of \$0 to \$0 was determined. The expense was projected considering the subject's historical financials, the comparable range and the *2016 Income/Expense Analysis: Conventional Apartments* printed by Institute of Real Estate Management.
- |     |                      |       |       |           |
|-----|----------------------|-------|-------|-----------|
| 21. | Replacement Reserves | \$250 | \$250 | \$0-\$300 |
|-----|----------------------|-------|-------|-----------|
- A replacement reserves expense of \$250 per unit was projected. This reserves expense is typical for market-rate apartment complexes.

#### **Expenses before Reserves for Replacement**

The subject's projected "as is" expenses per unit are \$2,890 before reserves for replacement. This is 15 percent lower than the 2016 data. The comparables range from \$1,134 to \$5,172 per unit before reserves for replacement. All comparables are conventional properties located in the State of Georgia. The subject is within than the comparable range. The *2016 Income/Expense Analysis: Federally Conventional Apartments* published by the Institute of Real Estate Management indicates an overall expense per unit of \$4,133. Comparable 1 was constructed in 1987, contains 300 units and has total overall expenses of \$4,174 per unit; Comparable 2 was constructed in 1979 and renovated in 2008, contains 486 units and has total overall expenses of \$4,449 per unit; Comparable 3 was constructed in 1992 and renovated in 2012, contains 260 units and has total overall expenses of \$5,172 per unit. Comparable 4 was constructed in 1972, contains 12 units and has total overall expenses of \$1,134 per unit. The subject was constructed in 1991 and is a 25-unit stabilized Rural Development property. Historically, the subject's overall expenses have ranged from \$3,130 to \$3,600 per unit before reserves for replacement. Therefore, the subject's expenses were deemed reasonable.

## **Net Operating Income Conclusions**

### **Expenses after Reserves for Replacement**

The subject's expenses were projected considering the subject's operating history, the expense data of the comparables and the information contained in the *2016 Income/Expense Analysis: Federally Assisted Apartments* printed by the Institute of Real Estate Management and the *2016 Income/Expense Analysis: Conventional Apartments* printed by the Institute of Real Estate Management.

### **Direct Capitalization**

Most apartment appraisers as well as buyers, sellers and lenders prefer value estimates derived from direct capitalization rather than discounted cash flow analysis. Other than in cases where the client and appraiser believe that the achievable income from an apartment property has not approximated its stabilized income, the net operating income to the property can be directly capitalized as of the effective date of the appraisal, based on the current yield to the property. In this situation, the discounting of forecast cash flows on a yield-to-maturity basis is considered superfluous. The use of overall cash flow analysis under other circumstances is discussed in the following section.

An overall capitalization rate ( $R_o$ ) is the usual expression of the relationship between the net operating income and the value of the property (the  $R_o$  is the reciprocal of a net income multiplier). Overall capitalization rates are derived from the simple formula

$$\text{Rate} = \text{Income}/\text{Value of } R_o = I/V$$

A capitalization rate is typically expressed as a percentage. For example, if the net operating income to a comparable property was \$1.8 million and its value/price was \$20 million, the overall capitalization rate would be 9.0% (the reciprocal, 11.1, is the property's net income multiplier).

An overall capitalization rate incorporates many considerations, including the likelihood that property income will increase, the momentum and duration of such an increase, and the risk and timing of a possible decrease. It reflects judgments regarding the recapture of investment and property depreciation. An overall capitalization rate can be developed on the basis of the relative allocation between, or weighting of, property components (e.g., mortgage and equity), and the respective capitalization rates of both components. This procedure is known as the band of investment technique. The specific allocation between financial components is supported by their relative risk rating based on which component has the prior claim to payment; for example, mortgages are paid before equity investors.

Other ways to apportion NOI are among the physical and ownership components of the property. When the property's NOI, the value of one property component, and the capitalization rates of both property components are known, a residual technique is applied to estimate the value of the property component

of unknown value. The income to the property component of known value is deducted from the property's NOI, and the residual income attributable to the property component of unknown value is capitalized. In many cases, however, it is not necessary to apportion an overall rate or net operating income to property components.

### Market Derived Capitalization Rates

Income and expense data from comparable properties were analyzed to derive the capitalization rate. To derive the capitalization rate, the appraiser used the direct capitalization method, which consists of dividing the net income by the value.

The direct capitalization method will both reflect the value of income at yields attractive to a prospective investor and provide for the recapture of wasting purchase capital. The capitalization rate shows the rate of return for land, as well as the rate of return for the buildings. It also reflects the relationship between the income from the entire property and the value of the entire property.

### Comparable Capitalization Rates

Comparable #	Comparable Address	Number of Units	Date of Sale	NOI /	Sales Price =	Indicated Capitalization
1	301 East Ann Street Valdosta, Georgia	8	12/22/2016	\$28,263	\$297,500	9.50%
2	1 Ashley Park Place Thomasville, Georgia	84	10/28/2016	\$488,000	\$8,000,000	6.10%
3	422 Connell Road Valdosta, Georgia	150	9/9/2015	\$515,200	\$7,000,000	7.36%
4	811 West Mary Street Valdosta, Georgia	81	6/12/2015	\$273,780	\$3,900,000	7.02%
5	5148 Northwind Boulevard Valdosta, Georgia	276	10/7/2015	\$1,571,718	\$24,330,000	6.46%
6	1514 North Oak Street Valdosta, Georgia	15	9/29/2016	\$160,950	\$1,850,000	8.70%
7	1415 North Saint Augustine Road Valdosta, Georgia	144	5/29/2015	\$244,000	\$4,000,000	6.10%

The comparables indicate a range of 6.10 to 9.50 percent for indicated capitalization rates, with a mean of 7.32 percent. Comparable 1 was constructed in 1993, and Comparable 2 was built in 2013. Comparable 3 was built in 1976. Comparable 4 was constructed in 2004, and Comparable 5 was constructed in 1976. Comparable 6 was built in 1976, and Comparable 7 was built in 1989. All comparables except Comparable 2 are located in Valdosta which is slightly superior in location to Pearson. Comparable 2 is located in Thomasville which is also slightly superior to the subject's city due to its larger population and greater proximity to services. However, the superior location did not have a significant impact on the determination of the capitalization rate because a potential investor of a property will typically be interested in the income-producing capabilities of a property regardless of location. Therefore, even

though the comparables are in locations with larger population counts, the differences are not substantial enough to have a significant impact on the capitalization rate determination. Comparables 1, 3, 4, 6 and 7 are the most similar in date of construction, and Comparables 2, 4 and 6 are the most similar in number of units. Comparables 1, 2 and 6 have the most recent date of sale. After considering all factors, Comparables 2, 4 and 6 were given the most consideration. These three comparables have capitalization rates ranging from 6.10 to 8.70 percent. The appraiser selected a weighted capitalization rate of 7.00 percent.

#### **Realty Rates Survey**

The Realty Rates Market Survey was considered in this analysis. The RealtyRates.com Market Survey First Quarter 2017 found that investors in apartments in the South Atlantic Region which includes the State of Georgia indicated an overall capitalization rate of 8.20 percent. The Realty Rates Investor Survey was also considered in this analysis. The RealtyRates.com Investor Survey First Quarter 2017 indicates a range of 4.54 to 12.72 percent for capitalization rates, with a median capitalization rate of 7.85 percent.

#### **PwC Real Estate Investor Survey**

The PwC Real Estate Investor Survey was considered in this analysis. The National Apartment Market survey for the first quarter of 2017 found that investors in apartments indicate overall capitalization rates ranging from 3.50 percent to 8.00 percent, with an average of 5.33 percent.

#### **Band of Investment – Conventional Terms**

Another method of arriving at a capitalization rate is the Band of Investment Method. This method is based on typical mortgage terms currently available and expected investment return. For the mortgage component of the band of investment, mortgage brokers, current periodicals and rate sheets were consulted relative to mortgage terms, interest rates and investor yield rates. Based on the subject's physical and economic characteristics, the following components were used in this analysis.

Capitalization Rate Analysis					
Mortgage Interest Rate	4.50%	Loan To Value Ratio	80%		
Loan Term (Years)	30	Debt Coverage Ratio	1.25		
		Equity Dividend Rate	10.00%		
Band of Investment					
Mortgage Constant		Loan Ratio			
0.06080	x	80%	=	4.86%	Mortgage Component
Equity Dividend Rate		Equity Ratio			
10%	x	0.20	=	2.00%	Equity Component
		<b>Capitalization Rate</b>		<b>6.86%</b>	
Debt Coverage Ratio Analysis					
Debt Coverage Ratio	x	LTV	x	Mortgage Constant	
1.25	x	80%	x	0.06080	= 0.060802
		<b>Capitalization Rate</b>		<b>6.08%</b>	

Mortgage financing from local lenders indicated that a typical interest rate is 4.50 percent. The typical loan term is 30 years and the loan-to-value ratio is 80 percent. Therefore, a capitalization rate of 6.86 percent was determined.

**Determination of the Market Capitalization Rate**

The PwC Real Estate Investor Survey indicated an average capitalization rate of 5.33 percent. From the sales available in the area a capitalization rate of 7.00 percent was determined. The RealtyRates.com Market Survey indicated an average capitalization rate of 8.20 percent. The RealtyRates.com Investor Survey indicated a median capitalization rate of 7.85 percent. The band of investment indicated a capitalization rate of 6.86 percent. The comparable sales were determined to be the most accurate reflection of the market capitalization rate. Therefore, a capitalization rate of 7.00 percent was determined to be appropriate for the market values.

**Income Values**

<b>Market</b>	<b>As Is</b>	<b>\$84,097 /7.00%</b>	<b>=</b>	<b>\$1,201,389</b>
<b>Market</b>	<b>As Complete</b>	<b>\$97,855 /7.00%</b>	<b>=</b>	<b>\$1,397,929</b>
		<b>Market Rate As Is Value</b>	<b>=</b>	<b>\$1,200,000</b>
		<b>Market Rate As Complete Value</b>	<b>=</b>	<b>\$1,400,000</b>

**Determination of Capitalization Rate Considering Subject's Rental Assistance**

Due to the presence of Rental Assistance, properties similar to the subject have guaranteed income streams and typically have higher occupancy rates than market properties. As a result, the marketplace shows a preference for these types of properties with Rental Assistance, and the market indicates a lower capitalization rate as a result. Therefore, a slightly more aggressive capitalization rate of one half-point to one full point is seen in the market. The subject has Rental Assistance for all units. The capitalization rate was adjusted from the market-indicated rate of 7.00 percent to a capitalization rate one point lower at **6.00 percent** for the property's restricted valuations.

<b>Restricted</b>	<b>As Is</b>	<b>\$27,362 /6.00%</b>	<b>=</b>	<b>\$456,036</b>
<b>Restricted</b>	<b>As Complete</b>	<b>\$84,697 /6.00%</b>	<b>=</b>	<b>\$1,411,621</b>
		<b>Restricted Rate As Is Value</b>	<b>=</b>	<b>\$455,000</b>
		<b>Restricted Rate As Complete Value</b>	<b>=</b>	<b>\$1,410,000</b>

<b>Prospective Market Value Upon Loan Maturity</b>	
<b>\$1,400,000 Prospective Market Value (As Stabilized)</b> <b>50 Term of Loan (years)</b> <b>2.00% Growth Rate</b>	
<b>Market Value</b>	
\$1,400,000 PV	
50 [g] [n]	
2.00 [g] [i]	
Solve for FV	<b>\$3,802,428.07</b>
Using these factors, a prospective market value upon loan maturity of <b>\$3,802,428.07</b> was determined. <div style="text-align: center; color: red;"> <b>Prospective Market Value Upon Loan Maturity</b>  <b>\$3,802,000.00</b> </div>	

\*The growth rate is based on the market trends. This includes data from population, unemployment factors, median household income, median home values and capitalization rates. In addition, comparables within the State of Georgia were analyzed to determine a growth rate.

### Population

The population for the subject’s neighborhood for 2017, according to ESRI, is 5,449, an increase of 396 people from the 2010 population of 5,053. The population is expected to increase at an annual rate of 5.9 percent between 2017 and 2022. Therefore, the 2022 population is projected at 5,771. The median age for the neighborhood is 33.8.

### Unemployment Trends

The unemployment rate has fluctuated from 5.2 percent to 15.2 percent over the past 12 years. These fluctuations are in line with the unemployment rates for the State of Georgia.

<b>LABOR FORCE AND EMPLOYMENT TRENDS FOR ATKINSON COUNTY</b>					
<b>ANNUALS</b>	<b>CIVILIAN LABOR FORCE*</b>	<b>EMPLOYMENT</b>		<b>UNEMPLOYMENT</b>	
		<b>TOTAL</b>	<b>%</b>	<b>TOTAL</b>	<b>%</b>
2005	3,504	3,315	94.6%	189	5.4%
2006	3,376	3,195	94.6%	181	5.4%
2007	3,390	3,198	94.3%	192	5.7%
2008	3,388	3,106	91.7%	282	8.3%
2009	3,289	2,797	85.0%	492	15.0%
2010	3,451	2,925	84.8%	526	15.2%
2011	3,495	3,047	87.2%	448	12.8%
2012	3,446	3,048	88.5%	398	11.5%
2013	3,487	3,160	90.6%	327	9.4%
2014	3,620	3,344	92.4%	276	7.6%
2015	3,865	3,643	94.3%	222	5.7%
2016	4,021	3,810	94.8%	211	5.2%
2017**	4,172	3,984	95.5%	188	4.5%

\* Data based on place of residence.

\*\*Preliminary - based on monthly data through March 2017

Source: U.S. Bureau of Labor Statistics Data



**Median Household Income**

The median household income for the neighborhood in 2017 is \$32,310. It is expected to increase to \$36,827 by 2022. The per capita income is \$16,208.

**Median Home Value**

The median home value for the neighborhood in 2017, according to ESRI, is \$74,935. According to ESRI, the average amount spent for owner-occupied households in the subject's neighborhood is \$16,152.00, or \$1,346 per month. The average amount spent for renter-occupied households is \$10,548.00, or \$879 per month.

**Realty Rates Market Survey**

The Realty Rates Market Survey was considered in this analysis. The following table indicates the fluctuation of capitalization rates within the South Atlantic Region. Capitalization rates ranged from 7.90 to 8.20 percent in 2016, with an average of 8.03 percent.

<b>REALTY RATES MARKET SURVEY – AREA CAPITALIZATION RATES</b>				
<b>QUARTER</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
1 <sup>ST</sup> Quarter	8.30%	8.10%	8.20%	8.20%
2 <sup>nd</sup> Quarter	8.30%	8.10%	8.00%	8.10%
3 <sup>rd</sup> Quarter	8.20%	8.20%	8.00%	---
4 <sup>th</sup> Quarter	8.10%	8.10%	7.90%	---

Source: RealtyRates.com: South Atlantic Region

### Comparable Sales Analysis

Comparable market sales that sold within the State of Georgia were analyzed to determine any trend in the area. The following table lists the comparables used in this analysis. Capitalization rates ranged from 5.00 to 9.00 percent between 2005 and 2017, with an average of 7.39 percent.

Property Name	Number of Units	Sale Date	NOI	Sale Price	Capitalization Rate
Jasmine Gardens	40	1/5/2005	\$114,750	\$1,350,000	8.50%
Knox Landing Apartments	40	1/31/2005	\$83,928	\$1,475,000	5.69%
Lauren Heights Apartments	48	3/25/2005	\$188,100	\$2,200,000	8.55%
Highland Springs Apartments	66	8/19/2005	\$203,235	\$2,550,000	7.97%
Auburn Place Apartments	28	9/30/2005	\$89,565	\$1,050,000	8.53%
Highland Glen Apartments	31	11/23/2005	\$90,520	\$1,550,000	5.84%
North Avenue Apartments	34	11/23/2005	\$107,300	\$1,850,000	5.80%
Washington Arms Apartments	40	1/13/2006	\$115,130	\$1,588,000	7.25%
Forest Grove Apartments	20	1/27/2006	\$82,560	\$960,000	8.60%
Somerset Apartments	40	6/30/2006	\$148,800	\$2,000,000	7.44%
Brighton Manor Apartments	40	8/9/2006	\$131,840	\$1,600,000	8.24%
Kirkwood Apartments	53	10/28/2007	\$201,760	\$2,600,000	7.76%
Waters Edge Apartments	48	1/25/2008	\$149,850	\$1,850,000	8.10%
Northside Apartments	22	2/22/2008	\$81,035	\$950,000	8.53%
Waldan Chase Apartments	60	4/7/2008	\$273,192	\$3,414,900	8.00%
Twin Keys Apartments	68	3/30/2009	\$201,000	\$3,350,000	6.00%
Praine Villas	22	1/1/2010	\$57,600	\$720,000	8.00%
Main Street Apartments	32	7/28/2010	\$38,211	\$470,000	8.13%
Park Gate Apartments	23	11/18/2010	\$72,500	\$1,000,000	7.25%
Clisby Towers	52	4/14/2011	\$117,000	\$1,300,000	9.00%
Inman Way Apartments	28	2/9/2012	\$139,344	\$1,592,500	8.75%
Rumson Court Apartments	20	11/5/2012	\$56,375	\$1,025,000	5.50%
Gardens on Gaston	20	4/10/2013	\$131,070	\$1,700,000	7.71%
Cedar Bluffs Apartments	31	4/16/2013	\$132,600	\$1,560,000	8.50%
Proctor Square Apartments	72	6/18/2013	\$137,283	\$2,225,000	6.17%
Oakwood Village Apartments	70	7/1/2013	\$98,616	\$1,680,000	5.87%
1045 on the Park Apartment Homes	30	7/9/2013	\$592,515	\$9,450,000	6.27%
Creekstone Apartments II	72	7/16/2013	\$150,900	\$3,000,000	5.03%
Erwin North Apartments	32	7/22/2013	\$72,450	\$805,000	9.00%
Student Quarters Bay Tree	32	10/10/2013	\$265,200	\$3,900,000	6.80%
Brooks Trace Apartments	49	10/10/2013	\$363,937	\$4,363,750	8.34%
Sherwood Arms Apartments	44	10/30/2013	\$31,980	\$390,000	8.20%
Townhomes at Hapeville	34	1/23/2014	\$77,900	\$950,000	8.20%
Brick Pointe Apartments	56	2/1/2014	\$1,569,500	\$18,250,000	8.60%
Pine Ridge Apartments	29	2/18/2014	\$71,775	\$825,000	8.70%
Jefferson Ridge Townhomes	22	4/14/2014	\$81,900	\$975,000	8.40%
Waterbury Apartments	53	6/30/2014	\$145,440	\$1,818,000	8.00%
Woodbridge Apartments	28	4/2/2014	\$123,750	\$1,650,000	7.50%
Pecan Terrace	36	8/28/2014	\$114,026	\$1,420,000	8.03%
DeFoor's Crossing	60	9/23/2014	\$235,571	\$4,610,000	5.11%
Pine Hill Places	73	10/27/2014	\$169,200	\$2,115,000	8.00%
West Gate Manor	48	12/4/2014	\$93,500	\$1,100,000	8.50%
Courtyard on Kinwood	32	12/18/2014	\$146,813	\$2,175,000	6.75%
Azalea Place	42	1/5/2015	\$100,300	\$1,180,000	8.50%
Forest Ridge Apartments	75	1/20/2015	\$168,560	\$2,107,000	8.00%
University Crossing	48	1/23/2015	\$284,925	\$4,350,000	6.55%
Crown Mill Village Lofts	66	1/31/2015	\$370,760	\$5,200,000	7.13%
Pines at Lawrenceville Highway	66	3/31/2015	\$254,200	\$3,100,000	8.20%
Salem Chase	64	4/1/2015	\$292,250	\$4,175,000	7.00%
Willow Trace Apartments	54	4/30/2015	\$294,800	\$4,000,000	7.37%
Madison Townhomes	24	5/8/2015	\$88,200	\$980,000	9.00%
Maple Place Townhomes	20	5/15/2015	\$34,867	\$685,000	5.09%
Seventy Spruce Apartments	28	7/29/2015	\$202,980	\$2,985,000	6.80%
Parkway North Apartments	21	8/10/2015	\$72,010	\$950,000	7.58%
Magnolia Hall Apartments	48	8/14/2015	\$274,992	\$4,080,000	6.74%
Peachtree Battle Apartments	20	8/20/2015	\$170,804	\$2,000,050	8.54%
Stonebrook Apartments	21	12/1/2015	\$74,880	\$900,000	8.32%
Kelege Village	28	12/16/2015	\$44,890	\$757,000	5.93%
Woodland View Apartments	54	1/7/2016	\$226,440	\$3,400,000	6.66%
Chelsea Court	56	1/22/2016	\$205,200	\$2,700,000	7.60%
Meadowlark Apartments	56	3/15/2016	\$236,758	\$2,905,000	8.15%
Ridgewood Apartments	52	3/30/2016	\$14,490	\$230,000	6.30%
Dwell and Hollywood Apartments	64	3/31/2016	\$68,153	\$975,000	6.99%

Whispering Pines Apartments \* 261 North Court Street \* Pearson, Georgia

Property Name	Number of Units	Sale Date	NOI	Sale Price	Capitalization Rate
Lanier Townhomes	40	4/5/2016	\$159,120	\$2,080,000	7.65%
Baldwin Village	56	6/1/2016	\$281,517	\$4,385,000	6.42%
Park Village Apartments	68	7/6/2016	\$310,300	\$5,350,000	5.80%
Northern Pines Apartments	48	9/30/2016	\$203,808	\$2,640,000	7.72%
Douglas Pines Apartments	48	10/21/2016	\$135,142	\$1,925,100	7.02%
Linkwood Manor Apartments	56	11/4/2016	\$98,000	\$1,400,000	7.00%
Pinewood Village Apartments	64	11/21/2016	\$86,932	\$1,496,250	5.81%
The Valley Apartments	32	1/31/2017	\$112,000	\$1,600,000	7.00%
Belwood Apartments	48	2/16/2017	\$149,400	\$1,800,000	8.30%
Briarcliff Apartments	32	2/22/2017	\$162,500	\$3,250,000	5.00%
Twelve Oaks Apartments	20	3/15/2017	\$78,000	\$975,000	8.00%
Beverly Forest Apartments	42	5/17/2017	\$130,500	\$1,800,000	7.25%

The population is expected to increase at an annual rate of 5.9 percent between 2017 and 2022. The median household income for the neighborhood in 2017 is \$32,310. It is expected to increase to \$36,827 by 2022. The per capita income is \$16,208.

The unemployment rate has fluctuated from 5.2 percent to 15.2 percent, and due to the past economic trends, Atkinson County, as well as the rest of the nation, increased in unemployment through 2012. However, the unemployment rate has stabilized and is anticipated to decrease to at least the high end of the historical range by the loan's maturity date.

A growth rate of 2.00 percent is typically used in projections and Pearson's market represents this percentage. Therefore, a 2.00 percent growth rate was used in determining the subject's prospective market value upon loan maturity.

**Prospective Market Value Upon Loan Maturity = \$3,802,000.00**

Value of Interest Credit Subsidy

Value of the Interest Credit Subsidy from the Existing USDA RD Section 515 Loan		
	\$655,732 Original RD Loan Amount	
	\$519,815 Balance of the Original Loan	
	600 Months for the Term of the Loan	
	284 Remaining Months for the Term of the RD Loan	
	4.50% Market Interest Rate	
	9.00% Note Rate of Interest	
	1.00% Base Rate of Interest	
<b>Market Loan</b>		<b>Original RD Loan</b>
	\$519,815 PV	\$655,732 PV
	0.0450 [i]	0.0100 [i]
	284 [n]	600 [n]
<b>Solve for PMT</b>	\$2,977.93 per month	<b>Solve for PMT</b> \$1,389.23 per month
<b>Interest Credit Subsidy</b>		
<b>Difference in Payment</b>	\$1,588.70	
	\$1,588.70 [PMT]	
	0.0450 [i]	
	284 [n]	
<b>Solve for PV</b>	\$277,316.72	
<b>Value of Subsidy from the Existing 515 Loan (Existing Terms) Rounded:</b>		
<b>\$277,000</b>		

**Value of the Interest Credit Subsidy from the Assumed USDA RD Section 515 Loan**

**\$519,815 Proposed Loan**  
**600 Months for the Term of the Loan**  
**4.50% Market Interest Rate**  
**3.75% Note Rate of Interest**  
**1.00% Base Rate of Interest**

**Proposed Loan**  
 \$519,815 PV  
 0.0450 [i]  
 360 [n]  
 Solve for PMT \$2,633.83 per month

**With 1% interest**  
 \$519,815 PV  
 0.0100 [i]  
 600 [n]  
 Solve for PMT \$1,101.28 per month

**Value of Balloon**  
 \$519,815 [CHS] [PV]  
 0.0375 [i]  
 600 [n]  
 Solve for PMT \$1,919.68  
 360 [n]  
 Solve for FV \$323,783.59  
  
 \$323,783.59 [CHS] [FV]  
 0.0450 [i]  
 360 [n]  
 Solve for PV \$84,149.95

**Interest Credit Subsidy**  
 Difference in Payment \$1,532.55  
 \$1,532.55 [PMT]  
 0.0450 [i]  
 360 [n]  
 Solve for PV \$302,465.84  
 -\$84,149.95  


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 \$218,315.90

**Value of Subsidy from the Assumed 515 Loan (New Terms) Rounded:  
 \$218,000.00**

**Value of Tax Credits**

For the purposes of this analysis, the likely market value of the tax credits allocated to the subject has been estimated. The subject is a proposed rehabilitation. The following information is based on the assumption that the development will receive tax credit allocations. The developer is assuming that the property will receive an annual allocation of \$58,541 from the Georgia Department of Community Affairs for low-income housing tax credits. The total for the 10-year period will be \$585,410. To determine the value of the tax credits, the average price for tax credits in the area was established by utilizing interviews with syndicators, developers and mortgage lenders as well as published sources. Interviews were conducted with Jason Maddox of MACO Companies; Matt Mills of Southeast Holdings LLC; Derrick Hamilton of Belmont Development Company; and Shawn Smith of Belmont Development Company. Based on the information obtained, a range of \$0.85 to \$0.95 was determined for federal tax credits, though there are a few instances when the price exceeds \$1.00. State tax credits vary widely, according to the interviews. A conservative value of \$0.85 per credit was estimated.

**Analysis of Tax Credits**

The following analysis is used to develop a present value for the subject's tax credits. Percentages utilized were based on similar transactions as well as interviews with state and federal authorities to arrive at an accurate market value for the allocated tax credits.

**Value of Tax Credits**

Assumed Federal Allocation:	=	\$585,410	
<b>Price</b>	<b>x 0.85</b>	<b>= \$497,599</b>	<b>\$ 497,599</b>

**Total Value Tax Credits = \$ 500,000**

**Insurable Value**

<b>USDA Rural Development Insurable Value Calculation</b>				
<b>Property Name:</b>		Whispering Pines Apartments		
<b>Street Address:</b>		261 North Court Street		
<b>City, County, State, Zip:</b>		Pearson, Atkinson, Georgia 31642		
<b>BASE COST</b>				
Main Structure			\$71.55	
Sprinkler				
Other				
Adjustments and/or Multipliers			0.83	Local
			1.03	Current
<b>TOTAL BASE COST PER SQ. FT</b>			\$61.17	
Building Area Square Footage			18,678	
<b>TOTAL REPLACEMENT COST NEW</b>			\$1,142,498	
<b>EXCLUSIONS</b>	<u>Per SF</u>	<u>Percent</u>		
Excavations	\$0.06	0.1%	\$1,121	
Foundations	\$3.67	6.0%	\$68,548	
Site Work	\$1.53	2.5%	\$28,577	
Site Improvements	\$2.02	3.3%	\$37,730	
Architect's Fees	\$0.61	1.0%	\$11,394	
Underground Piping	\$0.61	1.0%	\$11,394	
<b>TOTAL EXCLUSIONS</b>	\$8.50	13.9%	\$158,764	
<b>INCLUSIONS</b>				
Appliance Packages			\$41,142	
Patios/Balconies, etc.				
Parking Lot			\$21,116	
Other				
<b>TOTAL INCLUSIONS</b>			\$62,258	
<b>CONCLUDED INSURABLE VALUE</b>				
Total Replacement Cost New			\$1,142,498	
Less Total Exclusions			\$158,764	
Plus Total Inclusions			\$62,258	
<b>CONCLUDED INSURABLE VALUE</b>			<b>\$1,045,992</b>	

**Total Insurable Value (Rounded) = \$1,046,000**

## **Sales Comparison Approach**

The Sales Comparison Approach is based on the assumption that an informed purchaser will pay no more for a property than the cost of acquiring an existing property of similar utility. Typically, one would estimate the value of the subject property by comparing the sales prices of recent transactions involving property similar to the subject. Adjustments are made to each sale for dissimilarities as compared to the subject property. These adjustments may include the date of sale, location, age, floor plan, condition, quality, size or external factors that may influence rents or occupancy levels. Typically, the reliability of the sales comparison approach is based on a number of factors such as:

- Availability of comparable sales data
- Verification of sales data
- Degree of comparability to the extent that large or numerous adjustments are not necessary to compensate for the differences between the subject property and the comparable sales used

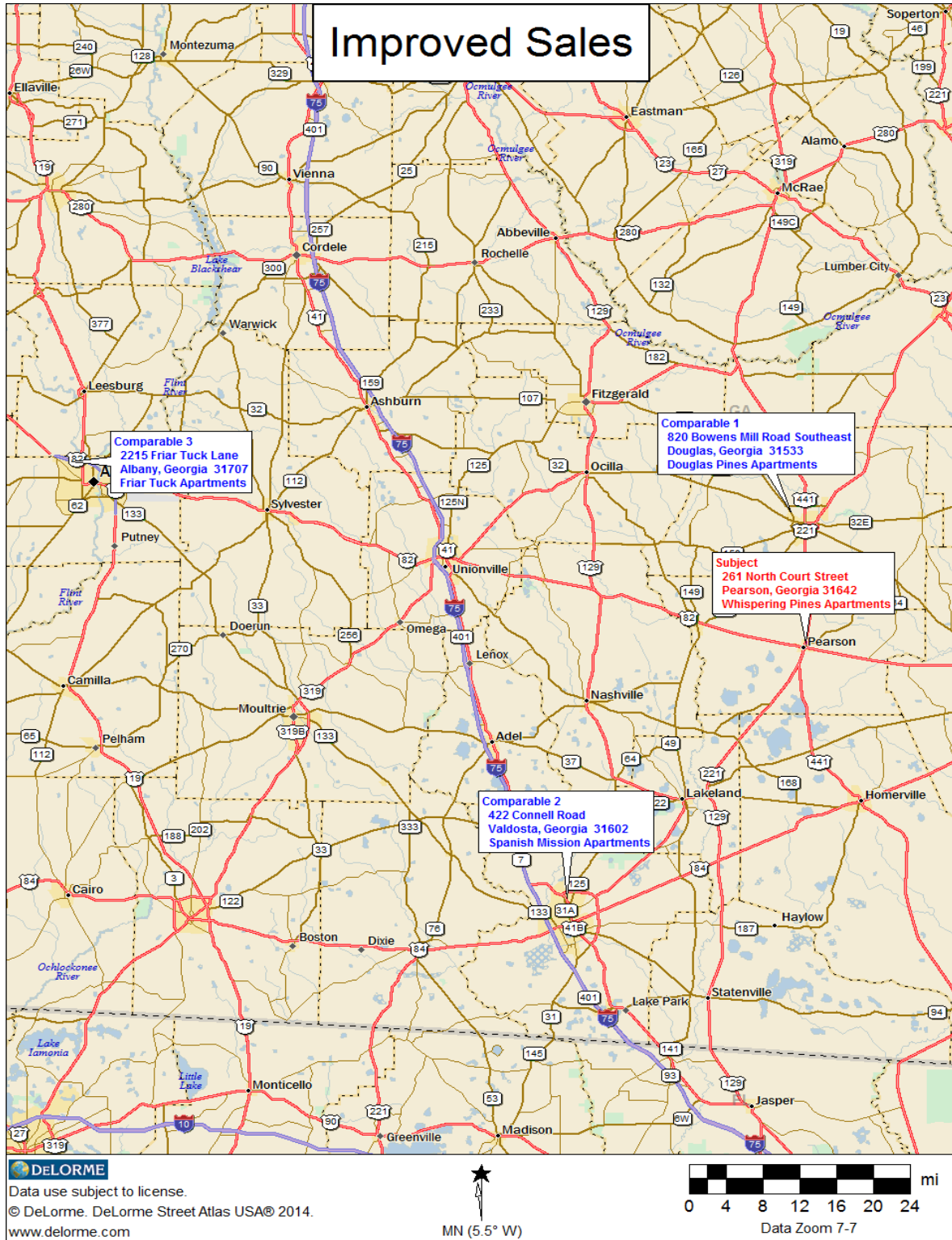
I have found that the reliability of the sales comparison approach for traditional real estate is excellent when valuing vacant land, single family homes or small commercial type properties where there is more activity, a larger data base, and greater degree of comparability. For more complex and larger investment grade properties such as shopping centers, nursing homes, and apartment complexes, the required adjustments are often numerous and the degree to which they can be performed without a considerable amount of subjectivity is difficult. As mentioned previously, a number of factors must be verifiable and documented in order to make appropriate adjustments. Items necessary for verification might include the following:

- Location
- Condition
- Appeal
- Date of Sale
- Amenities
- Income and Expense Data
- Personal Property Included
- Financing Terms and Conditions
- Management Contracts Involved



There are obviously other differences that must be adjusted in the marketplace. For the purposes of this report, the appraiser has analyzed a number of sales; however, only those believed to be most similar to the subject were included. The information from the sales analyzed will be included. The information from the sales analyzed will be used to determine a value estimate for the subject property by the sales comparison approach. The unit of comparison considered will be the price paid per unit. The following sales are offered as an indication of value of the subject property as of the date of this assignment.

Comparable Sales Map



**Comparable Sales**

**Multi-Family Sale No. 1**



**Property Identification**

<b>Record ID</b>	3403
<b>Property Type</b>	Walk-Up
<b>Property Name</b>	Douglas Pines Apartments
<b>Address</b>	820 Bowens Mill Road Southeast, Douglas, Coffee County, Georgia 31533
<b>Tax ID</b>	0117C 131
<b>Market Type</b>	Market

**Sale Data**

<b>Grantor</b>	Miles E. Sears
<b>Grantee</b>	SHS Management
<b>Sale Date</b>	October 21, 2016
<b>Deed Book/Page</b>	001870000182
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal
<b>Financing</b>	Conventional
<b>Verification</b>	Assessor; May 10, 2017

<b>Sale Price</b>	\$1,925,100
<b>Cash Equivalent</b>	\$1,925,100
<b>Adjusted Price</b>	\$1,925,100

**Land Data**

<b>Land Size</b>	7.590 Acres or 330,620 SF
<b>Front Footage</b>	Bowens Mill Road Southeast
<b>Zoning</b>	Multifamily
<b>Topography</b>	Nearly Level
<b>Utilities</b>	E, G, W, S

**Multi-Family Sale No. 1 (Cont.)**

Shape Irregular

<u>Unit Type</u>	<u>Unit Mix</u>			<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	
2/2	48	841	\$575	\$0.68
<b>Total Units</b>	48			
<b>Avg. Unit Size</b>	841			
<b>Avg. Rent/Unit</b>	\$575			
<b>Avg. Rent/SF</b>	\$0.68			
<b>Gross SF</b>	45,000			
<b>Net SF</b>	40,368			

**General Physical Data**

**No. of Buildings** 5  
**Construction Type** Siding  
**HVAC** Central Elec/Central Elec  
**Parking** L/0  
**Stories** 2  
**Utilities with Rent** Water, Sewer, Trash Collection  
**Year Built** 1987  
**Condition** Average

**Indicators**

**Sale Price/Gross SF** \$42.78  
**Sale Price/Net SF** \$47.69  
**Sale Price/Unit** \$40,106

**Amenities**

Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Swimming Pool and Laundry Facility

**Multi-Family Sale No. 2**



**Property Identification**

**Record ID** 3404  
**Property Type** Walk-Up  
**Property Name** Spanish Mission Apartments  
**Address** 422 Connell Road, Valdosta, Lowndes County, Georgia 31602  
**Tax ID** 0112A 113  
**Market Type** Market

**Sale Data**

**Grantor** The Paddocks at Mt. Juliet, LLC  
**Grantee** LIT Property Services - Cascades on the River  
**Sale Date** September 09, 2015  
**Deed Book/Page** 5810-0146  
**Property Rights** Fee Simple  
**Conditions of Sale** Normal  
**Financing** Conventional  
**Verification** Assessor; May 10, 2017

**Sale Price** \$7,000,000  
**Cash Equivalent** \$7,000,000  
**Adjusted Price** \$7,000,000

**Land Data**

**Land Size** 12.000 Acres or 522,720 SF  
**Front Footage** Connell Road  
**Zoning** C-4  
**Topography** Nearly Level  
**Utilities** E, G, W, S  
**Shape** Irregular

**Multi-Family Sale No. 2 (Cont.)**

<u>Unit Type</u>	<u>Unit Mix</u>			<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	
1/1	10	890	\$642	\$0.72
1/1		890	\$667	\$0.75
2/2	20	1,213	\$735	\$0.61
2/2		1,213	\$760	\$0.63
2/2.5	58	1,125	\$790	\$0.70
3/2.5	62	1,456	\$815	\$0.56
3/2.5		1,456	\$865	\$0.59
<b>Total Units</b>	150			
<b>Avg. Unit Size</b>	1,258			
<b>Avg. Rent/Unit</b>	\$783			
<b>Avg. Rent/SF</b>	\$0.62			
<b>Gross SF</b>	200,000			
<b>Net SF</b>	188,682			
<b><u>General Physical Data</u></b>				
<b>No. of Buildings</b>	22			
<b>Construction Type</b>	Brick			
<b>HVAC</b>	Central Elec/Central Elec			
<b>Parking</b>	L/0			
<b>Stories</b>	2			
<b>Utilities with Rent</b>	Trash Collection			
<b>Year Built</b>	1976			
<b>Condition</b>	Average			
<b><u>Indicators</u></b>				
<b>Sale Price/Gross SF</b>	\$35.00			
<b>Sale Price/Net SF</b>	\$37.10			
<b>Sale Price/Unit</b>	\$46,667			

**Amenities**

Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Fireplace, Clubhouse, Swimming Pool, Exercise Room, Picnic Area, Playground, Basketball Court, Tennis Court and Car Wash Area

**Multi-Family Sale No. 3**



**Property Identification**

<b>Record ID</b>	3405
<b>Property Type</b>	Walk-Up/Townhouse
<b>Property Name</b>	Friar Tuck Apartments
<b>Address</b>	2215 Friar Tuck Lane, Albany, Dougherty County, Georgia 31707
<b>Tax ID</b>	0000S-00004-01D
<b>Market Type</b>	Market

**Sale Data**

<b>Grantor</b>	Delta Partners
<b>Grantee</b>	BAM Property Management
<b>Sale Date</b>	November 30, 2016
<b>Deed Book/Page</b>	004372000246
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal

**Multi-Family Sale No. 3 (Cont.)**

**Financing** Conventional  
**Verification** Assessor; May 10, 2017

**Sale Price** \$2,100,000  
**Cash Equivalent** \$2,100,000  
**Adjusted Price** \$2,100,000

**Land Data**

**Land Size** 2.830 Acres or 123,275 SF  
**Front Footage** Friar Tuck Lane  
**Zoning** R-6, Multifamily  
**Topography** Nearly Level  
**Utilities** E, G, W, S  
**Shape** Irregular

**Unit Mix**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	15	807		
2/1.5 TH	14	1,079		
2/2	15	1,146		

**Total Units** 44  
**Avg. Unit Size** 1,009  
**Avg. Rent/Unit** \$225  
**Avg. Rent/SF** \$0.22

**Gross SF** 44,401  
**Net SF** 44,401

**General Physical Data**

**No. of Buildings** 5  
**Construction Type** Siding  
**HVAC** Central Elec/Central Elec  
**Parking** L/0  
**Stories** 2  
**Utilities with Rent** Trash Collection  
**Year Built** 2003  
**Condition** Average

**Indicators**

**Sale Price/Gross SF** \$47.30  
**Sale Price/Net SF** \$47.30  
**Sale Price/Unit** \$47,727

**Amenities**

Refrigerator, Range/Oven, Dishwasher, Carpet, Vinyl, Blinds, Walk-In Closet and Laundry Facility



**Comparable Sales Chart – As Is**

Sales Analysis Grid		Comp 1	Comp 2	Comp 3
Address	261 North Court Street	820 Bowens Mill Road	422 Connell Road	2215 Friar Tuck Lane
City	Pearson	Douglas	Valdosta	Albany
State	GA	GA	GA	GA
Date	5/8/2017	10/21/2016	9/9/2015	11/30/2016
Price		\$1,925,100	\$7,000,000	\$2,100,000
Total No. of Units	25	48	150	44
Price per Unit		\$40,106	\$46,667	\$47,727
<b>Transaction Adjustments</b>				
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	Conventional	Conventional	Conventional	Conventional
Conditions of Sale	Normal	Normal	Normal	Normal
<b>Adjusted Price per Unit</b>		<b>\$40,106</b>	<b>\$46,667</b>	<b>\$47,727</b>
Market Trends Through 05/08/17		0%	0%	0%
<b>Adjusted Price per Unit</b>		<b>\$40,106</b>	<b>\$46,667</b>	<b>\$47,727</b>
Location	Average	Similar	Superior	Superior
% Adjustment		0%	-10%	-10%
\$ Adjustment		\$0	-\$4,667	-\$4,773
Total No. of Units	25	48	150	44
% Adjustment		0%	0%	0%
\$ Adjustment		\$0	\$0	\$0
YearBuilt/Renovated	1991	1987	1976	2003
% Adjustment		0%	0%	0%
\$ Adjustment		\$0	\$0	\$0
Condition/Street Appeal	Average	Similar	Similar	Superior
% Adjustment		0%	0%	-5%
\$ Adjustment		\$0	\$0	-\$2,386
HVAC	Central Electric/Central Electric	Central Elec/Central Elec	Central Elec/Central Elec	Central Elec/Central Elec
% Adjustment		0%	0%	0%
\$ Adjustment		\$0	\$0	\$0
Parking	L/0	L/0	L/0	L/0
% Adjustment		0%	0%	0%
\$ Adjustment		\$0	\$0	\$0
Amenities	Refrigerator, Range/Oven, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Coat Closet, Patio, Pull Cords, Meeting Room, Extra Storage and Laundry Facility	Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Swimming Pool and Laundry Facility	Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Fireplace, Clubhouse, Swimming Pool, Exercise Room, Picnic Area, Playground, Basketball Court, Tennis Court and Car Wash Area	Refrigerator, Range/Oven, Dishwasher, Carpet, Vinyl, Blinds, Walk-In Closet and Laundry Facility
% Adjustment		3%	-4%	4%
\$ Adjustment		\$1,203	-\$1,867	\$1,909
<b>Adjusted Price per Unit</b>		<b>\$41,309</b>	<b>\$40,133</b>	<b>\$42,477</b>
Net adjustments		3.0%	-14.0%	-11.0%
Gross adjustments		3.0%	-14.0%	-11.0%

Based on the preceding analysis, it is the appraiser's opinion that the market value of the subject property, as of May 8, 2017, via the Sales Comparable Approach is as follows:

25 units x \$41,000 per unit = **\$1,025,000**

**Indicated Value = \$1,025,000**

**Comparable Sales Explanations & Value – As Is**

Comp	Address	Date	Price	Price per Unit	Total No. of Units	Year Built/Renovated
1	820 Bowens Mill Road Southeast	10/21/2016	\$1,925,100	\$40,106	48	1987
2	422 Connell Road	9/9/2015	\$7,000,000	\$46,667	150	1976
3	2215 Friar Tuck Lane	11/30/2016	\$2,100,000	\$47,727	44	2003

**Improved Sales Analysis**

The sale prices of the comparables range from \$40,106 to \$47,727 per unit before adjustments. Attempts were made to find comparable sales properties within the subject’s city and market area. However, there were no verifiable sales found within these areas. Therefore, it was necessary to expand the search area in order to find comparables to provide a good basis of comparison. The sales were analyzed in order to estimate their comparability to the subject based on the following characteristics of value.

**Location**

The subject is located in Pearson, Georgia. Comparable 1 is located in Douglas. Comparable 2 is located in Valdosta. Comparable 3 is located in Albany. Pearson was considered similar in location to Douglas and Albany. Though there are some differences in the location of the cities, the differences are not significant enough to warrant an adjustment. However, Valdosta was considered superior to Pearson. The following table was utilized to determine appropriate adjustments for differences in location between Pearson and Valdosta.

U.S. Census Bureau Stats	Pearson	Valdosta	% Diff
2015 Population	1,935	56,504	96.58%
Households	596	21,029	97.17%
Median Home Value	\$58,300	\$125,700	53.62%
Median Rent	\$430	\$732	41.26%

Valdosta has a larger population, households and median home value and rent. Pearson has fewer services available than Valdosta. Therefore, it was considered superior. Based on the previous table as well as considering all other factors, a downward adjustment of 10 percent was determined for the comparables in Valdosta.

**Total No. of Units**

Size can have an impact on value based on the premise that smaller facilities tend to sell for a higher price per unit than larger facilities. The subject contains 25 units. The number of units of the comparables range from 44 to 150. No adjustments were needed.

### **Year Built/Renovated**

The subject was built in 1991. It is in average condition. Comparable 1 was built in 1987. Comparable 2 was constructed in 1976. Comparable 3 was built in 2003. Any necessary adjustment was utilized in the condition/street appeal adjustment.

### **Condition/Street Appeal**

The subject is currently in average condition for a property of its age. Comparable 1 is similar. Comparable 2 is similar. Comparable 3 is newer than the subject and is slightly superior in condition. This comparable was adjusted downward five percent.

### **HVAC**

The subject contains central electric heating and cooling. All comparables are similar. No adjustment was needed.

### **Parking**

The subject contains lot parking. All comparables are similar. No adjustment was needed.

### **Amenities**

The subject contains a refrigerator, range/oven, washer/dryer hook-ups, carpet, vinyl, blinds, coat closet, patio, pull cords, meeting room, extra storage and laundry facility. Comparable 1 contains a Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Swimming Pool and Laundry Facility. Comparable 2 contains a Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Fireplace, Clubhouse, Swimming Pool, Exercise Room, Picnic Area, Playground, Basketball Court, Tennis Court and Car Wash Area. Comparable 3 contains a Refrigerator, Range/Oven, Dishwasher, Carpet, Vinyl, Blinds, Walk-In Closet and Laundry Facility. Comparable 1 was adjusted upward three percent. Comparable 2 was adjusted downward four percent. Comparable 3 was adjusted upward four percent.

### **Summary and Conclusion**

The comparables range from \$40,133 to \$42,477 per unit after adjustments. Comparables 1 and 2 were given the most consideration as they are similar in condition. However, Comparable 3 is only slightly superior in condition and was also given consideration. Based on the preceding analysis, it is the appraiser's opinion that the market value of the subject property, as of May 8, 2017, via the Sales Comparable Approach is as follows:

25 units x \$41,000 per unit = \$1,025,000

**Indicated As Is Market Value = \$1,025,000**

**Comparable Sales Chart – As Complete**

Sales Analysis Grid		Comp 1	Comp 2	Comp 3			
Address	261 North Court Street	820 Bowens Mill Road	422 Connell Road	2215 Friar Tuck Lane			
City	Pearson	Southeast	Valdosta	Albany			
State	GA	Douglas	GA	GA			
Date	5/8/2017	10/21/2016	9/9/2015	11/30/2016			
Price		\$1,925,100	\$7,000,000	\$2,100,000			
Total No. of Units	25	48	150	44			
Price per Unit		\$40,106	\$46,667	\$47,727			
<b>Transaction Adjustments</b>							
Property Rights	Fee Simple	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%
Financing	Conventional	Conventional	0.0%	Conventional	0.0%	Conventional	0.0%
Conditions of Sale	Normal	Normal	0.0%	Normal	0.0%	Normal	0.0%
<b>Adjusted Price per Unit</b>		<b>\$40,106</b>	<b>\$46,667</b>	<b>\$47,727</b>			
Market Trends Through 05/08/17		0%	0%	0%			
<b>Adjusted Price per Unit</b>		<b>\$40,106</b>	<b>\$46,667</b>	<b>\$47,727</b>			
Location	Average	Similar		Superior		Superior	
% Adjustment		0%		-10%		-10%	
\$ Adjustment		\$0		-\$4,667		-\$4,773	
Total No. of Units	25	48		150		44	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
YearBuilt/Renovated	1991/Proposed	1987		1976		2003	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
Condition/Street Appeal	Good	Inferior		Inferior		Inferior	
% Adjustment		10%		10%		5%	
\$ Adjustment		\$4,011		\$4,667		\$2,386	
HVAC	Central Electric/Central Electric	Central Elec/Central Elec		Central Elec/Central Elec		Central Elec/Central Elec	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
Parking	L/0	L/0		L/0		L/0	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
Amenities	Refrigerator, Range/Oven, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Coat Closet, Patio, Pull Cords, Meeting Room, Extra Storage and Laundry Facility	Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Swimming Pool and Laundry Facility		Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Fireplace, Clubhouse, Swimming Pool, Exercise Room, Picnic Area, Playground, Basketball Court, Tennis Court and Car Wash Area		Refrigerator, Range/Oven, Dishwasher, Carpet, Vinyl, Blinds, Walk-In Closet and Laundry Facility	
% Adjustment		3%		-4%		4%	
\$ Adjustment		\$1,203		-\$1,867		\$1,909	
<b>Adjusted Price per Unit</b>		<b>\$45,320</b>		<b>\$44,800</b>		<b>\$47,250</b>	
Net adjustments		13.0%		-4.0%		-1.0%	
Gross adjustments		13.0%		-4.0%		-1.0%	

Based on the preceding analysis, it is the appraiser's opinion that the market value of the subject property, as of May 8, 2017, via the Sales Comparable Approach is as follows:

$$25 \text{ units} \times \$45,000 \text{ per unit} = \$1,125,000$$

**Indicated Value = \$1,125,000**

**Comparable Sales Explanations & Value – As Complete**

Comp	Address	Date	Price	Price per Unit	Total No. of Units	Year Built/Renovated
1	820 Bowens Mill Road Southeast	10/21/2016	\$1,925,100	\$40,106	48	1987
2	422 Connell Road	9/9/2015	\$7,000,000	\$46,667	150	1976
3	2215 Friar Tuck Lane	11/30/2016	\$2,100,000	\$47,727	44	2003

**Improved Sales Analysis**

The sale prices of the comparables range from \$40,106 to \$47,727 per unit before adjustments. Attempts were made to find comparable sales properties within the subject’s city and market area. However, there were no verifiable sales found within these areas. Therefore, it was necessary to expand the search area in order to find comparables to provide a good basis of comparison. The sales were analyzed in order to estimate their comparability to the subject based on the following characteristics of value.

**Location**

The subject is located in Pearson, Georgia. Comparable 1 is located in Douglas. Comparable 2 is located in Valdosta. Comparable 3 is located in Albany. Pearson was considered similar in location to Douglas and Albany. Though there are some differences in the location of the cities, the differences are not significant enough to warrant an adjustment. However, Valdosta was considered superior to Pearson. The following table was utilized to determine appropriate adjustments for differences in location between Pearson and Valdosta.

U.S. Census Bureau Stats	Pearson	Valdosta	% Diff
2015 Population	1,935	56,504	96.58%
Households	596	21,029	97.17%
Median Home Value	\$58,300	\$125,700	53.62%
Median Rent	\$430	\$732	41.26%

Valdosta has a larger population, households and median home value and rent. Pearson has fewer services available than Valdosta. Therefore, it was considered superior. Based on the previous table as well as considering all other factors, a downward adjustment of 10 percent was determined for the comparables in Valdosta.

**Total No. of Units**

Size can have an impact on value based on the premise that smaller facilities tend to sell for a higher price per unit than larger facilities. The subject contains 25 units. The number of units of the comparables range from 44 to 150 . No adjustments were needed.

**Year Built/Renovated**

The subject was built in 1991 and will be rehabilitated. It will be in good condition. Comparable 1 was built in 1987. Comparable 2 was constructed in 1976. Comparable 3 was built in 2003. Any necessary adjustment was utilized in the condition/street appeal adjustment.

#### **Condition/Street Appeal**

The subject will be in good condition after rehabilitation. All comparables will be inferior to varying degrees. Comparables 1 and 2 were adjusted upward 10 percent, and Comparable 3 was adjusted upward five percent.

#### **HVAC**

The subject contains central electric heating and cooling. All comparables are similar. No adjustment was needed.

#### **Parking**

The subject contains lot parking. All comparables are similar. No adjustment was needed.

#### **Amenities**

The subject will contain a refrigerator, range/oven, washer/dryer hook-ups, carpet, vinyl, blinds, coat closet, patio, pull cords, meeting room, extra storage and laundry facility. Comparable 1 contains a refrigerator, range/oven, dishwasher, washer/dryer hook-ups, carpet, vinyl, blinds, swimming pool and laundry facility. Comparable 2 contains a refrigerator, range/oven, garbage disposal, dishwasher, washer/dryer hook-ups, carpet, vinyl, fireplace, clubhouse, swimming pool, exercise room, picnic area, playground, basketball court, tennis court and car wash area. Comparable 3 contains a refrigerator, range/oven, dishwasher, carpet, vinyl, blinds, walk-in closet and laundry facility. Comparable 1 was adjusted upward three percent. Comparable 2 was adjusted downward four percent. Comparable 3 was adjusted upward four percent.

#### **Summary and Conclusion**

The comparables range from \$44,800 to \$47,250 per unit after adjustments. All comparables were given consideration. Based on the preceding analysis, it is the appraiser's opinion that the market value of the subject property, as of January 31, 2019, via the Sales Comparable Approach is as follows:

25 units x \$45,000 per unit = \$1,125,000

**Indicated As Complete Market Value = \$1,125,000**

**Restricted Value Determination**

The sales comparison approach is applicable but not necessary for a credible appraisal and has not been developed for the restricted value determination. The subject is a Rural Development property with restricted rents. As a result, there are very few similar operating properties in the market area and none that could be confirmed as having sold within the past five years. Research for sales comparables similar to the subject was conducted with local realtors, MLS and CoStar, and none could be confirmed. As per the scope of work for this assignment, the sales comparison approach is not required and was not developed.

## **RECONCILIATION AND CONCLUSIONS**



## **Conclusion of Value**

Reconciliation involves the weighing of the three approaches in relation to their importance or their probable influence on the reactions of typical uses and investors in the market. Consideration is given to the quality and quantity of the data available for examination in each approach, to the inherent advantages and disadvantages of each approach, and to the relevancy of each to the subject property.

The Cost Approach considers the current cost of replacing a property, less depreciation from three sources: physical deterioration, functional obsolescence and external obsolescence. A summation of the market value of the land, assumed vacant and the depreciated replacement cost of the improvements provides an indication of the total value of the property. This approach is given less consideration as the validity of this approach decreases as the property's age increases.

The Income Approach is typically used when the real estate is commonly developed, or bought and sold for the anticipated income stream. Income and expense data of similar properties in Pearson and the surrounding area were used in this analysis. The most weight is accorded to the indication via the Income Comparison Approach in the final value conclusion.

The Sales Comparison Approach is a reflection of the buying and selling public based on physical and/or financial units of comparison. The market for properties similar to the subject has been active in the subject's market area. As was noted in the improved sales analysis, the range of unit values after adjustments was relatively narrow. Quantitative (percentage) adjustments for the differences between the comparables and the subject were made to the comparables.

The indicated value of the subject would best be represented by a value within this range. The data utilized and the value indicated by the three approaches is considered appropriate in estimating the value of the subject property. Weight is given to the Income Comparison Approaches and this value is considered to provide the best indication of value for the subject.

*The market value of the fee simple estate, unrestricted or conventional, subject to short-term leases, was determined under the hypothetical condition that the subject was a conventional property and not subject to any rent restrictions.*

*The "prospective" values of the fee simple estate were determined under the extraordinary assumption that the rehabilitation is completed as detailed in the scope of work and that the proposed rents indicated in the report are approved.*

*The following values are determined for the Clients and Intended Users:*

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Market Value, within 7 CFR part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition as-if Conventional Housing, as of May 8, 2017, is as follows.

**ONE MILLION TWO HUNDRED THOUSAND DOLLARS**

**\$1,200,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Market Value, Subject to Restricted Rents, within 7 CFR part 3560.752(b)(1)(i), as of May 8, 2017, is as follows.

**FOUR HUNDRED FIFTY FIVE THOUSAND DOLLARS**

**\$455,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If Conventional Housing as of January 31, 2019, is as follows.

**ONE MILLION FOUR HUNDRED THOUSAND DOLLARS**

**\$1,400,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Prospective Market Value, Subject to Restricted Rents, within 7 CFR part 3560.752(b)(1)(i), as of January 31, 2019, is as follows.

**ONE MILLION FOUR HUNDRED TEN THOUSAND DOLLARS**

**\$1,410,000**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the Value of the Interest Credit Subsidy from the Existing USDA RD Section 515 Loan of the subject property, as of May 8, 2017, is as follows:

**TWO HUNDRED SEVENTY SEVEN THOUSAND DOLLARS**

**\$277,000**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the Value of the Interest Credit Subsidy from the Proposed USDA RD Section 515 Loan of the subject property, as of May 8, 2017, is as follows:

**TWO HUNDRED EIGHTEEN THOUSAND DOLLARS**  
**\$218,000**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the value of the Low Income Housing Tax Credits, as of May 8, 2017, is as follows:

**FIVE HUNDRED THOUSAND DOLLARS**  
**\$500,000**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the As Is Market Rent (CRCU) of the 654 square feet one-bedroom units of the subject property, as of May 8, 2017, is as follows:

**FIVE HUNDRED SEVENTY FIVE DOLLARS**  
**\$575.00**

Based on the data, analyses and conclusions presented in the attached report, it is our opinion that the As Complete Market Rent (CRCU) of the 654 square feet one-bedroom units of the subject property, as of January 31, 2019, is as follows:

**SIX HUNDRED TWENTY FIVE DOLLARS**  
**\$625.00**

*The following values are determined for the DCA:*

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the market value of the land, as of May 8, 2017, is as follows.

**EIGHTY ONE THOUSAND DOLLARS**  
**\$81,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the “As Is” market value of the subject property, subject to market rents, as of May 8, 2017, is as follows.

**ONE MILLION TWO HUNDRED THOUSAND DOLLARS**

**\$1,200,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the “As Is” market value of the subject property, subject to restricted rents, as of May 8, 2017, is as follows.

**FOUR HUNDRED FIFTY FIVE THOUSAND DOLLARS**

**\$455,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the prospective market value upon stabilization – market rents, of the subject property, of the subject property, as of January 31, 2019, is as follows.

**ONE MILLION FOUR HUNDRED THOUSAND DOLLARS**

**\$1,400,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the prospective market value upon stabilization – restricted rents, as of January 31, 2019, is as follows.

**ONE MILLION FOUR HUNDRED TEN THOUSAND DOLLARS**

**\$1,410,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the prospective market value at loan maturity – market rents, of the subject property, of the subject property, as of January 31, 2019, is as follows.

**THREE MILLION EIGHT HUNDRED TWO THOUSAND DOLLARS**

**\$3,802,000.00**

**Sources Used**

Information used in the appraisal was obtained from various sources including; the U.S. Census Bureau, Nielsen Claritas and Ribbon Demographics, U.S. Bureau of Labor Statistics, interviews with local city and government officials and interviews with local property owners or managers.

## **ADDENDUM A**

EXHIBIT A  
LEGAL DESCRIPTION

EXHIBIT A  
LEGAL DESCRIPTION

All that tract or parcel of land situate, lying and being in the City of Pearson, Atkinson County, Georgia, and being in Land Lot 16, of the 7th Land District and being more particularly described as follows: BEGINNING at an iron pin at the southern right-of-way of Lott Avenue intersects with the western right-of-way of Court Street, running thence South 03° 23' 44" East a distance of 171.27 feet to a point; run thence South 07° 18' 13" West a chord distance of 195.68 feet to a point; run thence South 08° 01' 59" West a distance of 219.43 feet to an iron pin; run thence North 21° 02' 10" West a distance of 136.03 feet to an iron pin; run thence North 10° 02' 12" East a distance of 374.68 feet to an iron pin; run thence South 84° 57' 36" East a distance of 153.57 feet to the POINT OF BEGINNING. The said property being 2.36 acres as depicted upon that certain map or plat made by Carlton Evans, Georgia Registered Surveyor, dated July 13, 1969, revised August 7, 1969, for Rural Housing Partnership, Inc., and recorded in Plat Record Book 4, page 80, in the office of the Clerk of the Superior Court of Atkinson County, Georgia, to which plat or map or survey reference is hereby made for all purposes in aid of description.

**ADDENDUM B**

## Rent Roll

### *Whispering Pines Apartments (480)*

Report Date: 04/2017

**Building: 1**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
<b>Units with Square Footage Set</b>								
01	Davis, Edward	12/30/2010	12/31/2017	S1	\$422.00	\$307.00	304.00	654
02	OBERRY, DOLLIE	11/13/2012	11/30/2017	S1	\$422.00	\$119.00	119.00	654
03	DAVIS, LINDA	05/18/2006	11/30/2017	S1	\$422.00	\$190.00	190.00	654
04	Atkins, James	07/09/2002	07/31/2017	S1	\$422.00	\$177.00	177.00	654
05	Lankford, Jo	10/03/2016	10/31/2017	S1	\$422.00	\$184.00	184.00	654
06	Hilliard, Robert	02/09/2017	02/28/2018	S1	\$422.00	\$260.00	260.00	654
Units in Building:					6			
Occupied Units:					6			
% Occupied:					100%			
					\$2,532.00	\$1,237.00	1,234.00	

**Building: 2**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
<b>Units with Square Footage Set</b>								
07	*MR COMPTON, ALBERT	10/15/2010	04/17/2017	S1	\$239.00	\$85.00	85.00	654
07	* VACANT * 4/18/2017 - 4/30/2017			S1	\$183.00	\$0.00	0.00	654
08	Harper, Billy	03/28/2016	03/31/2018	S1	\$422.00	\$125.00	125.00	654
09	Cato, Patricia	10/15/2010	10/31/2017	S1	\$422.00	\$118.00	118.00	654
10	WILLSEY, RANDY	10/03/2013	10/31/2017	S1	\$422.00	\$269.00	269.00	654
11	Cuppett, Billy	01/11/2016	01/31/2018	S1	\$422.00	\$122.00	122.00	654
12	MURRAY, SHIRLEY	10/02/2013	10/31/2017	S1	\$422.00	\$258.00	258.00	654
Units in Building:					6			
Occupied Units:					5			
% Occupied:					83%			
					\$2,532.00	\$977.00	977.00	

**Building: 3**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
<b>Units with Square Footage Set</b>								
13	STONE, ROSIE	03/12/2012	03/31/2018	S1	\$422.00	\$125.00	125.00	654
14	Cribb, Thomas	09/10/1996	11/30/2017	S1	\$422.00	\$146.00	146.00	654
15	STONE, BOBBY	03/02/2007	07/31/2017	S1	\$422.00	\$199.00	199.00	654
16	Gonzalez, Deborah	02/09/2015	02/28/2018	S1	\$422.00	\$174.00	174.00	654
17	Jeffery, Patricia	05/15/2008	05/31/2017	S1	\$422.00	\$118.00	118.00	654
18	Smith, Larry	08/03/2015	08/31/2017	S1	\$422.00	\$220.00	220.00	654
Units in Building:					6			
Occupied Units:					6			
% Occupied:					100%			
					\$2,532.00	\$982.00	982.00	

\*\* = Expired Lease

\*MR = Moved out during the report range.

Print Date & Time: 05/22/2017 11:02:57AM



## Rent Roll

### *Whispering Pines Apartments (480)*

Report Date: 04/2017  
**Building: 4**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
<b>Units with Square Footage Set</b>								
19	ROBERSON, AMY	02/06/2013	02/28/2018	S1	\$422.00	\$119.00	119.00	654
20	Benton, Veronica	04/02/2010	07/31/2017	S1	\$422.00	\$124.00	124.00	654
21	BURCH, ARNIE	08/12/2016	08/31/2017	S1	\$422.00	\$124.00	124.00	654
22	Bowen, Wanda	01/12/2015	01/31/2018	S1	\$422.00	\$354.00	354.00	654
23	SMITH, JAMES	08/07/2012	08/31/2017	S1	\$422.00	\$118.00	118.00	654
24	Wildes, Bonnie	03/17/2017	03/31/2018	S1	\$422.00	\$181.00	181.00	654
Units in Building:					6			
Occupied Units:					6			
% Occupied:					100%			
					<hr/>	<hr/>	<hr/>	
					\$2,532.00	\$1,020.00	1,020.00	

**Building: COMMUNITY**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
<b>Units with Square Footage Set</b>								
25	* VACANT * 4/1/2017 - 4/30/2017			Z2	\$0.00	\$0.00	0.00	796
Units in Building:					1			
Occupied Units:					0			
% Occupied:					0%			
					<hr/>	<hr/>	<hr/>	
					\$0.00	\$0.00	0.00	

<b>Total Units:</b>	<b>25</b>	<b>Grand Totals:</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
<b>Total Occupied:</b>	<b>23.00</b>				<b>\$10,128.00</b>	<b>\$4,216.00</b>	<b>4,213.00</b>	
<b>Total % Occupied:</b>	<b>92.00</b>							

Selected Parameters:  
 Property Name - Whispering Pines Apartments  
 Rent Roll for - 04/2017  
 Show Negative Rents as Zero - True  
 Sort By Unit - True  
 Include Inactive Units - False

\*\* = Expired Lease

\*MR = Moved out during the report range.

Print Date & Time: 05/22/2017 11:02:57AM

Whispering Pines Apartments  
Pearson, Georgia

0

Expense Year

Dec-14

<b>Row Labels</b>	<b>Sum of Amount</b>
<b>Advertising</b>	<b>\$120</b>
Advertising	\$120
<b>Annual Ancillary Income</b>	<b>\$317</b>
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$257
Application Fees Received	\$60
<b>Annual Gross Potential Rental Income</b>	<b>\$120,720</b>
Rental Income from Current Year Budget	\$120,720
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$348</b>
Painting	\$348
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance/Contract	\$0
<b>Employee Benefits</b>	<b>\$413</b>
Health Insurance & Other Emp. Benefits	\$102
Workmen's Compensation	\$311
<b>Employee Payroll Tax</b>	<b>\$925</b>
Payroll Taxes	\$925
<b>Excluded Expense</b>	<b>\$0</b>
Annual Capital Budget	\$0
<b>Excluded Income</b>	<b>\$114,318</b>
Interest Income	\$0
Other Project Sources	\$0
Rental Income from Current Year Actual	\$41,476
Retained Excess Income	\$0
RHS Rental Assist. Received from Actual	\$72,841
Special Claims Revenue	\$0
<b>Exterminating</b>	<b>\$1,328</b>
Services	\$1,328
<b>Fuel</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Garbage and Trash Removal</b>	<b>\$1,983</b>
Garbage & Trash Removal	\$1,983
<b>Gas</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Ground Expense</b>	<b>\$7,550</b>
Grounds	\$7,550
Snow Removal	\$0
<b>Insurance</b>	<b>\$4,955</b>

Fidelity Coverage Insurance	\$0
Other Insurance	\$0
Property & Liability Insurance	\$4,955
<b>Lighting and Miscellaneous Power</b>	<b>\$2,530</b>
Electricity	\$2,530
<b>Management Fee</b>	<b>\$12,772</b>
Management Fee	\$12,772
<b>Misc. Taxes/Licenses</b>	<b>\$234</b>
Other Taxes, Licenses & Permits	\$234
Special Assessments	\$0
<b>Other Administrative</b>	<b>\$14,346</b>
Legal Expense	-\$104
Office Furniture & Equipment	\$689
Office Supplies	\$1,193
Other Administrative Expenses	\$308
Project Auditing Expense	\$3,680
Project Bookkeeping/Accounting	\$0
Site Management Payroll	\$6,216
Telephone & Answering Service	\$1,588
Training Expense	\$777
<b>Other Maintenance</b>	<b>\$0</b>
Other Maintenance	\$0
<b>Other Operating</b>	<b>\$9,610</b>
Maintenance & Repairs Supply	\$9,506
Other Operating Expense	\$105
Other Utilities	\$0
<b>Payroll</b>	<b>\$3,248</b>
Maintenance & Repairs Payroll	\$3,248
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$10,977</b>
Real Estate Taxes	\$10,977
<b>Repairs</b>	<b>\$0</b>
Maintenance & Repairs Contract	\$0
Replacement Reserves Released as Expense	\$0
<b>Reserves for Replacement</b>	<b>\$6,552</b>
Transfer to Reserve	\$6,552
<b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
<b>Vacancy (Apartments)</b>	<b>-\$6,402</b>
Vacancies - Apartments	-\$6,402
Vacancies - Concessions	\$0
<b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
<b>Water/Sewer</b>	<b>\$6,902</b>
Sewer	\$3,451

Water	\$3,451
<b>(blank)</b>	<b>\$385,433</b>
Net Rental Revenue	\$114,318
Operating Expenses	
Subtotal	\$62,074
Total Operating Expenses	\$78,240
Total Other Revenue	\$317
Total Rent Revenue	\$120,720
Total Revenue	
Total Taxes and Insurance	\$16,167
Total Vacancies	-\$6,402
(blank)	
<b>Grand Total</b>	<b>\$699,177</b>

Whispering Pines Apartments  
Pearson, Georgia

0

Expense Year

Dec-15

<b>Row Labels</b>	<b>Sum of Amount</b>
<b>Advertising</b>	<b>\$133</b>
Advertising	\$133
<b>Annual Ancillary Income</b>	<b>\$676</b>
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$511
Application Fees Received	\$165
<b>Annual Gross Potential Rental Income</b>	<b>\$118,656</b>
Rental Income from Current Year Budget	\$118,656
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$1,804</b>
Painting	\$1,804
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance/Contract	\$0
<b>Employee Benefits</b>	<b>\$580</b>
Health Insurance & Other Emp. Benefits	\$140
Workmen's Compensation	\$440
<b>Employee Payroll Tax</b>	<b>\$1,168</b>
Payroll Taxes	\$1,168
<b>Excluded Expense</b>	<b>\$0</b>
Annual Capital Budget	\$0
<b>Excluded Income</b>	<b>\$117,516</b>
Interest Income	\$0
Other Project Sources	\$0
Rental Income from Current Year Actual	\$44,317
Retained Excess Income	\$0
RHS Rental Assist. Received from Actual	\$73,199
Special Claims Revenue	\$0
<b>Exterminating</b>	<b>\$1,341</b>
Services	\$1,341
<b>Fuel</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Garbage and Trash Removal</b>	<b>\$1,650</b>
Garbage & Trash Removal	\$1,650
<b>Gas</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Ground Expense</b>	<b>\$6,796</b>
Grounds	\$6,796
Snow Removal	\$0
<b>Insurance</b>	<b>\$5,018</b>

Fidelity Coverage Insurance	\$0
Other Insurance	\$0
Property & Liability Insurance	\$5,018
<b>Lighting and Miscellaneous Power</b>	<b>\$2,672</b>
Electricity	\$2,672
<b>Management Fee</b>	<b>\$13,122</b>
Management Fee	\$13,122
<b>Misc. Taxes/Licenses</b>	<b>\$385</b>
Other Taxes, Licenses & Permits	\$385
Special Assessments	\$0
<b>Other Administrative</b>	<b>\$17,898</b>
Legal Expense	\$537
Office Furniture & Equipment	\$1,020
Office Supplies	\$1,391
Other Administrative Expenses	\$304
Project Auditing Expense	\$3,680
Project Bookkeeping/Accounting	\$0
Site Management Payroll	\$8,266
Telephone & Answering Service	\$1,601
Training Expense	\$1,099
<b>Other Maintenance</b>	<b>\$0</b>
Other Maintenance	\$0
<b>Other Operating</b>	<b>\$9,918</b>
Maintenance & Repairs Supply	\$9,802
Other Operating Expense	\$115
Other Utilities	\$0
<b>Payroll</b>	<b>\$4,969</b>
Maintenance & Repairs Payroll	\$4,969
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$9,320</b>
Real Estate Taxes	\$9,320
<b>Repairs</b>	<b>\$0</b>
Maintenance & Repairs Contract	\$0
Replacement Reserves Released as Expense	\$0
<b>Reserves for Replacement</b>	<b>\$6,552</b>
Transfer to Reserve	\$6,552
<b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
<b>Vacancy (Apartments)</b>	<b>-\$1,140</b>
Vacancies - Apartments	-\$1,140
Vacancies - Concessions	\$0
<b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
<b>Water/Sewer</b>	<b>\$6,482</b>
Sewer	\$3,241

Water	\$3,241
<b>(blank)</b>	<b>\$520,410</b>
Net Rental Revenue	\$117,516
Operating Expenses	
Subtotal	\$68,531
Total Operating Expenses	\$83,255
Total Other Revenue	\$676
Total Rent Revenue	\$118,656
Total Revenue	\$118,192
Total Taxes and Insurance	\$14,724
Total Vacancies	-\$1,140
(blank)	
<b>Grand Total</b>	<b>\$845,926</b>

Whispering Pines Apartments  
Pearson, Georgia

0

Expense Year

Dec-16

<b>Row Labels</b>	<b>Sum of Amount</b>
<b>Advertising</b>	<b>\$93</b>
Advertising	\$93
<b>Annual Ancillary Income</b>	<b>\$634</b>
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$499
Application Fees Received	\$135
<b>Annual Gross Potential Rental Income</b>	<b>\$121,536</b>
Rental Income from Current Year Budget	\$121,536
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$1,994</b>
Painting	\$1,994
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance/Contract	\$0
<b>Employee Benefits</b>	<b>\$534</b>
Health Insurance & Other Emp. Benefits	\$130
Workmen's Compensation	\$404
<b>Employee Payroll Tax</b>	<b>\$941</b>
Payroll Taxes	\$941
<b>Excluded Expense</b>	<b>\$0</b>
Annual Capital Budget	\$0
<b>Excluded Income</b>	<b>\$119,972</b>
Interest Income	\$0
Other Project Sources	\$0
Rental Income from Current Year Actual	\$45,462
Retained Excess Income	\$0
RHS Rental Assist. Received from Actual	\$74,510
Special Claims Revenue	\$0
<b>Exterminating</b>	<b>\$2,154</b>
Services	\$2,154
<b>Fuel</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Garbage and Trash Removal</b>	<b>\$2,181</b>
Garbage & Trash Removal	\$2,181
<b>Gas</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Ground Expense</b>	<b>\$6,610</b>
Grounds	\$6,610
Snow Removal	\$0
<b>Insurance</b>	<b>\$5,016</b>



Fidelity Coverage Insurance	\$0
Other Insurance	\$0
Property & Liability Insurance	\$5,016
<b>Lighting and Miscellaneous Power</b>	<b>\$2,690</b>
Electricity	\$2,690
<b>Management Fee</b>	<b>\$13,465</b>
Management Fee	\$13,465
<b>Misc. Taxes/Licenses</b>	<b>\$359</b>
Other Taxes, Licenses & Permits	\$359
Special Assessments	\$0
<b>Other Administrative</b>	<b>\$21,349</b>
Legal Expense	\$525
Office Furniture & Equipment	\$1,428
Office Supplies	\$854
Other Administrative Expenses	\$4,038
Project Auditing Expense	\$3,680
Project Bookkeeping/Accounting	\$0
Site Management Payroll	\$7,927
Telephone & Answering Service	\$1,974
Training Expense	\$924
<b>Other Maintenance</b>	<b>\$0</b>
Other Maintenance	\$0
<b>Other Operating</b>	<b>\$10,562</b>
Maintenance & Repairs Supply	\$10,441
Other Operating Expense	\$114
Other Utilities	\$7
<b>Payroll</b>	<b>\$3,012</b>
Maintenance & Repairs Payroll	\$3,012
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$6,739</b>
Real Estate Taxes	\$6,739
<b>Repairs</b>	<b>\$0</b>
Maintenance & Repairs Contract	\$0
Replacement Reserves Releases Included as Expense	\$0
<b>Reserves for Replacement</b>	<b>\$6,552</b>
Transfer to Reserve	\$6,552
<b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
<b>Vacancy (Apartments)</b>	<b>-\$1,564</b>
Vacancies - Apartments	-\$1,564
Vacancies - Concessions	\$0
<b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
<b>Water/Sewer</b>	<b>\$12,294</b>
Sewer	\$7,660

Water	\$4,633
<b>(blank)</b>	<b>\$541,169</b>
Net Rental Revenue	\$119,972
Operating Expenses	
Subtotal	\$77,879
Total Operating Expenses	\$89,993
Total Other Revenue	\$634
Total Rent Revenue	\$121,536
Total Revenue	\$120,606
Total Taxes and Insurance	\$12,114
Total Vacancies	-\$1,564
(blank)	
<b>Grand Total</b>	<b>\$878,292</b>

Whispering Pines Apartments  
Pearson, Georgia

0

Expense Year

Budget

Row Labels	Sum of Amount
<b>Advertising</b>	<b>\$50</b>
Advertising	\$50
<b>Annual Ancillary Income</b>	<b>\$400</b>
Application Fees	\$0
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$400
<b>Annual Gross Potential Rental Income</b>	<b>\$121,536</b>
Rental Income from Current Year Budget	\$121,536
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$2,000</b>
Painting	\$2,000
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance/Contract	\$0
<b>Employee Benefits</b>	<b>\$550</b>
Health Insurance & Other Emp. Benefits	\$150
Workmen's Compensation	\$400
<b>Employee Payroll Tax</b>	<b>\$1,100</b>
Payroll Taxes	\$1,100
<b>Excluded Expense</b>	<b>\$0</b>
Annual Capital Budget	\$0
<b>Excluded Income</b>	<b>\$0</b>
Interest Income	\$0
Other Project Sources	\$0
Rental Income from Current Year Actual	\$0
Retained Excess Income	\$0
RHS Rental Assist. Received from Actual	\$0
Special Claims Revenue	\$0
<b>Exterminating</b>	<b>\$2,341</b>
Services	\$2,341
<b>Fuel</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Garbage and Trash Removal</b>	<b>\$2,800</b>
Garbage & Trash Removal	\$2,800
<b>Gas</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Ground Expense</b>	<b>\$7,600</b>
Grounds	\$7,600
Snow Removal	\$0
<b>Insurance</b>	<b>\$5,700</b>

Fidelity Coverage Insurance	\$0
Other Insurance	\$150
Property & Liability Insurance	\$5,550
<b>Lighting and Miscellaneous Power</b>	<b>\$2,800</b>
Electricity	\$2,800
<b>Management Fee</b>	<b>\$14,112</b>
Management Fee	\$14,112
<b>Misc. Taxes/Licenses</b>	<b>\$250</b>
Other Taxes, Licenses & Permits	\$250
Special Assessments	\$0
<b>Other Administrative</b>	<b>\$17,488</b>
Legal Expense	\$200
Office Furniture & Equipment	\$705
Office Supplies	\$1,000
Other Administrative Expenses	\$300
Project Auditing Expense	\$3,700
Project Bookkeeping/Accounting	\$0
Site Management Payroll	\$9,372
Telephone & Answering Service	\$1,600
Training Expense	\$611
<b>Other Maintenance</b>	<b>\$0</b>
Other Maintenance	\$0
<b>Other Operating</b>	<b>\$10,900</b>
Maintenance & Repairs Supply	\$10,800
Other Operating Expense	\$100
Other Utilities	\$0
<b>Payroll</b>	<b>\$4,000</b>
Maintenance & Repairs Payroll	\$4,000
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$13,000</b>
Real Estate Taxes	\$13,000
<b>Repairs</b>	<b>\$0</b>
Maintenance & Repairs Contract	\$0
Replacement Reserves Released as Expense	\$0
<b>Reserves for Replacement</b>	<b>\$6,549</b>
Transfer to Reserve	\$6,549
<b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
<b>Vacancy (Apartments)</b>	<b>-\$2,431</b>
Vacancies - Apartments	-\$2,431
Vacancies - Concessions	\$0
<b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
<b>Water/Sewer</b>	<b>\$9,000</b>
Sewer	\$5,000

Water	\$4,000
<b>(blank)</b>	<b>\$545,497</b>
Net Rental Revenue	\$119,105
Operating Expenses	
Subtotal	\$74,741
Total Operating Expenses	\$93,691
Total Other Revenue	\$400
Total Rent Revenue	\$121,536
Total Revenue	\$119,505
Total Taxes and Insurance	\$18,950
Total Vacancies	-\$2,431
(blank)	
<b>Grand Total</b>	<b>\$765,242</b>

Whispering Pines Apartments  
Pearson, Georgia

0

Expense Year Dec-17  
# of Months 4

<b>Row Labels</b>	<b>Sum of Amount</b>
<b>Advertising</b>	<b>\$0</b>
Advertising	\$0
<b>Annual Ancillary Income</b>	<b>\$125</b>
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Application Fees	\$25
Tenant Charges/Damages	\$0
Income - Cleaning & Rep	\$100
Income - Late Fees	\$0
Forfeited Security Deposits	\$0
<b>Annual Gross Potential Rental Income</b>	<b>\$40,512</b>
Rental Income from Current Year Budget	\$40,512
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$781</b>
Unit Turns	\$781
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance/Contract	\$0
<b>Employee Benefits</b>	<b>\$539</b>
Workmen's Compensation	\$501
Group Health Insurance	\$37
Retirement Plan Expense	\$2
<b>Employee Payroll Tax</b>	<b>\$459</b>
Payroll Taxes-FICA	\$394
Unemployment Taxes	\$64
<b>Excluded Income</b>	<b>\$39,694</b>
Retained Excess Income	\$0
Special Claims Revenue	\$0
Rental Income from Current Year Actual	\$16,351
RHS Rental Assist. Received from Actual	\$23,343
Interest Income	\$0
<b>Exterminating</b>	<b>\$711</b>
Services	\$711
<b>Fuel</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Garbage and Trash Removal</b>	<b>\$670</b>
Garbage & Trash Removal	\$670
<b>Gas</b>	<b>\$0</b>
Fuel (Oil/Coal/Gas)	\$0
<b>Ground Expense</b>	<b>\$2,200</b>

Snow Removal	\$0
Grounds	\$2,200
<b>Insurance</b>	<b>\$4,971</b>
Property & Liability Insurance	\$4,971
Fidelity Coverage Insurance	\$0
Other Insurance	\$0
<b>Lighting and Miscellaneous Power</b>	<b>\$777</b>
Electricity	\$777
<b>Management Fee</b>	<b>\$4,560</b>
Management Fee	\$4,560
<b>Misc. Taxes/Licenses</b>	<b>\$109</b>
Special Assessments	\$0
Other Taxes, Licenses & Permits	\$109
<b>Other Administrative</b>	<b>\$7,678</b>
Site Management Payroll	\$2,334
Accounting/Auditing Fees	\$3,680
Project Bookkeeping/Accounting	\$0
Legal Expense	\$167
Telephone	\$593
Office Supplies	\$154
Computer Equipment	\$337
Prospect Screening	\$0
Training Expense	\$36
Bank Charges/Fees	\$25
Postage and Shipping	\$53
Professional Services/Fees	\$300
Travel Expenses	\$0
Late Charges/Fees	\$0
<b>Other Maintenance</b>	<b>\$0</b>
Other Maintenance	\$0
<b>Other Operating</b>	<b>\$4,743</b>
Maintenance & Repairs Supply	\$4,743
Other Operating Expense	\$0
Other Utilities	\$0
<b>Payroll</b>	<b>\$2,791</b>
Maintenance & Repairs Payroll	\$2,791
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$0</b>
Real Estate Taxes	\$0
<b>Repairs</b>	<b>\$0</b>
Maintenance & Repairs Contract	\$0
<b>Reserves for Replacement</b>	<b>\$2,184</b>
Transfer to Reserve	\$2,184
<b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0

<b>Vacancy (Apartments)</b>	<b>-\$818</b>
Vacancies - Apartments	-\$818
Vacancies - Concessions	\$0
<b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
<b>Water/Sewer</b>	<b>\$4,567</b>
Sewer	\$3,025
Water	\$1,541
<b>(blank)</b>	<b>\$190,443</b>
Net Rental Revenue	\$39,694
Operating Expenses	
Total Operating Expenses	\$35,556
Total Other Revenue	\$125
Total Rent Revenue	\$40,512
Total Revenue	\$39,819
Total Taxes and Insurance	\$5,080
Total Vacancies	-\$818
(blank)	
Subtotal	\$30,476
<b>Excluded Expense</b>	<b>\$0</b>
Annual Capital Budget	\$0
<b>Grand Total</b>	<b>\$307,695</b>



**MULTIPLE FAMILY HOUSING PROJECT BUDGET/  
UTILITY ALLOWANCE**

PROJECT NAME Whispering Pines Apartments		BORROWER NAME Pearson Elderly Housing, Ltd		BORROWER ID AND PROJECT NO. 537421109 018	
Loan/Transfer Amount \$ 654,750.00		Note Rate Payment \$ 4,974.61		IC Payment \$ 1,391.02	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SNR <input type="checkbox"/> Other Servicing	Project Rental Type <input type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input checked="" type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input checked="" type="checkbox"/> Water <input checked="" type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other _____	
				I hereby request <u>0</u> units of RA. Current number of RA units <u>25</u> . Borrower Accounting Method <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual	

**PART I—CASH FLOW STATEMENT**

	CURRENT BUDGET (01 - 01 - 14 ) (12 - 31 - 14 )	ACTUAL (01 - 01 - 14 ) (12 - 31 - 14 )	PROPOSED BUDGET (01 - 01 - 15 ) (12 - 31 - 15 )	COMMENTS or (YTD) (01 - 01 - 14 ) (12 - 31 - 14 )
<b>OPERATIONAL CASH SOURCES</b>				
1. RENTAL INCOME .....	120,720.00	41,476.11	118,656.00	25 REV PROD
2. RHS RENTAL ASSISTANCE RECEIVED .....		72,841.48		
3. APPLICATION FEES RECEIVED .....		60.00		
4. LAUNDRY AND VENDING .....	75.00	0.00	0.00	
5. INTEREST INCOME .....	0.00	0.00	0.00	
6. TENANT CHARGES .....	700.00	257.00	400.00	
7. OTHER - PROJECT SOURCES .....	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance) .....	( 2,414.00)		( 2,373.00)	2%
9. LESS (Agency Approved Incentive Allowance) .....	( 0.00)		( 0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)] .....	119,081.00	114,634.59	116,683.00	
<b>NON-OPERATIONAL CASH SOURCES</b>				
11. CASH - NON PROJECT .....	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS) .....	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE .....	13,700.00	10,336.58	10,700.00	
14. SUB-TOTAL (11 thru 13) .....	13,700.00	10,336.58	10,700.00	
15. <b>TOTAL CASH SOURCES (10+14)</b> .....	132,781.00	124,971.17	127,383.00	
<b>OPERATIONAL CASH USES</b>				
16. TOTAL O&M EXPENSES (From Part II) .....	90,574.00	78,240.23	91,266.00	
17. RHS DEBT PAYMENT .....	16,692.00	16,692.24	16,692.00	
18. RHS PAYMENT (Overage) .....		298.48		
19. RHS PAYMENT (Late Fee) .....		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES .....		0.00		
21. TENANT UTILITY PAYMENTS .....		0.00		
22. TRANSFER TO RESERVE .....	6,549.00	6,552.00	6,549.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	1,620.00	1,620.00	1,620.00	2013 RTO paid
24. SUB-TOTAL (16 thru 23) .....	115,435.00	103,402.95	116,127.00	
<b>NON-OPERATIONAL CASH USES</b>				
25. AUTHORIZED DEBT PAYMENT (Non-RHS) .....	0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	13,700.00	10,336.58	10,700.00	
27. MISCELLANEOUS .....	0.00	-0.25	0.00	Rounding
28. SUB-TOTAL (25 thru 27) .....	13,700.00	10,336.33	10,700.00	
29. <b>TOTAL CASH USES (24+28)</b> .....	129,135.00	113,739.28	126,827.00	
30. <b>NET CASH (DEFICIT) (15-29)</b> .....	3,646.00	11,231.89	556.00	
<b>CASH BALANCE</b>				
31. BEGINNING CASH BALANCE .....	18,400.27	74,792.27	18,400.27	
32. ACCRUAL TO CASH ADJUSTMENT .....		930.30		Adjust to accru
33. ENDING CASH BALANCE (30+31+32) .....	22,046.27	86,954.46	18,956.27	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

**PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL .....	3,900.00	3,247.50	3,800.00	
2. MAINTENANCE AND REPAIRS SUPPLY .....	7,900.00	9,505.71	7,800.00	
3. MAINTENANCE AND REPAIRS CONTRACT .....	0.00	0.00	0.00	
4. PAINTING .....	2,000.00	348.28	1,500.00	
5. SNOW REMOVAL .....	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT .....	0.00	0.00	0.00	
7. GROUNDS .....	7,600.00	7,550.00	7,600.00	550/m + 1000
8. SERVICES .....	2,331.00	1,328.00	2,341.00	63/MPestContr
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	0.00	0.00	3,000.00	
10. OTHER OPERATING EXPENSES (Itemize) .....	100.00	104.65	100.00	UA calc fee
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10) .....	23,831.00	22,084.14	26,141.00	
12. ELECTRICITY <span style="font-size: small;">If master metered</span> .....	4,700.00	2,529.66	3,700.00	
13. WATER <span style="font-size: small;">check box on</span> .....	4,200.00	3,450.70	4,000.00	
14. SEWER <span style="font-size: small;">front.</span> .....	3,700.00	3,451.20	4,000.00	
15. FUEL (Oil/Coal/Gas) .....	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL .....	3,200.00	1,982.50	3,300.00	
17. OTHER UTILITIES .....	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17) .....	15,800.00	11,414.06	15,000.00	
19. SITE MANAGEMENT PAYROLL .....	7,800.00	6,215.55	6,128.00	344/M (3% inc)
20. MANAGEMENT FEE .....	13,350.00	12,771.50	13,248.00	\$46x24Ux12M
21. PROJECT AUDITING EXPENSE .....	4,000.00	3,680.00	4,000.00	
22. PROJECT BOOKKEEPING/ACCOUNTING .....	0.00	0.00	0.00	
23. LEGAL EXPENSES .....	500.00	-103.50	500.00	
24. ADVERTISING .....	250.00	119.86	300.00	
25. TELEPHONE & ANSWERING SERVICE .....	1,800.00	1,587.70	1,900.00	
26. OFFICE SUPPLIES .....	1,100.00	1,192.62	1,200.00	
27. OFFICE FURNITURE & EQUIPMENT .....	710.00	689.03	691.00	41.66/MCompE
28. TRAINING EXPENSE .....	308.00	776.67	608.00	
29. HEALTH INS. & OTHER EMP. BENEFITS .....	200.00	101.61	200.00	
30. PAYROLL TAXES .....	1,000.00	925.16	1,200.00	
31. WORKER'S COMPENSATION .....	525.00	311.23	600.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize) .....	50.00	307.95	300.00	Prop tax consu
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32) .....	31,593.00	28,575.38	30,875.00	
34. REAL ESTATE TAXES .....	13,900.00	10,977.29	13,600.00	
35. SPECIAL ASSESSMENTS .....	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS .....	200.00	234.36	250.00	reg fee
37. PROPERTY & LIABILITY INSURANCE .....	5,100.00	4,955.00	5,250.00	210/U (3% inc)
38. FIDELITY COVERAGE INSURANCE .....	0.00	0.00	0.00	
39. OTHER INSURANCE .....	150.00	0.00	150.00	EPL ins.
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39) .....	19,350.00	16,166.65	19,250.00	
41. TOTAL O&M EXPENSES (11+18+33+40) .....	90,574.00	78,240.23	91,266.00	

**PART III—ACCOUNT BUDGETING/STATUS**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
<b>RESERVE ACCOUNT:</b>				
1. BEGINNING BALANCE .....	10,003.97	42,815.50	44,539.19	Prop bea buda
2. TRANSFER TO RESERVE .....	6,549.00	6,552.00	6,549.00	\$546/M
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT .....	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve) .....	13,700.00	10,336.58	10,700.00	
5. BUILDING & EQUIPMENT REPAIR .....	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES .....	0.00	0.00	0.00	
7. TOTAL (3 thru 6) .....	( 13,700.00)	( 10,336.58)	( 10,700.00)	
8. ENDING BALANCE [(1+2)-7] .....	2,852.97	39,030.92	40,388.19	

**GENERAL OPERATING ACCOUNT:\***

BEGINNING BALANCE .....	68,284.77	
ENDING BALANCE .....	76,909.25	

**REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:\***

BEGINNING BALANCE .....	6,507.50	
ENDING BALANCE .....	10,045.21	

**TENANT SECURITY DEPOSIT ACCOUNT:\***

BEGINNING BALANCE .....	3,455.00	
ENDING BALANCE .....	3,455.00	

(\*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	0	RESERVE ACCT. REQ. BALANCE.....	0.00
NUMBER OF APPLICANTS NEEDING RA.....	0	AMOUNT AHEAD/BEHIND .....	0.00

**PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE**

**A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE**

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	N	24	402.00	547.00	0.00	115,776.00	157,536.00	0.00	92.00
2	N	1	412.00	571.00	0.00	4,944.00	6,852.00	0.00	95.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CURRENT RENT TOTALS:						120,720.00	164,388.00	0.00	
						BASIC	NOTE	HUD	

**B. PROPOSED RENTS - Effective Date: 12 / 31 / 14**

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	N	24	412.00	557.00	0.00	118,656.00	160,416.00	0.00	
2	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	
PROPOSED RENT TOTALS:						118,656.00	160,416.00	0.00	
						BASIC	NOTE	HUD	

**C. PROPOSED UTILITY ALLOWANCE - Effective Date: 12 / 31 / 14**

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	N	24	92.00	0.00	0.00	0.00	0.00	0.00	92.00
2	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**PART V - ANNUAL CAPITAL BUDGET**

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
<b>Appliances:</b>							
Range .....	1	500.00	0.00	0.00	0.00	0.00	C
Refrigerator .....	2	1,000.00	0.00	0.00	0.00	0.00	C
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	C
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Carpet &amp; Vinyl:</b>							
1BR .....	3	4,200.00	6,494.27	0.00	0.00	6,494.27	3
2BR .....	0	0.00	0.00	0.00	0.00	0.00	C
3BR .....	0	0.00	0.00	0.00	0.00	0.00	C
4BR .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	C
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	C
Interior .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	2,290.00	0.00	0.00	2,290.00	2
Air Conditioning .....	1	3,000.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Plumbing:</b>							
Water Heater .....	0	0.00	0.00	0.00	0.00	0.00	C
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	C
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	C
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	C
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	C
Screens .....	0	0.00	0.00	0.00	0.00	0.00	C
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		2,000.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	3,000.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	1,552.31	0.00	0.00	1,552.31	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>7</b>	<b>10,700.00</b>	<b>10,336.58</b>	<b>3,000.00</b>	<b>0.00</b>	<b>10,336.58</b>	<b>5</b>

**PART VI -- SIGNATURES, DATES AND COMMENTS**

**Warning:** Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
(Signature of Borrower or Borrower's Representative)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
**AGENCY APPROVAL** (*Rural Development Approval Official*):

\_\_\_\_\_  
DATE:

**COMMENTS:**

Page 1

Line 13. Actual transfers from 1% reserve were within budget.

Line 23. The RTO paid in 2014 was the 2013 RTO.

Page 2

Line 11. Actual Maintenance and Operating Expenses were within budget.

Line 18. Actual Utilities were 28% less than budget primarily due to much lower electricity expense than budgeted.

Line 33. Actual Administrative Expenses were within budget.

Line 40. Actual Tax & Insurance Expense was less than budgeted due to a lower property tax bill than budgeted.

Whispering Pines Apartments

**PART V - ANNUAL CAPITAL BUDGET (ADDENDUM)**

	Current Number of Units/Items	Current from Reserved	YTD from Reserve	Current from Operating	YTD from Operating	YTD Total Cost	Total YTD Units/Items
<b>Appliances:</b>							
Range .....	1	500.00	0.00	0.00	0.00	0.00	C
Refrigerator .....	2	1,000.00	0.00	0.00	0.00	0.00	C
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	C
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Carpet &amp; Vinyl:</b>							
1BR .....	3	4,200.00	6,494.27	0.00	0.00	6,494.27	3
2BR .....	0	0.00	0.00	0.00	0.00	0.00	C
3BR .....	0	0.00	0.00	0.00	0.00	0.00	C
4BR .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	C
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	C
Interior .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	2,290.00	0.00	0.00	2,290.00	2
Air Conditioning .....	2	6,000.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Plumbing:</b>							
Water Heater .....	0	0.00	0.00	0.00	0.00	0.00	C
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	C
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	C
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	C
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	C
Other: .....	0	0.00	0.00	0.00	0.00	0.00	C
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	C
Screens .....	0	0.00	0.00	0.00	0.00	0.00	C
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		2,000.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	1,552.31	0.00	0.00	1,552.31	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>8</b>	<b>13,700.00</b>	<b>10,336.58</b>	<b>0.00</b>	<b>0.00</b>	<b>10,336.58</b>	<b>5</b>

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**PEARSON, GEORGIA**

**FINANCIAL AND COMPLIANCE REPORTS**

**AS OF DECEMBER 31, 2015 AND 2014**



**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**

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# Henderson & Godbee, LLP

Certified Public Accountants and Business Consultants

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## INDEPENDENT AUDITOR'S REPORT

To the Partners  
Pearson Elderly Housing, LTD, L.P.  
(A Limited Partnership)  
Valdosta, Georgia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pearson Elderly Housing, LTD, L.P. (a Limited Partnership), USDA, RD No: 10-002-537421109 which comprises the balance sheets as of December 31, 2015 and 2014, and the related statements of income, partners' (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

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of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pearson Elderly Housing, LTD, L.P. as of December 31, 2015 and 2014, and the results of its operations, partners' (deficit), and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

#### Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17-18 and 25-34 is presented for purposes of additional analysis as required by the *Multi Family Housing Asset Management Handbook* issued by the U.S. Department of Agriculture Rural Development, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

#### Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2016 on our consideration of Pearson Elderly Housing, LTD, L.P.'s internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearson Elderly Housing, LTD, L.P.'s internal control over financial reporting and compliance.

  
Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 11, 2016

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 82,905	\$ 76,909
Accounts receivable - RD	4,662	4,385
Total Current Assets	<b>87,567</b>	<b>81,294</b>
<b>Restricted Deposits and Funded Reserves</b>		
Escrow-tenants' security deposits	3,452	3,455
Escrow-replacement reserve	45,583	39,031
Escrow-tax reserve	12,777	10,045
Total Restricted Deposits and Funded Reserves	<b>61,812</b>	<b>52,531</b>
<b>Property, Plant and Equipment</b>		
Property, plant and equipment, at cost	781,460	781,460
Accumulated depreciation	(641,423)	(616,825)
Net Property, Plant and Equipment	<b>140,037</b>	<b>164,635</b>
Total Assets	<b>\$ 289,416</b>	<b>\$ 298,460</b>

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>LIABILITIES AND PARTNERS' (DEFICIT)</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 12,405	\$ 11,341
Accounts payable	392	1,600
	<b>12,797</b>	<b>12,941</b>
<b>Deposits and Prepayment Liabilities</b>		
Tenants' security deposits	3,452	3,455
Unearned rents	377	236
	<b>3,829</b>	<b>3,691</b>
<b>Long-Term Liabilities</b>		
Notes payable, general partners	2,700	2,700
Mortgage payable, less current maturities	518,639	531,044
	<b>521,339</b>	<b>533,744</b>
<b>Total Liabilities</b>	<b>537,965</b>	<b>550,376</b>
<b>Partners' (Deficit)</b>		
Partners' (Deficit)	(248,549)	(251,916)
	<b>(248,549)</b>	<b>(251,916)</b>
<b>Total Liabilities And Partners' (Deficit)</b>	<b>\$ 289,416</b>	<b>\$ 298,460</b>

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>Revenues</b>		
Gross potential rental income	\$ 128,544	\$ 115,185
Less: vacancy loss	(11,028)	(868)
Net rental income	117,516	114,317
Other income	676	317
<b>Total Revenues</b>	<b>118,192</b>	<b>114,634</b>
<b>Expenses</b>		
Operating and maintenance	24,828	32,419
Utilities	10,804	11,415
Administrative	32,901	28,577
Taxes and insurance	14,723	16,166
<b>Total Operating Expenses</b>	<b>83,256</b>	<b>88,577</b>
<b>Net Operating Income</b>	<b>34,936</b>	<b>26,057</b>
<b>Non-Operating Expenses</b>		
Interest subsidy income	(43,003)	(42,705)
Interest subsidy expense	48,354	49,327
Depreciation and amortization	24,598	24,598
<b>Total Non-Operating Expenses</b>	<b>29,949</b>	<b>31,220</b>
<b>Net Income (Loss)</b>	<b>\$ 4,987</b>	<b>\$ (5,163)</b>

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF PARTNERS' (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Limited Partners' (Deficit)</b>		
Balance, January 1	\$ (237,746)	\$ (231,989)
Distributions	(625)	(625)
Net Income (Loss)	<u>4,957</u>	<u>(5,132)</u>
Balance, December 31	<u>\$ (233,414)</u>	<u>\$ (237,746)</u>
<b>General Partner's (Deficit)</b>		
Balance, January 1	\$ (14,170)	\$ (13,144)
Distributions	(995)	(995)
Net Income (Loss)	<u>30</u>	<u>(31)</u>
Balance, December 31	<u>\$ (15,135)</u>	<u>\$ (14,170)</u>
<b>Total Partners' (Deficit)</b>		
Balance, January 1	\$ (251,916)	\$ (245,133)
Distributions	(1,620)	(1,620)
Net Income (Loss)	<u>4,987</u>	<u>(5,163)</u>
Balance, December 31	<u>\$ (248,549)</u>	<u>\$ (251,916)</u>

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Net Income (Loss)	\$ 4,987	\$ (5,163)
Adjustments To Reconcile Net Income (Loss) To Net Cash Provided By Operating Activities:		
Depreciation and amortization	24,598	24,598
Changes In Operating Assets And Liabilities:		
Accounts receivable	(277)	331
Security deposits	3	-
Replacement reserve	(6,552)	3,785
Tax reserve	(2,732)	(3,537)
Accounts payable	(1,208)	363
Tenants' security deposits	(3)	-
Unearned rents	141	236
<b>Total Adjustments</b>	<b>13,970</b>	<b>25,776</b>
<b>Net Cash Provided By Operating Activities</b>	<b>18,957</b>	<b>20,613</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(11,341)	(10,368)
Distributions	(1,620)	(1,620)
<b>Net Cash (Used In) Financing Activities</b>	<b>(12,961)</b>	<b>(11,988)</b>
<b>Net Increase In Cash</b>	5,996	8,625
<b>Cash, Beginning Of Year</b>	<b>76,909</b>	<b>68,284</b>
<b>Cash, End Of Year</b>	<b>\$ 82,905</b>	<b>\$ 76,909</b>

The accompanying notes are an integral part of these financial statements.



**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>Supplemental Disclosures Of Cash Flow Information:</b>		
<b>Cash Paid During The Year For:</b>		
Interest expense	\$ 48,354	\$ 49,327
Less: subsidized portion	(43,003)	(42,705)
Interest paid, net of subsidy	\$ 5,351	\$ 6,622

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Organization**

The partnership known as Pearson Elderly Housing, LTD, L.P., was formed as a limited liability limited partnership under the laws of the State of Georgia on March 3, 1989, to develop, own and operate a 25-unit rental housing project for persons of low and moderate income in the community. The partnership agreement was amended and restated, effective September 1, 1990, to admit a new limited partner, Gateway Tax Credit Fund II, Ltd., (a Florida limited partnership), and retain as the general partner, David Brown, William Rea, and Rural Housing Partnerships, Inc. Effective January 1, 1999, the general partnership interest of David Brown and William Rea were converted to limited partnership interest (Class B). This project is financed by a RRH Loan from the U.S. Department of Agriculture, Rural Development (USDA, RD), formerly the Farmer's Home Administration and Rural Housing & Community Development Service, and therefore is regulated by the USDA, RD as to rent charges and operating methods.

Effective August 13, 2010, the partnership agreement was amended to admit Gantt Housing, LLC, as the limited partner and to permit the withdrawal of Gateway Tax Credit Fund II, Ltd., (a Florida limited partnership).

**Basis of Accounting**

The financial statements of the partnership are prepared on the accrual basis of accounting, whereby revenues are recognized as earned and expenses are recognized as obligations are incurred.

**Income Taxes**

The Partnership is a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a Partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure.

The Partnership is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capitalization and Depreciation**

Land, buildings and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of income.

**Use of Estimates**

The presentation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Tenant Receivables**

Tenant receivables are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed.

The Partnership uses the allowance method to account for uncollectible tenant receivable balances. Under the allowance method, if needed, an estimate of uncollectible tenant balances is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include the credit quality of the tenant and whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended by contract. When an account balance is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and is written off. At December 31, 2015 and 2014, there was no allowance balance required. Tenant receivables had a balance in the amount of \$0 and \$0, at December 31, 2015 and 2014, respectively.

**Mortgage Subsidy**

Under an interest credit agreement with the USDA, RD, a mortgage subsidy is provided, thus reducing the interest rate to approximately 1% over the life of the agreement. The interest subsidy is treated as additional income with interest expense being recorded at the note rate.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2015 and 2014 were \$133 and \$120, respectively.

PEARSON ELDERLY HOUSING, LTD, L.P.  
(A LIMITED PARTNERSHIP)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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NOTE 2 – RESTRICTED CASH AND ESCROW ACCOUNTS

Replacement Reserve

	<u>2015</u>	<u>2014</u>
Annual funding required by loan agreement	\$ 6,548	\$ 6,548
Actual funding including interest income	\$ 6,552	\$ 6,552
Withdrawals approved by Rural Development Operating and maintenance expenses	\$ -	\$ 10,337
Reserve balance at year end	\$ 45,583	\$ 39,031
Fully funded balance per loan agreement	31,453	24,905
Excess (Deficit)	\$ 14,130	\$ 14,126

Tenant Security Deposits

Security deposits collected from tenants are held in a separate bank account. The account's status at December 31 is:

	<u>2015</u>	<u>2014</u>
Tenant security deposits cash	\$ 3,452	\$ 3,455
Tenant security deposits payable	3,452	3,455
Excess (Deficit)	\$ -	\$ -

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 2 – RESTRICTED CASH AND ESCROW ACCOUNTS (CONTINUED)**

**Real Estate Tax and Insurance Escrow**

USDA, RD regulations require the Partnership to make monthly appropriations of cash to a tax reserve account to insure that adequate cash is available when taxes are due. The account's status at December 31 is:

	<u>2015</u>	<u>2014</u>
Real estate tax and insurance escrow	\$ 12,777	\$ 10,045
Accrued or unpaid taxes and insurance	<u>-</u>	<u>-</u>
Excess	<u>\$ 12,777</u>	<u>\$ 10,045</u>

**NOTE 3 – PROPERTY, PLANT AND EQUIPMENT**

A summary of the property, plant and equipment is as follows at December 31:

	<u>Depreciable Life</u>	<u>2015</u>	<u>2014</u>
Land		\$ 15,000	\$ 15,000
Buildings	30 Years	737,932	737,932
Equipment	10 Years	<u>28,528</u>	<u>28,528</u>
Total		781,460	781,460
Less: Accumulated depreciation		<u>(641,423)</u>	<u>(616,825)</u>
Net Property, Plant and Equipment		<u>\$ 140,037</u>	<u>\$ 164,635</u>

Property, plant and equipment is pledged as collateral on long-term debt. Depreciation expense aggregated \$24,598 and \$24,598 for the years ended December 31, 2015 and 2014.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 4 – ACCOUNTS PAYABLE**

The following is a list of accounts payable at December 31:

	<u>2015</u>	<u>2014</u>
Utilities and telephone	\$ -	\$ 1,078
Pest control	-	113
Travel	-	34
Repairs and maintenance	163	249
Outside services	116	-
Office supplies	113	115
Administrative expenses	-	11
	<u>\$ 392</u>	<u>\$ 1,600</u>

**NOTE 5 – LONG-TERM INDEBTEDNESS**

Long-term indebtedness consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
USDA, RD, made January, 1991, 9.00%, due in 599 monthly installments, secured by land, buildings and equipment with an original cost of \$780,132.	\$ 531,044	\$ 542,385
Less current maturities	<u>(12,405)</u>	<u>(11,341)</u>
Long-term portion	<u>\$ 518,639</u>	<u>\$ 531,044</u>

Management has determined it is not practicable to determine the fair value of the mortgage debt because of the unique terms of the note. It would not be possible to obtain replacement financing under similar terms.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)**

Maturities of long-term debt as of December 31, 2015, for the succeeding five years are as follows:

<u>Year</u>	
2016	\$ 12,405
2017	13,569
2018	14,841
2019	16,234
2020	17,756

Pearson Elderly Housing, LTD, L.P. incurred interest costs of \$48,354 and \$49,327 for the years ended December 31, 2015 and 2014, respectively, all of which was properly charged to expense.

**NOTE 6 – RENTAL ASSISTANCE PAYMENTS**

USDA, RD has contracted with the Partnership pursuant to Section 521(a)(2)(A) of Title V of the Housing Act of 1949 to make housing assistance payments to the Partnership on behalf of qualified tenants. Payments under the contract period ended December 31, are as follows:

	<u>2015</u>	<u>2014</u>
Rental assistance payments	<u>\$ 73,199</u>	<u>\$ 72,841</u>

**NOTE 7 – TAXABLE INCOME (LOSS)**

The financial statements of the Partnership and the Partnership tax returns are prepared on the accrual basis. The following is a reconciliation between net income (loss) as reported and Partnership income (loss) for tax purposes:

	<u>2015</u>	<u>2014</u>
Net Income (Loss) per financial statement	\$ 4,987	\$ (5,163)
Book depreciation in excess of tax depreciation	<u>6,454</u>	<u>6,454</u>
Partnership Income per tax return	<u>\$ 11,441</u>	<u>\$ 1,291</u>

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 8 – RELATED PARTY TRANSACTIONS**

The following is a list of related parties and the nature of the relationship to the Partnership and a description of the transactions between the related parties:

**Investors Management Company, Inc.**

Investors Management Company, Inc., an affiliate of the general partner, is the property manager of Pearson Elderly Housing, LTD, L.P. The partnership paid Investors Management Company, Inc. management fees of \$13,122 and \$12,772 for the years ended December 31, 2015 and 2014, respectively.

**Partners**

The general partners advanced \$13,500, as required by USDA, RD, to the partnership to be used solely for the purpose of funding operating deficits during the early years of operations of the project. With USDA, RD approval, \$10,800 of this loan was returned in 1993. The balance of the loan at December 31, 2015 and 2014 were \$2,700 and \$2,700, respectively.

**Rural Housing Reinsurance Company International Ltd. (CJ Thomas Company, Inc.)**

An affiliate of the general partner is also an owner of CJ Thomas Company, Inc., which provides the property insurance to the project. The partnership paid CJ Thomas Company, Inc. insurance fees of \$5,012 and \$4,955 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 9 – PARTNERSHIP PROFITS, LOSSES AND DISTRIBUTIONS**

Profits or losses from operations are allocated 99.4 % to the Limited Partner and .6% to the General Partner. Tax credits are to be allocated 99.4% to the Limited Partner and .6% to the General Partner. Profit or loss from sales of property and cash distributions will be allocated as formulated in the Partnership Agreement. Annual distributions to the partners are limited by government regulation to \$1,620, which is 8% of the borrowers' initial capital investment required by USDA, RD.



**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 10 – CONCENTRATION OF CREDIT RISK – CASH IN BANKS**

Pearson Elderly Housing, LTD, L.P. maintains its cash accounts at one bank in Valdosta, Georgia. Accounts at the bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. A summary of the total insured and uninsured cash balances at December 31, consists of the following:

	<u>2015</u>	<u>2014</u>
Total cash in all banks	\$ 144,617	\$ 129,340
Portion insured by FDIC	<u>144,617</u>	<u>129,340</u>
Uninsured cash balances	<u>\$ -</u>	<u>\$ -</u>

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

USDA, RD may terminate the interest subsidy agreement if it determines that no subsidy is necessary or if the Partnership is determined to be in violation of USDA, RD rules or regulations.

**NOTE 12 – IMPAIRMENT OF LONG-LIVED ASSETS**

FASB ASC 360-10 (formerly FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), requires long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. Through December 31, 2015, no impairment loss recognition has been required.

**NOTE 13 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Partnership's sole asset is Whispering Pines Apartments. The Partnership's operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, RD and state agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by RD or state agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 11, 2016, which is the date the financial statements were available to be issued.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**1. Management Fee Calculation**

The management fee is based on a fee per unit occupied by tenants during the month.

Total Qualified Units (25 * 1 month)	25
Less: Rent Free Units (1 * 1 month)	(1)
Vacancies	(1)
Total Occupied Units	23
Fee Per Unit (Effective January, 2011)	\$ 44.50
Management fees January 2015	1,024
Total Qualified Units (25 * 11 months)	275
Less: Rent Free Units (1 * 11 months)	(11)
Vacancies	(1)
Total Occupied Units	263
Fee Per Unit (Effective February, 2015)	\$ 46.00
Management fees February through December 2015	12,098
Management Fee Expense	\$ 13,122

**2. Insurance Disclosure**

The Partnership maintains Insurance coverage as follows:

	Deductible	Coverage
Property Coverage on Buildings	\$ 1,000	\$ 1,937,500
Comprehensive Business Liability	-	2,000,000
Fidelity / Employee Dishonesty	5,000	500,000

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**3. Return to Owner**

In accordance with the Loan Agreement, the annual return to owner is as follows:

Maximum Return to Owner (See Note 9)	<u>\$ 1,620</u>
Budget Return to Owner	<u>\$ 1,620</u>
Return to Owner Paid:	
General Partner Distribution	\$ 995
Limited Partner Distribution	625
	<u>\$ 1,620</u>



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Partners of  
Pearson Elderly Housing, LTD, L.P.  
Valdosta, Georgia

USDA Rural Development  
Douglas, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pearson Elderly Housing, LTD, L.P. which comprise the balance sheet as of December 31, 2015, and the related statements of income, changes in partner's (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 11, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pearson Elderly Housing, LTD, L.P.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pearson Elderly Housing, LTD, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Pearson Elderly Housing, LTD, L.P.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pearson Elderly Housing, LTD, L.P.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pearson Elderly Housing, LTD, L.P.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearson Elderly Housing, LTD, L.P.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 11, 2016

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**Current Year Findings**

There were no findings this year.

**Status Of Prior Year Findings**

There were no findings in the prior year.

**AUDITEE'S COMMENTS ON PRIOR AUDIT RESOLUTION MATTERS RELATED TO UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT PROGRAMS**

There are no significant unresolved findings from previous annual audits, physical inspections or management review reports during our audit of the 2015 financial statements. There were no compliance findings noted during our audit of the 2015 financial statements relating to physical inspections or management reviews for which the Partnership has not taken corrective action.



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## Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Partners of  
Pearson Elderly Housing, LTD, L.P.  
Valdosta, Georgia

And

United States Department of Agriculture  
Rural Development  
Douglas, Georgia

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development ("RD") and Pearson Elderly Housing, LTD, L.P. ("Owner") the owner of Whispering Pines Apartments ("Project") located in Pearson, Georgia, solely to assist those parties in evaluating that the accompanying Form RD 3560-10, Multiple Family Housing Borrower Balance Sheet, Form RD 3560-7, Multiple Family Housing Project Budget ("Financial Reports") and Supporting Documentation are prepared in accordance with the criteria specified in RD Regulations contained in 7 CFR 3560 Section 303(b) and section 306, in accordance with the determinations noted in Attachment 4-D of RD Handbook HB-2-3560, for the year ended December 31, 2015. The owner is responsible for the presentation of the financial reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of RD and the owner. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We examined selected receipts, invoices, and cancelled checks (or checks imaging on original bank statement) that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the supporting documentation, based on the sample size determined by RD in Attached 4-D of RD Handbook HB-2-3560, for expenses included in Lines 1-10 and 19-32

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of Form RD 3560-7 and determined that the services were eligible expenses, in accordance with Attachment 4-A of HB-2-3560, and the shipping address agreed to the project address. In addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor's records.

**Findings:**

Total Number of Invoices in Population: Approximately 240  
Total Dollar Amount of Invoices in Population: \$70,134  
Total Number of Invoices Reviewed: 15  
Total Dollar Amount of Invoices Reviewed: \$2,661  
Total Number of Invoices in Vendor Confirmation Sample: 1  
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$864  
Total Number of Vendor Confirmations Not Received: 0  
Total Dollar Amount of Vendor Confirmations Not Received: \$0  
Total Number of Deviations: 0  
Total Dollar Amount of Deviations: \$0

2. We confirmed the balance in the replacement reserve account presented on Form RD 3560-7, Part III, and confirmed that no amounts were encumbered by the financial institution that holds the accounts. We determined that all balances are within the FDIC insurance limits. We determined number of reserve account withdrawals from the original bank statements and compared the withdrawals to the amounts approved by RD on Form RD 3560-12. We compared the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals from RD.

**Findings:**

Total Number of Reserve Account Withdrawals: 0  
Total Number of Withdrawals Authorized by RD: 0  
Total Dollar Amount of Reserve Account Withdrawals: \$0  
Total Dollar Amount of Withdrawals Authorized by RD: \$0  
Total Number of Deviations: 0  
Total Dollar Amount of Deviations: \$0

The confirmation received from the financial institution agreed to the project's bank reconciliation and no encumbrances were noted on the confirmation. All withdrawals were paid to the vendors approved by RD of Form RD 3560-12.

3. We obtained the Identity of Interest (IOI) company listing and Form RD 3560-31 from RD and determined that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project. We examined a sample of invoices and determined that the services and charges are in accordance with the disclosures contained in Form RD 3560-31 as agreed to by RD.

**Findings:**

Total Number of Forms RD 3560-31 Received: 2  
Company Name 1: Investor's Management Company, Inc.  
Total Dollar Amount for the Year: \$13,122  
Total Number of Invoices in Population: 12



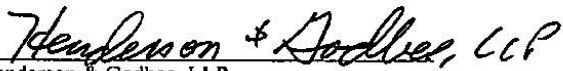
Total Dollar Amount of Invoices in Population: \$13,122  
Total Number of Invoices Reviewed: 12  
Total Dollar Amount of Invoices Reviewed: \$13,122

Company Name 2: Rural Housing Reinsurance Company International Ltd.  
Total Dollar Amount for the Year: \$5,012  
Total Number of Invoices in Population: 1  
Total Dollar Amount of Invoices in Population: \$5,012  
Total Number of Invoices Reviewed: 1  
Total Dollar Amount of Invoices Reviewed: \$5,012

The agreed-upon procedures performed above and the Management Representation Letter revealed no undisclosed IOI companies.

We are not engaged to, and did not, conduct an audit of the subject matter, the objective of which would be the expression of an opinion on the agreed-upon procedures, applied to the financial reports and supporting documentation of Pearson Elderly Housing, LTD, L.P. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the owner and management agent of Pearson Elderly Housing, LTD, L.P., and Rural Development, and is not intended to be and should not be used by anyone other than these specified parties.

  
Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 11, 2016

Position 3  
**MULTI-FAMILY HOUSING  
BORROWER BALANCE SHEET**  
PART 1 - BALANCE SHEET

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.	
Whispering Pines Apartments	Pearson Elderly Housing, LTD, L.P.	10-002-537421109	
	<b>CURRENT YEAR</b>	<b>PRIOR YEAR</b>	<b>COMMENTS</b>
BEGINNING DATES>	01-01-15	01-01-14	
ENDING DATES>	12-31-15	12-31-14	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
1. GENERAL OPERATING ACCOUNT.....	82,905	76,909	
2. R.E. TAX & INSURANCE ACCOUNT.....	12,777	10,045	
3. RESERVE ACCOUNT.....	45,583	39,031	
4. SECURITY DEPOSIT ACCOUNT.....	3,452	3,455	
5. OTHER CASH (Identify) .....			
6. OTHER (Identify) .....			
7. TOTAL ACCOUNTS RECEIVABLE (Attach list) .....	4,662	4,385	
ACCTS RCVBL 0-30 DAYS \$			
ACCTS RCVBL 30-60 DAYS \$			
ACCTS RCVBL 60-90 DAYS \$			
ACCTS RCVBL OVER 90 DAYS \$			
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS...			
9. INVENTORIES (supplies) .....			
10. PREPAYMENTS.....	-	-	
11.			
12. TOTAL CURRENT ASSETS (Add 1 thru 11)	149,379	133,825	
<b>FIXED ASSETS</b>			
13. LAND.....	15,000	15,000	
14. BUILDINGS.....	737,932	737,932	
15. LESS: ACCUMULATED DEPRECIATION.....	(612,895)	(588,297)	
16. FURNITURE & EQUIPMENT.....	28,528	28,528	
17. LESS: ACCUMULATED DEPRECIATION.....	(28,528)	(28,528)	
18.			
19. TOTAL FIXED ASSETS (Add 13 thru 18)	140,037	164,635	
<b>OTHER ASSETS</b>			
20.			
21. TOTAL ASSETS (Add 12, 19, and 20)	289,416	298,460	
<b>LIABILITIES AND OWNERS EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
22. TOTAL ACCOUNTS PAYABLE (Attach list) .....	392	1,600	
ACCTS PAYABLE 0-30 DAYS \$			
ACCTS PAYABLE 30-60 DAYS \$			
ACCTS PAYABLE 60-90 DAYS \$			
ACCTS PAYABLE OVER 90 DAYS \$			
23. NOTES PAYABLE (Attach list) ...Deferred Revenue	377	236	
24. SECURITY DEPOSITS.....	3,452	3,455	
25. TOTAL CURRENT LIABILITIES (Add 22 thru 24) ...	4,221	5,291	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The accompanying notes are an integral part of these financial statements.

**LONG-TERM LIABILITIES**

26. NOTES PAYABLE RURAL DEVELOPMENT	531,044	542,385	
27. OTHER (Identify) N/P General Partners	2,700	2,700	
28. TOTAL LONG-TERM LIABILITIES (Add 26 and 27)	533,744	545,085	
29. TOTAL LIABILITIES (Add 25 and 28) .....	537,965	550,376	
30. OWNER'S EQUITY (Net Worth) (21 minus 29) .....	(248,549)	(251,916)	
31 TOTAL LIABILITIES AND OWNER'S EQUITY (Add 29 and 30)	289,416	298,460	

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

\_\_\_\_\_  
(Signature of Borrower or Borrower's Representative)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Title)

**PART II-THIRD PARTY VERIFICATION OF REVIEW**

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and my individual or organization doing business with the project or borrower.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Name and Title)

\_\_\_\_\_  
(Address)

In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

The accompanying notes are an integral part of these financial statements.

PEARSON ELDERLY HOUSING, LTD, L.P.  
ATTACHMENT TO FORM RD 3560-10  
DECEMBER 31, 2015 AND 2014

	2015	2014
<b><u>Page 25, Line 7</u></b>		
Due from Rural Development	\$ 4,662	\$ 4,385
	\$ 4,662	\$ 4,385
<b><u>Page 25, Line 22</u></b>		
Utilities and telephone	\$ -	\$ 1,078
Pest control	-	113
Travel	-	34
Repairs and maintenance	163	249
Outside services	116	-
Office supplies	113	115
Administrative expense	-	11
	\$ 392	\$ 1,600
<b><u>Page 25, Line 23</u></b>		
Unearned rents	\$ 377	\$ 236
	\$ 377	\$ 236

The accompanying notes are an integral part of these financial statements.

**MULTIPLE FAMILY HOUSING PROJECT BUDGET/  
UTILITY ALLOWANCE**

<b>PROJECT NAME</b> Whispering Pines Apartments		<b>BORROWER NAME</b> Pearson Elderly Housing, Ltd		<b>BORROWER ID AND PROJECT NO.</b> 537421109 018	
<b>Loan/Transfer Amount \$</b> 654,750.00		<b>Note Rate Payment \$</b> 4,974.61		<b>IC Payment \$</b> 1,391.02	
<b>Reporting Period</b> <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	<b>Budget Type</b> <input checked="" type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SNR <input type="checkbox"/> Other Servicing	<b>Project Rental Type</b> <input type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	<b>Profit Type</b> <input type="checkbox"/> Full Profit <input checked="" type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	<b>The following utilities are master metered:</b> <input checked="" type="checkbox"/> Electricity <input type="checkbox"/> Gas <input checked="" type="checkbox"/> Water <input checked="" type="checkbox"/> Sewer <input checked="" type="checkbox"/> Trash <input type="checkbox"/> Other	
				<b>I hereby request</b> 0 units of RA. Current number of RA units <u>25</u> . <b>Borrower Accounting Method</b> <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual	

**PART I—CASH FLOW STATEMENT**

BEGINNING DATES< ENDING DATES>	CURRENT BUDGET (01 - 01 - 15) (12 - 31 - 15)	ACTUAL (01 - 01 - 15) (12 - 31 - 15)	PROPOSED BUDGET (01 - 01 - 16) (12 - 31 - 16)	COMMENTS or (YTD) (01 - 01 - 15) (12 - 31 - 15)
<b>OPERATIONAL CASH SOURCES</b>				
1. RENTAL INCOME .....	118,666.00	44,317.33	121,536.00	25REV PROD
2. RHS RENTAL ASSISTANCE RECEIVED .....		73,199.00		
3. APPLICATION FEES RECEIVED .....		165.00		
4. LAUNDRY AND VENDING .....	0.00	0.00	0.00	
5. INTEREST INCOME .....	0.00	0.00	0.00	
6. TENANT CHARGES .....	400.00	511.00	400.00	
7. OTHER - PROJECT SOURCES .....	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance) .....	( 2,373.00)		( 2,431.00)	2%
9. LESS (Agency Approved Incentive Allowance) .....	( 0.00)		( 0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)] .....	116,683.00	118,192.33	119,505.00	
<b>NON-OPERATIONAL CASH SOURCES</b>				
11. CASH - NON PROJECT .....	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS) .....	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE .....	10,700.00	0.00	8,700.00	
14. SUB-TOTAL (11 thru 13) .....	10,700.00	0.00	8,700.00	
15. TOTAL CASH SOURCES (10+14) .....	127,383.00	118,192.33	128,205.00	
<b>OPERATIONAL CASH USES</b>				
16. TOTAL O&M EXPENSES (From Part II) .....	91,266.00	83,254.74	92,941.00	
17. RHS DEBT PAYMENT .....	16,692.00	16,692.24	16,692.00	
18. RHS PAYMENT (Overage) .....		0.00		
19. RHS PAYMENT (Late Fee) .....		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES .....		0.00		
21. TENANT UTILITY PAYMENTS .....		0.00		
22. TRANSFER TO RESERVE .....	6,549.00	6,552.00	6,549.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	1,620.00	1,620.00	1,620.00	2014 RTO paid
24. SUB-TOTAL (16 thru 23) .....	116,127.00	108,118.99	117,802.00	
<b>NON-OPERATIONAL CASH USES</b>				
25. AUTHORIZED DEBT PAYMENT (Non-RHS) .....	0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	10,700.00	0.00	8,700.00	
27. MISCELLANEOUS .....	0.00	0.71	0.00	Rounding
28. SUB-TOTAL (25 thru 27) .....	10,700.00	0.71	8,700.00	
29. TOTAL CASH USES (24+28) .....	126,827.00	108,119.69	126,502.00	
30. NET CASH (DEFICIT) (15-29) .....	556.00	10,072.64	1,703.00	
<b>CASH BALANCE</b>				
31. BEGINNING CASH BALANCE .....	18,400.27	86,954.46	18,956.27	
32. ACCRUAL TO CASH ADJUSTMENT .....		-1,344.60		Adjust to accr.
33. ENDING CASH BALANCE (30+31+32) .....	18,956.27	95,682.60	20,658.27	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The accompanying notes are an integral part of these financial statements.

## PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL .....	3,800.00	4,968.58	5,600.00	
2. MAINTENANCE AND REPAIRS SUPPLY .....	7,800.00	9,802.42	8,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT .....	0.00	0.00	0.00	
4. PAINTING .....	1,500.00	1,803.68	2,200.00	
5. SNOW REMOVAL .....	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT .....	0.00	0.00	0.00	
7. GROUNDS .....	7,600.00	8,798.02	7,600.00	550/m + 1000
8. SERVICES .....	2,341.00	1,341.00	2,341.00	63/M Pest Contr
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	3,000.00	0.00	0.00	
10. OTHER OPERATING EXPENSES (Itemize) .....	100.00	115.29	100.00	UA calc fee
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10) .....	26,141.00	24,826.99	25,841.00	
12. ELECTRICITY <input type="checkbox"/> If unster metered .....	3,700.00	2,672.15	3,500.00	
13. WATER <input type="checkbox"/> check box on .....	4,000.00	3,240.80	4,000.00	
14. SEWER <input type="checkbox"/> front .....	4,000.00	3,240.80	4,000.00	
15. FUEL (Oil/Coal/Gas) .....	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL .....	3,300.00	1,650.00	3,000.00	
17. OTHER UTILITIES .....	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17) .....	15,000.00	10,803.95	14,500.00	
19. SITE MANAGEMENT PAYROLL .....	6,128.00	8,265.95	8,400.00	700/M (3% Inc)
20. MANAGEMENT FEE .....	13,248.00	13,121.50	13,536.00	547x24Ux12M
21. PROJECT AUDITING EXPENSE .....	4,000.00	3,680.00	4,000.00	
22. PROJECT BOOKKEEPING/ACCOUNTING .....	0.00	0.00	0.00	
23. LEGAL EXPENSES .....	500.00	536.76	200.00	
24. ADVERTISING .....	300.00	133.48	300.00	
25. TELEPHONE & ANSWERING SERVICE .....	1,800.00	1,600.81	1,850.00	
26. OFFICE SUPPLIES .....	1,200.00	1,391.34	1,250.00	
27. OFFICE FURNITURE & EQUIPMENT .....	691.00	1,020.22	706.00	42.67/M Comp
28. TRAINING EXPENSE .....	608.00	1,098.60	608.00	
29. HEALTH INS. & OTHER EMP. BENEFITS .....	200.00	139.55	200.00	
30. PAYROLL TAXES .....	1,200.00	1,168.20	1,400.00	
31. WORKER'S COMPENSATION .....	600.00	439.96	550.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize) .....	300.00	303.88	300.00	Prop tax consu
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32) .....	30,675.00	32,800.26	33,300.00	
34. REAL ESTATE TAXES .....	13,600.00	9,320.19	13,500.00	
35. SPECIAL ASSESSMENTS .....	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS .....	260.00	385.47	260.00	reg fee
37. PROPERTY & LIABILITY INSURANCE .....	5,250.00	5,017.88	5,400.00	210/U (3% Inc)
38. FIDELITY COVERAGE INSURANCE .....	0.00	0.00	0.00	
39. OTHER INSURANCE .....	150.00	0.00	150.00	EPL Ins.
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39) .....	19,250.00	14,723.54	19,300.00	
41. TOTAL O&M EXPENSES (11+18+33+40) .....	91,266.00	83,254.74	92,941.00	

**PART III—ACCOUNT BUDGETING/STATUS**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
<b>RESERVE ACCOUNT:</b>				
1. BEGINNING BALANCE .....	44,539.19	39,030.92	40,388.19	
2. TRANSFER TO RESERVE .....	6,549.00	6,552.00	6,549.00	\$548/M
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT .....	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V- Reserve) .....	10,700.00	0.00	6,700.00	
5. BUILDING & EQUIPMENT REPAIR .....	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES .....	0.00	0.00	0.00	
7. TOTAL (3 thru 6) .....	( 10,700.00)	( 0.00)	( 6,700.00)	
8. ENDING BALANCE [(1+2)-7] .....	40,388.19	45,582.92	38,237.19	

**GENERAL OPERATING ACCOUNT:\***

BEGINNING BALANCE .....	76,909.25	
ENDING BALANCE .....	82,905.58	

**REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:\***

BEGINNING BALANCE .....	10,045.21	
ENDING BALANCE .....	12,777.02	

**TENANT SECURITY DEPOSIT ACCOUNT:\***

BEGINNING BALANCE .....	3,455.00	
ENDING BALANCE .....	3,452.00	

(\*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	0	RESERVE ACCT. REQ. BALANCE.....	0.00
NUMBER OF APPLICANTS NEEDING RA.....	0	AMOUNT AHEAD/BEHIND .....	0.00

**PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE**

**A. CURRENT APPROVED RENTS/UTILITY ALLOWANCE**

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	N	24	412.00	557.00	0.00	118,656.00	160,416.00	0.00	92.00
2	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>CURRENT RENT TOTALS:</b>						<b>118,656.00</b>	<b>160,416.00</b>	<b>0.00</b>	
						BASIC	NOTE	HUD	

**B. PROPOSED RENTS - Effective Date: 12 / 31 / 15**

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	N	24	422.00	567.00	0.00	121,536.00	163,296.00	0.00	
2	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>PROPOSED RENT TOTALS:</b>						<b>121,536.00</b>	<b>163,296.00</b>	<b>0.00</b>	
						BASIC	NOTE	HUD	

**C. PROPOSED UTILITY ALLOWANCE - Effective Date: 12 / 31 / 15**

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	N	24	92.00	0.00	0.00	0.00	0.00	0.00	92.00
2	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00



**PART V - ANNUAL CAPITAL BUDGET**

		Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
<b>Appliances:</b>								
	Range .....	1	500.00	0.00	0.00	0.00	0.00	0
	Refrigerator .....	2	1,000.00	0.00	0.00	0.00	0.00	0
	Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
	Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
	Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>								
	1BR .....	3	4,200.00	0.00	0.00	0.00	0.00	0
	2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
	3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
	4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
	Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>								
	Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
	Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
	Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>								
	Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
	Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
	Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>								
	List: .....	0	0.00	0.00	0.00	0.00	0.00	0
	Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>								
	Heating .....	0	0.00	0.00	0.00	0.00	0.00	0
	Air Conditioning .....	1	3,000.00	0.00	0.00	0.00	0.00	0
	Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>								
	Water Heater .....	0	0.00	0.00	0.00	0.00	0.00	0
	Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
	Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
	Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
	Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
	Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>								
	List: .....		0.00	0.00	0.00	0.00	0.00	
	Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>								
	Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
	Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
	Walls .....		0.00	0.00	0.00	0.00	0.00	
	Roofing .....		0.00	0.00	0.00	0.00	0.00	
	Siding .....		0.00	0.00	0.00	0.00	0.00	
	Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
	Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>								
	Asphalt .....		0.00	0.00	0.00	0.00	0.00	
	Concrete .....		0.00	0.00	0.00	0.00	0.00	
	Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
	Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>								
	Landscaping .....		0.00	0.00	0.00	0.00	0.00	
	Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
	Fencing .....		0.00	0.00	0.00	0.00	0.00	
	Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
	Signs .....		0.00	0.00	0.00	0.00	0.00	
	Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>								
	List: .....		0.00	0.00	0.00	0.00	0.00	
	Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>								
	Site Management .....		0.00	0.00	0.00	0.00	0.00	
	Common Area .....		0.00	0.00	0.00	0.00	0.00	
	Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>								
	List: .....		0.00	0.00	0.00	0.00	0.00	
	List: .....		0.00	0.00	0.00	0.00	0.00	
	List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>		7	8,700.00	0.00	0.00	0.00	0.00	0

The accompanying notes are an integral part of these financial statements.

**PART VI -- SIGNATURES, DATES AND COMMENTS**

**Warning:** Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
(Signature of Borrower or Borrower's Representative)

\_\_\_\_\_  
(Title)

AGENCY APPROVAL (*Rural Development Approval Official*):

DATE:

**COMMENTS:**

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Line 13. There were no transfers from the 1% reserve account during 2015. The appliance replacements, flooring replacements, HVAC replacements, and roofing repair that were budgeted for 2015 were not required.

Line 23. The RTO paid in 2015 was the 2014 RTO.

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Line 11. Actual Maintenance and Operating Expenses were 5% under budget.

Line 18. Actual Utilities were 26% less than budget primarily due to much lower electricity expense than budgeted.

Line 33. Actual Administrative Expenses were 7% over budget.

Line 40. Actual Tax & Insurance Expense was less than budgeted due to a lower property tax bill than budgeted.

Whispering Pines Apartments

**PART V - ANNUAL CAPITAL BUDGET (ADDENDUM)**

	Current Number of Units/Items	Current from Reserved	YTD from Reserve	Current from Operating	YTD from Operating	YTD Total Cost	Total YTD Units/Items
<b>Appliances:</b>							
Range .....	1	500.00	0.00	0.00	0.00	0.00	0
Refrigerator .....	2	1,000.00	0.00	0.00	0.00	0.00	0
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	3	4,200.00	0.00	0.00	0.00	0.00	0
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	0.00	0.00	0.00	0.00	0
Air Conditioning .....	1	3,000.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	0	0.00	0.00	0.00	0.00	0.00	0
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		2,000.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	3,000.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>7</b>	<b>10,700.00</b>	<b>0.00</b>	<b>3,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>

Yardi Classic Addendum Page

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**PEARSON, GEORGIA**

**FINANCIAL AND COMPLIANCE REPORTS**

**AS OF DECEMBER 31, 2016 AND 2015**

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**

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# Henderson & Godbee, LLP

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## INDEPENDENT AUDITOR'S REPORT

To the Partners  
Pearson Elderly Housing, LTD, L.P.  
(A Limited Partnership)  
Valdosta, Georgia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pearson Elderly Housing, LTD, L.P. (a Limited Partnership), USDA, RD No: 10-002-537421109 which comprises the balance sheets as of December 31, 2016 and 2015, and the related statements of income, partners' (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

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of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

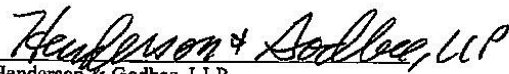
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pearson Elderly Housing, LTD, L.P. as of December 31, 2016 and 2015, and the results of its operations, partners' (deficit), and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

#### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17-18 and 25-34 is presented for purposes of additional analysis as required by the *Multi Family Housing Asset Management Handbook* issued by the U.S. Department of Agriculture Rural Development, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

#### **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2017 on our consideration of Pearson Elderly Housing, LTD, L.P.'s internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearson Elderly Housing, LTD, L.P.'s internal control over financial reporting and compliance.

  
Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 10, 2017

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 90,942	\$ 82,905
Accounts receivable - RD	4,595	4,662
Total Current Assets	95,537	87,567
<b>Restricted Deposits and Funded Reserves</b>		
Escrow-tenants' security deposits	3,350	3,452
Escrow-replacement reserve	49,281	45,583
Escrow-tax reserve	11,867	12,777
Total Restricted Deposits and Funded Reserves	64,498	61,812
<b>Property, Plant and Equipment</b>		
Property, plant and equipment, at cost	781,460	781,460
Accumulated depreciation	(666,020)	(641,423)
Net Property, Plant and Equipment	115,440	140,037
Total Assets	\$ 275,475	\$ 289,416

The accompanying notes are an integral part of these financial statements.



**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES AND PARTNERS' (DEFICIT)</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 13,569	\$ 12,405
Accounts payable	1,704	392
<b>Total Current Liabilities</b>	<b>15,273</b>	<b>12,797</b>
<b>Deposits and Prepayment Liabilities</b>		
Tenants' security deposits	3,350	3,452
Unearned rents	378	377
<b>Total Deposits and Prepayment Liabilities</b>	<b>3,728</b>	<b>3,829</b>
<b>Long-Term Liabilities</b>		
Notes payable, general partners	2,700	2,700
Mortgage payable, less current maturities	505,071	518,639
<b>Total Long-Term Liabilities</b>	<b>507,771</b>	<b>521,339</b>
<b>Total Liabilities</b>	<b>526,772</b>	<b>537,965</b>
<b>Partners' (Deficit)</b>		
Partners' (Deficit)	(251,297)	(248,549)
<b>Total Liabilities And Partners' (Deficit)</b>	<b>\$ 275,475</b>	<b>\$ 289,416</b>

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Gross potential rental income	\$ 126,600	\$ 128,544
Less: vacancy loss	(6,628)	(11,028)
Net rental income	119,972	117,516
Other income	634	676
<b>Total Revenues</b>	<u>120,606</u>	<u>118,192</u>
<b>Expenses</b>		
Operating and maintenance	27,179	24,828
Utilities	17,171	10,804
Administrative	36,385	32,901
Taxes and insurance	12,114	14,723
<b>Total Operating Expenses</b>	<u>92,849</u>	<u>83,256</u>
<b>Net Operating Income</b>	<u>27,757</u>	<u>34,936</u>
<b>Non-Operating Expenses</b>		
Interest-subsidy income	(43,003)	(43,003)
Interest subsidy expense	47,290	48,354
Depreciation and amortization	24,598	24,598
<b>Total Non-Operating Expenses</b>	<u>28,885</u>	<u>29,949</u>
<b>Net Income (Loss)</b>	<u>\$ (1,128)</u>	<u>\$ 4,987</u>

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF PARTNERS' (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Limited Partners' (Deficit)</b>		
Balance, January 1	\$ (233,414)	\$ (237,746)
Distributions	(625)	(625)
Net Income (Loss)	<u>(1,121)</u>	<u>4,957</u>
Balance, December 31	<u>\$ (235,160)</u>	<u>\$ (233,414)</u>
 <b>General Partner's (Deficit)</b>		
Balance, January 1	\$ (15,135)	\$ (14,170)
Distributions	(995)	(995)
Net Income (Loss)	<u>(7)</u>	<u>30</u>
Balance, December 31	<u>\$ (16,137)</u>	<u>\$ (15,135)</u>
 <b>Total Partners' (Deficit)</b>		
Balance, January 1	\$ (248,549)	\$ (251,916)
Distributions	(1,620)	(1,620)
Net Income (Loss)	<u>(1,128)</u>	<u>4,987</u>
Balance, December 31	<u>\$ (251,297)</u>	<u>\$ (248,549)</u>

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Net Income (Loss)	\$ (1,128)	\$ 4,987
Adjustments To Reconcile Net Income (Loss) To Net Cash Provided By Operating Activities:		
Depreciation and amortization	24,598	24,598
Changes In Operating Assets And Liabilities:		
Accounts receivable	67	(277)
Security deposits	102	3
Replacement reserve	(3,698)	(6,552)
Tax reserve	910	(2,732)
Accounts payable	1,312	(1,208)
Tenants' security deposits	(102)	(3)
Unearned rents	-	141
Total Adjustments	23,189	13,970
Net Cash Provided By Operating Activities	22,061	18,957
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(12,404)	(11,341)
Distributions	(1,620)	(1,620)
Net Cash (Used In) Financing Activities	(14,024)	(12,961)
Net Increase In Cash	8,037	5,996
Cash, Beginning Of Year	82,905	76,909
Cash, End Of Year	\$ 90,942	\$ 82,905

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Supplemental Disclosures Of Cash Flow Information:		
Cash Paid During The Year For:		
Interest expense	\$ 47,290	\$ 48,354
Less: subsidized portion	(43,003)	(43,003)
Interest paid, net of subsidy	\$ 4,287	\$ 5,351

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Organization**

The partnership known as Pearson Elderly Housing, LTD, L.P., was formed as a limited liability limited partnership under the laws of the State of Georgia on March 3, 1989, to develop, own and operate a 25-unit rental housing project for persons of low and moderate income in the community. The partnership agreement was amended and restated, effective September 1, 1990, to admit a new limited partner, Gateway Tax Credit Fund II, Ltd., (a Florida limited partnership), and retain as the general partner, David Brown, William Rea, and Rural Housing Partnerships, Inc. Effective January 1, 1999, the general partnership interest of David Brown and William Rea were converted to limited partnership interest (Class B). This project is financed by a RRH Loan from the U.S. Department of Agriculture, Rural Development (USDA, RD), formerly the Farmer's Home Administration and Rural Housing & Community Development Service, and therefore is regulated by the USDA, RD as to rent charges and operating methods.

Effective August 13, 2010, the partnership agreement was amended to admit Gantt Housing, LLC, as the limited partner and to permit the withdrawal of Gateway Tax Credit Fund II, Ltd., (a Florida limited partnership).

**Basis of Accounting**

The financial statements of the partnership are prepared on the accrual basis of accounting, whereby revenues are recognized as earned and expenses are recognized as obligations are incurred.

**Income Taxes**

The Partnership is a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a Partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure.

The Partnership is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capitalization and Depreciation**

Land, buildings and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of income.

**Use of Estimates**

The presentation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Tenant Receivables**

Tenant receivables are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed.

The Partnership uses the allowance method to account for uncollectible tenant receivable balances. Under the allowance method, if needed, an estimate of uncollectible tenant balances is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include the credit quality of the tenant and whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended by contract. When an account balance is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and is written off. At December 31, 2016 and 2015, there was no allowance balance required. Tenant receivables had a balance in the amount of \$0 and \$0, at December 31, 2016 and 2015, respectively.

**Mortgage Subsidy**

Under an interest credit agreement with the USDA, RD, a mortgage subsidy is provided, thus reducing the interest rate to approximately 1% over the life of the agreement. The interest subsidy is treated as additional income with interest expense being recorded at the note rate.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2016 and 2015 were \$93 and \$133, respectively.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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NOTE 2 – RESTRICTED CASH AND ESCROW ACCOUNTS

Replacement Reserve

	<u>2016</u>	<u>2015</u>
Annual funding required by loan agreement	<u>\$ 6,548</u>	<u>\$ 6,548</u>
Actual funding including interest income	<u>\$ 6,552</u>	<u>\$ 6,552</u>
Withdrawals approved by Rural Development Operating and maintenance expenses	<u>\$ 2,854</u>	<u>\$ -</u>
Reserve balance at year end	\$ 49,281	\$ 45,583
Fully funded balance per loan agreement	<u>35,147</u>	<u>31,453</u>
Excess (Deficit)	<u>\$ 14,134</u>	<u>\$ 14,130</u>

Tenant Security Deposits

Security deposits collected from tenants are held in a separate bank account. The account's status at December 31 is:

	<u>2016</u>	<u>2015</u>
Tenant security deposits cash	\$ 3,350	\$ 3,452
Tenant security deposits payable	<u>3,350</u>	<u>3,452</u>
Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>



**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2 – RESTRICTED CASH AND ESCROW ACCOUNTS (CONTINUED)**

**Real Estate Tax and Insurance Escrow**

USDA, RD regulations require the Partnership to make monthly appropriations of cash to a tax reserve account to insure that adequate cash is available when taxes are due. The account's status at December 31 is:

	<u>2016</u>	<u>2015</u>
Real estate tax and insurance escrow	\$ 11,867	\$ 12,777
Accrued or unpaid taxes and insurance	<u>-</u>	<u>-</u>
Excess	<u>\$ 11,867</u>	<u>\$ 12,777</u>

**NOTE 3 – PROPERTY, PLANT AND EQUIPMENT**

A summary of the property, plant and equipment is as follows at December 31:

	<u>Depreciable Life</u>	<u>2016</u>	<u>2015</u>
Land		\$ 15,000	\$ 15,000
Buildings	30 Years	737,932	737,932
Equipment	10 Years	<u>28,528</u>	<u>28,528</u>
Total		781,460	781,460
Less: Accumulated depreciation		<u>(666,020)</u>	<u>(641,423)</u>
Net Property, Plant and Equipment		<u>\$ 115,440</u>	<u>\$ 140,037</u>

Property, plant and equipment is pledged as collateral on long-term debt. Depreciation expense aggregated \$24,598 and \$24,598 for the years ended December 31, 2016 and 2015.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 4 – ACCOUNTS PAYABLE**

The following is a list of accounts payable at December 31:

	<u>2016</u>	<u>2015</u>
Utilities and telephone	\$ 1,538	\$ -
Repairs and maintenance	-	163
Outside services	-	116
Office supplies	<u>166</u>	<u>113</u>
	<u>\$ 1,704</u>	<u>\$ 392</u>

**NOTE 5 – LONG-TERM INDEBTEDNESS**

Long-term indebtedness consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
USDA, RD, made January, 1991, 9.00%, due in 599 monthly installments, secured by land, buildings and equipment with an original cost of \$780,132.	\$ 518,640	\$ 531,044
Less current maturities	<u>(13,569)</u>	<u>(12,405)</u>
Long-term portion	<u>\$ 505,071</u>	<u>\$ 518,639</u>

Management has determined it is not practicable to determine the fair value of the mortgage debt because of the unique terms of the note. It would not be possible to obtain replacement financing under similar terms.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)**

Maturities of long-term debt as of December 31, 2016, for the succeeding five years are as follows:

<u>Year</u>		
2017	\$	13,569
2018		14,841
2019		16,234
2020		17,756
2021		19,422

Pearson Elderly Housing, LTD, L.P. incurred interest costs of \$47,290 and \$48,354 for the years ended December 31, 2016 and 2015, respectively, all of which was properly charged to expense.

**NOTE 6 – RENTAL ASSISTANCE PAYMENTS**

USDA, RD has contracted with the Partnership pursuant to Section 521(a)(2)(A) of Title V of the Housing Act of 1949 to make housing assistance payments to the Partnership on behalf of qualified tenants. Payments under the contract period ended December 31, are as follows:

	<u>2016</u>	<u>2015</u>
Rental assistance payments	<u>\$ 74,510</u>	<u>\$ 73,199</u>

**NOTE 7 – TAXABLE INCOME (LOSS)**

The financial statements of the Partnership and the Partnership tax returns are prepared on the accrual basis. The following is a reconciliation between net income (loss) as reported and Partnership income (loss) for tax purposes:

	<u>2016</u>	<u>2015</u>
Net Income (Loss) per financial statement	\$ (1,128)	\$ 4,987
Book depreciation in excess of tax depreciation	<u>6,454</u>	<u>6,454</u>
Partnership Income per tax return	<u>\$ 5,326</u>	<u>\$ 11,441</u>

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 8 – RELATED PARTY TRANSACTIONS**

The following is a list of related parties and the nature of the relationship to the Partnership and a description of the transactions between the related parties:

**Investors Management Company, Inc.**

Investors Management Company, Inc., an affiliate of the general partner, is the property manager of Pearson Elderly Housing, LTD, L.P. The partnership paid Investors Management Company, Inc. management fees of \$13,465 and \$13,122 for the years ended December 31, 2016 and 2015, respectively.

**Partners**

The general partners advanced \$13,500, as required by USDA, RD, to the partnership to be used solely for the purpose of funding operating deficits during the early years of operations of the project. With USDA, RD approval, \$10,800 of this loan was returned in 1993. The balance of the loan at December 31, 2016 and 2015 were \$2,700 and \$2,700, respectively.

**Rural Housing Reinsurance Company International Ltd. (CJ Thomas Company, Inc.)**

An affiliate of the general partner is also an owner of CJ Thomas Company, Inc., which provides the property insurance to the project. The partnership paid CJ Thomas Company, Inc. insurance fees of \$5,016 and \$5,012 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 9 – PARTNERSHIP PROFITS, LOSSES AND DISTRIBUTIONS**

Profits or losses from operations are allocated 99.4 % to the Limited Partner and .6% to the General Partner. Tax credits are to be allocated 99.4% to the Limited Partner and .6% to the General Partner. Profit or loss from sales of property and cash distributions will be allocated as formulated in the Partnership Agreement. Annual distributions to the partners are limited by government regulation to \$1,620, which is 8% of the borrowers' initial capital investment required by USDA, RD.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 10 – CONCENTRATION OF CREDIT RISK – CASH IN BANKS**

Pearson Elderly Housing, LTD, L.P. maintains its cash accounts at one bank in Valdosta, Georgia. Accounts at the bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. A summary of the total insured and uninsured cash balances at December 31, consists of the following:

	<u>2016</u>	<u>2015</u>
Total cash in all banks	\$ 155,340	\$ 144,617
Portion insured by FDIC	<u>155,340</u>	<u>144,617</u>
Uninsured cash balances	<u>\$ -</u>	<u>\$ -</u>

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

USDA, RD may terminate the interest subsidy agreement if it determines that no subsidy is necessary or if the Partnership is determined to be in violation of USDA, RD rules or regulations.

**NOTE 12 – IMPAIRMENT OF LONG-LIVED ASSETS**

FASB ASC 360-10 (formerly FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), requires long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. Through December 31, 2016, no impairment loss recognition has been required.

**NOTE 13 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Partnership's sole asset is Whispering Pines Apartments. The Partnership's operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, RD and state agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by RD or state agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 10, 2017, which is the date the financial statements were available to be issued.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**1. Management Fee Calculation**

The management fee is based on a fee per unit occupied by tenants during the month.

Total Qualified Units (25 * 1 month)	25
Less: Rent Free Units (1 * 1 month)	(1)
Vacancies	-
Total Occupied Units	<u>24</u>
Fee Per Unit (Effective February, 2015)	<u>\$ 46.00</u>
 Management fees January 2016	 <u>1,104</u>
 Total Qualified Units (25 * 11 months)	 275
Less: Rent Free Units (1 * 11 months)	(11)
Vacancies	(1)
Total Occupied Units	<u>263</u>
Fee Per Unit (Effective February, 2016)	<u>\$ 47.00</u>
 Management fees February through December 2016	 <u>12,361</u>
 Management Fee Expense	 <u>\$ 13,465</u>

**2. Insurance Disclosure**

The Partnership maintains Insurance coverage as follows:

	<u>Deductible</u>	<u>Coverage</u>
Property Coverage on Buildings	\$ 1,000	\$ 2,000,000
Comprehensive Business Liability	-	2,000,000
Fidelity / Employee Dishonesty	5,000	500,000

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**3. Return to Owner**

In accordance with the Loan Agreement, the annual return to owner is as follows:

Maximum Return to Owner (See Note 9)	<u>\$ 1,620</u>
Budget Return to Owner	<u>\$ 1,620</u>
Return to Owner Paid:	
General Partner Distribution	\$ 995
Limited Partner Distribution	<u>625</u>
	<u>\$ 1,620</u>



# Henderson & Godbee, LLP

Certified Public Accountants and Business Consultants

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Keeley T. Collins, CPA  
Kaitlyn E. Hannay, CPA  
Jacey B. Pittman, CPA  
M. Allison Hutchins, CPA

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Partners of  
Pearson Elderly Housing, LTD, L.P.  
Valdosta, Georgia

USDA Rural Development  
Douglas, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pearson Elderly Housing, LTD, L.P. which comprise the balance sheet as of December 31, 2016, and the related statements of income, changes in partner's (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pearson Elderly Housing, LTD, L.P.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pearson Elderly Housing, LTD, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Pearson Elderly Housing, LTD, L.P.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pearson Elderly Housing, LTD, L.P.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pearson Elderly Housing, LTD, L.P.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearson Elderly Housing, LTD, L.P.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 10, 2017

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

---

**Current Year Findings**

There were no findings this year.

**Status Of Prior Year Findings**

There were no findings in the prior year.

**AUDITEE'S COMMENTS ON PRIOR AUDIT RESOLUTION MATTERS RELATED TO UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT PROGRAMS**

There are no significant unresolved findings from previous annual audits, physical inspections or management review reports during our audit of the 2016 financial statements. There were no compliance findings noted during our audit of the 2016 financial statements relating to physical inspections or management reviews for which the Partnership has not taken corrective action.



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## Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Partners of  
Pearson Elderly Housing, LTD, L.P.  
Valdosta, Georgia

And

United States Department of Agriculture  
Rural Development  
Douglas, Georgia

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development ("RD") and Pearson Elderly Housing, LTD, L.P. ("Owner") the owner of Whispering Pines Apartments ("Project") located in Pearson, Georgia, solely to assist those parties in evaluating that the accompanying Form RD 3560-10, Multiple Family Housing Borrower Balance Sheet, Form RD 3560-7, Multiple Family Housing Project Budget ("Financial Reports") and Supporting Documentation are prepared in accordance with the criteria specified in RD Regulations contained in 7 CFR 3560 Section 303(b) and section 306, in accordance with the determinations noted in Attachment 4-D of RD Handbook HB-2-3560, for the year ended December 31, 2016. The owner is responsible for the presentation of the financial reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of RD and the owner. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We examined selected receipts, invoices, and cancelled checks (or checks imaging on original bank statement) that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the supporting documentation, based on the sample size determined by RD in Attached 4-D of RD Handbook HB-2-3560, for expenses included in Lines 1-10 and 19-32

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of Form RD 3560-7 and determined that the services were eligible expenses, in accordance with Attachment 4-A of HB-2-3560, and the shipping address agreed to the project address. In addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor's records.

Findings:

Total Number of Invoices in Population: Approximately 240  
Total Dollar Amount of Invoices in Population: \$79,384  
Total Number of Invoices Reviewed: 15  
Total Dollar Amount of Invoices Reviewed: \$4,259  
Total Number of Invoices in Vendor Confirmation Sample: 1  
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$910  
Total Number of Vendor Confirmations Not Received: 0  
Total Dollar Amount of Vendor Confirmations Not Received: \$0  
Total Number of Deviations: 0  
Total Dollar Amount of Deviations: \$0

2. We confirmed the balance in the replacement reserve account presented on Form RD 3560-7, Part III, and confirmed that no amounts were encumbered by the financial institution that holds the accounts. We determined that all balances are within the FDIC insurance limits. We determined number of reserve account withdrawals from the original bank statements and compared the withdrawals to the amounts approved by RD on Form RD 3560-12. We compared the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals from RD.

Findings:

Total Number of Reserve Account Withdrawals: 2  
Total Number of Withdrawals Authorized by RD: 2  
Total Dollar Amount of Reserve Account Withdrawals: \$2,854  
Total Dollar Amount of Withdrawals Authorized by RD: \$2,854  
Total Number of Deviations: 0  
Total Dollar Amount of Deviations: \$0

The confirmation received from the financial institution agreed to the project's bank reconciliation and no encumbrances were noted on the confirmation. All withdrawals were paid to the vendors approved by RD of Form RD 3560-12.

3. We obtained the Identity of Interest (IOI) company listing and Form RD 3560-31 from RD and determined that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project. We examined a sample of invoices and determined that the services and charges are in accordance with the disclosures contained in Form RD 3560-31 as agreed to by RD.

Findings:

Total Number of Forms RD 3560-31 Received: 2  
Company Name 1: Investor's Management Company, Inc.  
Total Dollar Amount for the Year: \$13,465  
Total Number of Invoices in Population: 12

Total Dollar Amount of Invoices in Population: \$13,465  
Total Number of Invoices Reviewed: 12  
Total Dollar Amount of Invoices Reviewed: \$13,465

Company Name 2: Rural Housing Reinsurance Company International Ltd.  
Total Dollar Amount for the Year: \$5,016  
Total Number of Invoices in Population: 1  
Total Dollar Amount of Invoices in Population: \$5,016  
Total Number of Invoices Reviewed: 1  
Total Dollar Amount of Invoices Reviewed: \$5,016

The agreed-upon procedures performed above and the Management Representation Letter revealed no undisclosed IOI companies.

We are not engaged to, and did not, conduct an audit of the subject matter, the objective of which would be the expression of an opinion on the agreed-upon procedures, applied to the financial reports and supporting documentation of Pearson Elderly Housing, LTD, L.P. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the owner and management agent of Pearson Elderly Housing, LTD, L.P., and Rural Development, and is not intended to be and should not be used by anyone other than these specified parties.

  
Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 10, 2017

Position 3  
**MULTI-FAMILY HOUSING  
BORROWER BALANCE SHEET**  
PART 1 - BALANCE SHEET

<b>PROJECT NAME</b> Whispering Pines Apartments	<b>BORROWER NAME</b> Pearson Elderly Housing, LTD, L.P.	<b>BORROWER ID AND PROJECT NO.</b> 10-002-537421109
<b>BEGINNING DATES&gt;</b>	01-01-16	01-01-15
<b>ENDING DATES&gt;</b>	12-31-16	12-31-15
	<b>CURRENT YEAR</b>	<b>PRIOR YEAR</b>
		<b>COMMENTS</b>

**ASSETS**

**CURRENT ASSETS**

1. GENERAL OPERATING ACCOUNT.....	90,942	82,905	
2. R.E. TAX & INSURANCE ACCOUNT.....	11,867	12,777	
3. RESERVE ACCOUNT.....	49,281	45,583	
4. SECURITY DEPOSIT ACCOUNT.....	3,350	3,452	
5. OTHER CASH (Identify) .....			
6. OTHER (Identify) .....			
7. TOTAL ACCOUNTS RECEIVABLE (Attach list) .....	4,595	4,662	
ACCTS RCVBL 0-30 DAYS \$			
ACCTS RCVBL 30-60 DAYS \$			
ACCTS RCVBL 60-90 DAYS \$			
ACCTS RCVBL OVER 90 DAYS \$			
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS...			
9. INVENTORIES (supplies) .....			
10. PREPAYMENTS.....	-	-	
11.			
12. TOTAL CURRENT ASS ETS (Add 1 thru 11)	160,035	149,379	

**FIXED ASSETS**

13. LAND.....	15,000	15,000	
14. BUILDINGS.....	737,932	737,932	
15. LESS: ACCUMULATED DEPRECIATION.....	(637,492)	(612,895)	
16. FURNITURE & EQUIPMENT.....	28,528	28,528	
17. LESS: ACCUMULATED DEPRECIATION.....	(28,528)	(28,528)	
18.			
19. TOTAL FIXED ASSETS (Add 13 thru 18) .....	115,440	140,037	

**OTHER ASSETS**

20.			
21. TOTAL ASSETS (Add 12, 19, and 20) .....	275,475	289,416	

**LIABILITIES AND OWNERS EQUITY**

**CURRENT LIABILITIES**

22. TOTAL ACCOUNTS PAYABLE (Attach list) .....	1,704	392	
ACCTS PAYABLE 0-30 DAYS \$			
ACCTS PAYABLE 30-60 DAYS \$			
ACCTS PAYABLE 60-90 DAYS \$			
ACCTS PAYABLE OVER 90 DAYS \$			
23. NOTES PAYABLE (Attach list) ...Deferred Revenue	378	377	
24. SECURITY DEPOSITS.....	3,350	3,452	
25. TOTAL CURRENT LIABILITIES (Add 22 thru 24) ...	5,432	4,221	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The accompanying notes are an integral part of these financial statements.

**LONG-TERM LIABILITIES**

26. NOTES PAYABLE RURAL DEVELOPMENT	518,640	531,044
27. OTHER (Identify) N/P General Partners	2,700	2,700
28. TOTAL LONG-TERM LIABILITIES (Add 26 and 27)	521,340	533,744
29. TOTAL LIABILITIES (Add 25 and 28) .....	526,772	537,965
30. OWNER'S EQUITY (Net Worth) (21 minus 29) .....	(251,297)	(248,549)
31 TOTAL LIABILITIES AND OWNER'S EQUITY (Add 29 and 30)	275,475	289,416

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

\_\_\_\_\_  
(Signature of Borrower or Borrower's Representative)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Title)

**PART II-THIRD PARTY VERIFICATION OF REVIEW**

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and my individual or organization doing business with the project or borrower.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Name and Title)

\_\_\_\_\_  
(Address)

In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

The accompanying notes are an integral part of these financial statements.

**PEARSON ELDERLY HOUSING, LTD, L.P.**  
**ATTACHMENT TO FORM RD 3560-10**  
**DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b><u>Page 25, Line 7</u></b>		
Due from Rural Development	\$ 4,595	\$ 4,662
	\$ 4,595	\$ 4,662
<b><u>Page 25, Line 22</u></b>		
Utilities and telephone	\$ 1,538	\$ -
Repairs and maintenance	-	163
Outside services	-	116
Office supplies	166	113
	\$ 1,704	\$ 392
<b><u>Page 25, Line 23</u></b>		
Unearned rents	\$ 378	\$ 377
	\$ 378	\$ 377

The accompanying notes are an integral part of these financial statements.



**MULTIPLE FAMILY HOUSING PROJECT BUDGET/  
UTILITY ALLOWANCE**

PROJECT NAME Whispering Pines Apartments		BORROWER NAME Pearson Elderly Housing, Ltd		BORROWER ID AND PROJECT NO. 537421109 018	
Loan/Transfer Amount \$ 654,750.00		Note Rate Payment \$ 4,974.61		IC Payment \$ 1,391.02	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input type="checkbox"/> Regular Report <input checked="" type="checkbox"/> Rent Change <input type="checkbox"/> SNR <input type="checkbox"/> Other Servicing	Project Rental Type <input type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input checked="" type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input checked="" type="checkbox"/> Water <input checked="" type="checkbox"/> Sewer <input checked="" type="checkbox"/> Trash <input type="checkbox"/> Other	
				I hereby request 0 units of RA. Current number of RA units 25 Borrower Accounting Method <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual	

**PART I—CASH FLOW STATEMENT**

	BEGINNING DATES ENDING DATES>	CURRENT BUDGET (01 - 01 - 16) (12 - 31 - 16)	ACTUAL (01 - 01 - 16) (12 - 31 - 16)	PROPOSED BUDGET (01 - 01 - 17) (12 - 31 - 17)	COMMENTS or (YTD) (01 - 01 - 16) (12 - 31 - 16)
<b>OPERATIONAL CASH SOURCES</b>					
1. RENTAL INCOME .....		121,536.00	45,461.67	121,536.00	25 REV PROD
2. RHS RENTAL ASSISTANCE RECEIVED .....			74,510.00		
3. APPLICATION FEES RECEIVED .....			135.00		
4. LAUNDRY AND VENDING .....		0.00	0.00	0.00	
5. INTEREST INCOME .....		0.00	0.00	0.00	
6. TENANT CHARGES .....		400.00	499.01	400.00	
7. OTHER - PROJECT SOURCES .....		0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance) .....		( 2,431.00)		( 2,431.00)	2%
9. LESS (Agency Approved Incentive Allowance) .....		( 0.00)		( 0.00)	
10. SUB-TOTAL ((1 thru 7) - (8 & 9)) .....		119,505.00	120,605.68	119,505.00	
<b>NON-OPERATIONAL CASH SOURCES</b>					
11. CASH - NON PROJECT .....		0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS) .....		0.00	0.00	0.00	
13. TRANSFER FROM RESERVE .....		8,700.00	2,853.49	8,700.00	
14. SUB-TOTAL (11 thru 13) .....		8,700.00	2,853.49	8,700.00	
15. TOTAL CASH SOURCES (10+14) .....		128,205.00	123,459.17	128,205.00	
<b>OPERATIONAL CASH USES</b>					
16. TOTAL O&M EXPENSES (From Part II) .....		92,941.00	89,993.05	93,691.00	
17. RHS DEBT PAYMENT .....		16,692.00	16,692.24	16,692.00	
18. RHS PAYMENT (Overage) .....			0.00		
19. RHS PAYMENT (Late Fee) .....			0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES .....			0.00		
21. TENANT UTILITY PAYMENTS .....			0.00		
22. TRANSFER TO RESERVE .....		6,549.00	6,552.00	6,549.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .....		1,620.00	1,620.00	1,620.00	2015 RTO paid
24. SUB-TOTAL (16 thru 23) .....		117,802.00	114,857.29	118,552.00	
<b>NON-OPERATIONAL CASH USES</b>					
25. AUTHORIZED DEBT PAYMENT (Non-RHS) .....		0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6) .....		8,700.00	2,853.49	8,700.00	
27. MISCELLANEOUS .....		0.00	1.61	0.00	Rounding
28. SUB-TOTAL (25 thru 27) .....		8,700.00	2,855.10	8,700.00	
29. TOTAL CASH USES (24+28) .....		126,502.00	117,712.39	127,252.00	
30. NET CASH (DEFICIT) (15-29) .....		1,703.00	5,746.78	953.00	
<b>CASH BALANCE</b>					
31. BEGINNING CASH BALANCE .....		16,956.27	95,682.60	20,659.27	
32. ACCRUAL TO CASH ADJUSTMENT .....			1,380.20		
33. ENDING CASH BALANCE (30+31+32) .....		20,659.27	102,809.58	21,612.27	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The accompanying notes are an integral part of these financial statements.

**PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL .....	5,600.00	3,012.41	4,000.00	
2. MAINTENANCE AND REPAIRS SUPPLY .....	8,000.00	10,440.67	10,800.00	
3. MAINTENANCE AND REPAIRS CONTRACT .....	0.00	0.00	0.00	
4. PAINTING .....	2,200.00	1,993.76	2,000.00	
5. SNOW REMOVAL .....	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT .....	0.00	0.00	0.00	
7. GROUNDS .....	7,600.00	6,610.00	7,600.00	550/m + 1000
8. SERVICES .....	2,341.00	2,154.00	2,341.00	63/M PestContr
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	0.00	0.00	0.00	
10. OTHER OPERATING EXPENSES (Itemize) .....	100.00	114.38	100.00	UA calc fee
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10) .....	25,841.00	24,325.23	26,841.00	
12. ELECTRICITY <input type="checkbox"/> If master metered .....	3,500.00	2,689.87	2,800.00	
13. WATER <input type="checkbox"/> check box on .....	4,000.00	4,633.46	4,000.00	
14. SEWER <input type="checkbox"/> front .....	4,000.00	7,660.23	5,000.00	
15. FUEL (Oil/Coal/Gas) .....	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL .....	3,000.00	2,180.95	2,800.00	
17. OTHER UTILITIES .....	0.00	7.00	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17) .....	14,500.00	17,171.51	14,600.00	
19. SITE MANAGEMENT PAYROLL .....	8,400.00	7,926.70	9,372.00	781/M (3% inc)
20. MANAGEMENT FEE .....	13,536.00	13,465.00	14,112.00	\$49x24Ux12M
21. PROJECT AUDITING EXPENSE .....	4,000.00	3,680.00	3,700.00	
22. PROJECT BOOKKEEPING/ACCOUNTING .....	0.00	0.00	0.00	
23. LEGAL EXPENSES .....	200.00	525.40	200.00	
24. ADVERTISING .....	300.00	93.38	50.00	
25. TELEPHONE & ANSWERING SERVICE .....	1,850.00	1,973.77	1,600.00	
26. OFFICE SUPPLIES .....	1,250.00	853.54	1,000.00	
27. OFFICE FURNITURE & EQUIPMENT .....	708.00	1,427.97	705.00	42.67/MCompE
28. TRAINING EXPENSE .....	608.00	923.94	611.00	
29. HEALTH INS. & OTHER EMP. BENEFITS .....	200.00	129.51	150.00	
30. PAYROLL TAXES .....	1,400.00	941.31	1,100.00	
31. WORKER'S COMPENSATION .....	550.00	404.03	400.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize) .....	300.00	4,038.00	300.00	Prop tax consu
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32) .....	33,300.00	36,382.56	33,300.00	
34. REAL ESTATE TAXES .....	13,500.00	6,736.72	13,000.00	
35. SPECIAL ASSESSMENTS .....	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS .....	250.00	359.03	250.00	reg fee
37. PROPERTY & LIABILITY INSURANCE .....	5,400.00	5,016.00	5,550.00	222/U (5% inc)
38. FIDELITY COVERAGE INSURANCE .....	0.00	0.00	0.00	
39. OTHER INSURANCE .....	150.00	0.00	150.00	EPL ins.
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39) .....	19,300.00	12,113.75	18,950.00	
41. TOTAL O&M EXPENSES (11+18+33+40) .....	92,941.00	89,993.05	93,691.00	

**PART III—ACCOUNT BUDGETING/STATUS**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
<b>RESERVE ACCOUNT:</b>				
1. BEGINNING BALANCE .....	40,388.19	45,582.92	38,237.19	
2. TRANSFER TO RESERVE .....	6,549.00	6,552.00	6,549.00	\$546/M
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT .....	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve) .....	8,700.00	2,853.49	8,700.00	
5. BUILDING & EQUIPMENT REPAIR .....	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES .....	0.00	0.00	0.00	
7. TOTAL (3 thru 6) .....	( 8,700.00)	( 2,853.49)	( 8,700.00)	
8. ENDING BALANCE [(1+2)-7] .....	38,237.19	49,281.43	36,086.19	

**GENERAL OPERATING ACCOUNT:\***

BEGINNING BALANCE .....	82,905.58	
ENDING BALANCE .....	90,942.30	

**REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:\***

BEGINNING BALANCE .....	12,777.02	
ENDING BALANCE .....	11,867.28	

**TENANT SECURITY DEPOSIT ACCOUNT:\***

BEGINNING BALANCE .....	3,452.00	
ENDING BALANCE .....	3,350.00	

(\*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	0	RESERVE ACCT. REQ. BALANCE.....	0.00
NUMBER OF APPLICANTS NEEDING RA.....	0	AMOUNT AHEAD/BEHIND .....	0.00

**PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE**

**A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE**

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	N	24	422.00	567.00	0.00	121,536.00	163,286.00	0.00	92.00
2	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>CURRENT RENT TOTALS:</b>						<b>121,536.00</b>	<b>163,286.00</b>	<b>0.00</b>	
						BASIC	NOTE	HUD	

**B. PROPOSED RENTS - Effective Date: 12 / 31 / 16**

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	N	24	422.00	567.00	0.00	121,536.00	163,286.00	0.00	92.00
2	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>PROPOSED RENT TOTALS:</b>						<b>121,536.00</b>	<b>163,286.00</b>	<b>0.00</b>	
						BASIC	NOTE	HUD	

**C. PROPOSED UTILITY ALLOWANCE - Effective Date: 12 / 31 / 16**

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	N	24	92.00	0.00	0.00	0.00	0.00	0.00	92.00
2	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**PART V - ANNUAL CAPITAL BUDGET**

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
<b>Appliances:</b>							
Range .....	1	500.00	0.00	0.00	0.00	0.00	0
Refrigerator .....	2	1,000.00	0.00	0.00	0.00	0.00	0
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	3	4,200.00	1,831.49	0.00	0.00	1,831.49	1
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	0.00	0.00	0.00	0.00	0
Air Conditioning .....	1	3,000.00	1,022.00	0.00	0.00	1,022.00	1
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	0	0.00	0.00	0.00	0.00	0.00	0
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>7</b>	<b>8,700.00</b>	<b>2,853.49</b>	<b>0.00</b>	<b>0.00</b>	<b>2,853.49</b>	<b>2</b>

The accompanying notes are an integral part of these financial statements.

**PART VI -- SIGNATURES, DATES AND COMMENTS**

**Warning:** Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
(Signature of Borrower or Borrower's Representative)

\_\_\_\_\_  
(Title)

AGENCY APPROVAL (*Rural Development Approval Official*):

DATE:

**COMMENTS:**

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Line 13. Transfers from the 1% reserve account during 2016 were 67% less than budget. No appliance replacement was required and there were less flooring replacements than budgeted.

Line 23. The RTO paid in 2016 was the 2015 RTO.

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Line 11. Actual Maintenance and Operating Expenses were 6% under budget.

Line 18. Actual Utilities were 18% more than budget primarily due to much higher sewer expense than budgeted.

Line 33. Actual Administrative Expenses were 9% over budget.

Line 40. Actual Tax & Insurance Expense was 50% less than budgeted. The property tax bill was much less than budgeted because we've been working with a property tax consultant to review and appeal the values if necessary.

Whispering Pines Apartments

**PART V - ANNUAL CAPITAL BUDGET (ADDENDUM)**

	Current Number of Units/Items	Current from Reserve	YTD from Reserve	Current from Operating	YTD from Operating	YTD Total Cost	Total YTD Units/Items
<b>Appliances:</b>							
Range .....	1	500.00	0.00	0.00	0.00	0.00	0
Refrigerator .....	2	1,000.00	0.00	0.00	0.00	0.00	0
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	3	4,200.00	1,831.49	0.00	0.00	1,831.49	1
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	0.00	0.00	0.00	0.00	0
Air Conditioning .....	1	3,000.00	1,022.00	0.00	0.00	1,022.00	1
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	0	0.00	0.00	0.00	0.00	0.00	0
Both Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>7</b>	<b>8,700.00</b>	<b>2,853.49</b>	<b>0.00</b>	<b>0.00</b>	<b>2,853.49</b>	<b>2</b>

Yardi Classic Addendum Page

The accompanying notes are an integral part of these financial statements.

**Balance Sheet (Cash)  
Whispering Pines - (480)  
April 2017**

Page 1  
5/22/2017  
11:02 AM

**CURRENT ASSETS**

**CASH**

1010.0 Petty Cash	100.00
1020.0 CDA-Checking	3,119.01
1021.0 Operating-Checking	86,408.62
1030.0 Tax & Insurance Reserve	9,696.28
1040.0 Replacement Reserve	46,707.61
<b>TOTAL CASH</b>	146,031.52

1140.0 A/R Rents/FMHA Receivable	4,594.98
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**FIXED ASSETS**

2010.0 Land	15,000.00
2030.0 Buildings	737,932.00
2050.0 Equipment	27,200.00
2080.0 Furniture & Fixtures	1,327.82
2110.0 Accumulated Depreciation-Buildings	-637,491.98
2120.0 Accumulated Depreciation-Furniture & Fixt	-28,527.82
<b>TOTAL FIXED ASSETS</b>	115,440.02

**OTHER ASSETS**

2510.0 Security Deposits-Checking	3,350.00
<b>TOTAL OTHER ASSETS</b>	3,350.00

<b>TOTAL ASSETS</b>	269,416.52
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**LIABILITIES & CAPITAL**

**CURRENT LIABILITIES**

3021.0 Security Deposits Payable	3,350.00
3028.0 Accounts Payable	1,704.18
3029.0 Prepaid Tenants Rent	377.60
<b>TOTAL CURRENT LIABILITIES</b>	5,431.78

**LONG TERM LIABILITIES**

4020.0 Mortgage Payable	518,639.20
4080.0 Note Payable-2% Funds	2,700.00
<b>TOTAL LONG TERM LIABILITIES</b>	521,339.20

<b>TOTAL LIABILITIES</b>	526,770.98
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**CAPITAL**

5006.0 Return To Owners	-1,620.00
5020.0 General Partners Equity	-14,153.00
5030.0 Retained Earnings	-7,185.46
5040.0 Limited Partners Equity	-234,918.00
5050.0 General Partners Capital	-982.00
5051.0 Limited Partners Capital	1,504.00
<b>TOTAL CAPITAL</b>	-257,354.46

<b>TOTAL LIABILITIES &amp; CAPITAL</b>	269,416.52
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**Budget Comparison (Cash)**  
**Whispering Pines - (480)**  
**April 2017**

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	MTD Actual	MTD Budget	\$ Var.	% Var.	YTD Actual	YTD Budget	\$ Var.	% Var.	Annual
<b>INCOME</b>									
<b>RENT INCOME</b>									
6010.0 Income-Rent	4,374.57	10,128.00	-5,753.43	-56.81	16,350.57	40,512.00	-24,161.43	-59.64	121,536.00
6011.0 Income-Rental Assistan	5,617.00	0.00	5,617.00	0	23,343.00	0.00	23,343.00	0	0.00
<b>TOTAL RENT INCOME</b>	<b>9,991.57</b>	<b>10,128.00</b>	<b>-136.43</b>	<b>-1.35</b>	<b>39,693.57</b>	<b>40,512.00</b>	<b>-818.43</b>	<b>-2.02</b>	<b>121,536.00</b>
<b>OTHER INCOME</b>									
6015.0 Income-Application Fee	0.00	0.00	0.00	0	25.00	0.00	25.00	0	0.00
6018.0 Tenant Charges/Damag	0.00	4.17	-4.17	-100.0	0.00	16.68	-16.68	-100.0	50.00
6029.0 Income-Cleaning & Rep	0.00	4.17	-4.17	-100.0	100.00	16.68	83.32	499.5	50.00
6030.0 Income-Late Fees	0.00	16.67	-16.67	-100.0	0.00	66.68	-66.68	-100.0	200.00
6031.0 Forfeited Security Depo	0.00	4.17	-4.17	-100.0	0.00	16.68	-16.68	-100.0	50.00
6033.0 Income-Miscellaneous	0.00	4.17	-4.17	-100.0	0.00	16.68	-16.68	-100.0	50.00
<b>TOTAL OTHER INCOME</b>	<b>0.00</b>	<b>33.35</b>	<b>-33.35</b>	<b>-100.0</b>	<b>125.00</b>	<b>133.40</b>	<b>-8.40</b>	<b>-6.30</b>	<b>400.00</b>
<b>TOTAL INCOME</b>	<b>9,991.57</b>	<b>10,161.35</b>	<b>-169.78</b>	<b>-1.67</b>	<b>39,818.57</b>	<b>40,645.40</b>	<b>-826.83</b>	<b>-2.03</b>	<b>121,936.00</b>
<b>OFFSETS TO INCOME</b>									
7100.0 Vacancy Allowance	0.00	-202.58	202.58	100.0	0.00	-810.32	810.32	100.0	-2,431.00
<b>TOTAL OFFSETS</b>	<b>0.00</b>	<b>-202.58</b>	<b>202.58</b>	<b>100.0</b>	<b>0.00</b>	<b>-810.32</b>	<b>810.32</b>	<b>100.0</b>	<b>-2,431.00</b>
<b>TOTAL INCOME AFTER O</b>	<b>9,991.57</b>	<b>9,958.77</b>	<b>32.80</b>	<b>0.33</b>	<b>39,818.57</b>	<b>39,835.08</b>	<b>-16.51</b>	<b>-0.04</b>	<b>119,505.00</b>
<b>OPERATING EXPENSES</b>									
<b>OPERATING &amp; MAINTENANCE</b>									
<b>MAINTENANCE &amp; REPAIRS PAYR</b>									
8045.0 Payroll-Maintenance Pe	516.00	333.33	-182.67	-54.80	2,761.00	1,333.32	-1,427.68	-107.0	4,000.00
8050.0 Payroll-Gas/Travel Allo	0.00	0.00	0.00	0	30.49	0.00	-30.49	0	0.00
<b>TOTAL MAINTENANCE &amp; RE</b>	<b>516.00</b>	<b>333.33</b>	<b>-182.67</b>	<b>-54.80</b>	<b>2,791.49</b>	<b>1,333.32</b>	<b>-1,458.17</b>	<b>-109.3</b>	<b>4,000.00</b>
<b>MAINTENANCE &amp; REPAIRS SUP</b>									
8075.0 R&M Building Supplies	462.97	225.00	-237.97	-105.7	626.79	900.00	273.21	30.36	2,700.00
8080.0 R&M-Heating & Air Sup	0.00	225.00	225.00	100.0	43.06	900.00	856.94	95.22	2,700.00
8085.0 R&M-Plumbing Supplie	553.66	225.00	-328.66	-146.0	3,897.32	900.00	-2,997.32	-333.0	2,700.00
8090.0 R&M-Appliance Supplie	169.00	225.00	56.00	24.89	175.41	900.00	724.59	80.51	2,700.00
<b>TOTAL MAINTENANCE &amp; RE</b>	<b>1,185.63</b>	<b>900.00</b>	<b>-285.63</b>	<b>-31.74</b>	<b>4,742.58</b>	<b>3,600.00</b>	<b>-1,142.58</b>	<b>-31.74</b>	<b>10,800.00</b>
<b>UNIT TURNS</b>									
8135.0 Paint/Clean/Clean Carp	89.90	166.67	76.77	46.06	780.66	666.68	-113.98	-17.10	2,000.00
<b>TOTAL UNIT TURNS</b>	<b>89.90</b>	<b>166.67</b>	<b>76.77</b>	<b>46.06</b>	<b>780.66</b>	<b>666.68</b>	<b>-113.98</b>	<b>-17.10</b>	<b>2,000.00</b>
<b>GROUNDS</b>									
8160.0 Monthly Contracted Gr	550.00	550.00	0.00	0.00	2,200.00	2,200.00	0.00	0.00	6,600.00
8175.0 Grounds Supplies	0.00	83.33	83.33	100.0	0.00	333.32	333.32	100.0	1,000.00
<b>TOTAL GROUNDS</b>	<b>550.00</b>	<b>633.33</b>	<b>83.33</b>	<b>13.16</b>	<b>2,200.00</b>	<b>2,533.32</b>	<b>333.32</b>	<b>13.16</b>	<b>7,600.00</b>
<b>PEST CONTROL</b>									
8195.0 Pest Control Service	63.00	63.00	0.00	0.00	126.00	252.00	126.00	50.00	1,756.00
8200.0 Termite Service/Bond	0.00	0.00	0.00	0	585.00	585.00	0.00	0.00	585.00
<b>TOTAL PEST CONTROL</b>	<b>63.00</b>	<b>63.00</b>	<b>0.00</b>	<b>0.00</b>	<b>711.00</b>	<b>837.00</b>	<b>126.00</b>	<b>15.05</b>	<b>2,341.00</b>
<b>OTHER OPERATING EXPENSES</b>									
8220.0 Outside Services	0.00	8.33	8.33	100.0	0.00	33.32	33.32	100.0	100.00
<b>TOTAL OTHER OPERATING</b>	<b>0.00</b>	<b>8.33</b>	<b>8.33</b>	<b>100.0</b>	<b>0.00</b>	<b>33.32</b>	<b>33.32</b>	<b>100.0</b>	<b>100.00</b>
<b>TOTAL OPERATING &amp; MAIN</b>	<b>2,404.53</b>	<b>2,104.66</b>	<b>-299.87</b>	<b>-14.25</b>	<b>11,225.73</b>	<b>9,003.64</b>	<b>-2,222.09</b>	<b>-24.68</b>	<b>26,841.00</b>
<b>UTILITIES</b>									
8255.0 Utilities-Electricity	197.79	233.33	35.54	15.23	777.44	933.32	155.88	16.70	2,800.00
8260.0 Utilities-Water	356.30	333.33	-22.97	-6.89	1,541.08	1,333.32	-207.76	-15.58	4,000.00
8265.0 Utilities-Sewer	699.90	416.67	-283.23	-67.97	3,025.48	1,666.68	-1,358.80	-81.53	5,000.00
8275.0 Utilities-Sanitation	165.00	233.33	68.33	29.28	670.00	933.32	263.32	28.21	2,800.00
<b>TOTAL UTILITIES</b>	<b>1,418.99</b>	<b>1,216.66</b>	<b>-202.33</b>	<b>-16.63</b>	<b>6,014.00</b>	<b>4,866.64</b>	<b>-1,147.36</b>	<b>-23.58</b>	<b>14,600.00</b>

**Budget Comparison (Cash)  
Whispering Pines - (480)  
April 2017**

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	MTD Actual	MTD Budget	\$ Var.	% Var.	YTD Actual	YTD Budget	\$ Var.	% Var.	Annual
<b>ADMINISTRATIVE</b>									
8310.0 Site Management Payro	600.95	781.00	180.05	23.05	2,333.94	3,124.00	790.06	25.29	9,372.00
8315.0 Management Fees	1,176.00	1,176.00	0.00	0.00	4,560.00	4,704.00	144.00	3.06	14,112.00
8320.0 Accounting/Auditing Fe	0.00	0.00	0.00	0	3,680.00	3,700.00	20.00	0.54	3,700.00
8325.0 Legal Expenses	61.30	16.67	-44.63	-267.7	167.30	66.68	-100.62	-150.9	200.00
8330.0 Advertising	0.00	4.17	4.17	100.0	0.00	16.68	16.68	100.0	50.00
8335.0 Telephone	6.62	133.33	126.71	95.03	592.90	533.32	-59.58	-11.17	1,600.00
8340.0 Office Supplies	63.13	83.33	20.20	24.24	153.82	333.32	179.50	53.85	1,000.00
8350.0 Computer Equipment,	42.67	58.75	16.08	27.37	336.69	235.00	-101.69	-43.27	705.00
8360.0 Training Expenses	9.00	50.92	41.92	82.33	36.00	203.68	167.68	82.33	611.00
8365.0 Group Health Insurance	14.10	6.25	-7.85	-125.6	36.66	25.00	-11.66	-46.64	75.00
8370.0 Retirement Plan Expen	1.84	6.25	4.41	70.56	1.84	25.00	23.16	92.64	75.00
8375.0 Payroll Taxes-FICA	90.14	82.50	-7.64	-9.26	394.47	330.00	-64.47	-19.54	990.00
8380.0 Unemployment Taxes	12.71	9.17	-3.54	-38.60	64.42	36.68	-27.74	-75.63	110.00
8385.0 Workmans Compensati	0.00	33.33	33.33	100.0	500.75	133.32	-367.43	-275.6	400.00
8390.0 Bank Charges/Fees	0.00	0.00	0.00	0	24.68	0.00	-24.68	0	0.00
8405.0 Postage & Shipping	0.00	0.00	0.00	0	52.59	0.00	-52.59	0	0.00
8410.0 Professional Services/F	300.00	25.00	-275.00	-1,100	300.00	100.00	-200.00	-200.0	300.00
<b>TOTAL ADMINISTRATIVE</b>	<b>2,378.46</b>	<b>2,466.67</b>	<b>88.21</b>	<b>3.58</b>	<b>13,236.06</b>	<b>13,566.68</b>	<b>330.62</b>	<b>2.44</b>	<b>33,300.00</b>
<b>TAXES &amp; INSURANCE</b>									
8440.0 Taxes-Real Estate	0.00	0.00	0.00	0	0.00	0.00	0.00	0	13,000.00
8445.0 Licenses & Permits	0.00	20.83	20.83	100.0	109.37	83.32	-26.05	-31.27	250.00
8450.0 Property Insurance	0.00	0.00	0.00	0	4,971.00	5,550.00	579.00	10.43	5,550.00
8460.0 EPL Insurance	0.00	12.50	12.50	100.0	0.00	50.00	50.00	100.0	150.00
<b>TOTAL TAXES &amp; INSURANC</b>	<b>0.00</b>	<b>33.33</b>	<b>33.33</b>	<b>100.0</b>	<b>5,080.37</b>	<b>5,683.32</b>	<b>602.95</b>	<b>10.61</b>	<b>18,950.00</b>
8510.0 Replacement Reserve P	546.00	545.75	-0.25	-0.05	2,184.00	2,183.00	-1.00	-0.05	6,549.00
<b>TOTAL OPERATING EXPE</b>	<b>6,747.98</b>	<b>6,367.07</b>	<b>-380.91</b>	<b>-5.98</b>	<b>37,740.16</b>	<b>35,303.28</b>	<b>-2,436.88</b>	<b>-6.90</b>	<b>100,240.00</b>
<b>OPERATING INCOME BEFORE D</b>	<b>3,243.59</b>	<b>3,591.70</b>	<b>-348.11</b>	<b>-9.69</b>	<b>2,078.41</b>	<b>4,531.80</b>	<b>-2,453.39</b>	<b>-54.14</b>	<b>19,265.00</b>
<b>DEBT SERVICE</b>									
8805.0 Rural Development Pay	1,391.02	1,391.00	-0.02	0.00	5,564.08	5,564.00	-0.08	0.00	16,692.00
<b>TOTAL DEBT SERVICE</b>	<b>1,391.02</b>	<b>1,391.00</b>	<b>-0.02</b>	<b>0.00</b>	<b>5,564.08</b>	<b>5,564.00</b>	<b>-0.08</b>	<b>0.00</b>	<b>16,692.00</b>
<b>OPERATING INCOME AFTER DE</b>	<b>1,852.57</b>	<b>2,200.70</b>	<b>-348.13</b>	<b>-15.82</b>	<b>-3,485.67</b>	<b>-1,032.20</b>	<b>-2,453.47</b>	<b>-237.6</b>	<b>2,573.00</b>
<b>REPLACEMENT RESERVE</b>									
8910.0 1% Building Repair & I	1,993.99	350.00	-1,643.99	-469.7	1,993.99	1,400.00	-593.99	-42.43	4,200.00
8915.0 1% Equipment Repair &	0.00	375.00	375.00	100.0	2,763.83	1,500.00	-1,263.83	-84.26	4,500.00
<b>TOTAL REPLACEMENT RES</b>	<b>1,993.99</b>	<b>725.00</b>	<b>-1,268.99</b>	<b>-175.0</b>	<b>4,757.82</b>	<b>2,900.00</b>	<b>-1,857.82</b>	<b>-64.06</b>	<b>8,700.00</b>
8945.0 Reserve Payments Adjustm	-546.00	0.00	546.00	0	-2,184.00	0.00	2,184.00	0	0.00
<b>NET</b>	<b>404.58</b>	<b>1,475.70</b>	<b>-1,071.12</b>	<b>-72.58</b>	<b>-6,059.49</b>	<b>-3,932.20</b>	<b>-2,127.29</b>	<b>-54.10</b>	<b>-6,127.00</b>



United States Department of Agriculture

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December 14, 2016

Investors Management Company  
3548 North Crossing Circle  
Valdosta, GA 31602

RE: Pearson Elderly Housing, LTD., LP

The following information is enclosed for the 2017 budget year:

- Form RD 3560-7, "Multiple Family Housing Budget" approved.
- Rent/Utility allowance- increase approval letter.
- Approved Management Certification, Form RD 3560-13.
- Approved renewal of Servicing Workout Plan (SWP)

The following items are noted:

1. The reserve account appears to be on track.
2. The property appears to be well maintained.
3. Management Fee will be 49.00 POU/Month

Should you have any questions regarding the above documents, please advise.

Sincerely,

WANDA F. HYNKO  
Area Specialist  
For: Jeanmarie F. DeLoach, Acting Area Director  
USDA, Rural Development

Enclosures



December 14, 2016

Investors Management Company  
3548 North Crossing Circle  
Valdosta, GA 31602

Re: NOTICE OF APPROVED RENT (OCCUPANCY CHARGE) AND UTILITY ALLOWANCE CHANGE

You are hereby notified that Rural Development has reviewed the request for a change in shelter costs for the **Pearson Elderly Housing, LTD., LP** project(s), and considered all justifications provided by project management [and comments provided by tenants]. The Rural Development has approved the following rent (occupancy charge) and/or utility allowance rates listed below. The changes for all units will become effective on **January 1, 2017** or later effective date in accordance with state or local laws.

The approved changes are as follows:

Unit Size	Present Rent (Occupancy Charge)		Approved Rent (Occupancy Charge)	
	Basic	Note Rate	Basic	Note Rate
1-Bedroom	\$422	\$567	\$422	\$567

The approved utility allowance changes are as follows:

Unit Size	Present Utility Allowance	Approved Utility Allowance
1-Bedroom	\$92	\$92

Should you have any questions or concerns, you may contact Rural Development. The Rural Development Servicing Office address is: 703 E. Ward Street, Douglas, GA 31533

You must notify the tenants (members) of Rural Development's approval of the rent (occupancy charge) and utility allowance changes by posting this letter in the same manner as the "NOTICE TO TENANTS (MEMBERS) OR PROPOSED RENT (OCCUPANCY CHARGE) AND UTILITY ALLOWANCE CHANGE." This notification must be posted in a conspicuous place and cannot be substituted for the usual written notice to each individual tenant (member). This approval does not authorize you to violate the terms of any lease (occupancy agreement) you currently have with your tenants (members).

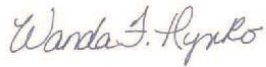
For those tenants (members) receiving rental assistance (RA), their costs for rent (occupancy charge) and utilities will continue to be based on the higher of 30 percent of their adjusted monthly income or 10 percent of gross monthly income or if the household is receiving payments for public assistance from a public agency, the portion of such payments which is specifically designated by that agency to meet the household's shelter cost. If tenants are receiving Housing and Urban Development (HUD) Section 8 subsidy assistance, their costs for rent and utilities will be determined by the current HUD formula.

You may file an appeal regarding the rate and utility allowance change as approved. An appeal must be received in the Regional Office no later than 30 calendar days after receipt of the adverse decision. The appeal should state what agency decision is being appealed and should include, if possible, a copy of the adverse decision and a brief statement of why the decision is wrong. A copy of the appeal request should be sent to the agency.

You must inform the tenants (members) of their right to request an explanation of the rate and utility allowance change approval decision within 45 days of the date of this notice by writing to **(JEANMARIE F. DELOACH, ACTING A.D., USDA/RD, DOUGLAS SERVICE CENTER, 703 EAST WARD STREET, DOUGLAS, GA 31533-0311, (912) 384-4811)**. All tenants (members) are required to pay the changed amount of rent (occupancy charge) as indicated in the notice of approval.

Any tenant who does not wish to pay the Rural Development approved rent changes may give the owner a 30-day notice that they will vacate. The tenant will suffer no penalty as a result of this decision to vacate, and will not be required to pay the changed rent. However, if the tenant later decides to remain in the unit, the tenant will be required to pay the changed rent from the effective date of the changed rent.

Sincerely,



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WANDA F. HYNKO, Area Specialist  
For: Jeanmarie F. DeLoach, Acting Area Director  
USDA/Rural Development

Proposed Budget

Project Name:	WHISPERING PINES APT
Borrower Name:	PEARSON EL HSG LTD
Borrower ID and Project No:	517421109 01-8
Date of Operation:	01/24/1991

Loan/Transfer Amount:	
Note Rate Payment:	
IC Payment:	\$1,391.02

Reporting Period

Annual

Quarterly

Monthly

Budget Type

Initial

Regular Report

Rent Change

SMR

Other Servicing

Project Rental Type

Family

Elderly

Congregate

Group Home

Mixed LH

Profit Type

Full Profit

Limited Profit

Non-Profit

I hereby request \_\_\_ units of RA. Current number of RA units: 24 .

The following utilities are master metered:

Gas

Electricity

Water

Sewer

Trash

Other

Borrower Accounting Method

Cash

Accrual

Project Name: WHISPERING PINNS APT State: 10 Servicing Office: 606 County: 2  
 Borrower Name: PEARSON BL HSG LTD Borr ID: 537421109 Prj Nbr: 01-8 Paid Code: Active  
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 TRANSMITD Totals: By Project Analyzed: Y

Item	Current Budget	Actual	Proposed Budget	Comment
Effective Dates:	01/01/2016	01/01/2016	01/01/2017	
Ending Dates:	12/31/2016	12/31/2016	12/31/2017	
<b>PART I - CASH FLOW STATEMENT</b>				
<b>Operational Cash Sources</b>				
1. Rental Income	121,536.00		121,536.00	25 REN PROJ U
2. RRS Rental Assist. Received				
3. Application Fee Received				
4. Laundry And Vending	0.00		0.00	
5. Interest Income	0.00		0.00	
6. Tenant Charges	400.00		400.00	
7. Other - Project Sources	0.00		0.00	
8. Less (Vncy @ Cntncy Allow)	2,431.00		2,431.00	2*
9. Less (Agency Apprd Incentv)	0.00		0.00	
10. Sub-Ttl [(1 thru 7)-{8+9}]	119,505.00		119,505.00	
<b>Non-Operational Cash Sources</b>				
11. Cash - Roc Project	0.00		0.00	
12. Authorized Loan (Non-RRS)	0.00		0.00	
13. Transfer From Reserve	8,700.00		8,700.00	
14. Sub-Total (11 thru 13)	8,700.00		8,700.00	
15. Total Cash Sources (10+14)	128,205.00		128,205.00	
<b>Operational Cash Uses</b>				
16. Ttl O&M Exp (From Part II)	92,941.00		92,941.00	
17. RRS Debt Payment	16,692.00		16,692.00	
18. RRS Payment (Overage)				
19. RRS Payment (Late Fee)				
20. Request In Prior Yr Byles				
21. Tenant Utility Payments				
22. Transfer to Reserve	6,549.00		6,549.00	
23. RTK Owner/NS Asset Mgt Fee	1,620.00		1,620.00	2016 RTO TO BE PAID IN 2017
24. Sub-Total (16 thru 23)	117,802.00		116,552.00	
<b>Non-Operational Cash Uses</b>				
25. Authzd Debt Pyamt (Roc:RES)	0.00		0.00	
26. Capital Budget (III 4-6)	8,700.00		8,700.00	
27. Miscellaneous	0.00		0.00	
28. Sub-Total (25 thru 27)	8,700.00		8,700.00	
29. Total Cash Uses (24+28)	126,502.00		127,252.00	
30. Net (Deficit) (15-29)	1,703.00		953.00	
<b>Cash Balance</b>				
31. Beginning Cash Balance	18,956.27		20,659.27	
32. Accrual To Cash Adjustment				
33. Ending Cash Bal (30+31+32)	20,659.27		21,612.27	

Project Name: WHISPERING PINES AP1 State: 10 Servicing Office: 606 County: 2  
 Borrower Name: FRANKSON RD HSG 1000 Borr ID: 537421109 Prj Nbr: 01-8 Paid Code: Active  
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 TRANSMITT Totals: By Project Analyzed: Y

Item	Current Budget	Actual	Proposed Budget	Comment
Effective Dates:	01/01/2016	01/01/2016	01/01/2017	
Ending Dates:	12/31/2016	12/31/2016	12/31/2017	
<b>PART II - O&amp;M EXPENSE SCHEDULE</b>				
1. Maint. @ Repairs Payroll	5,000.00		4,000.00	
2. Maint. @ Repairs Supply	8,000.00		10,800.00	
3. Maint. @ Repairs Contract	0.00		0.00	
4. Painting	2,200.00		2,000.00	
5. Snow Removal	0.00		0.00	
6. Elevator Maint./Contract	0.00		0.00	
7. Grounds	7,600.00		7,600.00	550/M + 1000
8. Services	2,341.00		2,341.00	63/MPBESTCONTROL+585TERMITBOND +1009BEDBUGCONTINGENCY
9. Cptl Bgt(Part V operating)	0.00		0.00	
10. Other Operating Expenses	100.00		100.00	UA CALC FEE
11. Sub-Ttl O&M (1 thru 10)	25,941.00		26,041.00	
12. Electricity	3,500.00		2,800.00	
13. Water	4,000.00		4,000.00	
14. Sewer	4,900.00		5,000.00	
15. Fuel (Oil/Coal/Gas)	0.00		0.00	
16. Garbage @ Trash Removal	3,000.00		3,000.00	
17. Other Utilities	0.00		0.00	
18. Sub-Ttl Util. (12 thru 17)	14,500.00		14,600.00	
19. State Management Payroll	8,400.00		9,372.00	700/M (3% INC)
20. Management Fee	13,535.00		14,112.00	\$49X24UX12M
21. Project Auditing Expense	4,200.00		3,700.00	
22. Proj. Bookkeeping/Accounting	0.00		0.00	
23. Legal Expenses	200.00		200.00	
24. Advertising	300.00		50.00	
25. Phone @ Answering Service	1,850.00		1,600.00	
26. Office Supplies	1,250.00		2,000.00	
27. Office Furniture @ Equip.	700.00		700.00	42.67/MCOMPSSUPPORD+1.63YARDI+25 EMAILLACCT
28. Training Expense	500.00		611.00	
29. Health Ins. @ Other Benefits	200.00		150.00	
30. Payroll Taxes	1,400.00		1,100.00	
31. Workmans Compensation	550.00		400.00	
32. Other Admin. Expenses	300.00		300.00	PROP TAX CONSULTANT
33. Sub-Ttl Admin (19 thru 32)	33,300.00		33,300.00	
34. Real Estate Taxes	13,500.00		13,000.00	
35. Special Assessments	0.00		0.00	
36. Othr Taxes, Licenses, Permits	250.00		250.00	RMG FEE
37. Property @ Liability Ins.	5,400.00		5,550.00	222/U (3% INC)
38. Fidelity Coverage Ins.	0.00		0.00	
39. Other Insurance	150.00		150.00	FPL INS.
40. Sub-Ttl Tx/In (34 thru 39)	19,300.00		18,950.00	
41. Ttl O&M Exps (11-18+33+40)	92,941.00		93,691.00	



Proposed Budget

Project Name: WHISPERING PINES APD State: 10 Servicing Office: 606 County: 2  
 Borrower Name: PEARSON RL HSG LMD Borr ID: 537421109 Prj Nbr: 01-8 Paid Code: Active  
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 TRANSMITD Totals: By Project Analyzed: Y

Item	Current Budget	Actual	Proposed Budget	Comment
Effective Dates:	01/01/2016	01/01/2016	01/01/2017	
Ending Dates:	12/31/2016	12/31/2016	12/31/2017	
<b>PART III - ACCT BUDGET/STATUS</b>				
<b>Reserve Account</b>				
1. Beginning Balance	40,389.19		38,237.19	
2. Transfer to Reserve	6,549.00		6,549.00	\$546/M
<b>Transfer From Reserve</b>				
3. Operating Deficit	0.00		0.00	
4. Cptl Bgt (Part V reserve)	8,700.00		8,700.00	
5. Building & Equip Repair	0.00		0.00	
6. Othr Non-Operating Expenses	0.00		0.00	
7. Total (3 thru 6)	8,700.00		8,700.00	
8. Ending Balance [(1+2)-7]	38,237.19		36,086.15	
<b>General Operating Account</b>				
Beginning Balance				
Ending Balance				
<b>Real Estate Tax And Ins Escrow</b>				
Beginning Balance				
Ending Balance				
<b>Tenant Security Deposit Acct</b>				
Beginning Balance				
Ending Balance				
Number of Applicants on Waiting List	0	Reserve Acct. Req. Balance	29,306.56	
Number of Applicants Needing RA		Amount Ahead/behind	16,186.36	

Project Name: WHISPERING PINES APT State: IC Servicing Office: 606 County: 2  
 Borrower Name: PEARSON EL HSC LTD Bolt ID: 537421109 Proj Nbr: 01-8 Paid Code: Active  
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 TRANSMITD Totals By Project Analyzed: Y

PART IV RENT SCHEDULE												
A. CURRENT APPROVED RENTS/UTILITY ALLOWANCE: 01/01/2016												
Unit Description						Rental Rates			Potential Income From Each Rate			Utility
Type	Size	HC	Rev	Unit	Number	Basic	Note	HUD	Basic	Note	HUD	Allowance
N	1	All			24	422	567	0	121,536	163,296	0	92
CURRENT RENT TOTALS									121,536	163,296	0	

EFFECTIVE DATE OF RENTS/UTILITY ALLOWANCE: 01/01/2016												
Unit Description					Utility Types							Total Allow
Type	Size	HC	Rev	Unit	Elect	Gas	Sewer	Trash	Other			
N	1	All			92	0	0	0	0			92

B. PROPOSED CHANGE OF RENTS/UTILITY ALLOWANCE: 01/01/2017												
Unit Description						Rental Rates			Potential Income From Each Rate			Utility
Type	Size	HC	Rev	Unit	Number	Basic	Note	HUD	Basic	Note	HUD	Allowance
N	1	All			24	422	567	0	121,536	163,296	0	92
PROPOSED RENT TOTALS									121,536	163,296	0	

EFFECTIVE DATE OF RENTS/UTILITY ALLOWANCE: 01/01/2017												
Unit Description					Utility Types							Total Allow
Type	Size	HC	Rev	Unit	Elect	Gas	Sewer	Trash	Other			
N	1	All			92	0	0	0	0			92

Proposed Budget

Project Name: WHISPERING PINES APT State: 10 Servicing Office: 606 County: 2  
 Borrower Name: PEARSON M. HSG LTD Borr ID: 537421103 Prj Nbr: 01-8 Paid Code: Active  
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 TRANSMITE Totals: By Project Analyzed: Y

Item	Proposed Number Units/Items	Proposed From Reserve	Actual From Reserve	Proposed From Operating	Actual From Operating	Actual Total Cost	Total Actual Units/Items
Effective Dates:	01/01/2016	01/01/2017	01/01/2016	01/01/2017	01/01/2016	01/01/2016	01/01/2016
Ending Dates:	12/31/2016		12/31/2016		12/31/2016	12/31/2016	12/31/2016
<b>ANNUAL CAPITAL BUDGET</b>							
<b>Appliances</b>							
Appliances - Range	1	500.00	0.00	0.00	0.00	0.00	0
Appliances - Refrigerator	2	1,000.00	0.00	0.00	0.00	0.00	0
Appliances - Range Hood	0	0.00	0.00	0.00	0.00	0.00	0
Appliances - Washers & Dryers	0	0.00	0.00	0.00	0.00	0.00	0
Appliances - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet and Vinyl</b>							
Carpet & Vinyl - 1 Br.	3	4,200.00	0.00	0.00	0.00	0.00	0
Carpet & Vinyl - 2 Br.	0	0.00	0.00	0.00	0.00	0.00	0
Carpet & Vinyl - 3 Br.	0	0.00	0.00	0.00	0.00	0.00	0
Carpet & Vinyl - 4 Br.	0	0.00	0.00	0.00	0.00	0.00	0
Carpet & Vinyl - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets</b>							
Cabinets - Kitchens	0	0.00	0.00	0.00	0.00	0.00	0
Cabinets - Bathroom	0	0.00	0.00	0.00	0.00	0.00	0
Cabinets - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors</b>							
Doors - Exterior	0	0.00	0.00	0.00	0.00	0.00	0
Doors - Interior	0	0.00	0.00	0.00	0.00	0.00	0
Doors - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings</b>							
Window Coverings - Detail	0	0.00	0.00	0.00	0.00	0.00	0
Window Coverings - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heat and Air Conditioning</b>							
Heat & Air - Heating	0	0.00	0.00	0.00	0.00	0.00	0
Heat & Air - Air Conditioning	0	2,000.00	0.00	0.00	0.00	0.00	0
Heat & Air - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing</b>							
Plumbing - Water Heater	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing - Bath Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing - Kitchen Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing - Faucets	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing - Toilets	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical</b>							
Major Electrical - Detail	0	0.00	0.00	0.00	0.00	0.00	0
Major Electrical - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Structures</b>							
Structures - Windows	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Screens	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Walls	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Roofing	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Siding	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Exterior Painting	0	0.00	0.00	0.00	0.00	0.00	0
Structures - Other	0	0.00	0.00	0.00	0.00	0.00	0

Proposed Budget

Project Name: WHISPERING PINES APT State: 10 Servicing Office: 606 County: 2  
 Borrower Name: PEARSON EL HSG LTD Borr ID: 337421103 Prj Mbr: 01-6 Paid Code: Active  
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 TRANSMITD Totals: By Project Analyzed: Y

Item	Proposed Number Units/Items	Proposed From Reserve	Actual From Reserve	Proposed From Operating	Actual From Operating	Actual Total Cost	Total Actual Units/Items
Effective Dates:	01/01/2016	01/01/2017	01/01/2016	01/01/2017	01/01/2016	01/01/2016	01/01/2016
Ending Dates:	12/31/2016		12/31/2016		12/31/2016	12/31/2016	12/31/2016
<b>Paving</b>							
Paving - Asphalt	0	0.00	0.00	0.00	0.00	0.00	0
Paving - Concrete	0	0.00	0.00	0.00	0.00	0.00	0
Paving - Seal and Stripe	0	0.00	0.00	0.00	0.00	0.00	0
Paving - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Landscape and Grounds</b>							
LndscpsGrnds - Landscaping	0	0.00	0.00	0.00	0.00	0.00	0
LndscpsGrnds - Lawn Equipment	0	0.00	0.00	0.00	0.00	0.00	0
LndscpsGrnds - Pencil	0	0.00	0.00	0.00	0.00	0.00	0
LndscpsGrnds - Recreation Area	0	0.00	0.00	0.00	0.00	0.00	0
LndscpsGrnds - Signs	0	0.00	0.00	0.00	0.00	0.00	0
LndscpsGrnds - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Accessibility Features</b>							
Accessibility Features - Detail	0	0.00	0.00	0.00	0.00	0.00	0
Accessibility Features - Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Automation Equipment</b>							
Automation Equip. -Site Mngt.	0	0.00	0.00	0.00	0.00	0.00	0
Automation Equip. -Common Area	0	0.00	0.00	0.00	0.00	0.00	0
Automation Equip. -Other	0	0.00	0.00	0.00	0.00	0.00	0
<b>Other</b>							
List: ?	0	0.00	0.00	0.00	0.00	0.00	0
List: ?	0	0.00	0.00	0.00	0.00	0.00	0
List: ?	0	0.00	0.00	0.00	0.00	0.00	0
<b>Total Capital Expenses</b>	<b>0</b>	<b>8,700.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>

Report: FIN1000

Multi-Family Information System (MFIS)

Date: 11/10/2016

Proposed Budget

Page: 8 of 9

Project Name: WHISPERING PINES APT	State: 10	Servicing Office: 606	County: 2
Borrower Name: PEARSON EL HSG LTD	Borr ID: 537421109	Prj Nbr: 01-8	Paid Code: Active
Classification: A	Fiscal Year: 2017	Version: 01/01/2017 TRANSMITD	Totals: By Project Analyzed: Y

Part VI - SIGNATURES, DATES AND COMMENTS

Warning	Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representation, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.
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I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

_____ (Date Submitted)	INVESTORS MANAGEMENT COMPANY (Management Agency)	MA724114 (MA#)
---------------------------	---	-------------------

_____ (Date)	_____ (Signature of Borrower or Borrower's Representative)
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\_\_\_\_\_  
(Title)

<i>Wanda J. Alonzo, Area Specialist</i> Agency Approval (Rural Development Approval Official):	<i>12/14/16</i> (Date)
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Project Name: WHISPERING PINES APT	State: 10	Servicing Office: 606	County: 2
Borrower Name: PEARSON RL HSC LTD	Boor ID: 537421109	Prj Nbr: 01-8	Boor Code: Active
Classification: A	Fiscal Year: 2017	Version: 01/01/2017 TRANSMITE	Total: By Project: Analyzed: Y

## SPVS Comment:

Batched/ U 092016/ U 111016

## Narrative:

A) Whispering Pines is a 25 unit elderly complex in Pearson, GA. The property has 24 1-br units and 1 2-br unit. The 2-br unit is changed from a revenue-producing unit to a non-revenue producing manager's unit effective 1/1/15. The property has 24 RA units. The property has stable occupancy. B) The property is in compliance with its loan agreement and RD regulations. The property is in compliance with its 504 accessibility plan. C) The property's financial status is stable. The 1% reserve is at or ahead of the required funding. The actual balance, however, is lower than desired for a property this size and age. D) There are no expense category subtotals that exceed the tolerance threshold of 10%. Administrative Expenses are 27% of Gross Potential and are within the 27% threshold used by the state of Georgia. E) 2017 projected capital expenditures and reserve withdrawal: Replacement of appliances, Carpet and vinyl, HVAC unit. Estimate \$8,700. Projected capital needs 2018-2020: Replacement of appliances, Carpet and vinyl, HVAC units, Roof repairs, Sewer main repair (in cooperation with city). Estimate \$25,000. F) The 2017 proposed budget does not include a rent increase. We are not proposing a change in the utility allowance. We are requesting an increase in the current management fee from \$47 per unit per month to \$49 per unit per month. The property is well maintained and is in stable financial condition. The 1% reserve is at or ahead of its required balance and the property is in compliance with its loan agreement and RD regulations.

RECEIVED

FORM RD 3560-13  
(Rev. 12-08)

SEP 26 2016

FORM APPROVED  
OMB NO 0575-0189

USDA/RURAL DEVELOPMENT  
DOUGLAS, GA  
MULTI-FAMILY PROJECT BORROWER'S/MANAGEMENT AGENT'S  
MANAGEMENT CERTIFICATION

Borrowers of multifamily housing loans are required by 7 C.F.R. §3560.102 (j) to submit certain data for review by the Servicing Official for approval of a new management agent. These requirements apply to all multifamily projects.

Effective Date (xx-xx-20xx): 01-01-2017

Project Name: Whispering Pines Apartments Borrower Case# /Project ID: 01-8

City/State: Pearson, Georgia

Acting on behalf of Pearson Elderly Housing, Ltd., the project borrower (Borrower), and Investors Management Co., the management agent (Agent), make the following certifications and agreements to the United States Department of Agriculture regarding management of the above project.

1. We certify that:

- a. We will comply with Rural Development requirements and contract obligations, and agree that no payments have been made to the Borrower in return for awarding the management contract to the Agent, and that no such payments will be made in the future.
- b. We have executed or will execute, within 30 days a management agreement (Agreement) for this project. The Agreement provides that the Agent will manage the project for the term and for the Per Unit Per Month (PUPM) management fee described below. Changes in the management fee will be implemented only in accordance with Rural Development's requirements.

(1) Term of Agreement (xx-xx-20xx through xx-xx-20xx): 1/1/2017-1/1/2020

(2) Fees:

- a)  PUPM fee as specified in HB-2-3560, Attachment 3-F, as revised, for the term specified above (applied to revenue producing occupied units only).
- b)  PUPM fee is below the PUPM fee specified in HB-2-3560, Attachment 3-F, as revised, for the term specified above (applied to revenue producing occupied units only)  
Fee Amount: \$ \_\_\_\_\_
- c)  Add-On Fees as specified in HB-2-3560, Check all that apply. Include total add-on fees below. (applied to revenue producing occupied units only)
  - Management of properties with 15 units or less.
  - One project that has buildings located on different noncontiguous parcels of land (i.e. across town or in another town).
  - Management of properties in a remote location.
  - Troubled properties with workout plans and new management only.
- d. We will disburse management fees from project income only after:
  - (1) We have submitted this certification to Rural Development;
  - (2) Rural Development has approved the Agent to manage this project
- e. We understand that no fees may be earned or paid after Rural Development has terminated the Agreement
- e. If Rural Development notifies me of a management fee above that listed in HB-2-3560; Attachment 3-F the Agent will within 30 days of the notice either:
  - (1) Reduce the compensation to an amount Rural Development determines to be reasonable and
  - (2) Require the Agent to refund to the project all excessive fees collected, or
  - (3) Appeal the decision and abide by the results of the appeal process, making any required reductions and refunds within 30 days after the date of the decision letter on the appeal.

2. We will select and admit tenants, compute tenant rents and assistance payments, recertify tenants and carry out other subsidy contract administrative responsibilities in accordance with HB-2-3560 and Rural Development regulations.

*According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.*

3. We agree to:
- Comply with this project's Mortgage and Promissory Note, and Loan Agreement/Resolution or Workout Agreement.
  - Comply with Rural Development Handbooks and other policy directives that relate to the management of the project.
  - Comply with Rural Development requirements regarding payment and reasonableness of the management fee and the project account.
  - Refrain from purchasing goods or services from entities that have identity of interest with us unless the requirements of 7 C.F.R. §3560.102(g) are met.
4. The Agent agrees to:
- Ensure that all expenses of the project are reasonable and necessary.
  - Exert reasonable effort to maximize project income and to take advantage of discounts, rebates and similar money-saving techniques.
  - Obtain contracts, materials, supplies and services including the preparation of the annual financial reports on terms most advantageous to the project.
  - Credit the housing project with all discounts, rebates or commissions including any sales or property tax relief granted by the State or local government received.
  - Obtain the necessary verbal or written cost estimates and document reasons for accepting other than the lowest bid.
  - Maintain copies of the documentation and make such documentation available for inspection during normal business hours.
  - Invest project funds that Rural Development policies require to be invested and take reasonable effort to invest other project funds unless the Borrower specifically directs the Agent not to invest those funds.
5. We certify that the types of insurance policies checked below are enforceable and will be maintained to the best of our ability at all times. Fidelity bonds and hazard insurance policies will name Rural Development as co-payee in the event of loss. Note: for any box not checked, Rural Development may require an explanation as to why a certain type of insurance was not obtained.
- Fidelity bond or employee dishonesty coverage for:
    - all principals of the Agent and
    - all persons who participate directly or indirectly in the management or maintenance of the project and its assets, accounts and records.
  - Hazard insurance coverage required by 7 C.F.R. §3560.105.
  - Public liability insurance required by 7 C.F.R. §3560.105.
  - Other (specify) as may be required by 7 C.F.R. §3560.105.
6. The Agent agrees to:
- Furnish a written response to Rural Development's supervisory visit review reports, physical inspection reports, and written inquiries regarding the project's annual financial statements or monthly accounting reports within 30 days after receipt of the report or inquiry.
  - Establish and maintain the project's accounts, books and records in accordance with:
    - Rural Development's administrative requirements; and
    - Accounting principles under C.F.R. §3560.302(b).
7. We agree that:
- All records related to the operation of the project, regardless of where they are housed, shall be considered the property of the project.
  - Rural Development, the Office of Inspector General (OIG), and these agencies' representatives may inspect:
    - Any records which relate to the project's purchase of goods or services,
    - The records of the Borrower and the Agent, and
    - The records of companies having an identity-of-interest with the Borrower, Rural Development and the Agent.
  - The following clause will be included in any contract entered into with an identity-of-interest individual or business for the provision of goods or services to the project:

"Upon request by Rural Development, the Borrower or Agent, the contractor or the supplier will make available to Rural Development at a reasonable time and place, its records and records of identity-of-interest companies which relate to goods and services charged to the project. Records and information will be sufficient to permit Rural Development to determine the services performed, the dates the services were performed, the location at which the services were performed, the time consumed in providing the services, the charges made for materials, and the per unit and total charges levied for said services." **The Borrower agrees to request from the contractor or supplier such records within seven (7) days of receipt of Rural Development's request.**
8. We agree to include the following provisions in the Agreement and to be bound by them:



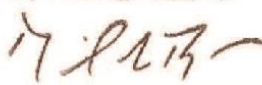
**Warnings:**


There are fines and imprisonment for anyone who makes false, fictitious, or fraudulent statements or entries in any matter within the jurisdiction of the Federal Government (18 U.S.C. 1001).

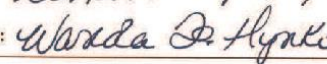
There are fines and imprisonment for anyone who misuses rents and proceeds in violation of Rural Development regulations relative to this project. (Section 543 of the Housing Act of 1949).

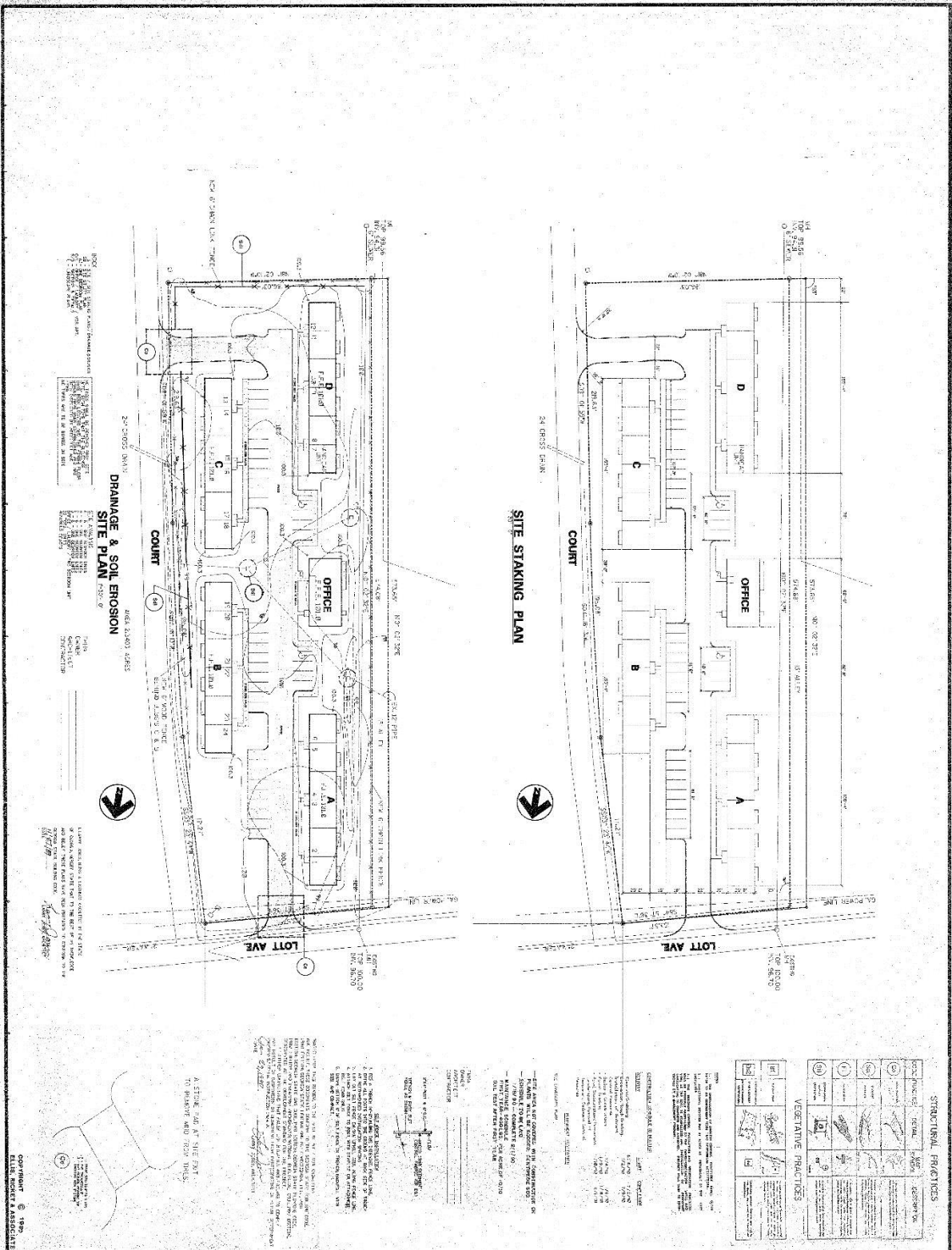
Rural Development may seek a "double damages" civil money damages remedy for the use of assets or income in violation of any Loan Agreement/Resolution or any applicable Rural Development regulations.

Rural Development may seek additional civil money penalties to be paid by the mortgagor through personal funds pursuant to 7 C.F.R. §3560.461(b). The penalties could be as much as \$50,000 per violation (Section 543 (b) of the Housing Act of 1949).

**By Project Borrower:** Pearson Elderly Housing, Ltd., LP  
**Name/Title:** David A. Brown  
**Signature:**  **Date:** 09-01-2016

**By Management Agent:** Investors Management Company  
**Name/Title:** Becky Watson  
**Signature:**  **Date:** 09-01-2016

**By Servicing Official:**  
**Name/Title:** Wanda F. Hynko, Area Specialist  
**Signature:**  **Date:** 12/14/14



PROJECT: [illegible]  
 SHEET: [illegible]  
 DATE: [illegible]

**DRAINAGE & SOIL EROSION  
SITE PLAN**

DATE: 10/24/88



**SITE STAKING PLAN**



**STRUCTURAL PRACTICES**

NO.	DESCRIPTION	LOCATION	REMARKS
1	...	...	...
2	...	...	...
3	...	...	...
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ALL WORK SHALL BE DONE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE FOLLOWING CODES AND SPECIFICATIONS:

1. THE 1988 INTERNATIONAL BUILDING CODE.
2. THE 1988 INTERNATIONAL PLUMBING CODE.
3. THE 1988 INTERNATIONAL MECHANICAL AND ELECTRICAL CODE.
4. THE 1988 INTERNATIONAL FIRE AND SAFETY CODE.
5. THE 1988 INTERNATIONAL SOIL AND WATER CONSERVATION CODE.
6. THE 1988 INTERNATIONAL SWEET'S BUILDING CODE.
7. THE 1988 INTERNATIONAL SWEET'S ELECTRICAL CODE.
8. THE 1988 INTERNATIONAL SWEET'S MECHANICAL CODE.
9. THE 1988 INTERNATIONAL SWEET'S PLUMBING CODE.
10. THE 1988 INTERNATIONAL SWEET'S ROOFING CODE.

A SITE PLAN SHALL BE SUBMITTED TO THE LOCAL HEALTH DEPARTMENT FOR REVIEW AND APPROVAL.

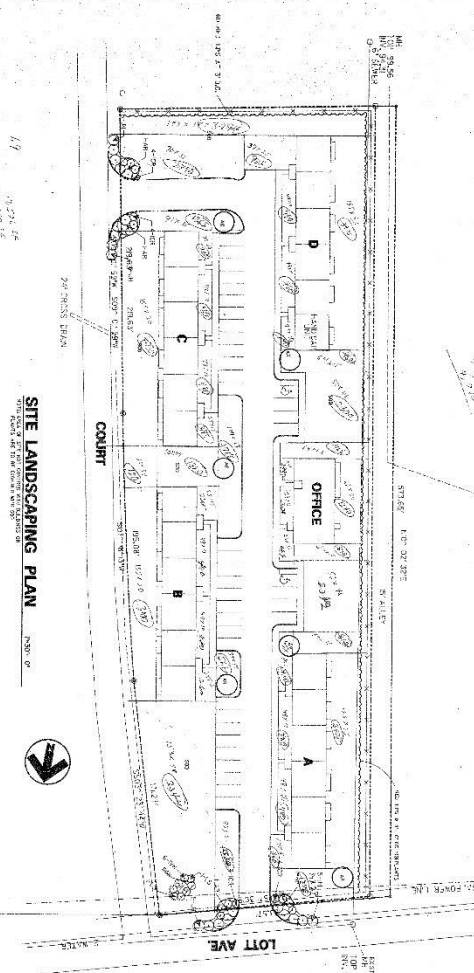
**ELLIS, RICKET & ASSOCIATES**  
**ARCHITECTS**  
 Post Office Box 2877    Valdosta, Georgia 31601    Telephone (912) 244-3556

WHISPERING PINES APARTMENTS  
 PERSON, GEORGIA

ERO    REV. 11/27/88  
 7-10-88  
 [Professional Seal]



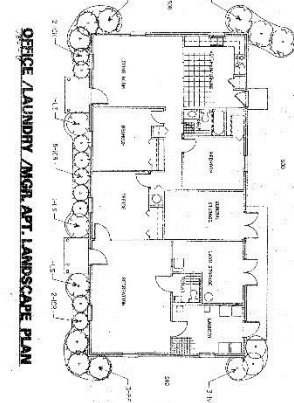
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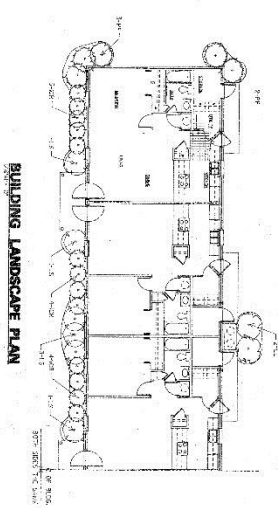
**SITE LANDSCAPING PLAN**

**PLANT MATERIALS SCHEDULE**

NO.	PLANT MATERIAL	QUANTITY	REMARKS
1	...	...	...
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**OFFICE/LAUNDRY/MGR. APT. LANDSCAPING PLAN**

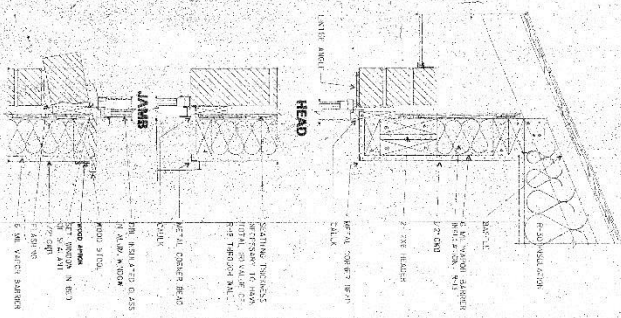


**BUILDING LANDSCAPING PLAN**

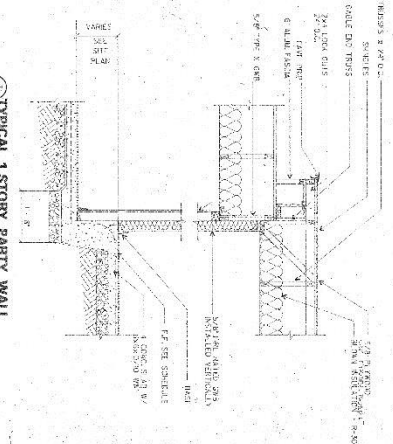
**ELLIS, RICKET & ASSOCIATES**  
**ARCHITECTS**  
 100 N. ...  
 WASHINGTON, D.C. 20001

NO.	DATE	DESCRIPTION
1	...	...
2	...	...
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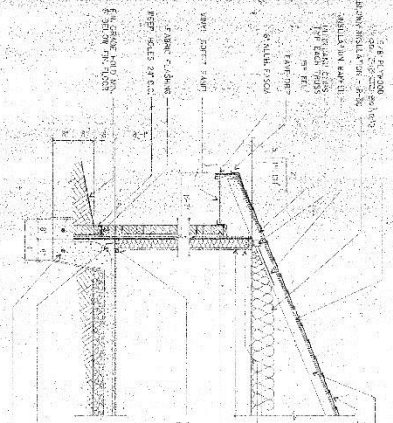
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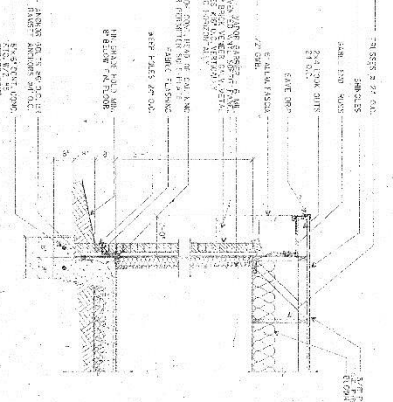
WINDOW DETAILS



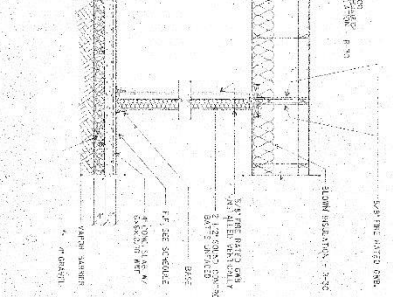
TYPICAL 1 STORY PARTY WALL  
BRICK CHIMNEY ELEVATION CHANGES



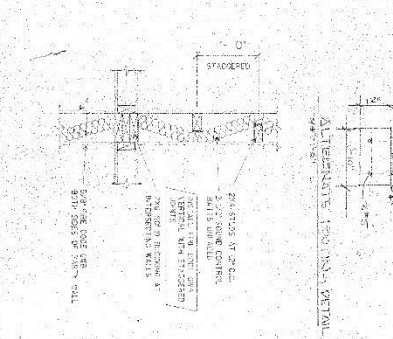
TYPICAL 1 STORY SIDE WALL



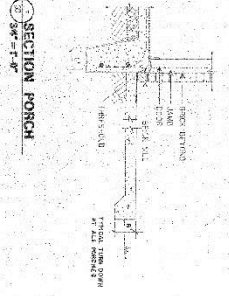
TYPICAL 1 STORY END WALL



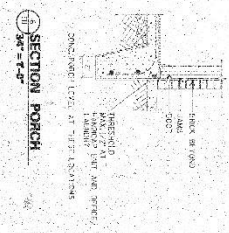
TYPICAL 1 STORY PARTY WALL



PLAN VIEW AT PARTY WALL



SECTION PORCH



SECTION PORCH

NO.	DATE	DESCRIPTION
1	7-10-62	PRELIMINARY
2	7-10-62	REVISED
3	7-10-62	REVISED
4	7-10-62	REVISED
5	7-10-62	REVISED
6	7-10-62	REVISED
7	7-10-62	REVISED
8	7-10-62	REVISED
9	7-10-62	REVISED
10	7-10-62	REVISED

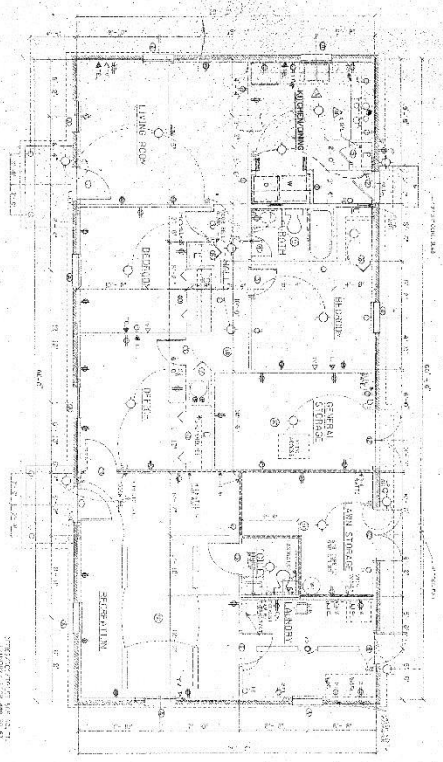
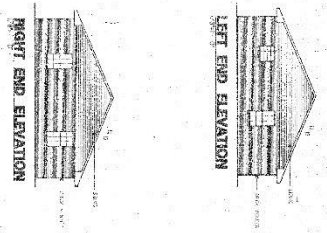
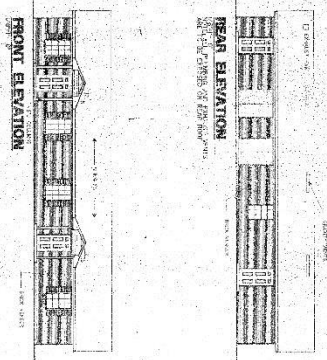
**ELLIS, RICKET & ASSOCIATES**  
**ARCHITECTS**  
 Post Office Box 2877 Valued, Georgia 31601 Telephone (912) 243-3958

**SD**  
 CONTRACT & ASSOCIATES  
 1000

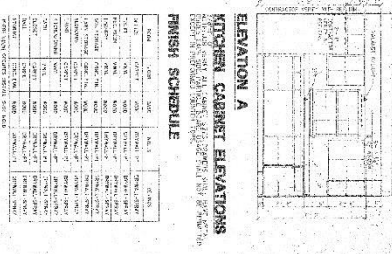


SECTIONS & DETAILS  
 PEABODY, GEORGIA





**FLOOR PLAN / OFFICE / LAUNDRY / MEN APT**  
 SCALE: 1/8" = 1'-0"  
 DATE: 10/15/55  
 DRAWN BY: [Name]  
 CHECKED BY: [Name]



**FINISH SCHEDULE**

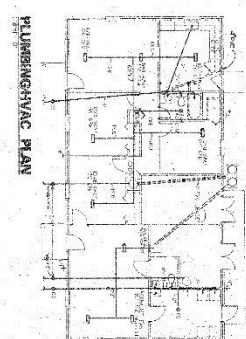
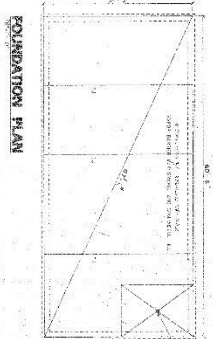
NO.	DESCRIPTION	QTY	UNIT	PRICE	TOTAL
1	WOOD PANELING	100	SQ. FT.	1.50	150.00
2	PAINT	100	SQ. FT.	0.50	50.00
3	CEILING	100	SQ. FT.	0.25	25.00
4	FLOORING	100	SQ. FT.	2.00	200.00
5	WALLS	100	SQ. FT.	0.75	75.00
6	DOORS	10	EA.	10.00	100.00
7	WINDOWS	10	EA.	15.00	150.00
8	PLUMBING	100	LF.	0.50	50.00
9	ELECTRICAL	100	LF.	0.75	75.00
10	MECHANICAL	100	LF.	1.00	100.00
11	LABOR	100	HRS.	1.00	100.00
12	MATERIALS	100	EA.	0.50	50.00
13	CONCRETE	100	SQ. YD.	10.00	1000.00
14	FOUNDATION	100	LF.	5.00	500.00
15	ROOFING	100	SQ. FT.	0.50	50.00
16	INSULATION	100	SQ. FT.	0.25	25.00
17	MECHANICAL	100	EA.	1.00	100.00
18	ELECTRICAL	100	EA.	1.50	150.00
19	PLUMBING	100	EA.	2.00	200.00
20	LABOR	100	HRS.	1.50	150.00
21	MATERIALS	100	EA.	0.75	75.00
22	CONCRETE	100	SQ. YD.	10.00	1000.00
23	FOUNDATION	100	LF.	5.00	500.00
24	ROOFING	100	SQ. FT.	0.50	50.00
25	INSULATION	100	SQ. FT.	0.25	25.00
26	MECHANICAL	100	EA.	1.00	100.00
27	ELECTRICAL	100	EA.	1.50	150.00
28	PLUMBING	100	EA.	2.00	200.00
29	LABOR	100	HRS.	1.50	150.00
30	MATERIALS	100	EA.	0.75	75.00

**DOOR SCHEDULE**

NO.	DESCRIPTION	QTY	UNIT	PRICE	TOTAL
1	WOOD DOOR	10	EA.	10.00	100.00
2	GLASS DOOR	5	EA.	15.00	75.00
3	SLIDING DOOR	2	EA.	20.00	40.00
4	SCREEN DOOR	3	EA.	5.00	15.00
5	WALL DOOR	1	EA.	10.00	10.00
6	CEILING DOOR	1	EA.	10.00	10.00
7	FLOOR DOOR	1	EA.	10.00	10.00
8	WALL DOOR	1	EA.	10.00	10.00
9	CEILING DOOR	1	EA.	10.00	10.00
10	FLOOR DOOR	1	EA.	10.00	10.00

**WINDOW SCHEDULE**

NO.	DESCRIPTION	QTY	UNIT	PRICE	TOTAL
1	WOOD WINDOW	10	EA.	15.00	150.00
2	GLASS WINDOW	5	EA.	20.00	100.00
3	SLIDING WINDOW	2	EA.	25.00	50.00
4	SCREEN WINDOW	3	EA.	5.00	15.00
5	WALL WINDOW	1	EA.	10.00	10.00
6	CEILING WINDOW	1	EA.	10.00	10.00
7	FLOOR WINDOW	1	EA.	10.00	10.00
8	WALL WINDOW	1	EA.	10.00	10.00
9	CEILING WINDOW	1	EA.	10.00	10.00
10	FLOOR WINDOW	1	EA.	10.00	10.00



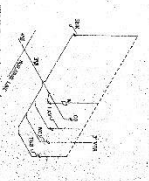
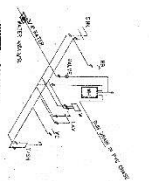
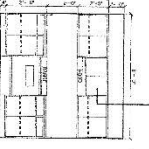
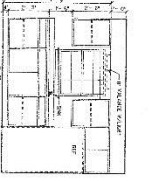
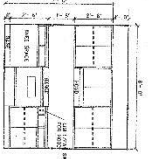
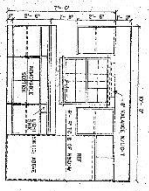
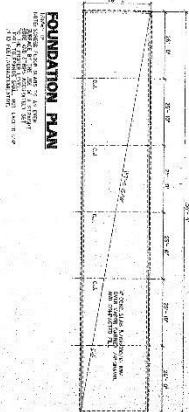
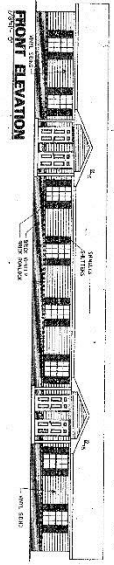
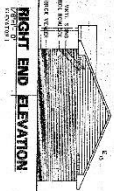
**FOUNDATION PLAN**  
 SCALE: 1/8" = 1'-0"  
 DATE: 10/15/55  
 DRAWN BY: [Name]  
 CHECKED BY: [Name]

**PLUMBING/MECHANICAL PLAN**  
 SCALE: 1/8" = 1'-0"  
 DATE: 10/15/55  
 DRAWN BY: [Name]  
 CHECKED BY: [Name]

**ELLIS, RICKET & ASSOCIATES ARCHITECTS**  
 Post Office Box 2837 - Valdosta, Georgia 31601 Telephone (912) 242-9505  
 FLOOR PLAN / OFFICE / LAUNDRY / MEN APT PEARSON, GEORGIA

0/1

DATE: 10/15/55  
 DRAWN BY: [Name]  
 CHECKED BY: [Name]



**ELEVATION C**  
KITCHEN CABINET ELEVATIONS FOR HANDICAP

**ELEVATION D**  
KITCHEN CABINET ELEVATIONS FOR HANDICAP

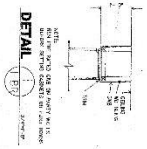
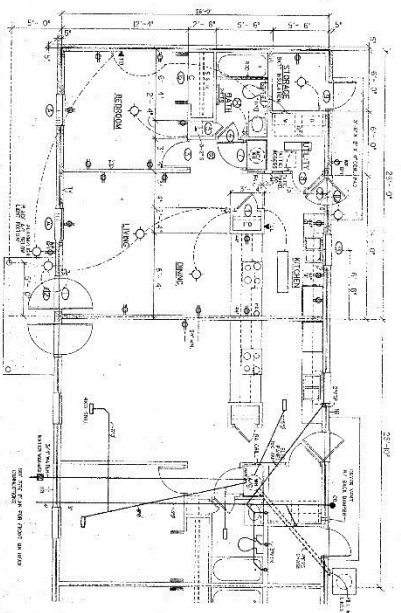
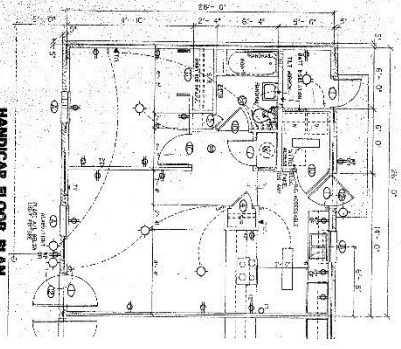
**ELEVATION A**  
KITCHEN CABINET ELEVATIONS

**ELEVATION B**  
KITCHEN CABINET ELEVATIONS

**BATHROOM ELEVATION**

**WALL - DAMPING**

**WALL - DAMPING**



**FINISH SCHEDULE**

NO.	DESCRIPTION	FINISH
1	CEILING	AC
2	FLOOR	AC
3	WALL	AC
4	DOOR	AC
5	WINDOW	AC
6	TRIM	AC
7	PAINT	AC
8	GLASS	AC
9	ROOF	AC
10	MECHANICAL	AC
11	ELECTRICAL	AC
12	PLUMBING	AC
13	MECHANICAL	AC
14	ELECTRICAL	AC
15	PLUMBING	AC

**DOOR SCHEDULE**

NO.	DESCRIPTION	FINISH
1	DOOR	AC
2	DOOR	AC
3	DOOR	AC
4	DOOR	AC
5	DOOR	AC
6	DOOR	AC
7	DOOR	AC
8	DOOR	AC
9	DOOR	AC
10	DOOR	AC
11	DOOR	AC
12	DOOR	AC
13	DOOR	AC
14	DOOR	AC
15	DOOR	AC

**WINDOW SCHEDULE**

NO.	DESCRIPTION	FINISH
1	WINDOW	AC
2	WINDOW	AC
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12	WINDOW	AC
13	WINDOW	AC
14	WINDOW	AC
15	WINDOW	AC

CONTINUED ON PAGE 184  
CONSULT DRAWING & REVISIONS

A-1

**ELLIS, RICKET & ASSOCIATES**  
**ARCHITECTS**  
Post Office Box 2477 Valdosta, Georgia 31601 Telephone (912) 242-0306



**2015 REHABILITATION WORK SCOPE**

PROJECT NAME: Whispering Pines Apts.	YEAR BUILT: 1991
PROJECT LOCATION: 621 N Court St. Pearson Ga. 31642	UNIT COUNT: 25
	GROSS SQUARE FOOTAC 16,492

CSI DIVISION		TRADE ITEM	Describe scope: materials, performance specifications	Percentage of total existing to be demoed or replaced	QUANTITY	UNIT (sf, lf, ea, cy, sy, etc.)	UNIT COST	TOTAL (quantity * unit cost)
New Format	Old Format							
24	n/a	Accessibility						\$0
24		convert existing units to UFAS-complaint units	Two - 1 Bedroom accessible Units . Demo existing kitchen, bathroom, HVAC, and part of bedroom walls. Demo bathroom concrete floor to relocate plumbing. Relocate laundry room and HVAC closet. Frame new walls, install new plumbing lines, new electrical lines in walls that were moved. Install new drywall, paint and floor covering. Provide one sight and hearing impaired kit to be left in office for the manager.	65	2	Apts.	17540	\$35,080
24		retrofit existing units for Fair Housing compliance	Blocking missing in bathrooms for Grabbars					\$0
24		retrofit existing clubhouse to meet UFAS, Fair Housing, & ADA	Laundry sink not accessible	100	1	each	440	\$440
24		retrofit existing site to meet Fair Housing, ADA	5% of the Main Sidewalks cross slope exceeds 2% and must be redone to have a 2% or less cross slope. 11 of the Entrance walks have sunk, causing a tripping hazard going to the front porch of the units. several main sidewalks have raised concrete causing tripping hazards . 3 Handicap parking spaces have a slope greater then 2% slope and cross slope and need to be redone.	34	3295	SF	5.5	\$18,123
		<b>Total (Accessibility)</b>						<b>\$53,643</b>
37	2	Demolition						\$0
37		site						\$0
37		bdg interiors: ceilings, walls, floor, plumbing, HVAC, elec						\$0
37		bdg exteriors: siding, roofing, patios, decks, stairs, breezeways						\$0
35	2	Unusual site conditions (such as lead, asbestos, mold abatement)						\$0
35		lead abatement						\$0
35		asbestos abatement						\$0
35		mold abatement						\$0
30	2	Earth Work						\$0
30		regrade for drainage control	regrade swells, fill and level ponding areas	8	240	LF	45	\$10,800
30		regrade for elimination of erosion situations						\$0
30								\$0
34	2	Landscaping & irrigation						\$0
34		sodding/seedng						\$0
34		trees, shrubs, and annuals	Add native and drought tolerant trees and plants	5	100	each	85	\$8,500
34		irrigation						\$0
34		tree pruning, root removal	Remove two damaged trees at entrance	3	2	each	450	\$900
33	2	Retaining walls						\$0
33	2	Site Improvements						\$0
33		fencing	Remove and replace wood fence at rear property line	100	280	LF	60	\$16,800
33		exterior amenities construction (list each amenity separately)	New Picnic Table, and grill, Community Garden, and Gazebo	100	1	each	32640	\$32,640
32	2	Roads (paving)						\$0
32		asphalt paving	Repair Concrete roads, cracked and broken concrete	8	1084	SF	16	\$17,344
32	2	Site concrete (curbs, gutters, & sidewalks)						\$0



32		curb & gutter	Repair Cracked Curb and Gutter	5	68	LF	12	\$816
32		sidewalks	Add concrete accessible sidewalks to gazebo, community garden and picnic table	2	520	SF	6.2	\$3,224
32		Video utilities						\$0
31	2	Site Utilities						\$0
31		water service						\$0
31		fire service						\$0
31		storm water piping						\$0
31		sewer service						\$0
31		electrical service						\$0
31		gas service						\$0
								\$0
		<b>Total (Land Improvements)</b>						<b>\$91,024</b>
1	3	Concrete (building pads & gyprocrete)						\$0
2	4	Masonry	Pressure wash brick and point up	100	5	Bldgs.	500	\$2,500
3	5	Metals (stair stringers, metal decking, handrails, structural steel)						\$0
3		stair pans/stringers						\$0
3		corrugated metal decking						\$0
3		handrails						\$0
3		structural steel						\$0
4	6	Rough carpentry (framing, sheathing, decking)						\$0
4		framing						\$0
4		ext wall sheathing						\$0
4		floor decking						\$0
4		attic draft stops	Repair and seal	repair	20	Fire Walls	145	\$2,900
4		exterior wood decks/patios and rails						\$0
5	6	Finish Carpentry (window sills, wood base, wood paneling, exterior wood trim, shutters, etc)	Replace shutters	100	50	Pair	98	\$4,900
5		exterior trim including shutters						\$0
5		interior trim including wood base	Replace Exterior door trim and damaged window stools	100	25	units	256	\$8,400
6	7	Waterproofing, caulking and sealants	Caulk all receptacles, light fixture boxes, windows, doors	100	25	units	160	\$4,000
7	7	Insulation						\$0
7		wall insulation						\$0
7		roof insulation	Boost Attic Insulation to R-38	100	16492	SF	0.39	\$6,432
7		sound insulation						\$0
8	7	Roofing						\$0
8		shingles (or other roofing material)	Replace with 25 year asphalt Shingles	100	218	SQ	250	\$54,500
8		gutters & downspouts						\$0
6	7	Siding/stucco	Replace vinyl siding	100	6800	SF	4	\$27,200
10	8	Doors & hardware						\$0
10		interior doors	Replace interior door units	100	128	each	90	\$11,520
10		exterior doors	Replace exterior door units	100	52	each	350	\$19,760
10		hardware	Replace Door hardware	100	25	each	320	\$8,000
10		Storm Doors	Replace Storm doors	100	50	each	120	\$6,000
11	8	Windows/glass						\$0
11		Windows	Replace all windows with Low-E, U-Factor 0.35 and SHG	100	82	each	330	\$27,060
11		mirrors						\$0
13	9	Drywall						\$0
13		repair and replacement-walls	Repair damaged areas	2.5	416	SF	4	\$1,664
13		repair and placement-ceiling	Repair damaged areas and spray finish	1.8	321	SF	4	\$1,284
14	9	Tile work						\$0
14		tub surrounds						\$0
14		ceramic floors						\$0
16	9	Resilient/wood flooring						\$0
16		VCT						\$0
16		sheet goods	Replace Vinyl Flooring	50	1561	SY	18.75	\$29,269
16		wood flooring						\$0
17	9	Painting						\$0
17		exterior walls						\$0

17		interior walls	Semi Gloss Enamel	100	16492	SF	0.75	\$12,369
17		ceilings						\$0
17		doors & trim	Semi Gloss Enamel	100	16492	SF	0.25	\$4,123
17		steel: handrails, stairs, etc	Hand Rails	100	458	LF	5.5	\$2,519
17		additional prep work (sandblasting)						\$0
18	10	Specialties						\$0
18		signage	New Office Signs, Temporary Signs	100	7	each	80	\$560
18		toilet accessories including framed mirrors	New Towel Bars, TP Holder, Mirror	100	25	units	88	\$2,200
18		fire extinguishers						\$0
18		shelving						\$0
18		mailboxes	New mailboxes and mail kiosk with roof	100	1	unit	12540	\$12,540
18		stovetop fire suppression	2 per range hood	100	25	units	68	\$1,700
20	11	Cabinets (incl. countertops)						\$0
20		unit kitchens	Refinish Cabinets	100	25	units	880	\$22,000
20		countertops	Replace Countertops	100	25	units	690	\$17,250
20		bathroom vanities	refinish vanities	100	25	units	85	\$2,125
21	11	Appliances						\$0
21		refrigerators	Replace with Energy Star Refrigerator	91	22	Each	705.12	\$15,513
21		stove	Replace Stove	80	20	Each	459.03	\$9,181
21		vent hood	Replace Vent Hood	100	25	Each	84.53	\$2,113
21		dishwasher						\$0
21		microwave						\$0
21		disposals						\$0
22	12	Blinds & Shades	Replace with 2" faux blinds	100	82	each	55	\$4,510
23	12	Carpets						\$0
24	13	Special Construction (pools)						\$0
25	14	Elevators						\$0
26	15	Sprinklers						\$0
26	15	Plumbing						\$0
26		bathbubs and/or pre-fab showers	Tub Repair and Refinish	100	23	units	200	\$4,600
26		shower heads						\$0
26		tub faucets	Replace with new delta faucets	100	25	units	400	\$10,000
26		bathroom sinks	Replace with new china sink, Delta faucet, trap and supp	100	25	units	385	\$9,625
26		bathroom faucets						\$0
26		kitchen sinks	Replace Kitchen Sink, Delta Faucet, Strainers, Trap and	100	25	units	385	\$9,625
26		kitchen faucets						\$0
26		toilets	Replace Toilets with HC Toilets	100	25	Each	385	\$9,625
26		new water service-piping, valves, etc						\$0
26		new waste/vent service-piping, valves, etc						\$0
26		water heaters	Replace	100	25	Each	450	\$11,250
26		individual water metering						\$0
27	15	HVAC						\$0
27		air conditioning equipment	All labor and Materials HVAC Subcontractor	92	23	Each	2900	\$66,700
27		heating equipment						\$0
27		ductwork cleaning						\$0
27		ductwork						\$0
27		duct insulation						\$0
27		bathroom ventilation fans		100	25	each	100	\$2,500
27		solar hot water heating						\$0
29	16	Electrical						\$0
29		unit light fixtures	Install Energy Star ceiling fan in Living Room and Bedroo	100	25	Apts.	690	\$17,250
29		common area/exterior building mounted light fixtures	Included in Light Fixture Allowance					\$0
29		pole lights	via - GA Power maintained					\$0
29		ceiling fans	Included in Light fixture allowance					\$0
29		electrical wiring (within unit)	Replace switches and outlets	100	25	Apts.	450	\$11,250
29		outlets & light switches	Install GFCI outlets in Laundry and kitchen	100	50	Each	50	\$2,500
29		distribution-breaker boxes, breakers, meters						\$0
29		solar panels						\$0
29	16	Communications Systems (cable, phone, internet, etc)						\$0

29		cable outlets						\$0
29		cable wiring						\$0
29		phone jacks						\$0
29		phone wiring (per unit)						\$0
29		internet system (wireless or hard wired?)						\$0
29	16	Safety systems						\$0
29		smoke detectors	Replace and add in each bedroom of dwelling units	100	50	Each	50	\$2,500
29		fire alarm system						\$0
29		security alarm system						\$0
29		access control system						\$0
29		camera system						\$0
		Subtotal (structures)						\$479,516
		Total (Structure & Land Imprvmts & Accessibility)						\$624,183

## **ADDENDUM C**

**SECTION 71 - R-1 RESIDENTIAL DISTRICTS**

**71.1 - INTENT OF DISTRICT** - R-1 Residential Districts are established to provide suitable locations for all types of dwellings with appropriate standards for each district. They are designed to accomplish the following purposes:

- (a) To provide sufficient space in appropriate locations for residential development to meet the housing needs of the present and anticipated population;
- (b) To protect residential areas from hazardous and offensive or objectionable influences;
- (c) To protect residential areas from unnecessary congestion from heavy traffic or through traffic, by regulating the density of population, by regulating the bulk of buildings in relation to the land around them, and by providing for open space for off-street parking;
- (d) To provide space for both public and private community facilities which serve the needs of nearby residents and which generally perform their functions more effectively in a residential environment;
- (e) To promote the most desirable use of land in accordance with a comprehensive plan;
- (f) To promote stable residential development;
- (g) To conserve the value of land and buildings;
- (h) To promote freedom of architectural design, in order to encourage the development of more attractive and economic building forms;
- (i) To encourage the discontinuance of existing uses that would not be permitted as new uses under the provisions of this article; and,
- (j) To encourage the development of vacant land for attractive diversified residential projects.

**71.2 - PERMITTED USES**

- (a) Single-family, duplex and multi-family (including apartment and townhouses) dwellings. Existing single-family and duplex dwellings shall not be converted, or otherwise changed to multi-family (3 or more) dwellings. New multi-family dwellings developed shall meet current zoning, building and other development code requirements.
- (b) Public elementary, junior high and senior high level schools.
- (c) Private schools offering curricula substantially the same as that offered by public schools.
- (d) Public libraries, public recreation centers and other public facilities.
- (e) Non-commercial parks, playgrounds and other outdoor recreation activities and their related facilities.

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- (f) Non-commercial horticulture or agriculture, but not including the keeping of farm animals or poultry.
- (g) Accessory uses or structures.
- (h) Home occupations.
- (i) Churches, synagogues, temples and other places of worship provided that such uses are located on a lot fronting a major or collector street as designated on the Zoning Map and provided further that no structures housing church activities are located less than fifty (50) feet from a residential property line.
- (j) Public utility substations or sub-installations, provided that; (1) such uses are enclosed by a solid or chain-link fence or wall at least six (6) feet in height above finish grade if needed to give protection against hazardous equipment; (2) there are no office nor is there storage of vehicles, equipment or construction materials on the premises; and (3) landscaped buffer strip not less than five (5) feet in width are planted and suitably maintained at the periphery of the containing facilities.
- (k) Nurseries (pre-school nurseries, day nurseries, day care centers and similar uses) provided that such facilities conform with the requirements of the Georgia State Board of Health and the Atkinson County Health Department and provided that such play area is fenced to a minimum height of four (4) feet and that no building is less than thirty (30) feet from a residential property line.
- (l) Cemeteries, provided that such uses; (1) front a major street or a collector street; (2) have a ten (10) foot planted buffer strip around its entire perimeter which is kept free of any other use, except access; (3) include no crematorium.
- (m) Signs, Class 1,2; choice of two styles of class 2 for non-residential uses.
- (n) Home Providers I

**71.3 - LOT AND YARD REQUIREMENTS FOR SINGLE-FAMILY AND DUPLEX AND RESIDENTIAL USES**

- (a) Minimum Lot Area per Dwelling Unit (Square Feet):
 

	<u>R-1</u>
Single-Family	10,000
Duplex	6,000
- (b) Minimum Lot Width for Dwellings
 

	<u>R-1</u>
Single-Family	90 ft.
Duplex	100 ft.
- (c) Minimum Front yard. The front wall of the main structure shall be set
 

	<u>R-1</u>
Major Street	45 ft.
Collector Street	45 ft.
Minor Street	40 ft.
- (d) Minimum Side Yard on Street. The side wall of the main structure shall be set back from the right-of-way line of the street as follows:

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- Major Street R-1 20 ft.
- Collector Street 20 ft.
- Minor Street 20 ft.
- (e) Side Yard Not on Street. The side wall of the main structure shall be set back from the adjacent property line as follows:

<u>Single Family</u>	
Least Dimension	10 ft.
Both Sides	25 ft.
<u>Duplex</u>	
Least Dimension	14 ft.
Both Sides	30 ft.

- (f) Rear Yards. The rear wall of the main structure shall be set back from the rear property line as follows:

R-1  
30 ft.

- (g) Maximum Height. The maximum height for all uses shall be 35 feet, unless approved by the Pearson Fire Department.
- (h) Floor Area Ratio. In all residential districts, maximum floor area ratio shall not exceed thirty-five (35) percent except as provided for in townhouses.

**71.4 - REQUIREMENTS FOR MULTI-FAMILY RESIDENTIAL USES**

- (a) Single Building Development. One principal multi-family residential building is permitted on one (1) zoning lot in accordance with the following standards:

- (1) Minimum Lot Area per Dwelling Unit (Square Feet)

R-1  
Multi-family 2,900

- (2) Minimum Front Yard. The front wall of the main structure shall be set back from the right-of-way of the street as follows:

R-1  
Major Street 45 ft.  
Collector Street 45 ft.  
Minor Street 40 ft.

- (3) Minimum Side Yard on Street. The side wall of the main structure shall be set back from the right-of-way line of the street as follows:

R-1

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	<u>R-1</u>
Major Street	20 ft.
Collector Street	20 ft.
Minor Street	20 ft.

- (4) Side Yard Not on the Street. The side wall of the main structure shall be set back from the adjacent property line as follows:

	<u>R-1</u>
Multi-family	
Least Dimension	20 ft.
Both Sides	40 ft.

- (5) Rear Yard. The rear wall of the main structure shall be set back from the rear property lines as follows:

R-1  
30 ft.

- (6) Maximum Height. The Maximum height for all uses shall be 35 Feet, unless approved by the Pearson Fire Department.
- (7) Floor Area Ratio. Same as provided for in Section 701.3(h).

- (b) Group Building Development. Two or more principal multi-family residential buildings on one or more contiguous lots are permitted in accordance with the following standards:

- (1) Lot Size and Setbacks Requirements: All buildings and structures established as a part of a group building development shall comply with the lot area, size, floor area ratio and setbacks according to Section 71.4(a).
- (2) Separation of Buildings: All residential buildings established as a part of a group buildings development shall be not less than twenty (20) feet apart.
- (3) Street Access: Any building established as a part of a group development which cannot be served from an abutting street shall be made accessible to vehicles by a paved driveway having a roadbed width of not less than twenty (20) feet, exclusive of parking spaces.
- (4) Buffers: Within the above exterior rear and side setback requirements, a planted buffer shall be required. Property within such buffer areas may be included within the lot area for density lot coverage purposes.

- (c) Townhouses. Townhouses are permitted provided that:

- (1) Not more than ten (10) contiguous townhouses nor fewer than three (3) shall be built in a row with approximately the same but staggered front line, except units on corner lots may face either street;
- (2) Minimum width for the portion of the lot on which the townhouse is to be constructed shall be eighteen (18) feet, but the minimum average width of a group of five (5) or more units shall be twenty (20) ft;
- (3) Lot area shall average no less than 2,500 square feet, and the minimum

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- (4) of any single lot shall be 2,00 square feet;  
**Separation Requirements.** No portion of a townhouse or accessory structure in or related to one group of contiguous townhouses shall be closer than twenty (20) feet to any portion of a townhouse or accessory structure related to another group, or to any building outside the townhouse area;
- (5) **Yards.** The nearest point of each building shall be at least twenty (20) feet from the nearest right-of-way line of abutting streets and at least ten (10) feet from all other property lines adjacent to the townhouse complex. Each townhouse shall have its own lot, one rear or side yard, private or reasonably secluded from view from streets and from neighboring property. Such yard shall not be used for any accessory building. Front and rear yard setbacks shall be the same as the zone in which such townhouse development is located;
- (6) **Grouped Parking Facilities.** Insofar as practicable, off-street parking facilities shall be grouped in bays, either adjacent to streets or in the interior of blocks;
- (7) **Open Space.** In all townhouse projects where more than ten (10) units are to be constructed, a landscaped common area amounting to at least ten (10%) percent of a single townhouse project area shall be provided on the same or adjacent block. No building, parking, storage or other use shall be made of this open space;
- (8) **Buffers.** Within the above exterior rear and side setback requirements, a planted buffer shall be required. Property within such buffer areas may be included within the lot area for density lot coverage purpose.

**SECTION 73 – HP HISTORICAL PRESERVATION DISTRICT**

**73.1 – INTENT OF DISTRICT –** The purpose of this districts are to:

- (a) Safeguard the architectural and historic heritage of Pearson by preserving parts of the city which reflect elements of its cultural, economic and architectural history;
- (b) Promote the use of historic district for education, pleasure and welfare of both the citizens of the city and its visitors;
- (c) Stabilize and improve property values; and
- (d) Establish the Board of Review.

**73.2 – PERMITTED USES**

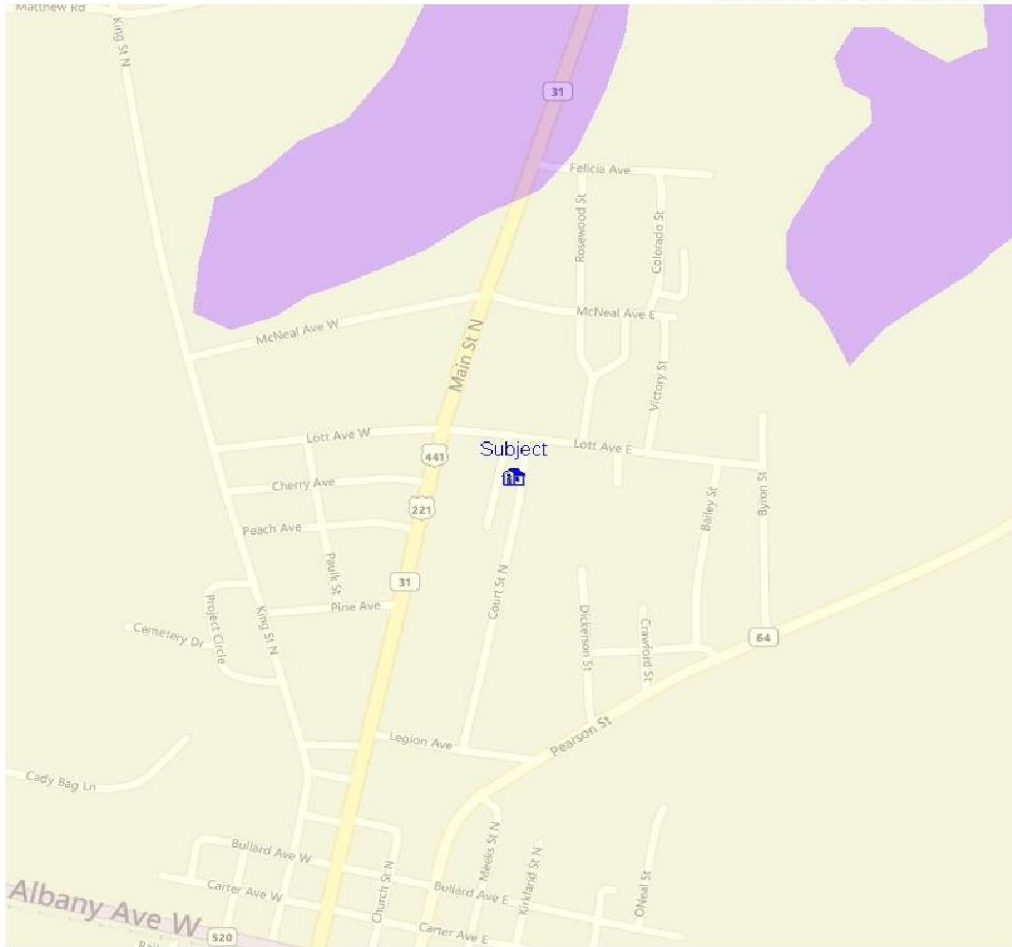
- (a) Single-family, duplex and multi-family (including apartment and townhouse) dwellings.  
 Existing single-family and duplex dwellings shall not be converted, or otherwise changed to multi-family (3 or more) dwellings.

## **ADDENDUM D**

# STDB

You are currently logged in as: (CUSTID\_17921) on 11-Mar-2016

**715 Court Street, Pearson, GA**  
**715 COURT ST N, PEARSON, GA**



## MAP DATA

Map Number : **13003C0175A**  
Panel Date : **August 03,2009**  
FIPS Code :

Census Tract :  
Geo Result : **S5 (Most Accurate) -**  
**single close match, point located at**  
**the street address position**

## Flood

	X or C Zone
	X500 or B Zone
	A Zone
	V Zone
	D Zone
	Area Not Mapped

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## **ADDENDUM E**

# STATE OF GEORGIA REAL ESTATE APPRAISERS BOARD

**SAMUEL TODD GILL**

**258907**

IS AUTHORIZED TO TRANSACT BUSINESS IN GEORGIA AS A  
**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

JEANMARIE HOLMES  
KEITH STONE

JEFF A. LAWSON  
Vice Chairperson

46665603

SAMUEL TODD GILL

# 258907  
Status ACTIVE

CERTIFIED GENERAL REAL PROPERTY  
APPRAISER

THIS LICENSE EXPIRES IF YOU FAIL TO PAY  
RENEWAL FEES OR IF YOU FAIL TO COMPLETE ANY  
REQUIRED EDUCATION IN A TIMELY MANNER.

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



LYNN DEMPSEY  
Real Estate Commissioner

46665603

ORIGINALLY LICENSED  
02/09/2003  
END OF RENEWAL  
09/30/2018

SAMUEL TODD GILL

# 258907  
Status ACTIVE

CERTIFIED GENERAL REAL PROPERTY  
APPRAISER

THIS LICENSE EXPIRES IF YOU FAIL TO PAY  
RENEWAL FEES OR IF YOU FAIL TO COMPLETE ANY  
REQUIRED EDUCATION IN A TIMELY MANNER.

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



LYNN DEMPSEY  
Real Estate Commissioner

46665603

## **ADDENDUM F**

Samuel T. Gill  
512 North One Mile Road  
P.O. Box 784  
Dexter, Missouri 63841  
573-624-6614 (phone)  
573-624-2942 (fax)  
todd.gill@gillgroup.com

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**OVERVIEW**

Extensive multifamily experience over the past 25 years specializing in work for the Department of Housing and Urban Development (HUD), United States Department of Agriculture/Rural Development (USDA/RD) as well as lenders and developers through the Low-Income Housing Tax Credit (LIHTC) program including but not limited to, Section 8, Section 202, Section 236, Section 515 and Section 538 Programs. Additionally, extensive experience since inception of the Multifamily Accelerated Processing (MAP) Program of Sections 202/223(f), 232/223(f), 221(d)3, 221(d)4 and 223(f). Also, more than 20 years of experience with nursing homes, hotels and complicated commercial appraisal assignments.

**ACCREDITATIONS**

**State Certified General Real Estate Appraiser**

Alabama State License Number: G00548  
Arizona State License Number: 31453  
Colorado State License Number: CG40024048  
Connecticut State License Number: RCG.0001276  
District of Columbia License Number: GA11630  
Georgia State License Number: 258907  
Hawaii State License Number: CGA1096  
Idaho State License Number: CGA-3101  
Illinois State License Number: 153.0001384  
Indiana State License Number: CG40200270  
Iowa State License Number: CG02426  
Kansas State License Number: G-1783  
Louisiana State License Number: G1126  
Maine State License Number: CG3635  
Maryland State License Number: 32017  
Michigan State License Number: 1201068069  
Minnesota State License Number: 40186198  
Mississippi State License Number: GA-624  
Missouri State License Number: RA002563  
Montana State License Number: REA-RAG-LIC-8530  
Nebraska State License Number: CG2000046R  
New York State License Number: 46000039864  
North Carolina State License Number: A5519  
North Dakota State License Number: CG-2601  
Ohio State License Number: 448306  
Oklahoma State License Number: 12524CGA  
Oregon State License Number: C000793  
Pennsylvania State License Number: GA001813R  
South Carolina State License Number: 3976  
Tennessee State License Number: 00003478  
Texas State License Number: 1329698-G  
Utah State License Number: 5510040-CG00  
Virginia State License Number: 4001 015446  
Washington State License Number: 1101018  
West Virginia State License Number: CG358  
Wisconsin State License Number: 1078-10  
Wyoming State License Number: 479

Also received temporary licenses in the following states: Arkansas, California, Delaware, Florida, Kentucky, Massachusetts, Nevada, New Hampshire, New Jersey, New Mexico, Puerto Rico, Rhode Island, South Dakota, the U.S. Virgin Islands and Vermont.

**EXPERIENCE  
(1991 TO PRESENT)**

Primary provider of HUD Mark-to-Market Full Appraisals for mortgage restructuring and Mark-to-Market Lites for rent restructuring and has worked with HUD in this capacity since inception. Completed approximately 350 appraisals assignments under this program.

Provider of HUD MAP and TAP appraisals and market studies for multiple lenders since its inception. Completed approximately 350 appraisal assignments under this program.

Contract MAP quality control reviewer and field inspector for CohnReznick and HUD. Have completed approximately 350 reviews under this program. Have completed approximately 100 field inspections under this program.

Currently approved state reviewer for HUD Rent Comparability Studies for Section 8 Renewals in Alabama, California, Connecticut, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Nebraska, New Mexico, North Carolina, Oregon, Utah, Virgin Islands, Virginia, Washington, West Virginia and Wisconsin. Completed approximately 500 reviews under this program.

Provider of HUD Rent Comparability Studies for contract renewal purposes nationwide. Completed approximately 400 rent comparability studies.

Provider of tax credit financing analysis and value of financing analysis. Completed approximately 300 appraisal assignments and market studies under this program.

Provider of multifamily appraisals under the RD 515 and 538 programs. Completed approximately 200 appraisal assignments under these programs.

Partial list of clients include: Colorado Housing Finance Agency, CreditVest, Inc., Foley & Judell, LLP, Kentucky Housing Corporation, Kitsap County Consolidated Housing Authority, Louisiana Housing Finance Agency, Missouri Housing Development Agency, New Mexico Mortgage Finance Authority, Ontra, Inc., Quadel Consulting Corporation, CohnReznick, L.L.P., Group, Siegel Group, Signet Partners and Wachovia Securities.

**DEVELOPMENT/OWNERSHIP/  
MANAGEMENT EXPERIENCE  
(2006 TO PRESENT)**

For the past 10 years, he has owned three separate companies that develop, own and manage commercial, multifamily, residential, agricultural and vacant land properties.

In his portfolio are over 100,000 square feet of commercial space, over 1,000 units of multifamily, 200 acres of farmland, and 10 parcels of developable commercial and multifamily lots, all in the Midwest.

**EDUCATION**

**Bachelor of Arts Degree**  
*Southeast Missouri State University*  
**Associate of Arts Degree**  
*Three Rivers Community College*



**HUD/FHA Appraiser Training**

*Arkansas State Office*

**Multifamily Accelerated Processing Valuation (MAP)**

*U.S. Department of Housing and Urban Development*

**2<sup>nd</sup> Annual Multifamily Accelerated Processing Basic and Advanced Valuation (MAP)**

*U.S. Department of Housing and Urban Development*

**FHA Appraising Today**

*McKissock, Inc.*

**Texas USDA Rural Development Multifamily Housing Appraiser Training**

*Texas Rural Development*

**Kentucky USDA Rural Development Multifamily Housing Appraiser Training**

*Kentucky Rural Development*

**Financial Analysis of Income Properties**

*National Association of Independent Fee Appraisers*

**Income Capitalization**

*McKissock, Inc.*

**Introduction to Income Property Appraising**

*National Association of Independent Fee Appraisers*

**Concepts, Terminology & Techniques**

*National Association of Independent Fee Appraisers*

**Uniform Standards of Professional Appraisal Practice**

*Central Missouri State University*

**Appraisal of Scenic, Recreational and Forest Properties**

*University of Missouri-Columbia*

**Appraiser Liability**

*McKissock, Inc.*

**Appraisal Trends**

*McKissock, Inc.*

**Sales Comparison Approach**

*Hondros College*

**Even Odder: More Oddball Appraisals**

*McKissock, Inc.*

**Mortgage Fraud: A Dangerous Business**

*Hondros College*

**Private Appraisal Assignments**

*McKissock, Inc.*

**Construction Details & Trends**

*McKissock, Inc.*

**Condemnation Appraising: Principles & Applications**

*Appraisal Institute*

**Michigan Law**

*McKissock, Inc.*

**Pennsylvania State Mandated Law**

*McKissock, Inc.*

**Valuing Real Estate in a Changing Market**

*National Association of Independent Fee Appraisers*

**Principles of Residential Real Estate Appraising**

*National Association of Independent Fee Appraisers*

**Real Estate Appraisal Methods**

*Southeast Missouri State University*

**Lead Inspector Training**

*The University of Kansas*

**Lead Inspector Refresher**

*Safety Support Services, Incorporated*

**Home Inspections: Common Defects in Homes**

*National Association of Independent Fee Appraisers*

**Heating and Air Conditioning Review**

*National Association of Independent Fee Appraisers*

**Professional Standards of Practice**

*National Association of Independent Fee Appraisers*

**Developing & Growing an Appraisal Practice - Virtual Classroom**

*McKissock, Inc.*

**The Appraiser as Expert Witness**

*McKissock, Inc.*

**Current Issues in Appraising**

*McKissock, Inc.*

**2011 ValExpo: Keynote-Valuation Visionaries**

*Van Education Center/Real Estate*

**Residential Report Writing**

*McKissock, Inc.*

**The Dirty Dozen**

*McKissock, Inc.*

**Risky Business: Ways to Minimize Your Liability**

*McKissock, Inc.*

**Introduction to Legal Descriptions**

*McKissock, Inc.*

**Introduction to the Uniform Appraisal Dataset**

*McKissock, Inc.*

**Mold Pollution and the Appraiser**

*McKissock, Inc.*

**Appraising Apartments: The Basics**

*McKissock, Inc.*

**Foundations in Sustainability: Greening the Real Estate and Appraisal Industries**

*McKissock, Inc.*

**Mortgage Fraud**

*McKissock, Inc.*

**The Nuts and Bolts of Green Building for Appraisers**

*McKissock, Inc.*

**The Cost Approach**

*McKissock, Inc.*

**Pennsylvania State Mandated Law for Appraisers**

*McKissock, Inc.*

**Michigan Appraisal Law**

*McKissock, Inc.*

**Modern Green Building Concepts**

*McKissock, Inc.*

**Residential Appraisal Review**

*McKissock, Inc.*

**Residential Report Writing: More Than Forms**

*McKissock, Inc.*

**2-4 Family Finesse**

*McKissock, Inc.*

**Appraisal Applications of Regression Analysis**

*McKissock, Inc.*

**Appraisal of Self-Storage Facilities**

*McKissock, Inc.*

**Supervisor-Trainee Course for Missouri**

*McKissock, Inc.*

**The Thermal Shell**

*McKissock, Inc.*

**Even Odder - More Oddball Appraisals**

*McKissock, Inc.*

**Online Data Verification Methods**

*Appraisal Institute*

**Online Comparative Analysis**

*Appraisal Institute*

**Advanced Hotel Appraising - Full Service Hotels**

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**Appraisal of Fast Food Facilities**

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**Appraisal Review for Commercial Appraisers**

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**Exploring Appraiser Liability**

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