

Appraisal Report*

For

An Existing Senior Apartment Complex

Called

**Riverwood Apartments
36 West Dogwood Lane
Blue Ridge, Georgia 30513**

**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 21, 2017**

**Effective Date of Appraisal
May 17, 2017**

**Appraised By
Samuel T. Gill**

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



September 21, 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: Riverwood Apartments
36 West Dogwood Lane
Blue Ridge, Georgia 30513
"As Is" and "As Stabilized" Appraisal Report
As of May 17, 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 Riverwood Apartments. The site contains approximately 5.47 acres. The subject is improved with seven garden one-story buildings containing 41 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. Jamie Cox and Caroline Borgini, Market Analyst, provided professional assistance to Samuel T. Gill. Jamie Cox and Caroline Borgini 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 17, 2017, is as follows.

TWO MILLION ONE HUNDRED TWENTY FIVE THOUSAND DOLLARS

\$2,125,000

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 17, 2017, is as follows.

EIGHT HUNDRED NINETY THOUSAND DOLLARS

\$890,000

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 17, 2017, is as follows.

EIGHT HUNDRED NINETY THOUSAND DOLLARS
\$890,000

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.

TWO MILLION FOUR HUNDRED FIFTY FIVE THOUSAND DOLLARS
\$2,455,000

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.

TWO MILLION NINE HUNDRED TWENTY FIVE THOUSAND DOLLARS
\$2,925,000

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 17, 2017, is as follows:

FIVE HUNDRED SEVENTEEN THOUSAND DOLLARS
\$517,000

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 17, 2017, is as follows:

FOUR HUNDRED TWENTY THOUSAND DOLLARS
\$420,000

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 17, 2017, is as follows:

EIGHT HUNDRED THOUSAND DOLLARS
\$800,000

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 676 square feet one-bedroom units of the subject property, as of May 17, 2017, is as follows:

SIX HUNDRED FORTY DOLLARS
\$640.00

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 676 square feet one-bedroom units of the subject property, as of January 31, 2019, is as follows:

SIX HUNDRED NINETY DOLLARS
\$690.00

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 17, 2017, is as follows.

FIFTY FIVE THOUSAND DOLLARS
\$55,000

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 17, 2017, is as follows.

TWO MILLION ONE HUNDRED TWENTY FIVE THOUSAND DOLLARS
\$2,125,000

ased 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 17, 2017, is as follows.

EIGHT HUNDRED NINETY THOUSAND DOLLARS
\$890,000

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.

TWO MILLION FOUR HUNDRED FIFTY FIVE THOUSAND DOLLARS
\$2,455,000

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.

TWO MILLION NINE HUNDRED TWENTY FIVE THOUSAND DOLLARS
\$2,925,000

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, as of January 31, 2019, is as follows.

SIX MILLION SIX HUNDRED SIXTY EIGHT THOUSAND DOLLARS
\$6,668,000.00

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.

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". The signature is written in black ink and is positioned above the printed name and title.

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

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EXECUTIVE SUMMARY

Name of the Property Riverwood Apartments

Location 36 West Dogwood Lane, Blue Ridge, Fannin County, Georgia 30513

Current Owner Blue Ridge Elderly Housing, Ltd., L.P.

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

Total Land Area 5.47 acres or 238,273+/- square feet

Floodplain Hazard According to RiskMeter, Flood Map Number 13111C0068E, dated September 17, 2010, 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 Fannin County, the subject is not zoned as the property is located outside the city limits and the county does not have zoning ordinances.

Property Description The subject is improved with seven garden one-story buildings containing 41 units and one accessory building. The net rentable area is approximately 27,877 square feet. The gross building area, according to the Fannin County Assessor's Office, is 30,196 square feet.

Unit Type	# of Units	Square Footage	Total Square Footage
1/1	40	676	27,040
2/1	1	837	837
	41		27,877

Real Estate Taxes \$4,501.98 for 2016 **Parcel Number** 0045 0494A

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

Date of Inspection May 17, 2017 **Date of Report** September 21, 2017

Sales History of Subject According to the Fannin County Assessor's Office, the property is owned by Blue Ridge 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 Blue Ridge Elderly Housing, Ltd., L.P. (seller) and Riverwood blue Ridge, 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

Cost Approach	\$915,000 (As Is Restricted) \$1,800,000 (As Is Market) \$2,000,000 (As Stabilized Restricted) \$2,000,000 (As Stabilized Market)
Income Approach	\$890,000 (As Is Restricted) \$2,125,000 (As Is Market) \$2,925,000 (As Stabilized Restricted) \$2,455,000 (As Stabilized Market)
Sales Comparison Approach	Not Developed (As Is Restricted) \$2,175,000 (As Is Market) Not Developed (As Stabilized Restricted) \$2,400,000 (As Stabilized Market)
Value of Land	\$55,000
Value of Existing 515 Loan	\$517,000
Value of Proposed 515 Loan	\$420,000
Value of Low Income Housing Tax Credits	\$800,000
Insurable Value	\$1,690,000
Market Value at Loan Maturity – Market	\$6,668,000
As Is Market Rent (CRCU) One-Bedroom with 676 SF	\$640.00
As Complete Market Rent (CRCU) One-Bedroom with 676 SF	\$690.00

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.
- ◆ Jamie Cox and Caroline Borgini 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.
- ◆ 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 17, 2017, Jamie Cox and Caroline Borgini, 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. Jamie Cox and Caroline Borgini inspected all common areas and at least one unit of each varying type.
 - Jamie Cox and Caroline Borgini 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 17, 2017, Jamie Cox and Caroline Borgini 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 Riverwood Apartments. The site is located at 36 West Dogwood Lane, Blue Ridge, Fannin County, Georgia.

Legal Description

See Addendum A.

Past Five Years Sales History of the Subject

According to the Fannin County Assessor's Office, the property is owned by Blue Ridge 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 Blue Ridge Elderly Housing, Ltd., L.P. (seller) and Riverwood blue Ridge, 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 17, 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 Blue Ridge, the Fannin County Recorder; the Fannin 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 15, 2017, to May 19, 2017. This information was analyzed and summarized in this report. Area data was obtained from the City of Blue Ridge; the Fannin County Recorder; the Fannin 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 Blue Ridge and the surrounding area. Market data on improved sales and leased properties were obtained from Blue Ridge 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 Blue Ridge, Georgia, and the surrounding area indicate that they are not owner-occupied. The Income Approach discusses similar apartment complexes in Blue Ridge, Fannin 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.¹

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.²

¹Appraisal 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.

²Attachment 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.³

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.⁴

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.⁵ 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.

³ 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.

⁴ 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.

⁵ 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 Blue Ridge and Fannin 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 Blue Ridge is located in Fannin County which is located in the northern portion of Georgia. Nearby cities include Ellijay, McCaysville, Blairsville and Chatsworth. Fannin County has the following borders: North – Polk County, Tennessee, and Cherokee County, North Carolina; East – Union County; South – Lumpkin and Gilmer Counties; and West – Gilmer and Murray Counties.

Utilities

The City of Blue Ridge provides water and sewer services to the residents of the city. Blue Ridge Mountain EMC provides electricity services. Natural gas services are provided by Atlanta Gas Light. Basic telephone service is provided by AT&T Georgia.

Health Care

Fannin Regional Hospital is a health care facility located in Blue Ridge that serves the residents of the city and the surrounding area. Union General Hospital is approximately 23 miles from the city in Blairsville.

Transportation

Major highways in Fannin County include U.S. Highway 76 and State Highways 2, 5, 60 and 515. Blue Ridge is home to Blue Ridge Skyport Airport. Pickens County Airport is approximately 35 miles from the city in Jasper. There is no public transportation in Blue Ridge.

Population and Employment Statistics

CENSUS: 2015

	City	County	State
Population	1,387	23,632	9,907,756
Households	567	9,684	3,540,690
Renter Occupied	276	2,223	1,268,689
Rental Vacancy %	6.2	14.7	9.7

BUREAU OF LABOR STATISTICS

COUNTY				
	Labor Force	Employment	Unemployment	Unemployment Rate
2005	10,068	9,550	518	5.1
2010	10,271	9,070	1,201	11.7
March 2017	10,910	10,369	541	5.0

STATE				
	Labor Force	Employment	Unemployment	Unemployment Rate
2005	4,586,427	4,341,229	245,198	5.3
2010	4,696,692	4,202,061	494,631	10.5
March 2017	5,014,429	4,772,580	241,849	4.8

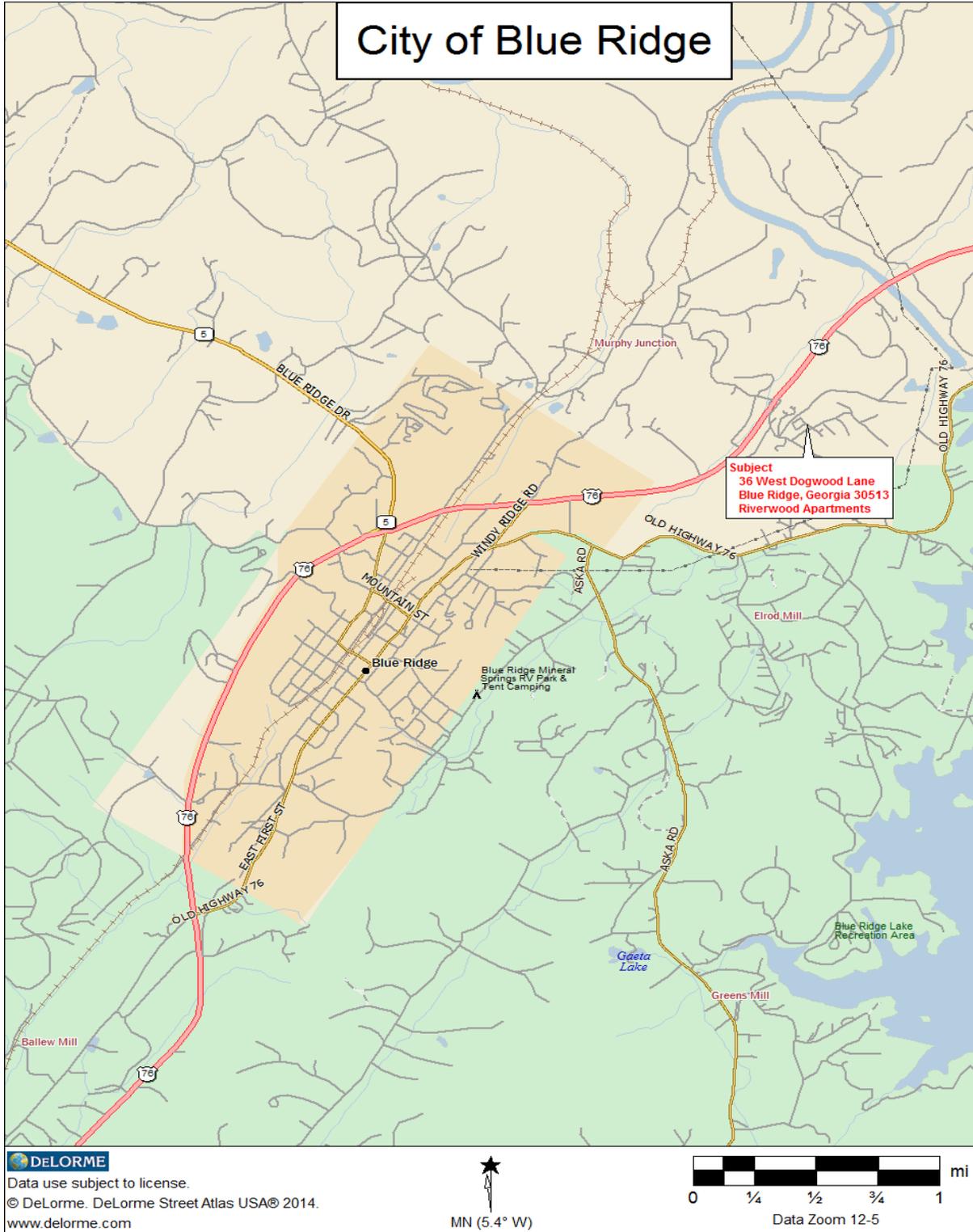
Major Employers

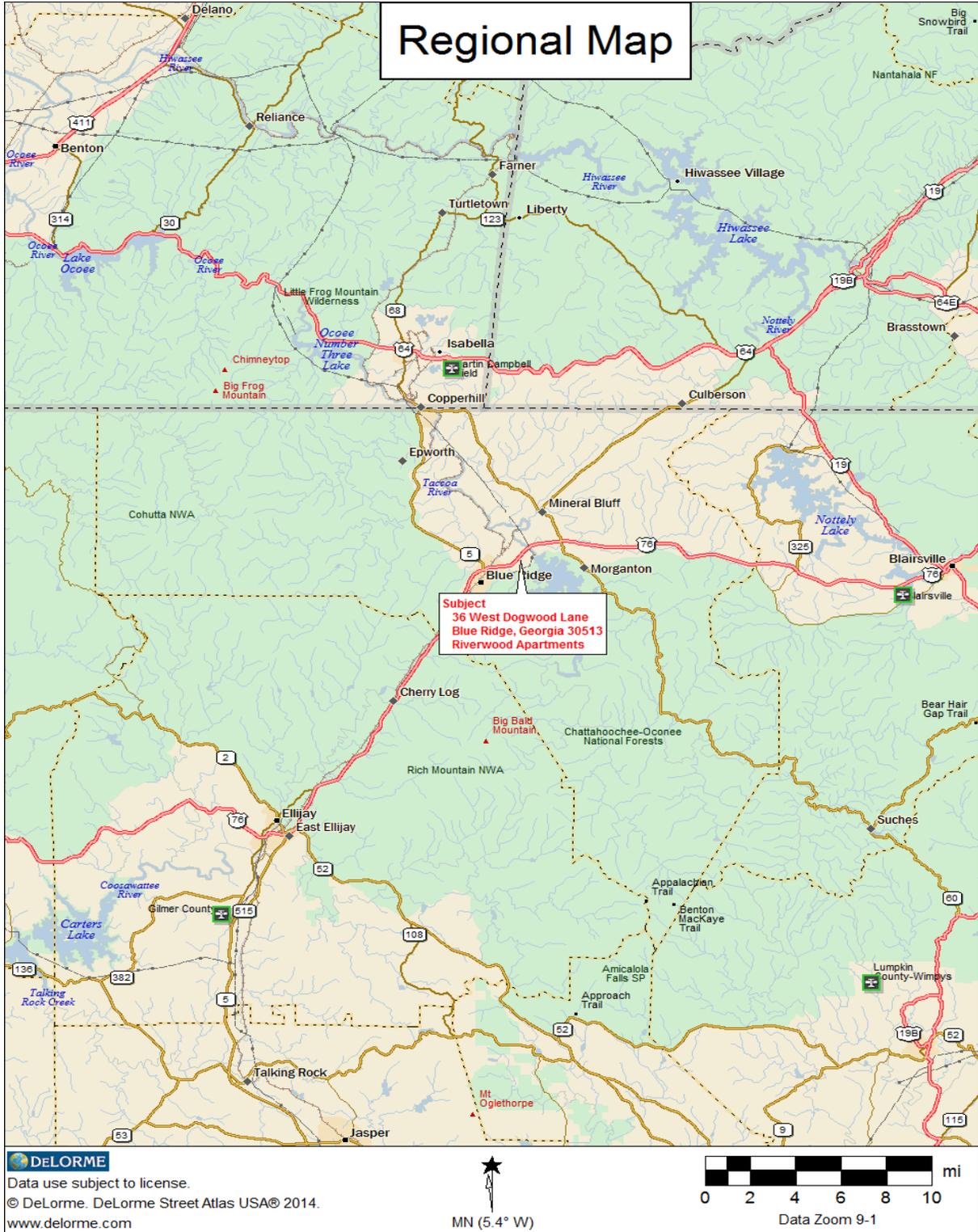
Major employers and type of industry are shown in the following table:

MAJOR EMPLOYERS	
Name	Industry
Mercier Orchards	Agriculture
Blue Ridge Manufacturing	Manufacturing
Lance Trucking Company	Transportation
Whitepath Fab Tech	Manufacturing
Pulse Medical	Manufacturing
A&S Clothing	Manufacturing
Tri-State EMC	Utilities
Fannin Regional Hospital	Health Care
Riverstone Medical Campus	Health Care
Pruitt Health Blue Ridge	Health Care
Blue Ridge Assisted Living	Health Care
Dacorp	Manufacturing
Ingles Markets	Grocery
Wal-Mart	Retail
The Home Depot	Retail
Fannin County School System	Education
Fannin County Government	Government

Summary and Conclusions

Blue Ridge is a city located in the northern portion of Georgia. The unemployment rate has substantially 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 northeast of portion of the City of Blue Ridge, Georgia. The neighborhood has average attractiveness and appeal. The neighborhood has the following boundaries: North – Toccoa River; South – McClures Way and McKinney Road; East - Old Highway 76; and West – Appalachian Highway

Access

The neighborhood is accessed by Appalachian Highway, McClures Way, McKinney Road and Old Highway 76. 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

Restaurants	
0.5 mi	Tin Loong Restaurant
0.7 mi	Taco Bell
1.2 mi	Monte Alban Mexican Restaurant
1.2 mi	Royal Waffle King
1.2 mi	China 1
1.2 mi	Domino's Pizza
1.3 mi	Checkers
1.3 mi	KFC
1.4 mi	Pizza Hut
1.5 mi	The Village Restaurant
1.5 mi	Mike's Trakside BBQ
1.6 mi	Circle J Family Steak House
1.6 mi	Raceway 6871
1.6 mi	Wendy's
1.7 mi	Blue Ridge Mountain Bar-B-Q

Groceries	
0.7 mi	Ingles Market
1.2 mi	Food Lion
1.4 mi	Super Saver
1.7 mi	D & D Produce
1.8 mi	PODUNK PRODUCE-N-SUCH
2.1 mi	Blue Ridge Grocery
2.1 mi	Blue Ridge Olive Oil Company
2.3 mi	Out of the Blue
2.3 mi	Blue Ridge Information Center
2.6 mi	Sunshine Produce
2.7 mi	Right Choice Organics
2.8 mi	Save-A-Lot
3.8 mi	Tarpley's Store

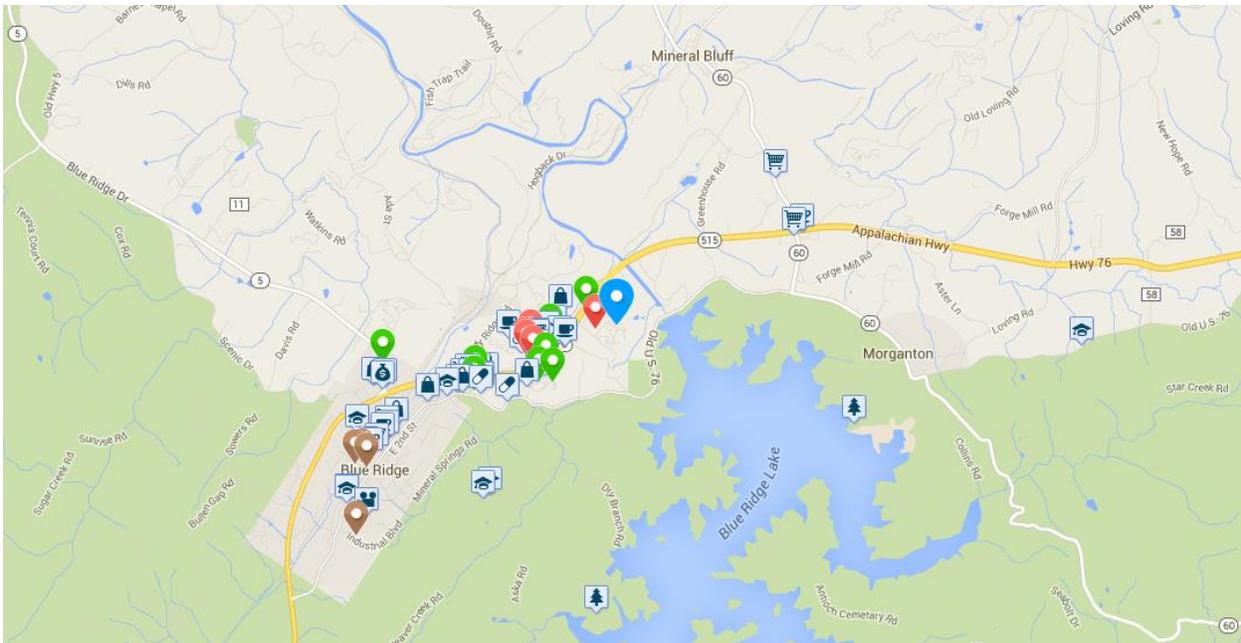
Schools	
1.5 mi	Fannin County Middle School
1.8 mi	Hiwassee Dam High School
1.8 mi	Hiwassee Dam Elementary/Middle School
2.4 mi	Blue Ridge Elementary School
2.7 mi	Fannin County High School
2.7 mi	Fannin Christian Learning Center
3.9 mi	Mountain Area Christian Academy

Shopping	
0.5 mi	Kidz Klozet
0.9 mi	Parker's Clothing & Gift Shop
1.4 mi	Mountain Casual Inc
1.4 mi	Family Dollar #223
1.7 mi	Kathy's Discount Boutique
2 mi	Bills Convenience Store
2 mi	Family Dollar Store
2.1 mi	Shear Creations Salon
2.1 mi	North Georgia Sports Zone
2.1 mi	Paula's Wardrobe
2.2 mi	Almost New
2.2 mi	Juliana's Boutique
2.3 mi	Mountain Boutique
2.3 mi	Blue Ridge Adventure Wear

Banks	
0.3 mi	Automated Profit Sharing
0.6 mi	United Community Bank
0.7 mi	Park Sterling Bank
0.7 mi	Copper Basin Federal Credit Union
0.8 mi	Community & Southern Bank
1.3 mi	Cashtrans
1.3 mi	ATM (BB&T)
2 mi	United Community Bank
2.1 mi	Macon Bank Mortgage
2.1 mi	Right Stuff Food Store Inc
2.2 mi	United Community Bank
2.4 mi	BB&T - Valley Branch
2.4 mi	BB&T - Blue Ridge Branch
2.7 mi	ATM
3.2 mi	Cashtrans

Police	
2.4 mi	Blue Ridge Police Station
2.4 mi	Sheriff's Office
2.5 mi	Fannin County Sheriff's Office
2.8 mi	State Patrol
8.7 mi	Mc Caysville Police Department
11 mi	Copperhill Police Department
12 mi	Polk County Sheriff Department
16 mi	Elijay Police Department
17 mi	Gilmer County Sheriff
17 mi	East Elijay City Clerk
17 mi	Gilmer County Sheriff Patrol
19 mi	Union County Sheriff's Office
20 mi	Murphy Police Department
21 mi	Cherokee County Jail
27 mi	Eton City Police Department

Medical Facilities	
0.2 mi	Northwest Oral and Maxillofacial Surgery Associates, PC
0.8 mi	Emily Burnham, M.D.
0.8 mi	Georgia Cancer Specialists
0.8 mi	Jonathan Bloch, M.D.
0.8 mi	Clifford Thompson, M.D.
0.8 mi	North Georgia Physical Therapy: Mike Darnell, PT
0.8 mi	Riverstone Medical Campus
0.8 mi	NGPG Cardiology Blue Ridge
0.8 mi	Appalachian Physicians Group Walk-In Clinic
0.8 mi	River Birch Research Alliance, LLC
1.7 mi	Nickole L. Mccollum, DPT
2.2 mi	Walmart Pharmacy
2.2 mi	Modern Family Counseling
2.2 mi	Georgia Mountains Health Services
2.6 mi	Shaver Medical PC



Land Use Pattern

The subject neighborhood is comprised primarily of residential properties and is 40 percent built up. Approximately 20 percent of the land use is made up of single-family residences. About 10 percent is comprised of commercial properties. Another 20 percent of the land use is made up of multifamily developments. The remaining 60 percent is vacant land. The area is mostly rural.

Neighborhood Characteristics

According to Neighborhood Scout, the median real estate price of the neighborhood is \$187,107, which is more expensive than 49.6 percent of the neighborhoods in Georgia and 31.9 percent of the neighborhoods in the United States. The average rental price in the neighborhood is \$844, according to Neighborhood Scout, which is lower than 80.1 percent of all Georgia neighborhoods.

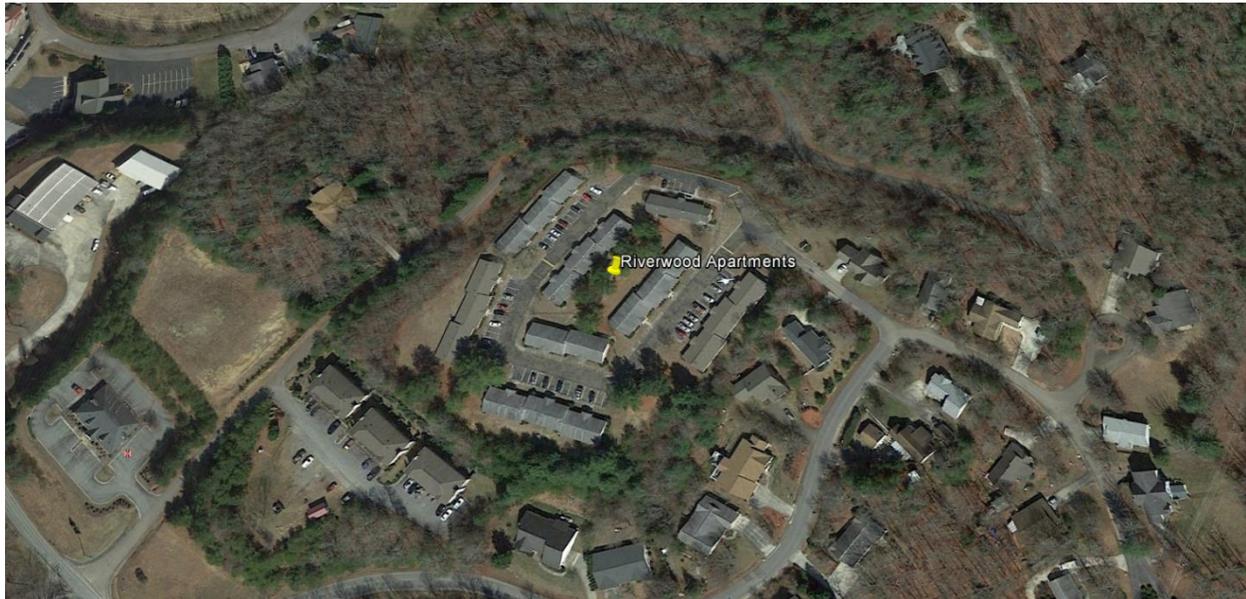
The neighborhood has 29.4 percent of the working population employed in executive, management and professional occupations. Another 27.6 percent of the residents are employed in sales and service jobs. Manufacturing and laborer occupations make up 24.3 percent, and 17.2 percent are employed in clerical, assistant and technical support occupations.

According to Neighborhood Scout, the school quality rating is 51 (100 is the best). The neighborhood is served by the Fannin County School District which contains 5 schools and approximately 2,949 students. The school district quality is considered better than 9.0 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. Vacant land is located north of the site. Multifamily developments are located south of the site. Single-family residences are located east of the subject. Vacant, wooded land is located west of the subject.



Crime

According to www.neighborhoodscout.com, the crime index for the subject neighborhood is 51. There are 31 total crimes annually in the neighborhood, 2 of which are violent crimes and 29 of which are property crimes. The annual violent crime rate is 1.56 per 1,000 residents, while the property crime rate is 22.55 per 1,000 residents. The total annual crime rate is 24.11 per 1,000 residents. The chances of becoming a victim of a violent crime are 1 in 643 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 44 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 7,677, an increase of 885 people from the 2010 population of 6,792. The population is expected to increase at an annual rate of 10.1 percent between 2017 and 2022. Therefore, the 2022 population is projected at 8,453. The median age for the neighborhood is 48.9.

The total number of households increased from 2,881 in 2010 to 3,268 in 2017. Household totals are expected to increase, with a projected 3,610 households in 2022.

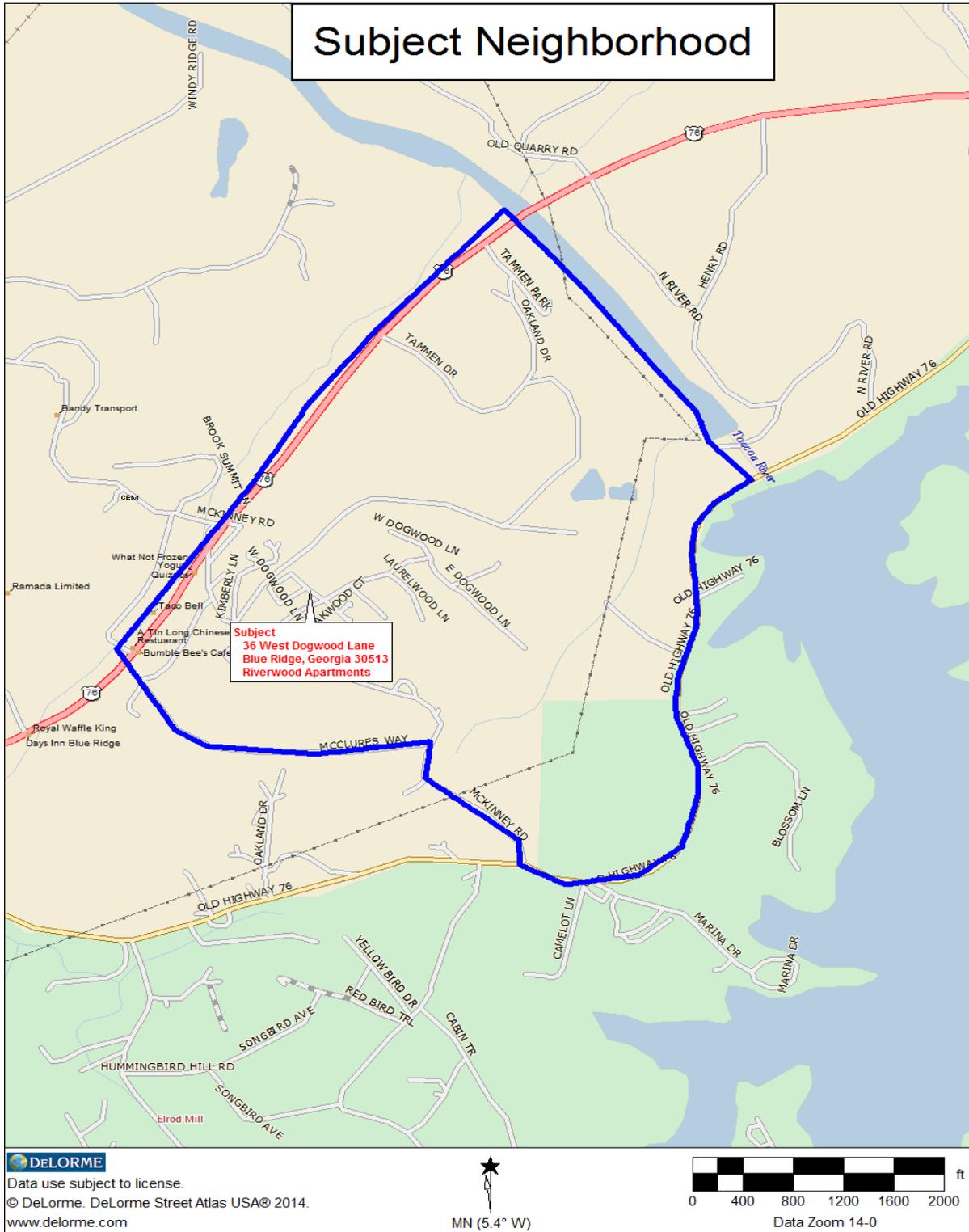
The median household income for the neighborhood in 2017 is \$37,913. It is expected to increase to \$43,258 by 2022. The per capita income is \$23,465.

The median home value for the neighborhood in 2017, according to ESRI, is \$208,383. According to ESRI, the average amount spent for owner-occupied households in the subject's neighborhood is \$13,572.00, or \$1,131 per month. The average amount spent for renter-occupied households is \$7,740.00, or \$645 per month.

Analysis/Comments

In conclusion, the subject is located in the northeast of portion of Blue Ridge, 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 0001.01 and 0002.04 in Union County, Census Tracts 0501.00, 0502.00, 0504.00 and 0505.00 in Fannin County and Census Tract 0801.00 in Gilmer County. The market area has the following boundaries: North – States of Tennessee and North Carolina; South – Dawson County and State Highway 52; East – Nottely River, Nottely Lake, Pat Colwell Road, Kuituestia Creek Road, Blue Ridge Highway, Skeenah Gap Road and Union County; and West – U.S. Highway 76, Gilmer County, Cashes Valley Road, Old Highway 2, Lickskillet Road, Lake Dunn Road and Fightingtown Creek.

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.

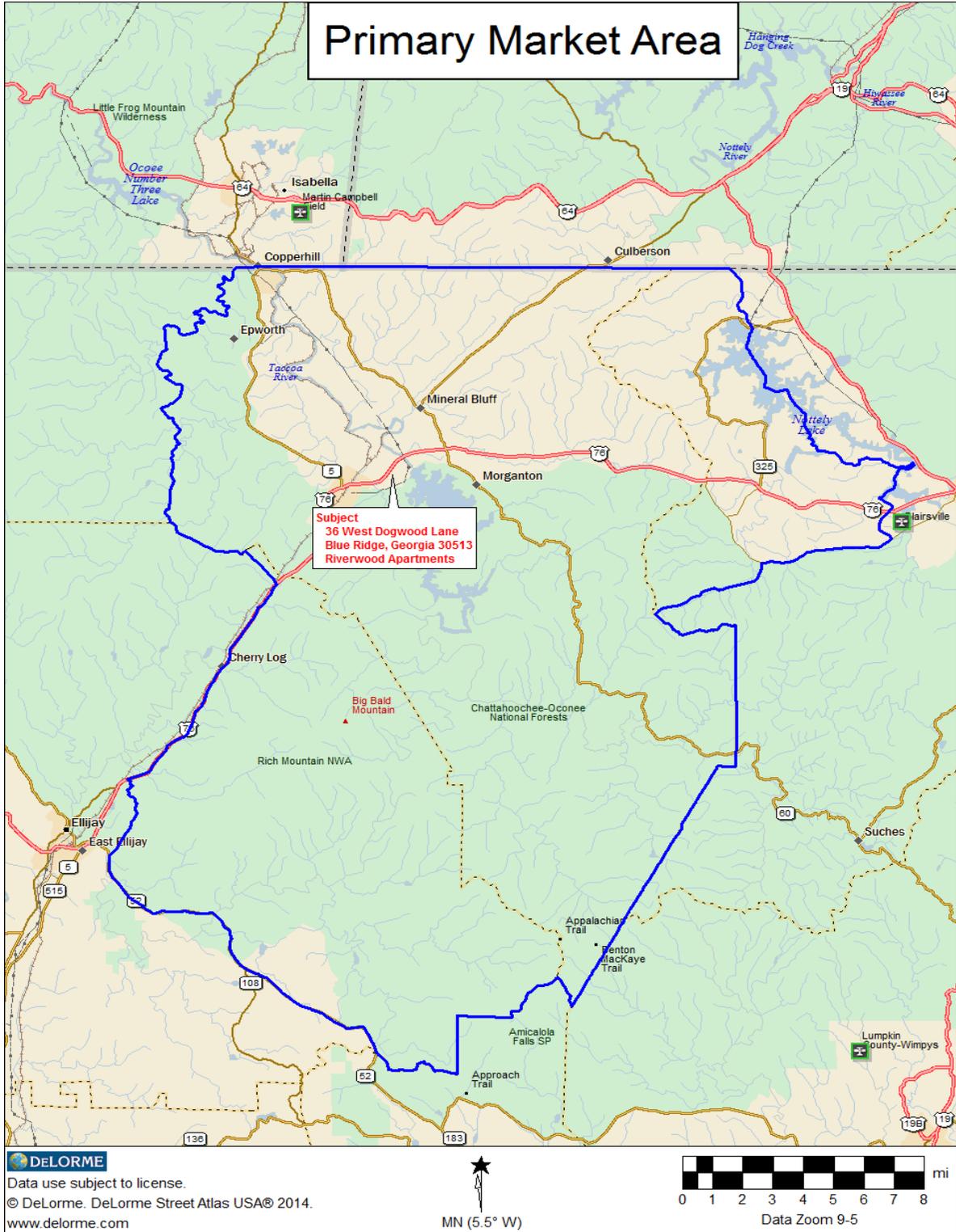
The field/phone survey was conducted in May 2017. Five market-rate properties responded to the survey and four restricted properties, including the subject, responded to the survey. Of the apartments surveyed an overall vacancy rate of three percent was determined for the market-rate vacancy and two percent was determined for the restricted vacancy. The subject is currently 98 percent occupied. Historically, the subject's occupancy rate has ranged from 99 to 100 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.

Market Area Vacancy by Development - Conventional			
Property Name	# of Units	# of Vacant Units	Vacancy Percentage
Hilltop Apartments	32	1	3.1%
Stone Brook Apartments	139	3	2.2%
Park Murray Apartments	40	0	0.0%
Legacy of Dalton	158	6	3.8%
Park Canyon Apartments	171	7	4.1%
TOTALS	540	17	3.1%

Market Area Vacancy by Development - Affordable			
Property Name	# of Units	# of Vacant Units	Vacancy Percentage
Riverwood Apartments	41	1	2.4%
Brooks Summit Apartments	36	2	5.6%
Mineral Springs Apartments	67	0	0.0%
North Court Apartments	34	0	0.0%
TOTALS	178	3	1.7%

Absorption Period

The subject is an existing 41-unit complex that is currently 98 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 Fannin County Assessor's Office. A copy of the survey is included in the addenda.

Total Land Area 5.47 acres or 238,273+/- square feet

Shape/Dimensions Irregular

Access & Exposure The subject property is located on West Dogwood Lane. The site is at or near pavement grade with West Dogwood Lane. The site has ingress and egress on West Dogwood Lane.

Topography/Drainage The site is generally sloping. 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 13111C0068E, dated September 17, 2010, 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 was 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 7.89;

Site Coverage Ratio - 12.67 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.

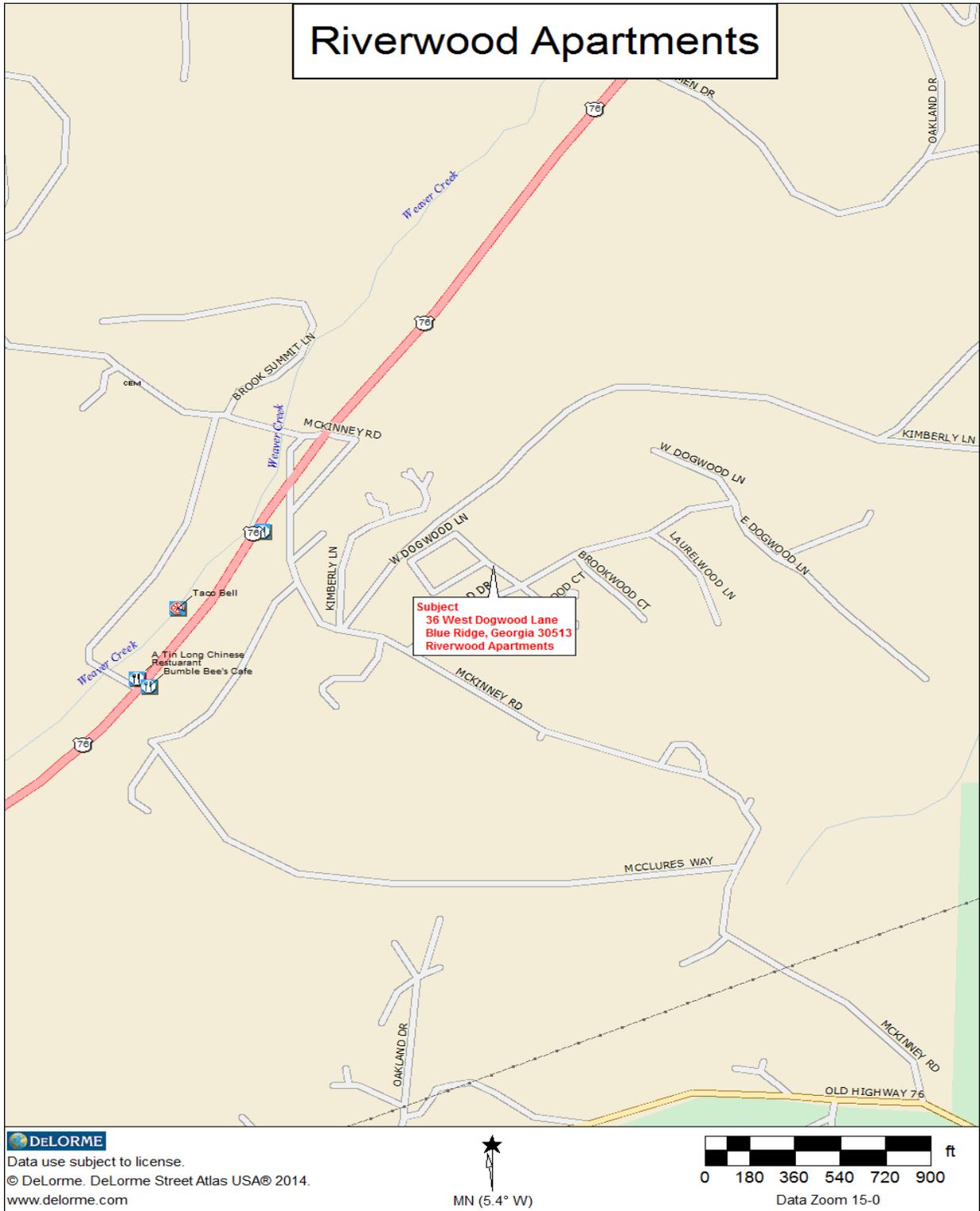
Utilities

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 Fannin County, the subject is not zoned as the property is located outside the city limits and the county does not have zoning ordinances. The subject could be re-built if it were destroyed. The current use is consistent with the Highest and Best Use of the subject. Therefore, there is no negative impact on the market value by the zoning classification.

Subject Map



Improvement Description

Number of Buildings	The subject contains seven garden one-story buildings containing 41 units and one accessory building.
Net Rentable Building Area	27,877 square feet
Gross Building Area	30,196 square feet
Year Built/Year Renovated	1993/Proposed
Economic Life	55 Years
Effective Age	10 Years (As Is) 5 Years (As Complete)

The subject contains seven garden one-story buildings containing 41 units. The property also contains one accessory building housing the leasing office, meeting room and maintenance area. According to the Fannin County Assessor, the gross building area of the property is 30,196 square feet. A copy of the plans, dated August 1, 1991, and completed by Richard Landau Architects of Ellijay, 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.

Unit Type	# of Units	Square Footage	Total Square Footage
1/1	40	676	27,040
2/1	1	837	837
	41		27,877

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	X	
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		
Emergency Call			On-Site Management	X	
Safety Bars			On-Site Maintenance	X	
Parking	Included	Fee	Intercom/Electronic Entry		
Parking Lot/# of Spaces	X/58	\$0	Limited Access Gate		
Covered Parking/# of Spaces			Perimeter Fencing		
Garage/# of Spaces			Security Patrol		
Parking Garage/Underground/# of Spaces			Video Surveillance		

The subject is 100 percent Rural Development with Rental Assistance for 40 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	40	676	\$430	\$69
2/1	1	837	NA	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	40	676	\$441	\$69
2/1	1	837	N/A	N/A

The rents indicated in the table are assuming LIHTC restrictions, but the subject will retain its Rental Assistance for 40 units. The subject is currently a Rural Development property that, after rehabilitation, will remain a Rural Development property with Rental Assistance for all 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 will never be asked to pay more than 30 percent of their gross annual income for rent.

CONSTRUCTION SUMMARY

Foundation	Concrete Slab on grade
Construction	Frame
Exterior Walls	Brick/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 1993 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 \$208,383. According to ESRI, the average amount spent for owner-occupied households in the subject's neighborhood is \$13,572.00, or \$1,131 per month. The average amount spent for renter-occupied households is \$7,740.00, or \$645 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. 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 Exterior



View of Exterior



View of Mailboxes



View of Meeting Room



View of Office



View of Maintenance Area



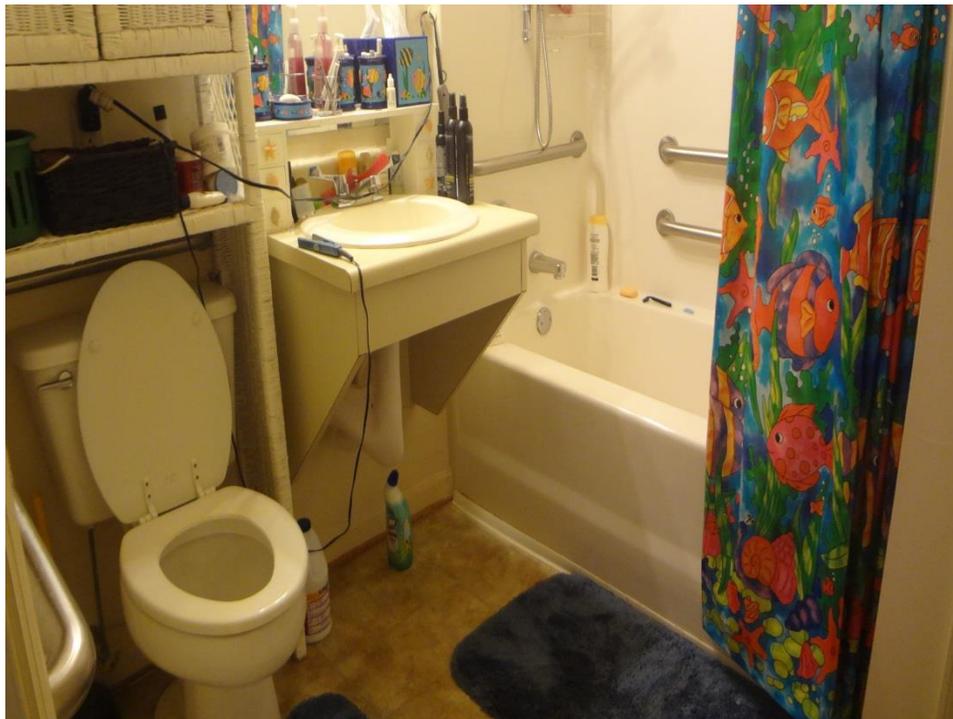
View of Living Area – One-Bedroom Unit



View of Kitchen – One-Bedroom Unit



View of Bedroom – One-Bedroom Unit



View of Bath – One-Bedroom Unit



View of Parking Lot



View of Entrance



View of Street



View of Street



View to the North



View to the South



View to the West



View to the East

Assessments and Current Real Estate Taxes

The tax rate for Fannin County is 16.984 per \$1,000 of assessed value. The property has a total appraised value of \$662,680, with \$52,512 allocated to land and \$610,168 allocated to improvements. The assessor uses 40 percent of the appraised value to determine the assessed value. As a result, the assessed value was \$265,072. The 2016 real estate taxes for the subject were \$4,501.98. 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
Hilltop Apartments 351 Penland Street Elijay, Gilmer County, Georgia	32	1990	3080 085	\$79,600	\$937,510	\$1,017,110	\$16,071.94	\$502.25
Stone Brooke Apartments 1912 Heathcliff Drive Dalton, Whitfield County, Georgia	139	1972	12-197-04-002	\$250,320	\$4,363,086	\$4,613,406	\$67,034.63	\$482.26
Park Murray Apartments 1320 East Murray Avenue Dalton, Whitfield County, Georgia	40	2000	12-240-23-002	\$69,006	\$1,268,655	\$1,337,661	\$14,809.08	\$370.23
Legacy of Dalton 2111 Club Drive Dalton, Whitfield County, Georgia	158	1976	12-185-05-000	\$446,261	\$4,465,514	\$4,911,775	\$80,331.44	\$508.43
Park Canyon Apartments 284 Park Canyon Drive Dalton, Whitfield County, Georgia	171	1970	12-196-05-000	\$386,043	\$4,732,515	\$5,118,558	\$63,291.90	\$370.13

These comparables are all market-rate facilities in Gilmer and Whitfield Counties. The comparables were utilized due to the lack of market-rate properties in the subject's county. The comparables indicated a range of \$370.13 per unit to \$508.43 per unit. The subject's actual real estate taxes are \$110.00 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 \$450 per unit, or \$18,450, 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?⁶

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 5.47 acres. Topographically, the site is generally sloping. 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.

⁶ The Appraisal Institute. *The Appraisal of Real Estate*. 14th 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.⁷

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 30,196 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.

⁷ The Appraisal Institute. *The Appraisal of Real Estate*. 14th 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

Record ID	1340
Property Name	Park Drive
Address	Park Drive, Blue Ridge, Fannin County, Georgia 30513
Tax ID	0051 106B
Market Type	Land

Sale Data

Grantor	Rudy J Roach
Grantee	Johnson Paving LLC
Sale Date	November 14, 2014
Deed Book/Page	1110/A137
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Conventional
Verification	Assessor; May 17, 2017

Sale Price	\$35,000
Cash Equivalent	\$35,000
Adjusted Price	\$35,000

Land Sale No. 1 (Cont.)

Land Data

Zoning	None
Topography	Nearly Level
Utilities	E, G, W, S
Shape	Irregular

Land Size Information

Gross Land Size	4.500 Acres or 196,020 SF
Front Footage	Park Drive

Indicators

Sale Price/Gross Acre	\$7,778
Sale Price/Gross SF	\$0.18

Land Sale No. 2



Property Identification

Record ID	1398
Property Name	Harkins Young Road
Address	Harkins Young Road, Blairsville, Union County, Georgia 30512
Tax ID	070D 040
Market Type	Land

Sale Data

Grantor	James P. McAfee
Grantee	Jackie W. Cook
Sale Date	July 21, 2014
Deed Book/Page	980/227
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Conventional
Verification	Assessor; May 17, 2017

Sale Price	\$50,000
Cash Equivalent	\$50,000
Adjusted Price	\$50,000

Land Sale No. 2 (Cont.)

Land Data

Zoning	R-4
Topography	Nearly Level
Utilities	E, G, W, S
Shape	Irregular

Land Size Information

Gross Land Size	5.300 Acres or 230,868 SF
Front Footage	Harkins Young Road

Indicators

Sale Price/Gross Acre	\$9,434
Sale Price/Gross SF	\$0.22

Land Sale No. 3



Property Identification

Record ID	4685
Property Name	Appalachian Highway
Address	Appalachian Highway, Blue Ridge, Fannin County, Georgia 30513
Tax ID	0054 B 23B
Market Type	Land

Sale Data

Grantor	Community Bank of Pickens County
Grantee	Stoney Brooke LLC
Sale Date	July 22, 2016
Deed Book/Page	1175 267
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Conventional
Verification	Assessor; May 17, 2017

Sale Price	\$50,000
Cash Equivalent	\$50,000
Adjusted Price	\$50,000

Land Data

Zoning	C-3
Topography	Nearly Level
Utilities	E, G, W, S

Land Sale No. 3 (Cont.)

Shape Irregular

Land Size Information

Gross Land Size 2.000 Acres or 87,120 SF

Front Footage Appalachian Highway

Indicators

Sale Price/Gross Acre \$25,000

Sale Price/Gross SF \$0.57

Land Sale No. 4



Property Identification

Record ID	4691
Property Name	Tom Boyd Road
Address	Tom Boyd Road, Blue Ridge, Fannin County, Georgia 30513
Tax ID	0052-A-011

Sale Data

Grantor	Patriot Land Investment
Grantee	Blue Ridge Storage Solutions LLC
Sale Date	May 11, 2016
Deed Book/Page	001166000023
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Conventional
Verification	Assessor; May 17, 2017

Sale Price	\$129,900
Cash Equivalent	\$129,900
Adjusted Price	\$129,900

Land Data

Zoning	None
Topography	Nearly Level
Utilities	E, G, W, S

Land Sale No. 4 (Cont.)

Shape	Irregular
<u>Land Size Information</u>	
Gross Land Size	8.010 Acres or 348,916 SF
Front Footage	Tom Boyd Road
<u>Indicators</u>	
Sale Price/Gross Acre	\$16,217
Sale Price/Gross SF	\$0.37

Land Sale No. 5



Property Identification

Record ID	4710
Property Name	Ryder Street
Address	Ryder Street, McCaysville, Fannin County, Georgia 30555
Tax ID	MC04 001
Market Type	Land

Sale Data

Grantor	John T. and John G. Lacz
Grantee	Cynthia Stuart and Donal Gilliam
Sale Date	August 16, 2016
Deed Book/Page	1177/361
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Conventional
Verification	Assessor; May 17, 2017

Sale Price	\$42,500
Cash Equivalent	\$42,500
Adjusted Price	\$42,500

Land Data

Zoning	None
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Land Sale No. 5 (Cont.)

Topography
Utilities
Shape

Gently Rolling
E, G, W, S
Irregular

Land Size Information

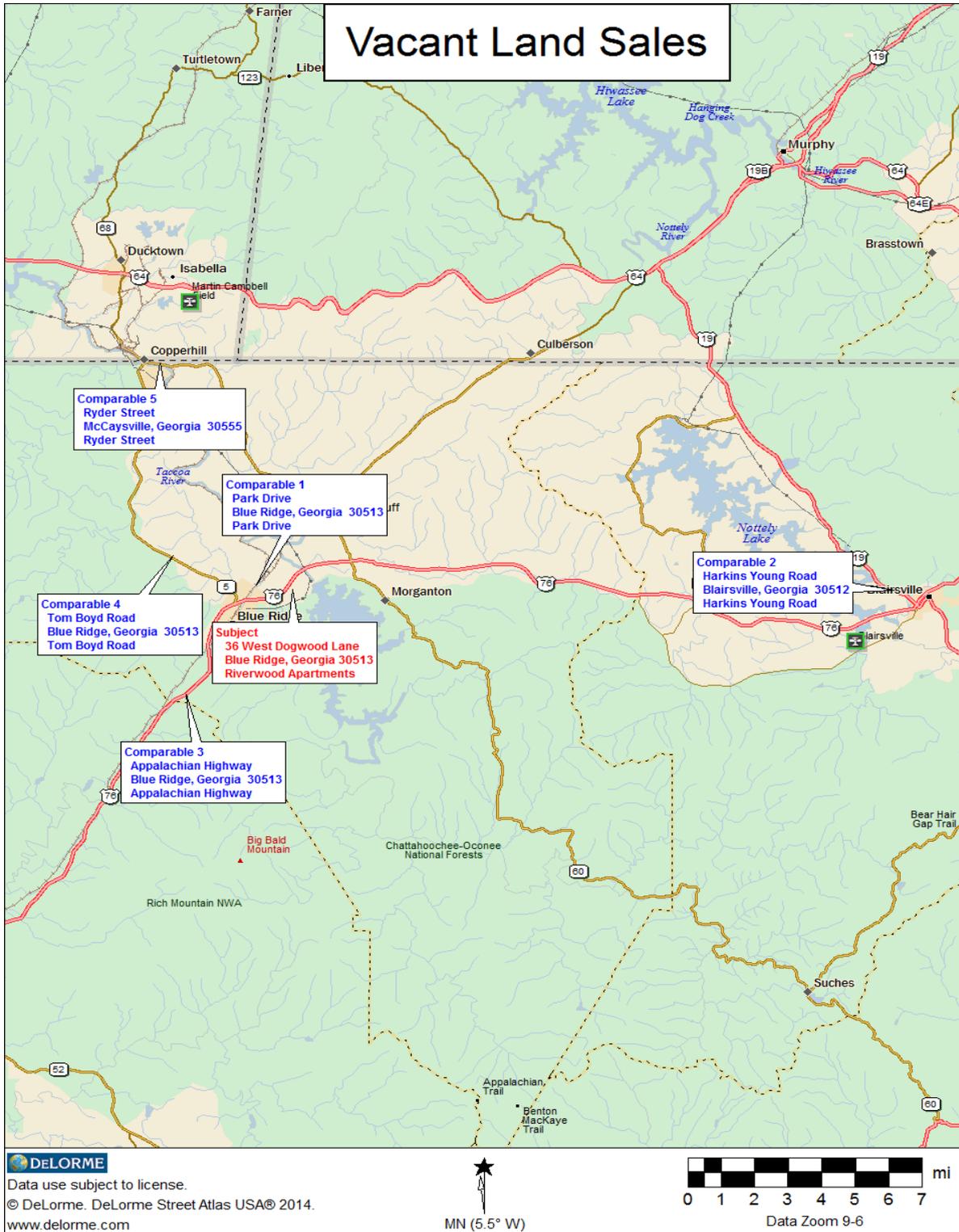
Gross Land Size
Front Footage

2.950 Acres or 128,502 SF
Ryder Street

Indicators

Sale Price/Gross Acre
Sale Price/Gross SF

\$14,407
\$0.33



Riverwood Apartments * 36 West Dogwood Lane * Blue Ridge, Georgia

Land Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Address	36 West Dogwood Lane	Park Drive	Harkins Young Road	Appalachian Highway	Tom Boyd Road	Ryder Street
City	Blue Ridge	Blue Ridge	Blairsville	Blue Ridge	Blue Ridge	McCaysville
State	GA	GA	GA	GA	GA	GA
Date	5/17/2017	11/14/2014	7/21/2014	7/22/2016	5/11/2016	8/16/2016
Price		\$35,000	\$50,000	\$50,000	\$129,900	\$42,500
Acres	5.47	4.50	5.30	2.00	8.01	2.95
Acre Unit Price		\$7,778	\$9,434	\$25,000	\$16,217	\$14,407
Transaction Adjustments						
Property Rights	Fee Simple	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple
Financing	Conventional	Conventional	0.0%	Conventional	0.0%	Conventional
Conditions of Sale	Normal	Normal	0.0%	Normal	0.0%	Normal
Adjusted Acre Unit Price		\$7,778	\$9,434	\$25,000	\$16,217	\$14,407
Market Trends Through	05/17/17					
Adjusted GBA Unit Price		\$7,778	\$9,434	\$25,000	\$16,217	\$14,407
Location	Average	Similar	Similar	Similar	Similar	Similar
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0	\$0
Acres	5.47	4.50	5.30	2.00	8.01	2.95
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0	\$0
Visibility/Access	Average	Similar	Similar	Similar	Similar	Similar
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0	\$0
Topography	Generally Sloping	Nearly Level	Nearly Level	Nearly Level	Nearly Level	Gently Rolling
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0	\$0
Zoning	None	None	R-4	C-3	None	None
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0	\$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	E, G, W, S
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0	\$0
Adjusted Acre Unit Price		\$7,778	\$9,434	\$25,000	\$16,217	\$14,407
Net adjustments		0.0%	0.0%	0.0%	0.0%	0.0%
Gross adjustments		0.0%	0.0%	0.0%	0.0%	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 17, 2017, is as follows:

5.47 acres x \$10,000 per acre = \$54,700

Rounded \$55,000

Summary of Vacant Land Sales

Comp	Address	Sale Date	Sale Price	Acre Unit Price	Acres	Land SF	Zoning
1	Park Drive	11/14/2014	\$35,000	\$7,778	4.50	196,020	None
2	Harkins Young Road	7/21/2014	\$50,000	\$9,434	5.30	230,868	R-4
3	Appalachian Highway	7/22/2016	\$50,000	\$25,000	2.00	87,120	C-3
4	Tom Boyd Road	5/11/2016	\$129,900	\$16,217	8.01	348,916	None
5	Ryder Street	8/16/2016	\$42,500	\$14,407	2.95	128,502	None

Adjustments

The prices of the comparable land sales range from \$7,778 to \$25,000 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 Blue Ridge. Comparable 1 is located in Blue Ridge. Comparable 2 is located in Blairsville. Comparable 3 is located in Blue Ridge. Comparable 4 is located in Blue Ridge. Comparable 5 is located in McCaysville. Although there are some differences in the location of the two cities, the differences are not significant enough to warrant an adjustment. No adjustments were needed.

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 5.47 acres. The comparables range in size from 2.00 acres to 8.01 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 generally sloping. Comparable 1 is Nearly Level. Comparable 2 is Nearly Level. Comparable 3 is Nearly Level. Comparable 4 is Nearly Level. Comparable 5 is Gently Rolling. 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 not zoned as the property is located outside the city limits and the county does not have zoning ordinances. Comparables 1, 4 and 5 are not zoned. Comparable 2 is zoned R-4. Comparable 3 is zoned C-3. 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 \$7,778 to \$25,000 per acre after adjustments. All comparables were given consideration. The comparables indicated a reconciled value of \$10,000 per acre. These were considered to be the best comparables available after researching sales with local realtors and the county assessor's office.

5.47 acres x \$10,000 per Acre = \$54,700

Rounded \$55,000

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.⁸

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.

⁸Appraisal 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

Total Construction Cost of Structures			\$1,948,872
Plus: Entrepreneur's Profit			\$194,887
Depreciation			<u>(\$397,974)</u>
Cost of Structures before External Obsolescence			\$1,745,785
Value of Land			\$55,000
Plus: Entrepreneur's Profit			<u>\$5,500</u>
Cost before External Obsolescence			\$1,806,285
Current Capitalization Rate			6.00%
Economic Net Operating Income (RCN x CR)			\$108,377
Net Operating Income from the Subject			<u>\$53,380</u>
Net Loss Due to Economic Obsolescence			<u>(\$54,997)</u>
Ratio of Improvements Total Property Value			0.9665
Year	Actual NOI Loss	Overall Cap Rate	Capitalized NOI Loss
1	(\$54,997)	6.00%	(\$916,618)
Times ratio of Improvements to Total Property			0.9665
Total External Obsolescence			(\$885,917)

Cost Analysis - Restricted As Is - Section 1 of 1

Marshall & Swift

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

Building Improvements

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	30,196	0.855	\$1,847,032
Built-Ins	Per Unit	\$1,925.00	41	0.855	\$67,473
Total Building Improvement Costs					\$1,914,505
Price per SF Gross Building Area					\$63.40

Site Improvements

Item	Unit Type	Cost	Quantity	Multiplier	Total
Paving	Per Unit	\$650.00	58	0.855	\$32,230
Recreation Area	Lump Sum	\$2,500.00	1	0.855	\$2,137
Total Site Improvement Costs					\$34,367
Subtotal: Building & Site Costs					\$1,948,872
Price per SF Gross Building Area					\$64.54

Total Costs

Subtotal: Building, Site & Soft Costs	\$1,948,872
Developer's Profit 10.0%	\$194,887
Total Cost	\$2,143,759
Price per SF Gross Building Area	\$70.99

Depreciation

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	10	55	18%	\$379,072
Physical Depreciation: Site	10	20	50%	\$18,902
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$885,917
Total Depreciation				\$1,283,891
Depreciated Value of Improvements				\$859,868
Cost Per Square Foot Gross Building Area				\$28.48

Additional Cost Sections

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

Land Value

Land Value	\$55,000
Other	\$0
Cost Approach Value Indication	\$914,868
Rounded	\$915,000
Price per SF Gross Building Area	\$30.30

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 = \$915,000

Cost Analysis - Market As Is - Section 1 of 1

Marshall & Swift

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

Building Improvements

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	30,196	0.855	\$1,847,032
Built-Ins	Per Unit	\$1,925.00	41	0.855	\$67,473
Total Building Improvement Costs					\$1,914,505
Price per SF Gross Building Area					\$63.40

Site Improvements

Item	Unit Type	Cost	Quantity	Multiplier	Total
Paving	Per Unit	\$650.00	58	0.855	\$32,230
Recreation Area	Lump Sum	\$2,500.00	1	0.855	\$2,137
Total Site Improvement Costs					\$34,367
Subtotal: Building & Site Costs					\$1,948,872
Price per SF Gross Building Area					\$64.54

Total Costs

Subtotal: Building, Site & Soft Costs	\$1,948,872
Developer's Profit 10.0%	\$194,887
Total Cost	\$2,143,759
Price per SF Gross Building Area	\$70.99

Depreciation

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	10	55	18%	\$379,072
Physical Depreciation: Site	10	20	50%	\$18,902
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$0
Total Depreciation				\$397,974
Depreciated Value of Improvements				\$1,745,785
Cost Per Square Foot Gross Building Area				\$57.82

Additional Cost Sections

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

Land Value

Land Value	\$55,000
Other	\$0
Cost Approach Value Indication	\$1,800,785
Rounded	\$1,800,000
Price per SF Gross Building Area	\$59.61

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 = \$1,800,000

Cost Analysis - Restricted As Complete - Section 1 of 1

Marshall & Swift

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

Building Improvements

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	30,196	0.855	\$1,847,032
Built-Ins	Per Unit	\$1,925.00	41	0.855	\$67,473
Total Building Improvement Costs					\$1,914,505
Price per SF Gross Building Area					\$63.40

Site Improvements

Item	Unit Type	Cost	Quantity	Multiplier	Total
Paving	Per Unit	\$650.00	58	0.855	\$32,230
Recreation Area	Lump Sum	\$2,500.00	1	0.855	\$2,137
Total Site Improvement Costs					\$34,367
Subtotal: Building & Site Costs					\$1,948,872
Price per SF Gross Building Area					\$64.54

Total Costs

Subtotal: Building, Site & Soft Costs	\$1,948,872
Developer's Profit 10.0%	\$194,887
Total Cost	\$2,143,759
Price per SF Gross Building Area	\$70.99

Depreciation: Section 1 of 1

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	5	55	9%	\$189,536
Physical Depreciation: Site	5	20	25%	\$9,451
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$0
Total Depreciation				\$198,987
Depreciated Value of Improvements				\$1,944,772
Cost Per Square Foot Gross Building Area				\$64.40

Additional Cost Sections

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

Land Value

Land Value	\$55,000
Other	\$0
Cost Approach Value Indication	\$1,999,772
Rounded	\$2,000,000
Price per SF Gross Building Area	\$66.23

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 stabilized":

Restricted Value As Stabilized = \$2,000,000

Cost Analysis - Market As Complete - Section 1 of 1

Marshall & Swift

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

Building Improvements

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	30196	0.855	\$1,847,032
Built-Ins	Per Unit	\$1,925.00	41	0.855	\$67,473
Total Building Improvement Costs					\$1,914,505
Price per SF Gross Building Area					\$63.40

Site Improvements

Item	Unit Type	Cost	Quantity	Multiplier	Total
Paving	Per Unit	\$650.00	58	0.855	\$32,230
Recreation Area	Lump Sum	\$2,500.00	1	0.855	\$2,137
Total Site Improvement Costs					\$34,367
Subtotal: Building & Site Costs					\$1,948,872
Price per SF Gross Building Area					\$64.54

Total Costs

Subtotal: Building, Site & Soft Costs	\$1,948,872
Developer's Profit 10.0%	\$194,887
Total Cost	\$2,143,759
Price per SF Gross Building Area	\$70.99

Depreciation: Section 1 of 1

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	5	55	9%	\$189,536
Physical Depreciation: Site	5	20	25%	\$9,451
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$0
Total Depreciation				\$198,987
Depreciated Value of Improvements				\$1,944,772
Cost Per Square Foot Gross Building Area				\$64.40

Additional Cost Sections

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

Land Value

Land Value	\$55,000
Other	\$0
Cost Approach Value Indication	\$1,999,772
Rounded	\$2,000,000
Price per SF Gross Building Area	\$66.23

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 stabilized":

Market Value As Stabilized = \$2,000,000

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 (676 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	Riverwood Apartments 36 West Dogwood Lane Blue Ridge, Fannin, GA	Hilltop Apartments 351 Penland Street Ellijay, Gilmer, GA			Stone Brook Apartments 1912 Heath Cliff Drive Dalton, Whitfield, GA			Park Murray Apartments 1320 East Murray Avenue Dalton, Whitfield, GA			Legacy of Dalton 2111 Club Drive Dalton, Whitfield, GA			Park Canyon Apartments 284 Park Canyon Drive Dalton, Whitfield, GA		
Characteristics	Data	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		
4. Type of Project/Stories	G/1	T/2			WU/2			WU/2			WU/2			WU/2		
5. Floor of Unit in Building	First	First			Varies			Varies			Varies			Varies		
6. Project Occupancy %	98%	97%			98%			100%			96%			96%		
7. Concessions	N	N			N			N			N			N		
8. Year Built	1993	1990	(\$25)		1972			2000	(\$25)		1976	(\$25)		1970		
9. Sq. Ft. Area	676	1,000	(\$75)		600	\$20		550	\$30		800	(\$30)		704	(\$5)	
10. Number of Bedrooms	1	2	(\$30)		1			1			1			1		
11. Number of Baths	1.0	1.5	(\$10)		1.0			1.0			1.0			1.0		
12. Number of Rooms	3	4			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	N			N			N			N			Y		
d. Microwave/Dishwasher	N	D	(\$10)		D	(\$10)		N			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	R	R			PER	(\$20)		R			PER	(\$20)		PR	(\$10)	
16. Services a. Heat/Type	N/E	N/E			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/E			N/E			N/E			N/E			N/E		
f. Cold Water/Sewer	Y	N	\$41		Y			Y			Y			Y		
g. Trash	Y	Y			Y			Y			Y			Y		
17. Storage	Y/0	N	\$5		N	\$5		N	\$5		Y/0			Y/0		
18. Project Location	Average	Similar			Similar			Similar			Similar			Similar		
19. Security	N	N			N			N	(\$5)		N			Y		(\$5)
20. Clubhouse/Meeting Room	MR	N	\$5		N	\$5		Y		\$5	C			C		
21. Special Features	A	N	\$10		N	\$10		N		\$10	N		\$10	N		\$10
22. Business Center / Nbrd Netwk	N	N			N			N			N			N		
23. Unit Rent Per Month		\$750			\$650			\$559			\$714			\$660		
24. Total Adjustment			(\$89)			\$10			\$25			(\$75)			(\$20)	
25. Indicated Rent		\$661			\$660			\$584			\$639			\$640		
26. Correlated Subject Rent	\$640	<input type="checkbox"/> If there are any Remarks, check here and add the remarks to the back of page.														
	high rent	\$661	low rent	\$584	60% range	\$599	to	\$646								
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			Date (mm/dd/yy)			Reviewer's Signature				Date (mm/dd/yyyy)				
		<i>Samuel J. Hill</i>			05/17/17											

Previous editions are obsolete

form HUD-92273 (07/2013)

Explanation of Adjustments and Market Rent Conclusions – As Is

Riverwood Apartments

Primary Unit Types – One-Bedroom Units (676 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 676 square feet. Comparable apartments used include the following: Hilltop Apartments (Comparable 1), Stone Brook Apartments (Comparable 2), Park Murray Apartments (Comparable 3), Legacy of Dalton (Comparable 4) and Park Canyon Apartments (Comparable 5).

Structure/Stories – The subject is located in garden one-story buildings. All comparables are located in walk-up or townhouse two-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 98 percent occupied. The occupancy rates of the comparables range from 96 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 1993. Comparable 1 was built in 1990, Comparable 2 was constructed in 1972, and Comparable 3 was built in 2000. Comparable 4 was constructed in 1976, and Comparable 5 was built in 1970. Comparables 1, 3 and 4 are superior to the subject in its current condition. Comparables 2 and 5 are similar in condition. 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. In order to determine the appropriate adjustments for condition (year built/year renovated), the appraiser utilized paired analysis to compare the comparables. Comparables 3 and 5 were deemed the most similar to the subject. Therefore, these comparables were compared to the remaining comparables

in the following paired analysis calculations. When performing the analysis, the appraiser compared the units at Comparables 1, 2 and 4 individually to the units at Comparables 3 and 5. As can be seen in the following tables, 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 # of bedrooms, # of baths, unit size, microwave/dishwasher, washer/dryer, pool/exercise room/recreation area, cold water/sewer, extra storage, security and clubhouse/meeting room. Once the net adjusted rents were determined, these rents were compared to the street rent at Comparables 3 and 5. The differences between the rents indicate the appropriate adjustments for condition.

Paired Analysis - One-Bedroom Units			
Item	Comparable 1	Comparable 2	Comparable 4
Street Rent	\$750	\$650	\$714
Unit Size	-\$105	-\$10	-\$60
Number of Bedrooms	-\$30	\$0	\$0
Number of Baths	-\$10	\$0	\$0
Microwave/Dishwasher	-\$10	-\$10	-\$10
Washer/Dryer	-\$5	-\$5	-\$5
Pool/Exercise Room/Recreation Area	\$0	-\$20	-\$20
Cold Water/Sewer	\$41	\$0	\$0
Extra Storage	\$0	\$0	-\$5
Security	\$5	\$5	\$5
Clubhouse/Meeting Room	\$0	\$0	-\$5
Net Rent	\$636	\$610	\$614
Comparable 3 Street Rent	\$549	\$549	\$549
Indicated Adjustment	-\$87	-\$61	-\$65

Paired Analysis - One-Bedroom Units			
Item	Comparable 1	Comparable 2	Comparable 4
Street Rent	\$750	\$650	\$714
Unit Size	-\$70	\$25	-\$20
Number of Bedrooms	-\$30	\$0	\$0
Number of Baths	-\$10	\$0	\$0
Microwave/Dishwasher	\$0	\$0	\$0
Washer/Dryer	\$0	\$0	\$0
Pool/Exercise Room/Recreation Area	\$10	-\$10	-\$10
Cold Water/Sewer	\$41	\$0	\$0
Extra Storage	\$5	\$5	\$0
Security	\$5	\$5	\$5
Clubhouse/Meeting Room	\$5	\$5	\$0
Net Rent	\$706	\$680	\$689
Comparable 5 Street Rent	\$660	\$660	\$660
Indicated Adjustment	-\$46	-\$20	-\$29

As can be seen on the analysis, the amount of adjustments indicated was different for each comparable. A range of \$10 to \$44 was determined. Due to the nature of the adjustment and the fact that all of the difference may not be attributable entirely to differences in condition, the results were averaged and then divided in half. Comparables 1, 3 and 4 were adjusted downward \$25 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 \$0.23. 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. Due to the lack of conventional one-bedroom units in the vicinity, one two-bedroom comparable was used to compare to the subject’s units. The majority of the difference in number of bedrooms is accounted for in the unit square footage adjustment. However, an adjustment is made here to consider the convenience of additional bedrooms. The extra room(s) will enhance the marketability of a unit even if the square footage remains the same. The following table shows the paired analysis utilized to determine the bedroom adjustment. Comparables 4

and 5 also contain one-half bath difference in the one- to two-bedroom comparison, and Comparable 2 also contains one bath difference in the two- to three-bedroom comparison.

	Comp 3	Comp 4	Comp 5		Comp 2	Comp 4
1 BR Rent	\$559	\$714	\$660	2 BR Rent	\$750	\$819
1 BR Size	550	800	704	2 BR Size	1,200	1,100
2 BR Rent	\$625	\$819	\$760	3 BR Rent	\$880	\$924
2 BR Size	900	1,100	960	3 BR Size	1,530	1,300
Size Adj Factor	\$0.23	\$0.23	\$0.23	Size Adj Factor	\$0.23	\$0.23
Size Difference	350	300	256	Size Difference	330	200
Indicated Size Adj.	\$81	\$69	\$59	Indicated Size Adj.	\$76	\$46
Adjusted 2 BR Rent	\$545	\$750	\$701	Adjusted 3 BR Rent	\$804	\$878
Indicated BR Adj.	-\$15	\$36	\$41	Indicated BR Adj.	\$54	\$59

An adjustment within the range of the comparables is considered appropriate. After considering all factors, an adjustment of \$30 per bedroom was selected.

of Baths – The subject contains one bath in the one- and two-bedroom units and one-and-one-half-baths in the three-bedroom units. Each complex with a differing number of baths than the subject was adjusted \$10 per half-bath and \$20 per full bath. The majority of the difference in number of baths is accounted for in the unit square footage adjustment. However, an adjustment is made here to consider the added convenience of additional baths. The extra room(s) will enhance marketability of a unit even if the square footage remains the same. There was insufficient market data available for a paired analysis.

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 except Comparable 3 contain dishwashers. 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.

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 contains a picnic area. Comparable 1 contains a playground and basketball court. Comparable 2 contains a swimming pool, exercise room and playground. Comparable 3 contains a picnic area. Comparable 4 contains a swimming pool, exercise room, playground, basketball court, tennis court and game room. Comparable 5 contains a swimming pool, spa/hot tub, picnic area and basketball court. 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 have these utilities provided by the landlord. Comparables 2, 3, 4 and 5 are similar. Comparable 1 does not provide these utilities and was adjusted upward \$41 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 and all comparables have this utility provided. No adjustments were needed.

Extra Storage – The subject contains extra storage. Comparables 4 and 5 are 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 1 is located in Ellijay, and Comparables 2, 3, 4 and 5 are located in Dalton. Although there were slight differences in the locations, there were no differences significant enough to warrant an adjustment. Therefore, no adjustments were made.

Security – The subject does not contain security features. Comparable 3 contains video surveillance. Comparable 5 contains security patrol. 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, Comparables 3 and 5 were adjusted downward \$5 per month.

Clubhouse/Meeting Room – The subject contains a meeting room. Comparables 4 and 5 contain clubhouses. 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. All comparables are similar. No adjustments were needed.

Conclusion of Market Rents – As Is

The adjusted rents range from \$584 to \$661 for the one-bedroom comparison. All comparables were given consideration. The appraiser concluded the market rent for the units at the subject as follows:

- **676 SF One-Bedroom Units - \$640**

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	40	676	\$441	\$430	\$69
2/1	1	837	N/A	NA	N/A

HUD-Forms 92273 – As Complete

One-Bedroom Units (676 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)		
One-Bedroom	Riverwood Apartments 36 West Dogwood Lane Blue Ridge, Fannin, GA	Hilltop Apartments 351 Penland Street Ellijay, Gilmer, GA			Stone Brook Apartments 1912 Heath Cliff Drive Dalton, Whitfield, GA			Park Murray Apartments 1320 East Murray Avenue Dalton, Whitfield, GA			Legacy of Dalton 2111 Club Drive Dalton, Whitfield, GA			Park Canyon Apartments 284 Park Canyon Drive Dalton, Whitfield, 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			
4. Type of Project/Stories	G/1	T/2			WU/2				WU/2				WU/2			
5. Floor of Unit in Building	First	First			Varies				Varies				Varies			
6. Project Occupancy %	98%	97%			98%				100%				96%			
7. Concessions	N	N			N				N				N			
8. Year Built	1993/Proposed	1990		\$25	1972		\$50		2000		\$25		1976		\$25	
9. Sq. Ft. Area	676	1,000		(\$75)	600		\$20		550		\$30		800		(\$30)	
10. Number of Bedrooms	1	2		(\$30)	1				1				1			
11. Number of Baths	1.0	1.5		(\$10)	1.0				1.0				1.0			
12. Number of Rooms	3	4			3				3				3			
13. Balc./Terrace/Patio	Y	Y			Y				Y				Y			
14. Garage or Carport	L/0	L/0			L/0				L/0				L/0			
15. Equipment a. A/C	C	C			C				C				C			
b. Range/Refrigerator	RF	RF			RF				RF				RF			
c. Disposal	N	N			N				N				N			
d. Microwave/Dishwasher	N	D		(\$10)	D		(\$10)		N				D		(\$10)	
e. Washer/Dryer	HU	HU			HU			\$5	L				HU			
f. Carpet	C	C			C				C				C			
g. Drapes	B	B			B				B				B			
h. Pool/Rec. Area	R	R			PER		(\$20)		R				PER		(\$20)	
16. Services a. Heat/Type	N/E	N/E			N/E				N/E				N/E			
b. Cooling	N/E	N/E			N/E				N/E				N/E			
c. Cook/Type	N/E	N/E			N/E				N/E				N/E			
d. Electricity	N	N			N				N				N			
e. Hot Water	N/E	N/E			N/E				N/E				N/E			
f. Cold Water/Sewer	Y	N		\$41	Y				Y				Y			
g. Trash	Y	Y			Y				Y				Y			
17. Storage	Y/0	N		\$5	N		\$5		N		\$5		Y/0			
18. Project Location	Average	Similar			Similar				Similar				Similar			
19. Security	N	N			N			(\$5)	Y				N			(\$5)
20. Clubhouse/Meeting Room	MR	N		\$5	N		\$5		N		\$5		C			
21. Special Features	A	N		\$10	N		\$10		N		\$10		N		\$10	
22. Business Center / Nbd Netwk	N	N			N				N				N			
23. Unit Rent Per Month		\$750			\$650				\$559				\$714			\$660
24. Total Adjustment				(\$39)			\$60				\$75				(\$25)	\$30
25. Indicated Rent		\$711			\$710				\$634				\$689			\$690
26. Correlated Subject Rent	\$690															
	high rent	\$711		low rent	\$634		60% range \$649		to \$696							

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 J. Zell* Date (mm/dd/yy): 05/17/17
 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

Riverwood Apartments

Primary Unit Types – HUD92273EffTypeAsComp Units (HUD92273EffAsCompUnitSF SF), One-Bedroom Units (676 SF), HUD922732BrTypeAsComp Units (HUD922732BRAsCompUnitSF SF), HUD922733BrTypeAsComp Units (HUD922733BRAsCompUnitSF SF) and HUD922734BrTypeAsComp Units (HUD922734BRAsCompUnitSF 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 676 square feet. Comparable apartments used include the following: Hilltop Apartments (Comparable 1), Stone Brook Apartments (Comparable 2), Park Murray Apartments (Comparable 3), Legacy of Dalton (Comparable 4) and Park Canyon Apartments (Comparable 5).

Structure/Stories – The subject is located in garden one-story buildings. All comparables are located in walk-up or townhouse two-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 98 percent occupied. The occupancy rates of the comparables range from 96 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 1993 and will be rehabilitated. It will be in good condition. Comparable 1 was built in 1990, Comparable 2 was constructed in 1972, and Comparable 3 was built in 2000. Comparable 4 was constructed in 1976, and Comparable 5 was built in 1970. 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, 3 and 4 were adjusted upward \$25 per month, and Comparables 2 and 5 were adjusted upward \$50 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 \$0.23. 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. Due to the lack of conventional one-bedroom units in the vicinity, one two-bedroom comparable was used to compare to the subject’s units. The majority of the difference in number of bedrooms is accounted for in the unit square footage adjustment. However, an adjustment is made here to consider the convenience of additional bedrooms. The extra room(s) will enhance the marketability of a unit even if the square footage remains the same. The following table shows the paired analysis utilized to determine the bedroom adjustment. Comparables 4 and 5 also contain one-half bath difference in the one- to two-bedroom comparison, and Comparable 2 also contains one bath difference in the two- to three-bedroom comparison.

	Comp 3	Comp 4	Comp 5		Comp 2	Comp 4
1 BR Rent	\$559	\$714	\$660	2 BR Rent	\$750	\$819
1 BR Size	550	800	704	2 BR Size	1,200	1,100
2 BR Rent	\$625	\$819	\$760	3 BR Rent	\$880	\$924
2 BR Size	900	1,100	960	3 BR Size	1,530	1,300
Size Adj Factor	\$0.23	\$0.23	\$0.23	Size Adj Factor	\$0.23	\$0.23
Size Difference	350	300	256	Size Difference	330	200
Indicated Size Adj.	\$81	\$69	\$59	Indicated Size Adj.	\$76	\$46
Adjusted 2 BR Rent	\$545	\$750	\$701	Adjusted 3 BR Rent	\$804	\$878
Indicated BR Adj.	-\$15	\$36	\$41	Indicated BR Adj.	\$54	\$59

An adjustment within the range of the comparables is considered appropriate. After considering all factors, an adjustment of \$30 per bedroom was selected.

of Baths – The subject contains one bath in the one- and two-bedroom units and one-and-one-half-baths in the three-bedroom units. Each complex with a differing number of baths than the subject was adjusted \$10 per half-bath and \$20 per full bath. The majority of the difference in number of baths is accounted for in the unit square footage adjustment. However, an adjustment is made here to consider

the added convenience of additional baths. The extra room(s) will enhance marketability of a unit even if the square footage remains the same. There was insufficient market data available for a paired analysis.

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 except Comparable 3 contain dishwashers. 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.

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 contains a picnic area. Comparable 1 contains a playground and basketball court. Comparable 2 contains a swimming pool, exercise room and playground. Comparable 3 contains a picnic area. Comparable 4 contains a swimming pool, exercise room, playground, basketball court, tennis court and game room. Comparable 5 contains a swimming pool, spa/hot tub, picnic area and basketball court. 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 have these utilities provided by the landlord. Comparables 2, 3, 4 and 5 are similar. Comparable 1 does not provide these utilities and was adjusted upward \$41 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 and all comparables have this utility provided. No adjustments were needed.

Extra Storage – The subject contains extra storage. Comparables 4 and 5 are 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 1 is located in Ellijay, and Comparables 2, 3, 4 and 5 are located in Dalton. Although there were slight differences in the locations, there were no differences significant enough to warrant an adjustment. Therefore, no adjustments were made.

Security – The subject does not contain security features. Comparable 3 contains video surveillance. Comparable 5 contains security patrol. 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, Comparables 3 and 5 were adjusted downward \$5 per month.

Clubhouse/Meeting Room – The subject contains a meeting room. Comparables 4 and 5 contain clubhouses. 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. All comparables are similar. No adjustments were needed.

Conclusion of Market Rents – As Complete

The adjusted rents range from \$634 to \$711 for the one-bedroom comparison. All comparables were given consideration. The appraiser concluded the market rent for the units at the subject as follows:

- **676 SF One-Bedroom Units** - **\$690**

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	40	676	\$441	\$441	\$69
2/1	1	837	N/A	N/A	N/A

Rent Comparables

Multi-Family Lease No. 1



Property Identification

Record ID 5065
 Property Type Townhouse
 Property Name Hilltop Apartments
 Address 351 Penland Street, Ellijay, Gilmer County, Georgia 30540
 Market Type Market

Verification Mike; 404-451-8900, May 17, 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>
2/1.5	32	1,000	\$750	\$0.75
Occupancy	97%			
Rent Premiums	N			
Total Units	32			
Unit Size Range	1,000			
Avg. Unit Size	1,000			
Avg. Rent/Unit	\$595			
Avg. Rent/SF	\$0.60			
Net SF	32,000			

Multi-Family Lease No. 1 (Cont.)

Physical Data

No. of Buildings	5
Construction Type	Brick/Siding
HVAC	Central Elec/Central Elec
Stories	1,2
Utilities with Rent	Water, Sewer, Trash Collection
Parking	L/0
Year Built	1990
Condition	Average
Gas Utilities	None
Electric Utilities	All

Amenities

Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Ceiling Fans, Coat Closet, Patio, Playground, Basketball Court, On-Site Management

Remarks

The property does not maintain a waiting list. The annual turnover rate was not disclosed.

Multi-Family Lease No. 2



Property Identification

Record ID 5054
Property Type Walk-Up
Property Name Stone Brook Apartments
Address 1912 Heath Cliff Drive, Dalton, Whitfield County, Georgia 30720
Market Type Market

Verification Shana; 706-529-4168, May 17, 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>
1/1	32	600	\$650	\$1.08
2/1.5	58	1,200	\$750	\$0.63
3/2.5	24	1,380	\$880	\$0.64
3/2.5	25	1,530	\$875	\$0.57

Occupancy 98%
Rent Premiums N
Total Units 139
Unit Size Range 600 - 1530
Avg. Unit Size 1,152
Avg. Rent/Unit \$772
Avg. Rent/SF \$0.67

Net Rentable SF 160,170

Physical Data

No. of Buildings 11

Multi-Family Lease No. 2 (Cont.)

Construction Type	Brick/Siding
HVAC	Central Elec/Central Elec
Stories	2
Utilities with Rent	Water, Sewer, Trash Collection
Parking	L/0
Year Built	1972
Condition	Average
Gas Utilities	None
Electric Utilities	All

Amenities

Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Ceiling Fans, Walk-In Closet, Coat Closet, Balcony, Patio, Swimming Pool, Exercise Room, Playground, Laundry Facility, On-Site Management, On-Site Maintenance

Remarks

The property does not maintain a waiting list. The annual turnover rate is 20 percent.

Multi-Family Lease No. 3



Property Identification

Record ID 5055
Property Type Walk-Up
Property Name Park Murray Apartments
Address 1320 East Murray Avenue, Dalton, Whitfield County, Georgia 30721
Market Type Market

Verification Janet; 706-529-7757, May 17, 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	1	550	\$559	\$1.02
2/1	39	900	\$625	\$0.69

Occupancy 100%
Rent Premiums N
Total Units 40
Unit Size Range 550 - 900
Avg. Unit Size 891
Avg. Rent/Unit \$608
Avg. Rent/SF \$0.68

Net SF 35,650

Physical Data

No. of Buildings 1
Construction Type Siding
HVAC Central Elec/Central Elec
Stories 2
Utilities with Rent Water, Sewer, Trash Collection

Multi-Family Lease No. 3 (Cont.)

Parking	L/0
Year Built	2000
Condition	Good
Gas Utilities	None
Electric Utilities	All

Amenities

Refrigerator, Range/Oven, Carpet, Vinyl, Blinds, Walk-In Closet, Patio, Picnic Area, Laundry Facility, On-Site Management, Video Surveillance

Remarks

The property pays \$100 of the electric bill for the two-bedroom units. The property does not maintain a waiting list. The annual turnover rate is approximately 30 percent.

Multi-Family Lease No. 4



Property Identification

Record ID 5057
Property Type Walk-Up
Property Name Legacy of Dalton
Address 2111 Club Drive, Dalton, Whitfield County, Georgia 30720
Market Type Market

Verification Cindy; 706-226-3012, May 17, 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	800	\$714	\$0.89
2/2	81	1,100	\$819	\$0.74
3/2	53	1,300	\$924	\$0.71

Occupancy 96%
Rent Premiums N
Total Units 158

Multi-Family Lease No. 4 (Cont.)

Unit Size Range	800 - 1300
Avg. Unit Size	1,122
Avg. Rent/Unit	\$838
Avg. Rent/SF	\$0.75

Net SF	177,200
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Physical Data

No. of Buildings	8
Construction Type	Siding
HVAC	Central Elec/Central Elec
Stories	2
Utilities with Rent	Water, Sewer, Trash Collection
Parking	L/0
Year Built	1976
Condition	Average
Gas Utilities	None
Electric Utilities	All

Amenities

Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Ceiling Fans, Walk-In Closet, Coat Closet, Balcony, Patio, Clubhouse, Swimming Pool, Exercise Room, Playground, Basketball Court, Tennis Court, Game Room, Extra Storage, Laundry Facility, On-Site Management, On-Site Maintenance

Remarks

The property does not maintain a waiting list. The annual turnover rate is 25 percent.

Multi-Family Lease No. 5



Property Identification

Record ID 5060
Property Type Walk-Up
Property Name Park Canyon Apartments
Address 284 Park Canyon Drive, Dalton, Whitfield County, Georgia
 30720
Market Type Market

Verification Donna; 888-598-9749, May 17, 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>
1/1	23	453	\$575	\$1.27
1/1	11	490	\$575	\$1.17
1/1	37	704	\$660	\$0.94
1/1	50	728	\$685	\$0.94
2/1.5	34	960	\$760	\$0.79
2/1.5	16	1,064	\$800	\$0.75

Occupancy 96%
Rent Premiums N
Total Units 171

Multi-Family Lease No. 5 (Cont.)

Unit Size Range	453 - 1064
Avg. Unit Size	748
Avg. Rent/Unit	\$653
Avg. Rent/SF	\$0.87

Net SF	127,921
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Physical Data

No. of Buildings	11
Construction Type	Siding
HVAC	Central Elec/Central Elec
Stories	2
Utilities with Rent	Water, Sewer, Trash Collection
Parking	L/0
Year Built	1970
Condition	Average
Gas Utilities	None
Electric Utilities	All

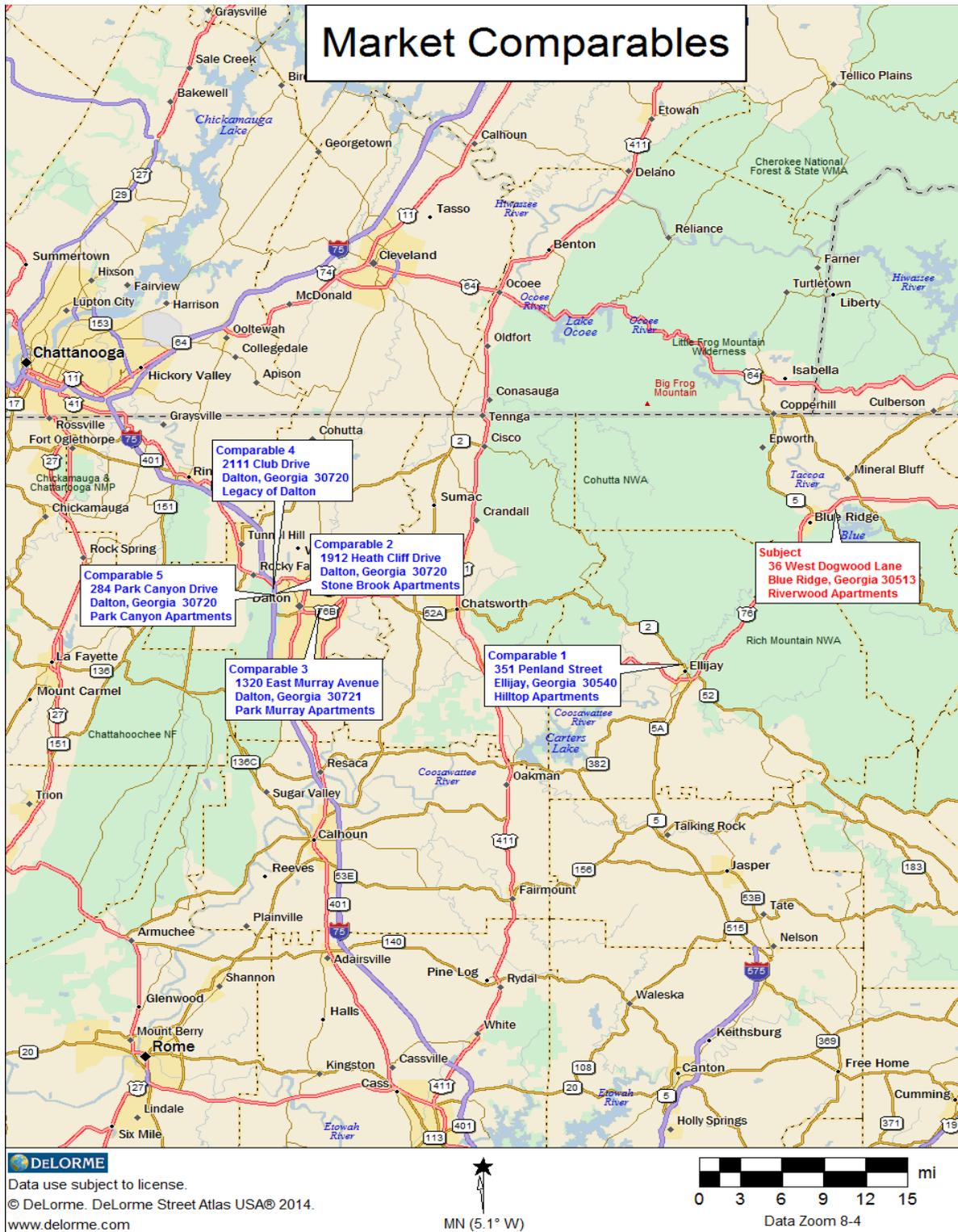
Amenities

Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Ceiling Fans, Walk-In Closet, Coat Closet, Balcony, Patio, Clubhouse, Swimming Pool, Spa/Hot Tub, Picnic Area, Basketball Court, Extra Storage, Laundry Facility, On-Site Management, On-Site Maintenance, Security Patrol

Remarks

The property does not maintain a waiting list. The annual turnover rate is 22 percent.

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
40	1/1	676	\$441	\$430	\$17,200
1	2/1	837	N/A	NA	\$0
Total Potential Monthly Rental Income					\$17,200
					x 12
Total Potential Gross Rental Income					\$206,400
Miscellaneous Income					\$600
Total Potential Gross Income					\$207,000

Total Potential Gross Rental Income (Market Rent As Is)

# of Units	Unit Type	Unit SF	Max. Net LIHTC Rent	Market Rent	Potential Gross Income
40	1/1	676	\$441	\$640	\$25,600
1	2/1	837	N/A	N/A	\$0
Total Potential Monthly Rental Income					\$25,600
					x 12
Total Potential Gross Rental Income					\$307,200
Miscellaneous Income					\$600
Total Potential Gross Income					\$307,800

Total Potential Gross Rental Income (Restricted Rent As Complete)

# of Units	Unit Type	Unit SF	Max. Net LIHTC Rent	Proposed Rent	Potential Gross Income
40	1/1	676	\$441	\$690	\$27,600
1	2/1	837	N/A	N/A	\$0
Total Potential Monthly Rental Income					\$27,600
					x 12
Total Potential Gross Rental Income					\$331,200
Miscellaneous Income					\$600
Total Potential Gross Income					\$331,800

*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
40	1/1	676	\$441	\$690	\$27,600
1	2/1	837	N/A	\$0	\$0
Total Potential Monthly Rental Income					\$27,600
					x 12
Total Potential Gross Rental Income					\$331,200
Miscellaneous Income					\$600
Total Potential Gross Income					\$331,800

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. Five market-rate properties responded to the survey and four restricted properties, including the subject, responded to the survey. Of the apartments surveyed an overall vacancy rate of three percent was determined for the market-rate vacancy and two percent was determined for the restricted vacancy. The subject is currently 98 percent occupied. Historically, the subject’s occupancy rate has ranged from 99 to 100 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: Riverwood Apartments

of Rental Units: 41

Revenue and Expense Analysis

Historical and Proforma

% change compared to preceding year.

2016 is base year for % changes for YTD current year annualized and projections.

REVENUE - Annual													REVENUE - Annual				
	2014	PUPA	2015	PUPA	%	2016	PUPA	%	4 months				Budget	PUPA	%		
									YTD	2017	Annualized	PUPA					%
Residential & Ancillary Income																	Residential & Ancillary Income
Annual Gross Potential Rental Income	199,200	4,859	201,600	4,917	1%	204,000	4,976	1%		68,800	206,400	5,034	1%	206,400	5,034	1%	Annual Gross Potential Rental Income
Annual Ancillary Income	900	22	518	13	-42%	575	14	11%		135	405	10	-30%	700	17	22%	Annual Ancillary Income
Annual Gross Potential Income	200,100	4,880	202,118	4,930	1%	204,575	4,990	1%		68,935	206,805	5,044	1%	207,100	5,051	1%	Annual Gross Potential Income
Occupancy	100.00%	0	100.00%	0	0%	99.70%	15	0%		100.00%	1	0	0%	95.02%	252	0%	Occupancy
Effective Gross Income (EGI)	200,100	4,880	202,118	4,930	1%	203,971	4,975	1%		68,935	206,805	5,044	1%	196,780	4,800	-4%	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					%
Administrative																	Administrative
Advertising	106	3	139	3	31%	191	5	38%		0	0	0	-100%	250	6	31%	Advertising
Management Fee	21,360	521	22,020	537	3%	22,520	549	2%		7,760	23,280	568	3%	23,520	574	4%	Management Fee
Other (Specify)	20,901	510	19,794	483	-5%	23,339	569	18%		10,797	32,390	790	39%	22,307	544	-4%	Other (Specify)
Total Administrative	42,367	1,033	41,953	1,023	-1%	46,050	1,123	10%		18,557	55,670	1,358	21%	46,077	1,124	0%	Total Administrative
Operating																	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	3,289	80	3,236	79	-2%	3,180	78	-2%		1,894	5,681	139	79%	3,500	85	10%	Lighting and Misc. Power
Water	27,666	675	29,741	725	7%	32,821	801	10%		13,055	39,165	955	19%	32,100	783	-2%	Water
Gas	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	Gas
Garbage and Trash Removal	3,044	74	2,923	71	-4%	3,469	85	19%		1,228	3,683	90	6%	3,200	78	-8%	Garbage and Trash Removal
Payroll	9,964	243	10,840	264	9%	11,380	278	5%		3,670	11,009	269	-3%	11,700	285	3%	Payroll
Other (Specify)	6,903	168	10,172	248	47%	9,694	236	-5%		812	2,435	59	-75%	7,700	188	-21%	Other (Specify)
Total Operating	50,865	1,241	56,912	1,388	12%	60,544	1,477	6%		20,657	61,972	1,512	2%	58,200	1,420	-4%	Total Operating
Maintenance																	Maintenance
Decorating	497	12	430	10	-14%	310	8	-28%		0	0	0	-100%	1,200	29	287%	Decorating
Repairs	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	Repairs
Exterminating	3,006	73	3,256	79	8%	3,675	95	19%		935	2,805	68	-28%	6,244	152	61%	Exterminating
Insurance	8,124	198	7,220	176	-11%	8,226	201	14%		8,152	24,456	596	197%	9,080	221	10%	Insurance
Ground Expense	8,975	219	9,161	223	2%	10,493	256	15%		2,335	7,005	171	-33%	9,700	237	-8%	Ground Expense
Other (specify)	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	Other (specify)
Total Maintenance	20,603	503	20,067	489	-3%	22,904	559	14%		11,422	34,266	836	50%	26,224	640	14%	Total Maintenance
Taxes																	Taxes
Real Estate Tax	5,579	136	4,729	115	-15%	4,502	110	-5%		0	0	0	-100%	12,000	293	167%	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	2,297	56	2,068	50	-10%	2,163	53	5%		748	2,245	55	4%	2,400	59	11%	Employee Payroll Tax
Employee Benefits	1,044	25	1,301	32	25%	1,232	30	-5%		1,017	3,050	74	147%	1,300	32	6%	Employee Benefits
Other	75	2	68	2	-9%	200	5	194%		150	450	11	125%	100	2	-50%	Other
Total Taxes	8,994	219	8,166	199	-9%	8,097	197	-1%		1,915	5,745	140	-29%	15,800	385	95%	Total Taxes
Operating Exp. before RFR	122,829	2,996	127,097	3,100	3%	137,595	3,356	8%		52,551	157,653	3,845	15%	146,301	3,568	6%	Operating Exp. before RFR
Reserve For Replacement	17,148	418	19,148	467	12%	19,148	467	0%		11,716	35,148	857	84%	19,145	467	0%	Reserve For Replacement
Operating Exp. Incl. RFR	139,977	3,414	146,245	3,567	4%	156,743	3,823	7%		64,267	192,801	4,702	23%	165,446	4,035	6%	Operating Exp. Incl. RFR
NOI	60,123	1,466	55,873	1,363	-7%	47,228	1,152	-15%		4,668	14,004	342	-70%	31,334	764	-34%	NOI

Riverwood Apartments * 36 West Dogwood Lane * Blue Ridge, Georgia

Property: Riverwood Apartments

of Rental Units: 41

Revenue and Expense Analysis

Historical and Proforma

% change compared to preceding year.

REVENUE - Annual	As Is			As Complete			REVENUE - Annual
	Restricted		%	Restricted		%	
	Projections	PUPA		Projections	PUPA		
Residential & Ancillary Income							Residential & Ancillary Income
Annual Gross Potential Rental Income	206,400	5,034	1%	331,200	8,078	62%	Annual Gross Potential Rental Income
Annual Ancillary Income	600	15	4%	600	15	4%	Annual Ancillary Income
Annual Gross Potential Income	207,000	5,049	1%	331,800	8,093	62%	Annual Gross Potential Income
Occupancy	97.00%	151	0%	97.00%	243	0%	Occupancy
Effective Gross Income (EGI)	200,790	4,897	-2%	321,846	7,850	58%	Effective Gross Income (EGI)

ITEMIZED EXPENSES - Annual Estimate of Annual Expense	As Is			As Complete			ITEMIZED EXPENSES - Annual Estimate of Annual Expense
	Restricted		%	Restricted		%	
	Projections	PUPA		Projections	PUPA		
Administrative							Administrative
Advertising	205	5	7%	205	5	7%	Advertising
Management Fee	23,385	570	4%	23,385	570	4%	Management Fee
Other (Specify)	22,550	550	-3%	22,550	550	-3%	Other (Specify)
Total Administrative	46,140	1,125	0%	46,140	1,125	0%	Total Administrative
Operating							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	3,280	80	3%	3,280	80	3%	Lighting and Misc. Power
Water	32,800	800	0%	32,800	800	0%	Water
Gas	0	0	0	0	0	0	Gas
Garbage and Trash Removal	3,485	85	0%	3,485	85	0%	Garbage and Trash Removal
Payroll	11,275	275	-1%	11,275	275	-1%	Payroll
Other (Specify)	8,200	200	-15%	6,150	150	-37%	Other (Specify)
Total Operating	59,040	1,440	-2%	56,990	1,390	-6%	Total Operating
Maintenance							Maintenance
Decorating	410	10	32%	410	10	32%	Decorating
Repairs	0	0	0	0	0	0	Repairs
Exterminating	3,485	85	-10%	3,485	85	-10%	Exterminating
Insurance	8,200	200	0%	8,200	200	0%	Insurance
Ground Expense	9,225	225	-12%	9,225	225	-12%	Ground Expense
Other (specify)	0	0	0	0	0	0	Other (specify)
Total Maintenance	21,320	520	-7%	21,320	520	-7%	Total Maintenance
Taxes							Taxes
Real Estate Tax	4,510	110	0%	5,535	135	23%	Real Estate Tax
Personal Property Tax	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	1,025	25	-53%	1,025	25	-53%	Employee Payroll Tax
Employee Benefits	820	20	-33%	820	20	-33%	Employee Benefits
Other	205	5	3%	205	5	3%	Other
Total Taxes	6,560	160	-19%	7,585	185	-6%	Total Taxes
Operating Exp. before RFR	133,060	3,245	-3%	132,035	3,220	-4%	Operating Exp. before RFR
Reserve For Replacement	14,350	350	-25%	14,350	350	-25%	Reserve For Replacement
Operating Exp. Incl. RFR	147,410	3,595	-6%	146,385	3,570	-7%	Operating Exp. Incl. RFR
NOI	53,380	1,302	13%	175,461	4,280	272%	NOI

Estimating Restricted Expenses Per Unit

Estimating Restricted Expenses Per Unit							
Subject As Is	Expenses	Subject As Complete	Comparable One	Comparable Two	Comparable Three	Comparable Four	IREM Region IV
\$5	Advertising	\$5	\$12	\$5	\$21	\$14	\$0
\$570	Management	\$570	\$557	\$509	\$539	\$501	\$441
\$550	Other Administrative Expenses	\$550	\$598	\$748	\$443	\$368	\$1,272
\$0	Elevator Maintenance Expense	\$0	\$0	\$0	\$0	\$0	\$0
\$0	Fuel	\$0	\$0	\$0	\$0	\$0	\$0
\$80	Lighting & Misc. Power	\$80	\$99	\$194	\$164	\$148	\$177
\$800	Water/Sewer	\$800	\$542	\$742	\$1,025	\$1,316	\$199
\$0	Gas	\$0	\$0	\$0	\$12	\$43	\$10
\$85	Garbage/Trash Removal	\$85	\$196	\$119	\$0	\$145	\$0
\$275	Payroll	\$275	\$282	\$374	\$935	\$1,292	\$732
\$200	Other Operating Expenses	\$150	\$411	\$204	\$297	\$190	\$272
\$10	Decorating	\$10	\$49	\$55	\$0	\$200	\$92
\$0	Repairs	\$0	\$675	\$0	\$223	\$1,575	\$252
\$85	Exterminating	\$85	\$75	\$76	\$0	\$0	\$0
\$200	Insurance	\$200	\$201	\$193	\$599	\$308	\$355
\$225	Ground Expenses	\$225	\$257	\$336	\$0	\$393	\$249
\$0	Other Maintenance	\$0	\$3	\$0	\$0	\$0	\$0
\$110	Real Estate Taxes	\$135	\$193	\$223	\$440	\$824	\$422
\$25	Payroll Taxes	\$25	\$50	\$70	\$0	\$124	\$0
\$20	Employee Benefits	\$20	\$30	\$66	\$0	\$243	\$0
\$5	Other Taxes	\$5	\$4	\$9	\$0	\$14	\$3
\$350	Replacement Reserves	\$350	\$446	\$303	\$0	\$0	\$0
\$3,595	Total Per Unit	\$3,570	\$4,680	\$4,226	\$4,698	\$7,698	\$4,476
<p>Comments: 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 77 percent of the gross rent potential. The subject's expenses were estimated at 44 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**

Expense	As Is	As Complete	Comp Range
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-\$557
<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 \$557 was determined. The expense was projected based on \$49 per unit as indicated by the budget.</p>			
3. Other Administrative	\$550	\$550	\$368- \$748
<p>An other administrative expense of \$550 per unit was projected. A comparable range of \$368 to \$748 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	\$80	\$80	\$99-\$194
<p>A lighting and miscellaneous power expense of \$80 was projected for the subject. A comparable range of \$99 to \$194 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 | \$800 | \$800 | \$542- \$1,316 |
|----|-------------|-------|-------|----------------|
- A water/sewer expense of \$800 per unit was projected for the subject. A comparable range of \$542 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.
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|----|-----------------------|------|------|------------|
| 9. | Garbage/Trash Removal | \$85 | \$85 | \$0- \$196 |
|----|-----------------------|------|------|------------|
- A garbage/trash removal expense of \$85 per unit was projected for the subject. A comparable range of \$0 to \$196 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 | \$275 | \$275 | \$282-\$1,292 |
|-----|---------|-------|-------|---------------|
- The payroll expense of \$275 per unit was projected. A comparable range of \$282 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 | \$200 | \$150 | \$190-\$411 |
|-----|--------------------------|-------|-------|-------------|
- An other operating expense of \$200 per unit was projected for the "as is" scenario and \$150 was projected for the "as complete" scenario. A comparable range of \$190 to \$411 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.
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|-----|------------|------|------|------------|
| 12. | Decorating | \$10 | \$10 | \$0- \$200 |
|-----|------------|------|------|------------|
- A decorating expense of \$10 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.

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|-----|-------------------|-------|-------|--------------|
| 18. | Real Estate Taxes | \$110 | \$135 | \$193- \$824 |
|-----|-------------------|-------|-------|--------------|
- A real estate tax expense of \$110 per unit was projected for the subject based on the information obtained by the Fannin 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 | \$25 | \$25 | \$0- \$124 |
|-----|---------------|------|------|------------|
- Payroll taxes were projected at \$25 per unit. A comparable range of \$0 to \$124 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.
- | | | | | |
|-----|-------------------|------|------|-----------|
| 20. | Employee Benefits | \$20 | \$20 | \$0-\$243 |
|-----|-------------------|------|------|-----------|
- Employee benefits were projected at \$20 per unit. A comparable range of \$0 to \$243 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.
- | | | | | |
|-----|----------------------|-------|-------|-----------|
| 21. | Replacement Reserves | \$350 | \$350 | \$0-\$446 |
|-----|----------------------|-------|-------|-----------|
- A replacement reserves expense \$350 per unit was projected. This reserves expense is typical for restricted apartment complexes such as the subject.

Expenses before Reserves for Replacement

The subject's projected expenses per unit are \$3,245 before reserves for replacement. This is three percent lower than the 2016 data. The comparables range from \$3,666 to \$7,698 per unit before reserves for replacement. All comparables are restricted properties located in the State of Georgia. Comparables 1 and 2 have an identity-of-interest with the subject. The subject is slightly lower than the comparable range. The *2016 Income/Expense Analysis: Federally Assisted Apartments* published by the Institute of Real Estate Management indicates an overall expense per unit of \$4,476. Comparable 1 was constructed in 1989, contains 48 units and has total overall expenses of \$4,680 per unit; Comparable 2 was constructed in 1991, contains 25 units and has total overall expenses of \$4,226 per unit; Comparable 3 was constructed in 1992, contains 100 units and has total overall expenses of \$4,698 per unit. Comparable 4 was constructed in 1983, contains 88 units and has total overall expenses of \$7,698 per unit. The subject was constructed in 1993 and is a 41-unit stabilized Rural Development property. Historically, the subject's overall expenses have ranged from \$2,996 to \$3,356 per unit before reserves for replacement. Therefore, the subject's expenses were deemed reasonable.

Operating Expenses & Market Projections

Property: Riverwood Apartments

of Rental Units: 41

Revenue and Expense Analysis Historical and Proforma

% change compared to preceding year.

2016 is base year for % changes for YTD current year annualized and projections.

REVENUE - Annual													REVENUE - Annual				
	2014	PUPA	2015	PUPA	%	2016	PUPA	%	YTD	4 months		PUPA	%	Budget	PUPA	%	
Residential & Ancillary Income																	Residential & Ancillary Income
Annual Gross Potential Rental Income	199,200	4,859	201,600	4,917	1%	204,000	4,976	1%	68,800	206,400	5,034	1%	206,400	5,034	1%	Annual Gross Potential Rental Income	
Annual Ancillary Income	900	22	518	13	-42%	575	14	11%	135	405	10	-30%	700	17	22%	Annual Ancillary Income	
Annual Gross Potential Income	200,100	4,880	202,118	4,930	1%	204,575	4,990	1%	68,935	206,805	5,044	1%	207,100	5,051	1%	Annual Gross Potential Income	
Occupancy	100.00%	0	100.00%	0	0%	99.70%	15	0%	100.00%	1	0	0%	95.02%	252	0%	Occupancy	
Effective Gross Income (EGI)	200,100	4,880	202,118	4,930	1%	203,971	4,975	1%	68,935	206,805	5,044	1%	196,760	4,800	-4%	Effective Gross Income (EGI)	

ITEMIZED EXPENSES - Annual													ITEMIZED EXPENSES - Annual				
Estimate of Annual Expense													Estimate of Annual Expense				
	2014	PUPA	2015	PUPA	%	2016	PUPA	%	YTD	4 months		PUPA	%	Budget	PUPA	%	
Administrative																	Administrative
Advertising	106	3	139	3	31%	191	5	38%	0	0	0	-100%	250	6	31%	Advertising	
Management Fee	21,360	521	22,020	537	3%	22,520	549	2%	7,760	23,280	568	3%	23,520	574	4%	Management Fee	
Other (Specify)	20,901	510	19,794	483	-5%	23,339	569	18%	10,797	32,390	790	39%	22,307	544	-4%	Other (Specify)	
Total Administrative	42,367	1,033	41,953	1,023	-1%	46,050	1,123	10%	18,557	55,670	1,358	21%	46,077	1,124	0%	Total Administrative	
Operating																	Operating
Elevator Maintenance Exp.	0	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	0	Fuel - Heating
Lighting and Misc. Power	3,289	80	3,236	79	-2%	3,180	78	-2%	1,894	5,681	139	79%	3,500	85	10%	Lighting and Misc. Power	
Water	27,666	675	29,741	725	7%	32,821	801	10%	13,055	39,165	955	19%	32,100	783	-2%	Water	
Gas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Gas
Garbage and Trash Removal	3,044	74	2,823	71	-4%	3,469	85	19%	1,228	3,683	90	6%	3,200	78	-5%	Garbage and Trash Removal	
Payroll	9,964	243	10,840	264	9%	11,380	278	5%	3,670	11,009	269	-3%	11,700	285	3%	Payroll	
Other (Specify)	6,903	168	10,172	248	47%	9,694	236	-5%	812	2,435	59	-75%	7,700	188	-21%	Other (Specify)	
Total Operating	50,865	1,241	56,912	1,388	12%	60,544	1,477	6%	20,657	61,972	1,512	2%	58,200	1,420	-4%	Total Operating	
Maintenance																	Maintenance
Decorating	497	12	430	10	-14%	310	8	-28%	0	0	0	-100%	1,200	29	287%	Decorating	
Repairs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Repairs
Exterminating	3,006	73	3,256	79	8%	3,875	95	19%	935	2,805	68	-28%	6,244	152	61%	Exterminating	
Insurance	8,124	198	7,220	176	-11%	8,226	201	14%	8,152	24,456	596	197%	9,080	221	10%	Insurance	
Ground Expense	8,975	219	9,161	223	2%	10,493	256	15%	2,335	7,005	171	-33%	9,700	237	-8%	Ground Expense	
Other (specify)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Other (specify)
Total Maintenance	20,603	503	20,067	489	-3%	22,904	559	14%	11,422	34,266	836	50%	26,224	640	14%	Total Maintenance	
Taxes																	Taxes
Real Estate Tax	5,579	136	4,729	115	-15%	4,502	110	-5%	0	0	0	-100%	12,000	293	167%	Real Estate Tax	
Personal Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	2,297	56	2,068	50	-10%	2,163	53	5%	748	2,245	55	4%	2,400	59	11%	Employee Payroll Tax	
Employee Benefits	1,044	25	1,301	32	25%	1,232	30	-5%	1,017	3,050	74	147%	1,300	32	6%	Employee Benefits	
Other	75	2	68	2	-9%	200	5	194%	150	450	11	125%	100	2	-50%	Other	
Total Taxes	8,994	219	8,166	199	-9%	8,097	197	-1%	1,915	5,745	140	-29%	15,800	385	95%	Total Taxes	
Operating Exp. before RFR	122,829	2,996	127,097	3,100	3%	137,595	3,356	8%	52,551	157,653	3,845	15%	146,301	3,568	6%	Operating Exp. before RFR	
Reserve For Replacement	17,148	418	19,148	467	12%	19,148	467	0%	11,716	35,148	857	84%	19,145	467	0%	Reserve For Replacement	
Operating Exp. Incl. RFR	139,977	3,414	146,245	3,567	4%	156,743	3,823	7%	64,267	192,801	4,702	23%	165,446	4,035	6%	Operating Exp. Incl. RFR	
NOI	60,123	1,466	55,873	1,363	-7%	47,228	1,152	-15%	4,668	14,004	342	-70%	31,334	764	-34%	NOI	

Riverwood Apartments * 36 West Dogwood Lane * Blue Ridge, Georgia

Property: Riverwood Apartments

of Rental Units: 41

Revenue and Expense Analysis

Historical and Proforma

% change compared to preceding year.

REVENUE - Annual	As Is			As Complete			REVENUE - Annual
	Restricted Projections	PUPA	%	Restricted Projections	PUPA	%	
Residential & Ancillary Income							Residential & Ancillary Income
Annual Gross Potential Rental Income	307,200	7,493	51%	331,200	8,078	62%	Annual Gross Potential Rental Income
Annual Ancillary Income	600	15	4%	600	15	4%	Annual Ancillary Income
Annual Gross Potential Income	307,800	7,507	50%	331,800	8,093	62%	Annual Gross Potential Income
Occupancy	95.00%	375	0%	95.00%	405	0%	Occupancy
Effective Gross Income (EGI)	292,410	7,132	43%	315,210	7,688	55%	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	%	
Administrative							Administrative
Advertising	205	5	7%	205	5	7%	Advertising
Management Fee	11,696	285	-48%	12,608	308	-44%	4.000% Management Fee
Other (Specify)	20,500	500	-12%	20,500	500	-12%	Other (Specify)
Total Administrative	32,401	790	-30%	33,313	813	-28%	Total Administrative
Operating							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	3,280	80	3%	3,280	80	3%	Lighting and Misc. Power
Water	32,800	800	0%	32,800	800	0%	Water
Gas	0	0	0	0	0	0	Gas
Garbage and Trash Removal	3,485	85	0%	3,485	85	0%	Garbage and Trash Removal
Payroll	11,275	275	-1%	11,275	275	-1%	Payroll
Other (Specify)	8,200	200	-15%	6,150	150	-37%	Other (Specify)
Total Operating	59,040	1,440	-2%	56,990	1,390	-6%	Total Operating
Maintenance							Maintenance
Decorating	410	10	32%	410	10	32%	Decorating
Repairs	0	0	0	0	0	0	Repairs
Exterminating	3,485	85	-10%	3,485	85	-10%	Exterminating
Insurance	8,200	200	0%	8,200	200	0%	Insurance
Ground Expense	9,225	225	-12%	9,225	225	-12%	Ground Expense
Other (specify)	0	0	0	0	0	0	Other (specify)
Total Maintenance	21,320	520	-7%	21,320	520	-7%	Total Maintenance
Taxes							Taxes
Real Estate Tax	18,450	450	310%	19,475	475	333%	Real Estate Tax
Personal Property Tax	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	1,025	25	-53%	1,025	25	-53%	Employee Payroll Tax
Employee Benefits	820	20	-33%	820	20	-33%	Employee Benefits
Other	205	5	3%	205	5	3%	Other
Total Taxes	20,500	500	153%	21,525	525	166%	Total Taxes
Operating Exp. before RFR	133,261	3,250	-3%	133,148	3,248	-3%	Operating Exp. before RFR
Reserve For Replacement	10,250	250	-46%	10,250	250	-46%	Reserve For Replacement
Operating Exp. Incl. RFR	143,511	3,500	-8%	143,398	3,498	-9%	Operating Exp. Incl. RFR
NOI	148,899	3,632	215%	171,812	4,191	264%	NOI

Estimating Market Expenses Per Unit

Estimating Market Expenses Per Unit							
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
\$285	Management	\$308	\$256	\$417	\$300	\$0	\$382
\$500	Other Administrative Expenses	\$500	\$128	\$341	\$250	\$70	\$650
\$0	Elevator Maintenance Expense	\$0	\$0	\$0	\$0	\$0	\$0
\$0	Fuel	\$0	\$0	\$0	\$0	\$0	\$0
\$80	Lighting & Misc. Power	\$80	\$197	\$300	\$195	\$191	\$161
\$800	Water/Sewer	\$800	\$0	\$463	\$764	\$136	\$278
\$0	Gas	\$0	\$0	\$0	\$0	\$0	\$7
\$85	Garbage/Trash Removal	\$85	\$0	\$0	\$0	\$148	\$0
\$275	Payroll	\$275	\$1,344	\$974	\$900	\$382	\$628
\$200	Other Operating Expenses	\$150	\$55	\$200	\$300	\$0	\$282
\$10	Decorating	\$10	\$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
\$225	Ground Expenses	\$225	\$117	\$116	\$0	\$142	\$193
\$0	Other Maintenance	\$0	\$0	\$0	\$0	\$0	\$0
\$450	Real Estate Taxes	\$475	\$417	\$638	\$1,013	\$0	\$696
\$25	Payroll Taxes	\$25	\$0	\$0	\$0	\$0	\$0
\$20	Employee Benefits	\$20	\$0	\$0	\$0	\$0	\$0
\$5	Other Taxes	\$5	\$0	\$0	\$0	\$0	\$11
\$250	Replacement Reserves	\$250	\$0	\$250	\$300	\$0	\$0
\$3,500	Total Per Unit	\$3,498	\$4,174	\$4,449	\$5,172	\$1,134	\$4,133
<p>Comments: 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 43 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**

Expense	As Is	As Complete	Comp Range
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	\$285	\$308	\$0-\$417
A management expense of \$285 per unit was projected for the as is scenario, and a management expense of \$308 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	\$500	\$500	\$70-\$341
An other administrative expense of \$500 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	\$80	\$80	\$191-\$300
A lighting and miscellaneous power expense of \$80 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.			

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|----|-------------|-------|-------|-----------|
| 7. | Water/Sewer | \$800 | \$800 | \$0-\$764 |
|----|-------------|-------|-------|-----------|
- A water/sewer expense of \$800 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 | \$275 | \$275 | \$382-\$1,344 |
|-----|---------|-------|-------|---------------|
- The payroll expense of \$275 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 | \$200 | \$150 | \$0-\$300 |
|-----|--------------------------|-------|-------|-----------|
- An other operating expense of \$200 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 | \$10 | \$10 | \$0-\$285 |
|-----|------------|------|------|-----------|
- A decorating expense of \$10 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.

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|-----|---------|-----|-----|-----------|
| 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 | \$225 | \$225 | \$0-\$142 |
|-----|-----------------|-------|-------|-----------|
- A ground expense of \$225 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 | \$450 | \$475 | \$0-\$1,013 |
|-----|-------------------|-------|-------|-------------|
- A real estate tax expense of \$450 per unit was projected for the subject based on the information obtained by the Fannin 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 | \$25 | \$25 | \$0-\$0 |
|-----|---------------|------|------|---------|
- Payroll taxes were projected at \$25 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 | \$20 | \$20 | \$0-\$0 |
|-----|-------------------|------|------|---------|
- Employee benefits were projected at \$20 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 expenses per unit are \$3,250 before reserves for replacement. This is three 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 1993 and is a 41-unit stabilized Rural Development property. Historically, the subject's overall expenses have ranged from \$2,996 to \$3,356 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

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

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	1823 Biscayne Place Dalton, Georgia	32	1/31/2017	\$112,000	\$1,600,000	7.00%
2	809 Chattanooga Avenue Dalton, Georgia	66	1/31/2015	\$370,760	\$5,200,000	7.13%
3	531 Grassdale Road Cartersville, Georgia	148	10/13/2015	\$644,800	\$10,400,000	6.20%
4	110 Johnson Street Cartersville, Georgia	16	3/1/2017	\$50,625	\$675,000	7.50%
5	212 Old Belwood Road Calhoun, Georgia	48	2/16/2017	\$149,400	\$1,800,000	8.30%
6	1809 Shadow Lane Dalton, Georgia	140	3/8/2017	\$358,339	\$6,115,000	5.86%

The comparables indicate a range of 5.86 to 8.30 percent for indicated capitalization rates, with a mean of 7.00 percent. Comparable 1 was constructed in 1990, and Comparable 2 was built in 1984. Comparable 3 was built in 1990. Comparable 4 was constructed in 1973, and Comparable 5 was constructed in 1985. Comparable 6 was built in 1972. Comparables 1, 2 and 6 are located in Dalton which is slightly superior in location. Comparables 3 and 4 are located in Cartersville, and Comparable 5 is located in Calhoun. Cartersville and Calhoun are similar in location. Dalton is considered slightly superior 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 2, 3 and 5 are the most similar in date of construction, and Comparables 1, 2 and 5 are the most similar in number of units. Comparables 1, 4, 5 and 6 have the most recent date of sale. After considering all factors, Comparables 1, 5 and 6 were given the most consideration. These three comparables have capitalization rates ranging from 5.86 to 8.30 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
		Capitalization Rate		6.86%	
Debt Coverage Ratio Analysis					
Debt Coverage Ratio	x	LTV	x	Mortgage Constant	
1.25	x	80%	x	6.08%	= 0.060802
		Capitalization Rate		6.08%	

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

Market	As Is	\$148,899 /7.00%	=	\$2,127,123
Market	As Complete	\$171,812 /7.00%	=	\$2,454,451
		Market Rate As Is Value	=	\$2,125,000
		Market Rate As Complete Value	=	\$2,455,000

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 revenue 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.

Restricted	As Is	\$53,380 /6.00%	=	\$889,667
Restricted	As Complete	\$175,461 /6.00%	=	\$2,924,350
		Restricted Rate As Is Value	=	\$890,000
		Restricted Rate As Complete Value	=	\$2,925,000

Prospective Market Value Upon Loan Maturity	
\$2,455,000 Prospective Market Value (As Complete and Stabilized) 50 Term of Loan (years) 2.00% Growth Rate	
Market Value	
\$2,455,000 PV	
50 [g] [n]	
2.00 [g] [i]	
Solve for FV	\$6,667,829.22
Using these factors, a prospective market value upon loan maturity of \$6,667,829.22 was determined. <div style="text-align: center; color: red; font-weight: bold;"> Prospective Market Value Upon Loan Maturity \$6,668,000.00 </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 7,677, an increase of 885 people from the 2010 population of 6,792. The population is expected to increase at an annual rate of 10.1 percent between 2017 and 2022. Therefore, the 2022 population is projected at 8,453. The median age for the neighborhood is 48.9.

Unemployment Trends

The unemployment rate has fluctuated from 3.7 percent to 11.7 percent over the past 12 years. These fluctuations are in line with the unemployment rates for the State of Georgia.

LABOR FORCE AND EMPLOYMENT TRENDS FOR FANNIN COUNTY					
ANNUALS	CIVILIAN LABOR FORCE*	EMPLOYMENT		UNEMPLOYMENT	
		TOTAL	%	TOTAL	%
2005	10,068	9,550	94.9%	518	5.1%
2006	10,769	10,338	96.0%	431	4.0%
2007	11,000	10,588	96.3%	412	3.7%
2008	10,959	10,275	93.8%	684	6.2%
2009	10,811	9,676	89.5%	1,135	10.5%
2010	10,271	9,070	88.3%	1,201	11.7%
2011	10,273	9,113	88.7%	1,160	11.3%
2012	10,020	8,996	89.8%	1,024	10.2%
2013	9,768	8,886	91.0%	882	9.0%
2014	9,863	9,114	92.4%	749	7.6%
2015	10,111	9,486	93.8%	625	6.2%
2016	10,745	10,172	94.7%	573	5.3%
2017**	10,910	10,369	95.0%	541	5.0%

* 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 \$37,913. It is expected to increase to \$43,258 by 2022. The per capita income is \$23,465.

Median Home Value

The median home value for the neighborhood in 2017, according to ESRI, is \$208,383. According to ESRI, the average amount spent for owner-occupied households in the subject's neighborhood is \$13,572.00, or \$1,131 per month. The average amount spent for renter-occupied households is \$7,740.00, or \$645 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.

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

Riverwood Apartments * 36 West Dogwood Lane * Blue Ridge, 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 10.1 percent between 2017 and 2022. The median household income for the neighborhood in 2017 is \$37,913. It is expected to increase to \$43,258 by 2022. The per capita income is \$23,465.

The unemployment rate has fluctuated from 3.7 percent to 11.7 percent, and due to the recent economic trends, Fannin County, as well as the rest of the nation, increased in unemployment. 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 Blue Ridge'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 = \$6,668,000.00

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

\$984,047 Proposed Loan
600 Months for the Term of the Loan
4.50% Market Interest Rate
3.25% Note Rate of Interest
1.00% Base Rate of Interest

Proposed Loan
 \$984,047 PV
 0.0450 [i]
 360 [n]
 Solve for PMT \$4,986.02 per month

With 1% interest
 \$984,047 PV
 0.0100 [i]
 600 [n]
 Solve for PMT \$2,084.79 per month

Value of Balloon
 \$984,047 [CHS] [PV]
 0.0325 [i]
 600 [n]
 Solve for PMT \$3,320.39
 360 [n]
 Solve for FV \$585,404.26

 \$585,404.26 [CHS] [FV]
 0.0450 [i]
 360 [n]
 Solve for PV \$152,144.02

Interest Credit Subsidy
 Difference in Payment \$2,901.23
 \$2,901.23 [PMT]
 0.0450 [i]
 360 [n]
 Solve for PV \$572,589.65
-\$152,144.02
 \$420,445.62

**Value of Subsidy from the Assumed 515 Loan (New Terms) Rounded:
 \$420,000.00**

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 \$94,218 from the Georgia Department of Community Affairs for low-income housing tax credits. The total for the 10-year period will be \$942,180. 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:	=	\$942,180	
Price	x 0.85	= \$800,853	\$800,853

Total Value Tax Credits = \$800,000

Insurable Value

USDA Rural Development Insurable Value Calculation				
Property Name:		Riverwood Apartments		
Street Address:		36 West Dogwood Lane		
City, County, State, Zip:		Blue Ridge, Fannin, Georgia 30513		
BASE COST				
Main Structure			\$71.55	
Sprinkler				
Other				
Adjustments and/or Multipliers			0.83	Local
			1.03	Current
TOTAL BASE COST PER SQ. FT			\$61.17	
Building Area Square Footage			30,196	
TOTAL REPLACEMENT COST NEW			\$1,847,032	
EXCLUSIONS	<u>Per SF</u>	<u>Percent</u>		
Excavations	\$0.06	0.1%	\$1,812	
Foundations	\$3.67	6.0%	\$110,819	
Site Work	\$1.53	2.5%	\$46,200	
Site Improvements	\$2.02	3.3%	\$60,996	
Architect's Fees	\$0.61	1.0%	\$18,420	
Underground Piping	\$0.61	1.0%	\$18,420	
TOTAL EXCLUSIONS	\$8.50	13.9%	\$256,667	
INCLUSIONS				
Appliance Packages			\$67,473	
Patios/Balconies, etc.				
Parking Lot			\$32,230	
Other				
TOTAL INCLUSIONS			\$99,703	
CONCLUDED INSURABLE VALUE				
Total Replacement Cost New			\$1,847,032	
Less Total Exclusions			\$256,667	
Plus Total Inclusions			\$99,703	
CONCLUDED INSURABLE VALUE			\$1,690,068	

Total Insurable Value (Rounded) = \$1,690,000

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:

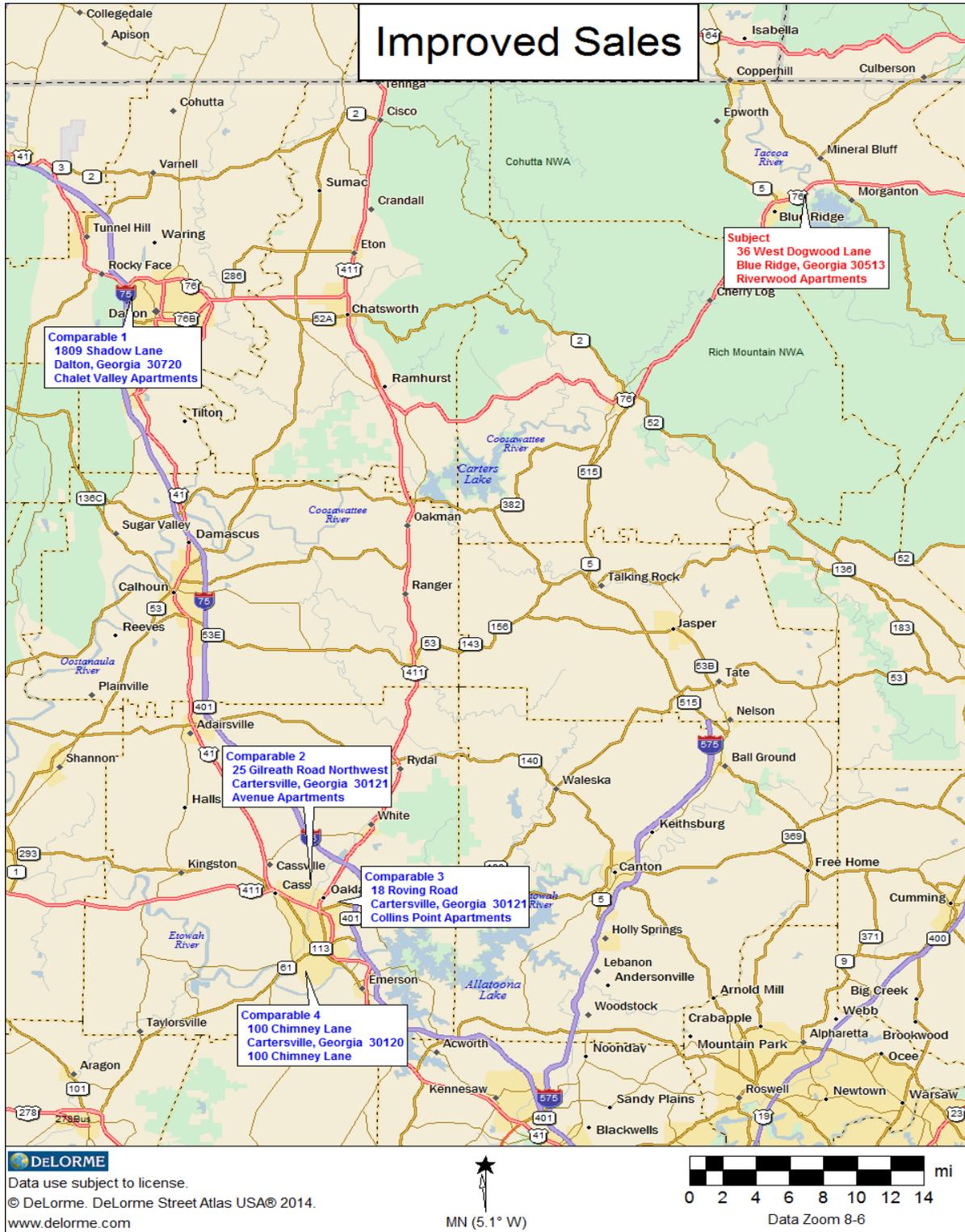
- Availability of comparable sales data
- Verification of sales data
- Degree of comparability to the extent that large or numerous adjustments are not necessary to compensate for the differences between the subject property and the comparable sales used

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

Record ID	1329
Property Type	Walk-Up
Property Name	Chalet Valley Apartments
Address	1809 Shadow Lane, Dalton, Whitfield County, Georgia 30720
Tax ID	12-197-05-001
Market Type	Market

Sale Data

Grantor	Augsburg Investments
Grantee	ACap Partners, LLC
Sale Date	March 08, 2017
Deed Book/Page	6481000229
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Conventional
Verification	Assessor; May 17, 2017

Sale Price	\$6,115,000
Cash Equivalent	\$6,115,000
Adjusted Price	\$6,115,000

Multi-Family Sale No. 1 (Cont.)

Land Data

Land Size 10.100 Acres or 439,956 SF
Front Footage Shadow Lane
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	40	800		
2/2	75	1,200		
3/2	25	1,470		
Total Units	140			
Avg. Unit Size	1,134			
Net SF	158,750			

General Physical Data

No. of Buildings 9
Construction Type Brick
HVAC Central Elec/Central Elec
Parking L/0
Stories 3
Utilities with Rent Water, Sewer, Trash Collection
Year Built 1972
Condition Average

Indicators

Sale Price/Net SF \$38.52
Sale Price/Unit \$43,679

Amenities

Range/Oven, Refrigerator, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Walk-In Closet, Coat Closet, Swimming Pool and Laundry Facility

Multi-Family Sale No. 2



Property Identification

Record ID	2368
Property Type	Walk-Up
Property Name	Avenue Apartments
Address	25 Gilreath Road Northwest, Cartersville, Bartow County, Georgia 30121
Tax ID	0070-0164-003
Market Type	Market

Sale Data

Grantor	Augsburg Investments LLC
Grantee	Steven and Edna Lipiner
Sale Date	April 15, 2016
Deed Book/Page	2828-0655
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Conventional
Verification	Assessor; May 17, 2017

Sale Price	\$3,060,000
Cash Equivalent	\$3,060,000

Land Data

Land Size	2.610 Acres or 113,692 SF
Front Footage	Gilreath Road Northwest
Zoning	R-3

Multi-Family Sale No. 2 (Cont.)

Topography Nearly Level
Utilities E, G, W, S
Shape Irregular

<u>Unit Type</u>	<u>Unit Mix</u>		<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>		
Studio/1	6	400		
1/1	18	600		
2/2	16	700		
3/2	14	1,000		

Total Units 54
Avg. Unit Size 711
Avg. Rent/Unit \$182
Avg. Rent/SF \$0.26

Net SF 38,400

General Physical Data

No. of Buildings 3
Construction Type Brick
HVAC Central Elec/Central Elec
Parking L/0
Stories 2
Utilities with Rent Water, Sewer, Trash Collection
Year Built 2004
Condition Good

Indicators

Sale Price/Net SF \$79.69
Sale Price/Unit \$56,667

Amenities

Refrigerator, Range/Oven, Dishwasher, Carpet, Vinyl, Blinds, Picnic Area and Laundry Facility

Multi-Family Sale No. 3



Property Identification

Record ID	3597
Property Type	Townhouse
Property Name	Collins Point Apartments
Address	18 Roving Road, Cartersville, Bartow County, Georgia 30121
Tax ID	C095-0005-001
Market Type	Market

Sale Data

Grantor	Augsburg Investments
Grantee	Steven and Edna Lipiner
Sale Date	March 29, 2016
Deed Book/Page	2826-0709
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Conventional
Verification	Assessor; May 17, 2017

Sale Price	\$3,740,000
Cash Equivalent	\$3,740,000
Adjusted Price	\$3,740,000

Multi-Family Sale No. 3 (Cont.)

Land Data

Land Size 5.000 Acres or 217,800 SF
Front Footage Roving Road
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>
2/1.5	64	1,100		
Total Units	64			
Avg. Unit Size	1,100			
Net SF	70,400			

General Physical Data

No. of Buildings 16
Construction Type Brick/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/Net SF \$53.13
Sale Price/Unit \$58,438

Amenities

Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Ceiling Fans, Patio and Swimming Pool

Multi-Family Sale No. 4



Property Identification

Record ID	3598
Property Type	Townhouse
Property Name	100 Chimney Lane
Address	100 Chimney Lane, Cartersville, Bartow County, Georgia 30120
Tax ID	C037-0002-011
Market Type	Market

Sale Data

Grantor	LakePoint Realty Group
Grantee	Steven and Edna Lipiner
Sale Date	March 28, 2016
Deed Book/Page	2826-0700
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Conventional
Verification	Assessor; May 17, 2017

Sale Price	\$1,550,000
Cash Equivalent	\$1,550,000
Adjusted Price	\$1,550,000

Land Data

Land Size	4.190 Acres or 182,516 SF
Front Footage	Chimney Lane
Topography	Nearly Level
Utilities	E, G, W, S
Shape	Irregular

Multi-Family Sale No. 4 (Cont.)

<u>Unit Type</u>	<u>Unit Mix</u>		<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>		
1/1	30	1,238		
Total Units	30			
Avg. Unit Size	1,238			
Net SF	37,140			
<u>General Physical Data</u>				
No. of Buildings	7			
Construction Type	Brick			
HVAC	Central Elec/Central Elec			
Parking	L/0			
Stories	2			
Utilities with Rent	Water, Sewer, Trash Collection			
Year Built	1989			
Condition	Average			
<u>Indicators</u>				
Sale Price/Net SF	\$41.73			
Sale Price/Unit	\$51,667			

Amenities

Refrigerator, Range/Oven, Washer/Dryer Hook Ups, Carpet, Vinyl, Blinds, Ceiling Fans and Patio

Comparable Sales Chart – As Is

Sales Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4
Address	36 West Dogwood Lane	1809 Shadow Lane	25 Gilreath Road	18 Roving Road	100 Chimney Lane
City	Blue Ridge	Dalton	Cartersville	Cartersville	Cartersville
State	GA	GA	GA	GA	GA
Date	5/17/2017	3/8/2017	4/15/2016	3/29/2016	3/28/2016
Price		\$6,115,000	\$3,060,000	\$3,740,000	\$1,550,000
Total No. of Units	41	140	54	64	30
Price per Unit		\$43,679	\$56,667	\$58,438	\$51,667
Transaction Adjustments					
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	Conventional	Conventional	Conventional	Conventional	Conventional
Conditions of Sale	Normal	Normal	Normal	Normal	Normal
Adjusted Price per Unit		\$43,679	\$56,667	\$58,438	\$51,667
Market Trends Through 05/17/17		0%	0%	0%	0%
Adjusted Price per Unit		\$43,679	\$56,667	\$58,438	\$51,667
Location	Average	Superior	Similar	Similar	Similar
% Adjustment		-5%	0%	0%	0%
\$ Adjustment		-\$2,184	\$0	\$0	\$0
Total No. of Units	41	140	54	64	30
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
YearBuilt/Renovated	1993	1972	2004	1987	1989
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Condition/Street Appeal	Average	Inferior	Superior	Similar	Similar
% Adjustment		15%	-10%	0%	0%
\$ Adjustment		\$6,552	-\$5,667	\$0	\$0
HVAC	Central Electric/Central Electric	Central Elec/Central Elec	Central Elec/Central Elec	Central Elec/Central Elec	Central Elec/Central Elec
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Parking	L/0	L/0	L/0	L/0	L/0
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Amenities	Refrigerator, Range/Oven, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Coat Closet, Patio, Pull Cords, Meeting Room, Picnic Area and Extra Storage	Range/Oven, Refrigerator, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Walk-In Closet, Coat Closet, Swimming Pool and Laundry Facility	Refrigerator, Range/Oven, Dishwasher, Carpet, Vinyl, Blinds, Picnic Area and Laundry Facility	Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Ceiling Fans, Patio and Swimming Pool	Refrigerator, Range/Oven, Washer/Dryer Hook Ups, Carpet, Vinyl, Blinds, Ceiling Fans and Patio
% Adjustment		0%	3%	2%	4%
\$ Adjustment		\$0	\$1,700	\$1,169	\$2,067
Adjusted Price per Unit		\$48,046	\$52,700	\$59,606	\$53,733
Net adjustments		10.0%	-7.0%	2.0%	4.0%
Gross adjustments		10.0%	-7.0%	2.0%	4.0%

Based on the preceding analysis, it is the appraiser's opinion that the market value of the subject property, as of May 17, 2017, via the Sales Comparable Approach is as follows:

41 units x \$53,000 per unit = **\$2,173,000**

Indicated Value = \$2,175,000

Comparable Sales Explanations & Value – As Is

Comp	Address	Date	Price	Price per Unit	Total No. of Units	Year Built/Renovated
1	1809 Shadow Lane	3/8/2017	\$6,115,000	\$43,679	140	1972
2	25 Gilreath Road Northwest	4/15/2016	\$3,060,000	\$56,667	54	2004
3	18 Roving Road	3/29/2016	\$3,740,000	\$58,438	64	1987
4	100 Chimney Lane	3/28/2016	\$1,550,000	\$51,667	30	1989

Improved Sales Analysis

The sale prices of the comparables range from \$43,679 to \$58,438 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 Blue Ridge, Georgia. Comparable 1 is located in Dalton. Comparable 2 is located in Cartersville. Comparable 3 is located in Cartersville. Comparable 4 is located in Cartersville. Blue Ridge was considered similar in location to Cartersville. Though there are some differences in the location of the cities, the differences are not significant enough to warrant an adjustment. However, Dalton is slightly superior to Blue Ridge. The following table was utilized to determine appropriate adjustments for differences in location between the cities:

U.S. Census Bureau Stats	Blue Ridge	Dalton	% Diff
Population	1,492	33,496	95.55%
Households	582	11,404	94.90%
Median Home Value	\$130,900	\$122,500	-6.86%
Median Rent	\$611	\$655	6.72%

Dalton has a larger population and number of households. It is slightly higher in median rent and slightly lower in median home value. Overall, it was considered slightly superior. Therefore, Comparable 1 was adjusted downward five percent.

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 41 units. The number of units of the comparables range from 30 to 140. No adjustments were needed.

Year Built/Renovated

The subject was built in 1993 and was renovated in Proposed. It is in average condition. Comparable 1 was built in 1972. Comparable 2 was constructed in 2004. Comparable 3 was built in 1987. Comparable 4 was constructed in 1989. 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 inferior. Comparable 2 is superior. Comparable 3 is similar. Comparable 4 is similar. Comparable 1 was adjusted upward 15 percent, and Comparable 2 was adjusted downward 10 percent. The remaining comparables were not adjusted.

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, picnic area and extra storage. Comparable 1 contains a range/oven, refrigerator, garbage disposal, dishwasher, washer/dryer hook-ups, carpet, vinyl, blinds, walk-in closet, coat closet, swimming pool and laundry facility. Comparable 2 contains a refrigerator, range/oven, dishwasher, carpet, vinyl, blinds, picnic area and laundry facility . Comparable 3 contains a refrigerator, range/oven, dishwasher, washer/dryer hook-ups, carpet, vinyl, blinds, ceiling fans, patio and swimming pool. Comparable 4 contains a refrigerator, range/oven, washer/dryer hook ups, carpet, vinyl, blinds, ceiling fans and patio. Comparable 1 was not adjusted. Comparable 2 was adjusted upward three percent. Comparable 3 was adjusted upward two percent. Comparable 4 was adjusted upward four percent.

Summary and Conclusion

The comparables range from \$48,046 to \$59,606 per unit after adjustments. Based on the preceding analysis, it is the appraiser's opinion that the market value of the subject property, as of May 17, 2017, via the Sales Comparable Approach is as follows:

41 units x \$53,000 per unit = \$2,173,000

Indicated As Is Market Value = \$2,175,000

Comparable Sales Chart – As Complete

Sales Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4
Address	36 West Dogwood Lane	1809 Shadow Lane	25 Gilreath Road	18 Roving Road	100 Chimney Lane
City	Blue Ridge	Dalton	Cartersville	Cartersville	Cartersville
State	GA	GA	GA	GA	GA
Date	5/17/2017	3/8/2017	4/15/2016	3/29/2016	3/28/2016
Price		\$6,115,000	\$3,060,000	\$3,740,000	\$1,550,000
Total No. of Units	41	140	54	64	30
Price per Unit		\$43,679	\$56,667	\$58,438	\$51,667
Transaction Adjustments					
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	Conventional	Conventional	Conventional	Conventional	Conventional
Conditions of Sale	Normal	Normal	Normal	Normal	Normal
Adjusted Price per Unit		\$43,679	\$56,667	\$58,438	\$51,667
Market Trends Through 05/17/17		0%	0%	0%	0%
Adjusted Price per Unit		\$43,679	\$56,667	\$58,438	\$51,667
Location	Average	Superior	Similar	Similar	Similar
% Adjustment		-5%	0%	0%	0%
\$ Adjustment		-\$2,184	\$0	\$0	\$0
Total No. of Units	41	140	54	64	30
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
YearBuilt/Renovated	1993/Proposed	1972	2004	1987	1989
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Condition/Street Appeal	Good	Inferior	Similar	Inferior	Inferior
% Adjustment		25%	0%	10%	10%
\$ Adjustment		\$10,920	\$0	\$5,844	\$5,167
HVAC	Central Electric/Central Electric	Central Elec/Central Elec	Central Elec/Central Elec	Central Elec/Central Elec	Central Elec/Central Elec
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Parking	L/0	L/0	L/0	L/0	L/0
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Amenities	Refrigerator, Range/Oven, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Coat Closet, Patio, Pull Cords, Meeting Room, Picnic Area and Extra Storage	Range/Oven, Refrigerator, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Walk-In Closet, Coat Closet, Swimming Pool and Laundry Facility	Refrigerator, Range/Oven, Dishwasher, Carpet, Vinyl, Blinds, Picnic Area and Laundry Facility	Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Ceiling Fans, Patio and Swimming Pool	Refrigerator, Range/Oven, Washer/Dryer Hook Ups, Carpet, Vinyl, Blinds, Ceiling Fans and Patio
% Adjustment		0%	3%	2%	4%
\$ Adjustment		\$0	\$1,700	\$1,169	\$2,067
Adjusted Price per Unit		\$52,414	\$58,367	\$65,450	\$58,900
Net adjustments		20.0%	3.0%	12.0%	14.0%
Gross adjustments		20.0%	3.0%	12.0%	14.0%

Based on the preceding analysis, it is the appraiser's opinion that the market value of the subject property, as of May 17, 2017, via the Sales Comparable Approach is as follows:

$$41 \text{ units} \times \$58,500 \text{ per unit} = \$2,398,500$$

Indicated Value = \$2,400,000

Comparable Sales Explanations & Value – As Complete

Comp	Address	Date	Price	Price per Unit	Total No. of Units	Year Built/Renovated
1	1809 Shadow Lane	3/8/2017	\$6,115,000	\$43,679	140	1972
2	25 Gilreath Road Northwest	4/15/2016	\$3,060,000	\$56,667	54	2004
3	18 Roving Road	3/29/2016	\$3,740,000	\$58,438	64	1987
4	100 Chimney Lane	3/28/2016	\$1,550,000	\$51,667	30	1989

Improved Sales Analysis

The sale prices of the comparables range from \$43,679 to \$58,438 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 Blue Ridge, Georgia. Comparable 1 is located in Dalton. Comparable 2 is located in Cartersville. Comparable 3 is located in Cartersville. Comparable 4 is located in Cartersville. Blue Ridge was considered similar in location to Cartersville. Though there are some differences in the location of the cities, the differences are not significant enough to warrant an adjustment. However, Dalton is slightly superior to Blue Ridge. The following table was utilized to determine appropriate adjustments for differences in location between the cities:

U.S. Census Bureau Stats	Blue Ridge	Dalton	% Diff
Population	1,492	33,496	95.55%
Households	582	11,404	94.90%
Median Home Value	\$130,900	\$122,500	-6.86%
Median Rent	\$611	\$655	6.72%

Dalton has a larger population and number of households. It is slightly higher in median rent and slightly lower in median home value. Overall, it was considered slightly superior. Therefore, Comparable 1 was adjusted downward five percent.

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 41 units. The number of units of the comparables range from 30 to 140. No adjustments were needed.

Year Built/Renovated

The subject was built in 1993 and was renovated in Proposed. It is in average condition. Comparable 1 was built in 1972. Comparable 2 was constructed in 2004. Comparable 3 was built in 1987. Comparable 4 was constructed in 1989. 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 except Comparable 2 will be inferior to varying degrees. Comparable 1 was adjusted upward 25 percent, and Comparables 3 and 4 were adjusted upward ten percent. Comparable 2 will be similar to the rehabilitated subject and was not adjusted.

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, picnic area and extra storage. Comparable 1 contains a range/oven, refrigerator, garbage disposal, dishwasher, washer/dryer hook-ups, carpet, vinyl, blinds, walk-in closet, coat closet, swimming pool and laundry facility. Comparable 2 contains a refrigerator, range/oven, dishwasher, carpet, vinyl, blinds, picnic area and laundry facility . Comparable 3 contains a refrigerator, range/oven, dishwasher, washer/dryer hook-ups, carpet, vinyl, blinds, ceiling fans, patio and swimming pool. Comparable 4 contains a refrigerator, range/oven, washer/dryer hook ups, carpet, vinyl, blinds, ceiling fans and patio. Comparable 1 was not adjusted. Comparable 2 was adjusted upward three percent. Comparable 3 was adjusted upward two percent. Comparable 4 was adjusted upward four percent.

Summary and Conclusion

The comparables range from \$52,414 to \$65,450 per unit after adjustments. 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:

$$41 \text{ units} \times \$58,500 \text{ per unit} = \$2,398,500$$

Indicated As Is Market Value = \$2,400,000

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 Blue Ridge 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 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 17, 2017, is as follows.

TWO MILLION ONE HUNDRED TWENTY FIVE THOUSAND DOLLARS
\$2,125,000

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 17, 2017, is as follows.

EIGHT HUNDRED NINETY THOUSAND DOLLARS
\$890,000

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.

TWO MILLION FOUR HUNDRED FIFTY FIVE THOUSAND DOLLARS
\$2,455,000

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.

TWO MILLION NINE HUNDRED TWENTY FIVE THOUSAND DOLLARS
\$2,925,000

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 17, 2017, is as follows:

FIVE HUNDRED SEVENTEEN THOUSAND DOLLARS
\$517,000

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 17, 2017, is as follows:

FOUR HUNDRED TWENTY THOUSAND DOLLARS
\$420,000

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 17, 2017, is as follows:

EIGHT HUNDRED THOUSAND DOLLARS
\$800,000

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 676 square feet one-bedroom units of the subject property, as of May 17, 2017, is as follows:

SIX HUNDRED FORTY DOLLARS
\$640.00

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 676 square feet one-bedroom units of the subject property, as of January 31, 2019, is as follows:

SIX HUNDRED NINETY DOLLARS
\$690.00

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 17, 2017, is as follows.

FIFTY FIVE THOUSAND DOLLARS
\$55,000

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 17, 2017, is as follows.

TWO MILLION ONE HUNDRED TWENTY FIVE THOUSAND DOLLARS

\$2,125,000

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 17, 2017, is as follows.

EIGHT HUNDRED NINETY THOUSAND DOLLARS

\$890,000

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.

TWO MILLION FOUR HUNDRED FIFTY FIVE THOUSAND DOLLARS

\$2,455,000

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.

TWO MILLION NINE HUNDRED TWENTY FIVE THOUSAND DOLLARS

\$2,925,000

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.

SIX MILLION SIX HUNDRED SIXTY EIGHT THOUSAND DOLLARS

\$6,668,000.00

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
LEGAL DESCRIPTION

EXHIBIT "A"

All that tract or parcel of land situate, lying and being in Land Lots 239 and 266 of the 8th Land District, 2nd Section of Fannin County, Georgia, and being 5.47 acres and being more particularly described on that certain map or plat of survey dated July 23, 1991 entitled "Survey for North Georgia Mountains Continuing Care Retirement Community, Inc." by Lane S. Bishop, Georgia Registered Surveyor and recorded in Plat Record Book 25, page 211, Fannin County, Georgia deed records, to which map or plat of survey reference is herewith made for all purposes in aid of desc.

ADDENDUM B

Rent Roll

Riverwood Apartments (420)

Report Date: 04/2017

Building: 0

<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>
Units with Square Footage Set								
142	RES MGR SINGLETON, SUSAN	05/15/2009	05/14/2017	Z2	\$225.00	\$0.00	0.00	796
Units in Building:					1			
Occupied Units:					1			
% Occupied:					100%			
					\$225.00	\$0.00	0.00	

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>
Units with Square Footage Set								
101	Mashburn, Tressie	05/07/2004	08/31/2017	S1	\$430.00	\$248.00	248.00	654
102	LINKE, BETTY	04/26/2007	04/30/2017	S1	\$430.00	\$263.00	263.00	654
103	Lee, Sue	07/31/2003	04/30/2017	S1	\$430.00	\$318.00	318.00	654
104	Owenby, Shirley	08/12/2010	01/31/2018	S1	\$430.00	\$194.00	194.00	654
105	*MR Clore, Thelma	02/13/1998	04/17/2017	S1	\$244.00	\$198.00	198.00	654
105	* VACANT * 4/18/2017 - 4/30/2017			S1	\$186.00	\$0.00	0.00	654
106	Richards, Linda	09/02/2006	09/01/2017	S1	\$430.00	\$156.00	156.00	654
Units in Building:					6			
Occupied Units:					5			
% Occupied:					83%			
					\$2,580.00	\$1,377.00	1,377.00	

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>
Units with Square Footage Set								
107	Knox, Jacqueline	04/26/2004	12/31/2017	S1	\$430.00	\$173.00	173.00	654
108	Barnes, Laura	04/19/2013	04/18/2018	S1	\$430.00	\$215.00	215.00	654
109	Burger, Robin	06/17/2016	06/16/2017	S1	\$430.00	\$306.00	306.00	654
110	* VACANT * 4/1/2017 - 4/20/2017			S1	\$287.00	\$0.00	0.00	654
110	Ashe, Garland	04/21/2017	04/20/2018	S1	\$143.00	\$33.00	33.00	654
111	Jones, Freda	05/07/2012	05/31/2017	S1	\$430.00	\$307.00	307.00	654
112	CONNER, BARBARA	12/04/2004	02/28/2018	S1	\$430.00	\$155.00	155.00	654
Units in Building:					6			
Occupied Units:					6			
% Occupied:					100%			
					\$2,580.00	\$1,189.00	1,189.00	

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>
Units with Square Footage Set								
113	Hyde, Edith	11/29/1999	08/31/2017	S1	\$430.00	\$188.00	188.00	654

** = Expired Lease

*MR = Moved out during the report range.

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Rent Roll

Riverwood Apartments (420)

Report Date: 04/2017

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>
114	Fundis, Margaret	10/02/2014	10/01/2017	S1	\$430.00	\$240.00	240.00	654
115	Neese, Patricia	03/12/2002	03/11/2018	S1	\$430.00	\$218.00	218.00	654
116	Ayers, Delores	09/24/2010	09/23/2017	S1	\$430.00	\$163.00	163.00	654
117	Breeden, Robbie	02/07/2014	02/28/2018	S1	\$430.00	\$432.00	432.00	654
118	Cochran, Geneva	05/17/2016	05/31/2017	S1	\$430.00	\$170.00	170.00	654
Units in Building: 6								
Occupied Units: 6					\$2,580.00	\$1,411.00	1,411.00	
% Occupied: 100%								

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>
Units with Square Footage Set								
119	Pyle, Harry	01/11/2007	12/31/2017	S1	\$430.00	\$516.00	516.00	654
120	Konicki, Chris	12/01/2000	11/30/2017	S1	\$430.00	\$230.00	230.00	654
121	McDaniel, Glenda	11/11/2011	11/10/2017	S1	\$430.00	\$217.00	217.00	654
122	Reese, Eva	10/15/2014	10/14/2017	S1	\$430.00	\$225.00	225.00	654
123	DUGGER, IMOGENE	10/15/2007	10/14/2017	S1	\$430.00	\$259.00	259.00	654
124	Brewer, Sharon	10/15/2014	10/14/2017	S1	\$430.00	\$242.00	242.00	654
Units in Building: 6					\$2,580.00	\$1,689.00	1,689.00	
Occupied Units: 6								
% Occupied: 100%								

Building: 5

<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>
Units with Square Footage Set								
125	Abrams, Albert	08/09/2013	08/08/2017	S1	\$430.00	\$366.00	366.00	654
126	Arnold, Patricia	01/10/2011	03/31/2018	S1	\$430.00	\$147.00	147.00	654
127	Clayton, William	10/20/2001	10/19/2017	S1	\$430.00	\$154.00	154.00	654
128	Swafford, Elizabeth	10/15/2015	10/14/2017	S1	\$430.00	\$218.00	218.00	654
129	Cole, Carol	08/23/2013	08/22/2017	S1	\$430.00	\$351.00	351.00	654
130	Willis, Alpha	09/23/2016	02/28/2018	S1	\$430.00	\$545.00	545.00	654
Units in Building: 6					\$2,580.00	\$1,781.00	1,781.00	
Occupied Units: 6								
% Occupied: 100%								

Building: 6

<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>
Units with Square Footage Set								
131	BOCK, ANITA	07/12/2006	07/11/2017	S1	\$430.00	\$283.00	283.00	654
132	White, Kenneth	03/12/2010	03/11/2018	S1	\$430.00	\$146.00	146.00	654

** = Expired Lease

*MR = Moved out during the report range.

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Rent Roll

Riverwood Apartments (420)

Report Date: 04/2017

Building: 6

<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>
133	Starke, Linda	08/30/2016	08/29/2017	S1	\$430.00	\$155.00	155.00	654
134	Pickett McPhee, Virginia	03/01/2010	04/30/2017	S1	\$430.00	\$163.00	163.00	654
Units in Building:					4			
Occupied Units:					4			
% Occupied:					100%			
					\$1,720.00	\$747.00	747.00	

Building: 7

<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>
Units with Square Footage Set								
135	Maguire, Pamela	06/05/2014	06/04/2017	S1	\$430.00	\$310.00	310.00	654
136	Bailey, Willina	02/15/2016	03/31/2018	S1	\$430.00	\$434.00	434.00	654
137	Stanley, Brenda	09/07/2011	12/31/2017	S1	\$430.00	\$214.00	214.00	654
138	White, Emily	09/02/2016	09/30/2017	S1	\$430.00	\$148.00	148.00	654
139	Fraser, Diane	02/11/2010	10/31/2017	S1	\$430.00	\$204.00	204.00	654
140	* VACANT * 4/1/2017 - 4/2/2017			S1	\$29.00	\$0.00	0.00	654
140	Coffay, Kim	04/03/2017	04/30/2018	S1	\$401.00	\$164.00	164.00	654
Units in Building:					6			
Occupied Units:					6			
% Occupied:					100%			
					\$2,580.00	\$1,474.00	1,474.00	

Total Units: 41
Total Occupied: 40.00
Total % Occupied: 97.56

Grand Totals:

\$17,425.00 \$9,668.00 9,668.00

Selected Parameters:

Property Name - Riverwood 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.

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Riverwood Apartments
Blue Ridge, Georgia

0

Expense Year

Dec-14

Row Labels	Sum of Amount
Advertising	\$106
Advertising	\$106
Annual Ancillary Income	\$900
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$780
Application Fees Received	\$120
Annual Gross Potential Rental Income	\$199,200
Rental Income from Current Year Budget	\$199,200
Annual Income (Commercial)	\$0
Rent Revenue - Stores and Commercial	\$0
Decorating	\$497
Painting	\$497
Elevator Maintenance Expense	\$0
Elevator Maintenance/Contract	\$0
Employee Benefits	\$1,044
Health Insurance & Other Emp. Benefits	\$533
Workmen's Compensation	\$510
Employee Payroll Tax	\$2,297
Payroll Taxes	\$2,297
Excluded Expense	\$0
Annual Capital Budget	\$0
Excluded Income	\$200,728
Interest Income	\$0
Other Project Sources	\$100
Rental Income from Current Year Actual	\$111,474
Retained Excess Income	\$0
RHS Rental Assist. Received from Actual	\$89,154
Special Claims Revenue	\$0
Exterminating	\$3,006
Services	\$3,006
Fuel	\$0
Fuel (Oil/Coal/Gas)	\$0
Garbage and Trash Removal	\$3,044
Garbage & Trash Removal	\$3,044
Gas	\$0
Fuel (Oil/Coal/Gas)	\$0
Ground Expense	\$8,975
Grounds	\$8,975
Snow Removal	\$0
Insurance	\$8,124

Fidelity Coverage Insurance	\$0
Other Insurance	\$0
Property & Liability Insurance	\$8,124
Lighting and Miscellaneous Power	\$3,289
Electricity	\$3,289
Management Fee	\$21,360
Management Fee	\$21,360
Misc. Taxes/Licenses	\$75
Other Taxes, Licenses & Permits	\$75
Special Assessments	\$0
Other Administrative	\$20,901
Legal Expense	\$0
Office Furniture & Equipment	\$1,219
Office Supplies	\$1,639
Other Administrative Expenses	\$320
Project Auditing Expense	\$3,880
Project Bookkeeping/Accounting	\$0
Site Management Payroll	\$11,352
Telephone & Answering Service	\$931
Training Expense	\$1,561
Other Maintenance	\$0
Other Maintenance	\$0
Other Operating	\$6,903
Maintenance & Repairs Supply	\$6,684
Other Operating Expense	\$219
Other Utilities	\$0
Payroll	\$9,964
Maintenance & Repairs Payroll	\$9,964
Personal Property Tax	\$0
Personal Property Taxes	\$0
Real Estate Tax	\$5,579
Real Estate Taxes	\$5,579
Repairs	\$0
Maintenance & Repairs Contract	\$0
Replacement Reserves Releases Included as Expense	\$0
Reserves for Replacement	\$17,148
Transfer to Reserve	\$17,148
Service Coordinator	\$0
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
Vacancy (Apartments)	\$1,428
Vacancies - Apartments	\$1,428
Vacancies - Concessions	\$0
Vacancy (Commercial)	\$0
Vacancies - Stores and Commercial	\$0
Water/Sewer	\$27,666
Sewer	\$10,558

Water	\$17,108
(blank)	\$647,915
Net Rental Revenue	\$200,628
Operating Expenses	
Subtotal	\$109,052
Total Operating Expenses	\$122,829
Total Other Revenue	\$1,000
Total Rent Revenue	\$199,200
Total Revenue	
Total Taxes and Insurance	\$13,778
Total Vacancies	\$1,428
(blank)	
Grand Total	\$1,190,148

Riverwood Apartments
Blue Ridge, Georgia

0

Expense Year

Dec-15

Row Labels	Sum of Amount
Advertising	\$139
Advertising	\$139
Annual Ancillary Income	\$518
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$458
Application Fees Received	\$60
Annual Gross Potential Rental Income	\$201,600
Rental Income from Current Year Budget	\$201,600
Annual Income (Commercial)	\$0
Rent Revenue - Stores and Commercial	\$0
Decorating	\$430
Painting	\$430
Elevator Maintenance Expense	\$0
Elevator Maintenance/Contract	\$0
Employee Benefits	\$1,301
Health Insurance & Other Emp. Benefits	\$579
Workmen's Compensation	\$722
Employee Payroll Tax	\$2,068
Payroll Taxes	\$2,068
Excluded Expense	\$0
Annual Capital Budget	\$0
Excluded Income	\$202,234
Interest Income	\$0
Other Project Sources	\$0
Rental Income from Current Year Actual	\$114,620
Retained Excess Income	\$0
RHS Rental Assist. Received from Actual	\$87,614
Special Claims Revenue	\$0
Exterminating	\$3,256
Services	\$3,256
Fuel	\$0
Fuel (Oil/Coal/Gas)	\$0
Garbage and Trash Removal	\$2,923
Garbage & Trash Removal	\$2,923
Gas	\$0
Fuel (Oil/Coal/Gas)	\$0
Ground Expense	\$9,161
Grounds	\$9,161
Snow Removal	\$0
Insurance	\$7,220

Fidelity Coverage Insurance	\$0
Other Insurance	\$0
Property & Liability Insurance	\$7,220
Lighting and Miscellaneous Power	\$3,236
Electricity	\$3,236
Management Fee	\$22,020
Management Fee	\$22,020
Misc. Taxes/Licenses	\$68
Other Taxes, Licenses & Permits	\$68
Special Assessments	\$0
Other Administrative	\$19,794
Legal Expense	\$11
Office Furniture & Equipment	\$1,257
Office Supplies	\$1,488
Other Administrative Expenses	\$341
Project Auditing Expense	\$3,880
Project Bookkeeping/Accounting	\$0
Site Management Payroll	\$10,722
Telephone & Answering Service	\$960
Training Expense	\$1,135
Other Maintenance	\$0
Other Maintenance	\$0
Other Operating	\$10,172
Maintenance & Repairs Supply	\$9,983
Other Operating Expense	\$190
Other Utilities	\$0
Payroll	\$10,840
Maintenance & Repairs Payroll	\$10,840
Personal Property Tax	\$0
Personal Property Taxes	\$0
Real Estate Tax	\$4,729
Real Estate Taxes	\$4,729
Repairs	\$0
Maintenance & Repairs Contract	\$0
Replacement Reserves Releases Included as Expense	\$0
Reserves for Replacement	\$19,148
Transfer to Reserve	\$19,148
Service Coordinator	\$0
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
Vacancy (Apartments)	\$634
Vacancies - Apartments	\$634
Vacancies - Concessions	\$0
Vacancy (Commercial)	\$0
Vacancies - Stores and Commercial	\$0
Water/Sewer	\$29,741
Sewer	\$11,070

Water	\$18,671
(blank)	\$861,932
Net Rental Revenue	\$202,234
Operating Expenses	
Subtotal	\$115,080
Total Operating Expenses	\$127,097
Total Other Revenue	\$518
Total Rent Revenue	\$201,600
Total Revenue	\$202,752
Total Taxes and Insurance	\$12,017
Total Vacancies	\$634
(blank)	
Grand Total	\$1,413,163

Riverwood Apartments
Blue Ridge, Georgia

0

Expense Year

Dec-16

Row Labels	Sum of Amount
Advertising	\$191
Advertising	\$191
Annual Ancillary Income	\$575
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$335
Application Fees Received	\$240
Annual Gross Potential Rental Income	\$204,000
Rental Income from Current Year Budget	\$204,000
Annual Income (Commercial)	\$0
Rent Revenue - Stores and Commercial	\$0
Decorating	\$310
Painting	\$310
Elevator Maintenance Expense	\$0
Elevator Maintenance/Contract	\$0
Employee Benefits	\$1,232
Health Insurance & Other Emp. Benefits	\$570
Workmen's Compensation	\$663
Employee Payroll Tax	\$2,163
Payroll Taxes	\$2,163
Excluded Expense	\$0
Annual Capital Budget	\$0
Excluded Income	\$203,396
Interest Income	\$0
Other Project Sources	\$0
Rental Income from Current Year Actual	\$118,295
Retained Excess Income	\$0
RHS Rental Assist. Received from Actual	\$85,101
Special Claims Revenue	\$0
Exterminating	\$3,875
Services	\$3,875
Fuel	\$0
Fuel (Oil/Coal/Gas)	\$0
Garbage and Trash Removal	\$3,469
Garbage & Trash Removal	\$3,469
Gas	\$0
Fuel (Oil/Coal/Gas)	\$0
Ground Expense	\$10,493
Grounds	\$10,493
Snow Removal	\$0
Insurance	\$8,226

Fidelity Coverage Insurance	\$0
Other Insurance	\$0
Property & Liability Insurance	\$8,226
Lighting and Miscellaneous Power	\$3,180
Electricity	\$3,180
Management Fee	\$22,520
Management Fee	\$22,520
Misc. Taxes/Licenses	\$200
Other Taxes, Licenses & Permits	\$200
Special Assessments	\$0
Other Administrative	\$23,339
Legal Expense	\$0
Office Furniture & Equipment	\$1,810
Office Supplies	\$1,654
Other Administrative Expenses	\$665
Project Auditing Expense	\$3,880
Project Bookkeeping/Accounting	\$0
Site Management Payroll	\$13,407
Telephone & Answering Service	\$1,043
Training Expense	\$880
Other Maintenance	\$0
Other Maintenance	\$0
Other Operating	\$9,694
Maintenance & Repairs Supply	\$9,579
Other Operating Expense	\$115
Other Utilities	\$0
Payroll	\$11,380
Maintenance & Repairs Payroll	\$11,380
Personal Property Tax	\$0
Personal Property Taxes	\$0
Real Estate Tax	\$4,502
Real Estate Taxes	\$4,502
Repairs	\$0
Maintenance & Repairs Contract	\$0
Replacement Reserves Released as Expense	\$0
Reserves for Replacement	\$19,148
Transfer to Reserve	\$19,148
Service Coordinator	\$0
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
Vacancy (Apartments)	-\$604
Vacancies - Apartments	-\$604
Vacancies - Concessions	\$0
Vacancy (Commercial)	\$0
Vacancies - Stores and Commercial	\$0
Water/Sewer	\$32,821
Sewer	\$14,580

Water	\$18,241
(blank)	\$886,529
Net Rental Revenue	\$203,396
Operating Expenses	
Subtotal	\$124,667
Total Operating Expenses	\$137,595
Total Other Revenue	\$575
Total Rent Revenue	\$204,000
Total Revenue	\$203,971
Total Taxes and Insurance	\$12,928
Total Vacancies	-\$604
(blank)	
Grand Total	\$1,450,639

Riverwood Apartments
 Blue Ridge, Georgia

0

Expense Year

Budget

Row Labels	Sum of Amount
Advertising	\$250
Advertising	\$250
Annual Ancillary Income	\$700
Application Fees	\$0
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$700
Annual Gross Potential Rental Income	\$206,400
Rental Income from Current Year Budget	\$206,400
Annual Income (Commercial)	\$0
Rent Revenue - Stores and Commercial	\$0
Decorating	\$1,200
Painting	\$1,200
Elevator Maintenance Expense	\$0
Elevator Maintenance/Contract	\$0
Employee Benefits	\$1,300
Health Insurance & Other Emp. Benefits	\$600
Workmen's Compensation	\$700
Employee Payroll Tax	\$2,400
Payroll Taxes	\$2,400
Excluded Expense	\$0
Annual Capital Budget	\$0
Excluded Income	\$0
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
Exterminating	\$6,244
Services	\$6,244
Fuel	\$0
Fuel (Oil/Coal/Gas)	\$0
Garbage and Trash Removal	\$3,200
Garbage & Trash Removal	\$3,200
Gas	\$0
Fuel (Oil/Coal/Gas)	\$0
Ground Expense	\$9,700
Grounds	\$9,700
Snow Removal	\$0
Insurance	\$9,080

Fidelity Coverage Insurance	\$0
Other Insurance	\$200
Property & Liability Insurance	\$8,880
Lighting and Miscellaneous Power	\$3,500
Electricity	\$3,500
Management Fee	\$23,520
Management Fee	\$23,520
Misc. Taxes/Licenses	\$100
Other Taxes, Licenses & Permits	\$100
Special Assessments	\$0
Other Administrative	\$22,307
Legal Expense	\$200
Office Furniture & Equipment	\$1,273
Office Supplies	\$2,500
Other Administrative Expenses	\$300
Project Auditing Expense	\$4,000
Project Bookkeeping/Accounting	\$0
Site Management Payroll	\$11,752
Telephone & Answering Service	\$1,100
Training Expense	\$1,182
Other Maintenance	\$0
Other Maintenance	\$0
Other Operating	\$7,700
Maintenance & Repairs Supply	\$7,500
Other Operating Expense	\$200
Other Utilities	\$0
Payroll	\$11,700
Maintenance & Repairs Payroll	\$11,700
Personal Property Tax	\$0
Personal Property Taxes	\$0
Real Estate Tax	\$12,000
Real Estate Taxes	\$12,000
Repairs	\$0
Maintenance & Repairs Contract	\$0
Replacement Reserves Released as Expense	\$0
Reserves for Replacement	\$19,145
Transfer to Reserve	\$19,145
Service Coordinator	\$0
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
Vacancy (Apartments)	-\$10,320
Vacancies - Apartments	-\$10,320
Vacancies - Concessions	\$0
Vacancy (Commercial)	\$0
Vacancies - Stores and Commercial	\$0
Water/Sewer	\$32,100
Sewer	\$14,100

Water	\$18,000
(blank)	\$882,242
Net Rental Revenue	\$196,080
Operating Expenses	
Subtotal	\$125,121
Total Operating Expenses	\$146,301
Total Other Revenue	\$700
Total Rent Revenue	\$206,400
Total Revenue	\$196,780
Total Taxes and Insurance	\$21,180
Total Vacancies	-\$10,320
(blank)	
Grand Total	\$1,244,468

Riverwood Apartments
Blue Ridge, Georgia

0

Expense Year Dec-17
of Months 4

Row Labels	Sum of Amount
Advertising	\$0
Advertising	\$0
Annual Ancillary Income	\$135
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Application Fees	\$15
Tenant Charges/Damages	\$20
Income - Late Fees	\$0
Forfeited Security Deposits	\$0
Income - Pet Fees	\$100
Annual Gross Potential Rental Income	\$68,800
Rental Income from Current Year Budget	\$68,800
Annual Income (Commercial)	\$0
Rent Revenue - Stores and Commercial	\$0
Decorating	\$0
Unit Turns	\$0
Elevator Maintenance Expense	\$0
Elevator Maintenance/Contract	\$0
Employee Benefits	\$1,017
Workmen's Compensation	\$823
Group Health Insurance	\$73
Retirement Plan Expense	\$120
Employee Payroll Tax	\$748
Payroll Taxes-FICA	\$647
Unemployment Taxes	\$102
Excluded Income	\$69,232
Retained Excess Income	\$0
Special Claims Revenue	\$0
Rental Income from Current Year Actual	\$40,007
RHS Rental Assist. Received from Actual	\$29,225
Interest Income	\$0
Exterminating	\$935
Services	\$935
Fuel	\$0
Fuel (Oil/Coal/Gas)	\$0
Garbage and Trash Removal	\$1,228
Garbage & Trash Removal	\$1,228
Gas	\$0
Fuel (Oil/Coal/Gas)	\$0
Ground Expense	\$2,335

Snow Removal	\$0
Grounds	\$2,335
Insurance	\$8,152
Property & Liability Insurance	\$8,152
Fidelity Coverage Insurance	\$0
Other Insurance	\$0
Lighting and Miscellaneous Power	\$1,894
Electricity	\$1,894
Management Fee	\$7,760
Management Fee	\$7,760
Misc. Taxes/Licenses	\$150
Special Assessments	\$0
Other Taxes, Licenses & Permits	\$150
Other Administrative	\$10,797
Site Management Payroll	\$4,930
Accounting/Auditing Fees	\$3,880
Project Bookkeeping/Accounting	\$0
Legal Expense	\$0
Telephone	\$288
Office Supplies	\$569
Computer Equipment	\$588
Prospect Screening	\$13
Training Expense	\$59
Bank Charges/Fees	\$40
Postage and Shipping	\$108
Professional Services/Fees	\$300
Travel Expenses	\$0
Late Charges/Fees	\$20
Other Maintenance	\$0
Other Maintenance	\$0
Other Operating	\$812
Maintenance & Repairs Supply	\$812
Other Operating Expense	\$0
Other Utilities	\$0
Payroll	\$3,670
Maintenance & Repairs Payroll	\$3,670
Personal Property Tax	\$0
Personal Property Taxes	\$0
Real Estate Tax	\$0
Real Estate Taxes	\$0
Repairs	\$0
Maintenance & Repairs Contract	\$0
Reserves for Replacement	\$11,716
Transfer to Reserve	\$11,716
Service Coordinator	\$0
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0

Vacancy (Apartments)	\$0
Vacancies - Apartments	\$0
Vacancies - Concessions	\$0
Vacancy (Commercial)	\$0
Vacancies - Stores and Commercial	\$0
Water/Sewer	\$13,055
Sewer	\$5,775
Water	\$7,280
(blank)	\$311,772
Net Rental Revenue	\$68,800
Operating Expenses	
Total Operating Expenses	\$52,551
Total Other Revenue	\$135
Total Rent Revenue	\$68,800
Total Revenue	\$68,935
Total Taxes and Insurance	\$8,302
Total Vacancies	\$0
(blank)	
Subtotal	\$44,249
Excluded Expense	\$0
Annual Capital Budget	\$0
Grand Total	\$514,206

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

PROJECT NAME Riverwood Apartments		BORROWER NAME Blue Ridge Elderly Housing Ltd		BORROWER ID AND PROJECT NO. 680292929 021	
Loan/Transfer Amount \$ 1,114,530.00		Note Rate Payment \$ 6,943.51		IC Payment \$ 2,371.89	
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>1</u> units of RA. Current number of RA units <u>38</u> . 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 - 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)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	199,200.00	111,474.00	201,600.00	40 Rev Produc
2. RHS RENTAL ASSISTANCE RECEIVED		89,154.00		
3. APPLICATION FEES RECEIVED		120.00		
4. LAUNDRY AND VENDING	0.00	0.00	0.00	
5. INTEREST INCOME	0.00	0.00	0.00	
6. TENANT CHARGES	500.00	780.00	400.00	
7. OTHER - PROJECT SOURCES	0.00	100.00	0.00	Pet Fees
8. LESS (Vacancy and Contingency Allowance)	(9,960.00)		(10,080.00)	5%
9. LESS (Agency Approved Incentive Allowance)	(0.00)		(0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]	189,740.00	201,628.00	191,920.00	
NON-OPERATIONAL CASH SOURCES				
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	42,200.00	16,088.22	49,950.00	
14. SUB-TOTAL (11 thru 13)	42,200.00	16,088.22	49,950.00	
15. TOTAL CASH SOURCES (10+14)	231,940.00	217,716.22	241,870.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	140,676.00	122,829.49	141,277.00	
17. RHS DEBT PAYMENT	28,463.00	28,462.68	28,463.00	
18. RHS PAYMENT (Overage)		2,088.00		
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	17,145.00	17,148.00	19,145.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	2,758.00	2,758.00	2,758.00	2013 RTO paic
24. SUB-TOTAL (16 thru 23)	189,042.00	173,286.17	191,643.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	42,200.00	16,088.22	49,950.00	
27. MISCELLANEOUS	0.00	2.82	0.00	Rounding
28. SUB-TOTAL (25 thru 27)	42,200.00	16,091.04	49,950.00	
29. TOTAL CASH USES (24+28)	231,242.00	189,377.21	241,593.00	
30. NET CASH (DEFICIT) (15-29)	698.00	28,339.01	277.00	
CASH BALANCE				
31. BEGINNING CASH BALANCE	26,893.76	81,884.17	27,591.76	
32. ACCRUAL TO CASH ADJUSTMENT		-2,229.31		Adjust to accru
33. ENDING CASH BALANCE (30+31+32)	27,591.76	107,993.87	27,868.76	

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	11,232.00	9,964.08	11,250.00	Maintenance or
2. MAINTENANCE AND REPAIRS SUPPLY	10,000.00	6,683.64	10,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT	0.00	0.00	0.00	
4. PAINTING	1,600.00	497.30	1,600.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	9,400.00	8,975.29	7,300.00	525/M + 1000
8. SERVICES	3,676.00	3,006.00	4,036.00	178/MPestCon
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	1,500.00	0.00	1,000.00	
10. OTHER OPERATING EXPENSES (Itemize)	200.00	218.97	200.00	UA calc fees
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	37,608.00	29,345.28	35,386.00	
12. ELECTRICITY If master metered	3,900.00	3,288.86	4,000.00	
13. WATER check box on	15,800.00	17,108.11	18,000.00	
14. SEWER front.	12,100.00	10,558.17	12,100.00	
15. FUEL (Oil/Coal/Gas)	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	2,650.00	3,043.64	2,500.00	
17. OTHER UTILITIES	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17)	34,450.00	33,998.78	36,600.00	
19. SITE MANAGEMENT PAYROLL	10,660.00	11,351.50	10,960.00	845/M (3% incr
20. MANAGEMENT FEE	21,360.00	21,360.00	22,080.00	\$46x40Ux12M
21. PROJECT AUDITING EXPENSE	4,000.00	3,880.00	4,000.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	200.00	0.00	200.00	
24. ADVERTISING	200.00	105.75	200.00	
25. TELEPHONE & ANSWERING SERVICE	1,000.00	930.73	1,000.00	
26. OFFICE SUPPLIES	2,600.00	1,638.63	2,600.00	
27. OFFICE FURNITURE & EQUIPMENT	1,210.00	1,219.10	1,223.00	\$75/MCompSu
28. TRAINING EXPENSE	1,178.00	1,561.33	1,178.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	600.00	533.41	600.00	
30. PAYROLL TAXES	2,500.00	2,296.85	2,500.00	
31. WORKER'S COMPENSATION	750.00	510.42	750.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	300.00	320.00	300.00	Property Tax C
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	46,558.00	45,707.72	47,591.00	
34. REAL ESTATE TAXES	13,600.00	5,578.71	13,000.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS	100.00	75.00	100.00	reg fee
37. PROPERTY & LIABILITY INSURANCE	8,160.00	8,124.00	8,400.00	210/U (3% inc)
38. FIDELITY COVERAGE INSURANCE	0.00	0.00	0.00	
39. OTHER INSURANCE	200.00	0.00	200.00	EPL
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39)	22,060.00	13,777.71	21,700.00	
41. TOTAL O&M EXPENSES (11+18+33+40)	140,676.00	122,829.49	141,277.00	

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	52,454.50	113,149.46	116,626.26	Prop bea buda
2. TRANSFER TO RESERVE	17,145.00	17,148.00	19,145.00	\$929/M + \$8k
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve)	42,200.00	16,088.22	49,950.00	
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)	(42,200.00)	(16,088.22)	(49,950.00)	
8. ENDING BALANCE [(1+2)-7]	27,399.50	114,209.24	85,821.26	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE	71,977.84	
ENDING BALANCE	89,381.25	

REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*

BEGINNING BALANCE	9,906.33	
ENDING BALANCE	18,612.62	

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE	11,961.00	
ENDING BALANCE	11,358.00	

(*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	40	415.00	537.00	0.00	199,200.00	257,760.00	0.00	69.00
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
CURRENT RENT TOTALS:						199,200.00	257,760.00	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	40	420.00	542.00	0.00	201,600.00	260,160.00	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
PROPOSED RENT TOTALS:						201,600.00	260,160.00	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	40	69.00	0.00	0.00	0.00	0.00	0.00	69.00
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
Appliances:							
Range	3	1,200.00	384.24	0.00	0.00	384.24	1
Refrigerator	5	2,500.00	1,055.44	0.00	0.00	1,055.44	2
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
Carpet & Vinyl:							
1BR	4	10,250.00	6,908.54	0.00	0.00	6,908.54	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
Cabinets:							
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:	3	0.00	0.00	0.00	0.00	0.00	C
Doors:							
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
Window Coverings:							
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
Heating & Air Conditioning:							
Heating	2	5,000.00	5,160.00	0.00	0.00	5,160.00	2
Air Conditioning	4	12,000.00	2,580.00	0.00	0.00	2,580.00	1
Other:	0	0.00	0.00	0.00	0.00	0.00	C
Plumbing:							
Water Heater	3	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
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
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		12,000.00	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	
Paving:							
Asphalt		5,000.00	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	
Landscape & Grounds:							
Landscaping		0.00	0.00	1,000.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		1,000.00	0.00	0.00	0.00	0.00	
Recreation Area		0.00	0.00	0.00	0.00	0.00	
Signs		1,000.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
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	
Other:							
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	
TOTAL CAPITAL EXPENSES:	24	49,950.00	16,088.22	1,000.00	0.00	16,088.22	9

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 22% less than budget.

Line 18. Actual Utilities were within budget.

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.

Riverwood 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
Appliances:							
Range	3	900.00	384.24	0.00	0.00	384.24	1
Refrigerator	5	2,500.00	1,055.44	0.00	0.00	1,055.44	2
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
Carpet & Vinyl:							
1BR	4	8,800.00	6,908.54	0.00	0.00	6,908.54	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
Cabinets:							
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:	3	0.00	0.00	0.00	0.00	0.00	C
Doors:							
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
Window Coverings:							
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
Heating & Air Conditioning:							
Heating	0	0.00	5,160.00	0.00	0.00	5,160.00	2
Air Conditioning	4	12,000.00	2,580.00	0.00	0.00	2,580.00	1
Other:	0	0.00	0.00	0.00	0.00	0.00	C
Plumbing:							
Water Heater	3	0.00	0.00	1,500.00	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
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
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		12,000.00	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	
Paving:							
Asphalt		5,000.00	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	
Landscape & Grounds:							
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		1,000.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
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	
Other:							
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	
TOTAL CAPITAL EXPENSES:	22	42,200.00	16,088.22	1,500.00	0.00	16,088.22	9

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
BLUE RIDGE, GEORGIA

FINANCIAL AND COMPLIANCE REPORTS

AS OF DECEMBER 31, 2015 AND 2014

BLUE RIDGE 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
Blue Ridge Elderly Housing, LTD., L.P.
(A Limited Partnership)
Valdosta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Ridge Elderly Housing, LTD., L.P. (a Limited Partnership), USDA, RD No: 10-055-680292929 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 of

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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 Blue Ridge 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 Blue Ridge 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 Blue Ridge Elderly Housing, LTD., L.P.'s internal control over financial reporting and compliance.


Henderson & Godbee, LLP
Certified Public Accountants
Valdosta, Georgia

February 11, 2016

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets		
Cash	\$ 110,769	\$ 89,381
Accounts receivable - RD	4,709	4,705
Total Current Assets	115,478	94,086
Restricted Deposits and Funded Reserves		
Escrow-tenants' security deposits	10,836	11,358
Escrow-replacement reserve	133,027	114,209
Escrow-tax reserve	20,378	18,613
Total Restricted Deposits and Funded Reserves	164,241	144,180
Property, Plant and Equipment		
Property, plant and equipment, at cost	1,339,143	1,339,143
Accumulated depreciation	(1,086,330)	(1,038,726)
Net Property, Plant and Equipment	252,813	300,417
Total Assets	\$ 532,532	\$ 538,683

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND PARTNERS' (DEFICIT)		
Current Liabilities		
Current maturities of long-term debt	\$ 11,591	\$ 10,783
Accounts payable	932	990
Prepaid tenant rent	-	891
	<u>12,523</u>	<u>12,664</u>
Total Current Liabilities		
Deposits and Prepayment Liabilities		
Tenants' security deposits	<u>10,836</u>	<u>11,358</u>
	<u>10,836</u>	<u>11,358</u>
Total Deposits and Prepayment Liabilities		
Long-Term Liabilities		
Notes payable, general partners	7,925	7,925
Mortgage payable, less current maturities	<u>983,049</u>	<u>994,640</u>
	<u>990,974</u>	<u>1,002,565</u>
Total Long-Term Liabilities		
	1,014,333	1,026,587
Total Liabilities		
Partners' (Deficit)		
Partners' (Deficit)	<u>(481,801)</u>	<u>(487,904)</u>
	<u>\$ 532,532</u>	<u>\$ 538,683</u>
Total Liabilities And Partners' (Deficit)		

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Revenues		
Gross potential rental income	\$ 202,234	\$ 200,628
Less: vacancy loss	<u>-</u>	<u>-</u>
Net rental income	202,234	200,628
Other income	<u>518</u>	<u>1,000</u>
Total Revenues	<u>202,752</u>	<u>201,628</u>
Expenses		
Operating and maintenance	34,189	45,435
Utilities	35,900	33,999
Administrative	45,322	45,708
Taxes and insurance	<u>12,017</u>	<u>13,778</u>
Total Operating Expenses	<u>127,428</u>	<u>138,920</u>
Net Operating Income	<u>75,324</u>	<u>62,708</u>
Non-Operating (Income) Expenses		
Interest subsidy income	(53,681)	(52,771)
Interest expense	72,539	73,291
Depreciation	<u>47,605</u>	<u>47,605</u>
Total Non-Operating Expenses	<u>66,463</u>	<u>68,125</u>
Net Income (Loss)	<u>\$ 8,861</u>	<u>\$ (5,417)</u>

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
STATEMENTS OF PARTNERS' (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Limited Partners' (Deficit)		
Balance, January 1	\$ (462,023)	\$ (455,660)
Distributions	(1,000)	(1,000)
Net Income (Loss)	8,772	(5,363)
Balance, December 31	\$ (454,251)	\$ (462,023)
 General Partner's (Deficit)		
Balance, January 1	\$ (25,881)	\$ (24,069)
Distributions	(1,758)	(1,758)
Net Income (Loss)	89	(54)
Balance, December 31	\$ (27,550)	\$ (25,881)
 Total Partners' (Deficit)		
Balance, January 1	\$ (487,904)	\$ (479,729)
Distributions	(2,758)	(2,758)
Net Income (Loss)	8,861	(5,417)
Balance, December 31	\$ (481,801)	\$ (487,904)

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Net Income (Loss)	\$ 8,861	\$ (5,417)
Adjustments To Reconcile Net Income (Loss) To Net Cash Provided By Operating Activities:		
Depreciation	47,605	47,605
Changes In Operating Assets And Liabilities:		
Accounts receivable	(4)	227
Security deposits	522	603
Replacement reserve	(18,818)	(1,060)
Tax reserve	(1,765)	(8,707)
Accounts payable	(59)	(2,358)
Tenants' security deposits	(522)	(603)
Deferred revenue	(891)	(98)
Total Adjustments	<u>26,068</u>	<u>35,609</u>
Net Cash Provided By Operating Activities	<u>34,929</u>	<u>30,192</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(10,783)	(10,031)
Distributions	<u>(2,758)</u>	<u>(2,758)</u>
Net Cash (Used In) Financing Activities	<u>(13,541)</u>	<u>(12,789)</u>
Net Increase In Cash	21,388	17,403
Cash, Beginning Of Year	<u>89,381</u>	<u>71,978</u>
Cash, End Of Year	<u>\$ 110,769</u>	<u>\$ 89,381</u>

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Supplemental Disclosures Of Cash Flow Information:		
Cash Paid During The Year For:		
Interest expense	\$ 72,539	\$ 73,291
Less: subsidized portion	<u>(53,681)</u>	<u>(52,771)</u>
Interest paid, net of subsidy	<u>\$ 18,858</u>	<u>\$ 20,520</u>

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 Blue Ridge Elderly Housing, LTD., L.P., was formed as a limited partnership under the laws of the State of Georgia on April 21, 1991, to develop, own and operate a 40-unit rental housing project for persons of low and moderate income in the community. The project is located in Blue Ridge, Georgia and is currently operating under the name of Riverwood Apartments. 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 April 15, 2011, 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.

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.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$139 and \$106, respectively.

BLUE RIDGE 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

Replacement Reserve

	<u>2015</u>	<u>2014</u>
Annual funding required by loan agreement	<u>\$ 11,145</u>	<u>\$ 11,145</u>
Actual funding including interest income	<u>19,148</u>	<u>17,148</u>
Withdrawals approved by Rural Development Operating and maintenance expenses	<u>330</u>	<u>16,088</u>
Reserve balance at year end	<u>\$ 133,027</u>	<u>\$ 114,209</u>
Fully funded balance per loan agreement	<u>33,399</u>	<u>22,584</u>
Excess	<u>\$ 99,628</u>	<u>\$ 91,625</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>2015</u>	<u>2014</u>
Tenant security deposits cash	<u>\$ 10,836</u>	<u>\$ 11,358</u>
Tenant security deposits payable	<u>10,836</u>	<u>11,358</u>
Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>

BLUE RIDGE 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	\$ 20,378	\$ 18,613
Accrued or unpaid taxes and insurance	<u>-</u>	<u>-</u>
Excess	<u>\$ 20,378</u>	<u>\$ 18,613</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>
Buildings	30 Years	\$ 1,308,929	\$ 1,308,929
Equipment	10 Years	<u>30,214</u>	<u>30,214</u>
Total		1,339,143	1,339,143
Less: Accumulated depreciation		<u>(1,086,330)</u>	<u>(1,038,726)</u>
Net Property, Plant and Equipment		<u>\$ 252,813</u>	<u>\$ 300,417</u>

Property, plant and equipment is pledged as collateral on long-term debt. Depreciation expense aggregated \$47,605 and \$47,605 for the years ended December 31, 2015 and 2014.

BLUE RIDGE 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	\$ 378	\$ 365
Office supplies	271	8
Group health insurance	-	22
Grounds	15	-
Repairs and maintenance	268	595
	<u>\$ 932</u>	<u>\$ 990</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 October 14, 1993, 7.25%, due in 599 monthly installments, secured by land, buildings and equipment with an original cost of \$1,348,444.	\$ 994,640	\$ 1,005,423
Less current maturities	<u>(11,591)</u>	<u>(10,783)</u>
Long-term portion	<u>\$ 983,049</u>	<u>\$ 994,640</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.

Maturities of long-term debt as of December 31, 2015, for the succeeding five years are as follows:

<u>Year</u>	
2016	\$ 11,591
2017	12,460
2018	13,394
2019	14,398
2020	15,477

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)

Blue Ridge Elderly Housing, LTD., L.P. incurred interest costs of \$72,539 and \$73,291 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>\$ 87,614</u>	<u>\$ 89,154</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	\$ 8,861	\$ (5,417)
Book depreciation in excess of tax depreciation	<u>12,773</u>	<u>12,773</u>
Partnership Income per tax return	<u>\$ 21,634</u>	<u>\$ 7,356</u>

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 Blue Ridge Elderly Housing, LTD., L.P. The partnership paid Investors Management Company, Inc. management fees of \$22,020 and \$21,360 for the years ended December 31, 2015 and 2014, respectively.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

Partners

The general partners advanced \$22,980, 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. To the extent these funds were not used for that stated purpose, the partnership shall return such funds to the general partner only with USDA, RD approval. With USDA, RD approval, \$15,055 of these funds were returned to the general partners in 1999.

Rural Housing Reinsurance Company International Ltd. (CJ Thomas Company, Inc.)

An affiliate of the general ledger is also an owner of CJ Thomas Company, Inc., which provides property insurance to Crawford Rental Housing, L.P. The partnership paid CJ Thomas Company, Inc. insurance fees of \$8,220 and \$8,124 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% to the Limited Partner and 1% to the General Partner. Tax credits are to be allocated 99% to the Limited Partner and 1% 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 \$2,758, which is 8% of the borrowers' initial capital investment required by USDA, RD.

NOTE 10 – CONCENTRATION OF CREDIT RISK – CASH IN BANKS

Blue Ridge Elderly Housing, LTD., L.P. maintains its cash accounts at one bank in Valdosta, Georgia. Accounts 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	\$ 274,910	\$ 233,461
Portion insured by FDIC	<u>274,910</u>	<u>233,461</u>
Uninsured cash balances	<u>\$ -</u>	<u>\$ -</u>

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 Riverwood 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.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Management Fee Calculation

The management fee is based on a fee per unit occupied by tenants during the month.

Total Qualified Units (40 * 1 months)	40	
Less: Rent Free Units	-	
Vacancies	-	
Total Occupied Units	40	
Fee Per Unit (Effective January, 2011)	\$ 44.50	
Management fees January 2015	1780	
Total Qualified Units (40 * 11 months)	440	
Less: Rent Free Units	-	
Vacancies	-	
Total Occupied Units	440	
Fee Per Unit (Effective February, 2015)	\$ 46.00	
Management fees February through December 2015	20,240	
Management Fee Expense	\$ 22,020	

2. Insurance Disclosure

The Partnership maintains Insurance coverage as follows:

	Deductible	Coverage
Property Coverage on Buildings	\$ 1,000	\$ 3,177,500
Comprehensive Business Liability	-	2,000,000
Fidelity / Employee Dishonesty	5,000	500,000

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

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>\$ 2,758</u>
Budget Return to Owner	<u>\$ 2,758</u>
Return to Owner Paid:	
General Partner Distribution	\$ 1,758
Limited Partner Distribution	1,000
	<u>\$ 2,758</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
Blue Ridge Elderly Housing, LTD., L.P.
Valdosta, Georgia

USDA Rural Development
Cartersville, 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 Blue Ridge 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 Blue Ridge 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 Blue Ridge Elderly Housing, LTD., L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Blue Ridge 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 Blue Ridge 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 Blue Ridge 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 Blue Ridge 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

**BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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
Blue Ridge Elderly Housing, LTD., L.P.
Valdosta, Georgia

And

United States Department of Agriculture
Rural Development
Cartersville, Georgia

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development ("RD") and Blue Ridge Elderly Housing, LTD., L.P. ("Owner") the owner of Riverwood Apartments ("Project") located in Blue Ridge, 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 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.

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Findings:

Total Number of Invoices in Population: Approximately 270
Total Dollar Amount of Invoices in Population: \$105,408
Total Number of Invoices Reviewed: 15
Total Dollar Amount of Invoices Reviewed: \$1,883
Total Number of Invoices in Vendor Confirmation Sample: 1
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$198
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: 1
Total Number of Withdrawals Authorized by RD: 1
Total Dollar Amount of Reserve Account Withdrawals: \$330
Total Dollar Amount of Withdrawals Authorized by RD: \$330
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: \$22,020
Total Number of Invoices in Population: 12
Total Dollar Amount of Invoices in Population: \$22,020
Total Number of Invoices Reviewed: 12
Total Dollar Amount of Invoices Reviewed: \$22,020

Company Name 1: Rural Housing Reinsurance Company International Ltd. (CJ Thomas Company, Inc.)
Total Dollar Amount for the Year: \$8,220
Total Number of Invoices in Population: 1
Total Dollar Amount of Invoices in Population: \$8,220
Total Number of Invoices Reviewed: 1
Total Dollar Amount of Invoices Reviewed: \$8,220

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 Blue Ridge 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 Blue Ridge 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 Riverwood Apartments	BORROWER NAME Blue Ridge Elderly Housing, Ltd., L.P.	BORROWER ID AND PROJECT NO. 10-055-680292929	
	CURRENT YEAR	PRIOR YEAR	COMMENTS
BEGINNING DATES>	01-01-15	01-01-14	
ENDING DATES>	12-31-15	12-31-14	

ASSETS

CURRENT ASSETS

1. GENERAL OPERATING ACCOUNT.....	110,769	89,381	
2. R.E. TAX & INSURANCE ACCOUNT.....	20,378	18,613	
3. RESERVE ACCOUNT.....	133,027	114,209	
4. SECURITY DEPOSIT ACCOUNT.....	10,836	11,358	
5. OTHER CASH (identify)			
6. OTHER (identify)			
7. TOTAL ACCOUNTS RECEIVABLE (Attach list)	4,709	4,705	
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)	279,719	238,266	

FIXED ASSETS

13. LAND.....	-	-	
14. BUILDINGS.....	1,308,929	1,308,929	
15. LESS: ACCUMULATED DEPRECIATION.....	(1,056,116)	(1,008,512)	
16. FURNITURE & EQUIPMENT.....	30,214	30,214	
17. LESS: ACCUMULATED DEPRECIATION.....	(30,214)	(30,214)	
18.			
19. TOTAL FIXED ASSETS (Add 13 thru 18)	252,813	300,417	

OTHER ASSETS

20.			
21. TOTAL ASSETS (Add 12, 19, and 20)	532,532	538,683	

LIABILITIES AND OWNERS EQUITY

CURRENT LIABILITIES

22. TOTAL ACCOUNTS PAYABLE (Attach list)	932	990	
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	-	891	
24. SECURITY DEPOSITS.....	10,836	11,358	
25. TOTAL CURRENT LIABILITIES (Add 22 thru 24) ...	11,768	13,239	

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	994,640	1,005,423
27. OTHER (Identify) N/P General Partners	7,925	7,925
28. TOTAL LONG-TERM LIABILITIES (Add 26 and 27)	1,002,565	1,013,348
29. TOTAL LIABILITIES (Add 25 and 28)	1,014,333	1,026,587
30. OWNER'S EQUITY (Net Worth) (21 minus 29)	(481,801)	(487,904)
31. TOTAL LIABILITIES AND OWNER'S EQUITY (Add 29 and 30)	532,532	538,683

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.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
ATTACHMENT TO FORM RD 3560-10
DECEMBER 31, 2015 AND 2014

	2015	2014
<u>Page 25, Line 7</u>		
Due from rural development	\$ 4,709	\$ 4,705
<u>Page 25, Line 22</u>		
Utilities and telephone	\$ 378	\$ 365
Office supplies	271	8
Group health insurance	-	22
Grounds	15	-
Repairs and maintenance	268	595
	\$ 932	\$ 990

The accompanying notes are an integral part of these financial statements.

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

PROJECT NAME Riverwood Apartments		BORROWER NAME Blue Ridge Elderly Housing Ltd		BORROWER ID AND PROJECT NO. 680292929 021	
Loan/Transfer Amount \$ 1,114,530.00		Note Rate Payment \$ 6,943.51		IC Payment \$ 2,371.89	
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 checked="" type="checkbox"/> Trash <input type="checkbox"/> Other	
				I hereby request <u>1</u> units of RA. Current number of RA units <u>38</u> . 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 - 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)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	201,600.00	114,620.00	204,000.00	40 Rev Produc
2. RHS RENTAL ASSISTANCE RECEIVED		87,614.00		
3. APPLICATION FEES RECEIVED		60.00		
4. LAUNDRY AND VENDING	0.00	0.00	0.00	
5. INTEREST INCOME	0.00	0.00	0.00	
6. TENANT CHARGES	400.00	458.00	400.00	
7. OTHER - PROJECT SOURCES	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance)	(10,080.00)		(10,200.00)	5%
9. LESS (Agency Approved Incentive Allowance)	(0.00)		(0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]	191,820.00	202,752.00	194,200.00	
NON-OPERATIONAL CASH SOURCES				
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	49,950.00	330.31	41,700.00	
14. SUB-TOTAL (11 thru 13)	49,950.00	330.31	41,700.00	
15. TOTAL CASH SOURCES (10+14)	241,870.00	203,082.31	235,900.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	141,277.00	127,086.99	142,781.00	
17. RHS DEBT PAYMENT	28,463.00	28,462.68	28,463.00	
18. RHS PAYMENT (Overage)		1,178.00		
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	19,145.00	19,148.00	19,145.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	2,758.00	2,758.00	2,758.00	2014 RTO paid
24. SUB-TOTAL (16 thru 23)	191,643.00	178,643.67	193,147.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	49,950.00	330.31	41,700.00	
27. MISCELLANEOUS	0.00	2.63	0.00	Rounding
28. SUB-TOTAL (25 thru 27)	49,950.00	332.94	41,700.00	
29. TOTAL CASH USES (24+28)	241,593.00	178,976.61	234,847.00	
30. NET CASH (DEFICIT) (15-29)	277.00	24,105.70	1,053.00	
CASH BALANCE				
31. BEGINNING CASH BALANCE	27,581.76	107,993.87	27,668.76	
32. ACCRUAL TO CASH ADJUSTMENT		-952.56		Adjust to accrual
33. ENDING CASH BALANCE (30+31+32)	27,668.76	131,147.01	28,921.76	

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	11,250.00	10,839.58	11,250.00	Maintenance or
2. MAINTENANCE AND REPAIRS SUPPLY	10,000.00	9,982.58	9,800.00	
3. MAINTENANCE AND REPAIRS CONTRACT	0.00	0.00	0.00	
4. PAINTING	1,600.00	430.00	1,400.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	7,300.00	9,160.81	9,700.00	725/M + 1000
8. SERVICES	4,038.00	3,256.00	4,275.00	198/MPestCon
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	1,000.00	0.00	0.00	
10. OTHER OPERATING EXPENSES (Itemize)	200.00	189.87	200.00	UA calc fees
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	35,386.00	33,858.84	36,426.00	
12. ELECTRICITY <input type="checkbox"/> If master metered	4,000.00	3,235.71	4,000.00	
13. WATER <input type="checkbox"/> check box on	18,000.00	18,671.10	18,000.00	
14. SEWER <input type="checkbox"/> front	12,100.00	11,069.52	11,700.00	
15. FUEL (Oil/Coal/Gas)	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	2,500.00	2,923.31	2,500.00	
17. OTHER UTILITIES	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17)	36,600.00	36,899.64	36,200.00	
19. SITE MANAGEMENT PAYROLL	10,960.00	10,721.90	11,452.00	871/M (3% incr
20. MANAGEMENT FEE	22,080.00	22,020.00	22,550.00	\$47x40Ux12M
21. PROJECT AUDITING EXPENSE	4,000.00	3,880.00	4,000.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	200.00	11.08	200.00	
24. ADVERTISING	200.00	138.95	250.00	
25. TELEPHONE & ANSWERING SERVICE	1,000.00	959.54	1,000.00	
26. OFFICE SUPPLIES	2,600.00	1,488.34	2,500.00	
27. OFFICE FURNITURE & EQUIPMENT	1,223.00	1,257.18	1,275.00	\$79/MCompSu
28. TRAINING EXPENSE	1,178.00	1,135.44	1,178.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	600.00	579.00	600.00	
30. PAYROLL TAXES	2,500.00	2,068.37	2,400.00	
31. WORKER'S COMPENSATION	750.00	721.53	700.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	300.00	340.55	300.00	Property Tax C
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	47,591.00	45,321.88	48,415.00	
34. REAL ESTATE TAXES	13,000.00	4,728.58	12,800.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS	100.00	68.05	100.00	reg fee
37. PROPERTY & LIABILITY INSURANCE	8,400.00	7,220.00	8,640.00	216/U (3% inc)
38. FIDELITY COVERAGE INSURANCE	0.00	0.00	0.00	
39. OTHER INSURANCE	200.00	0.00	200.00	EPL
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39)	21,700.00	12,016.63	21,740.00	
41. TOTAL O&M EXPENSES (11+18+33+40)	141,277.00	127,098.98	142,781.00	

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	116,626.26	114,209.24	85,821.26	
2. TRANSFER TO RESERVE	19,145.00	19,148.00	19,145.00	\$928/M + \$8k
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve)	49,950.00	330.31	41,700.00	
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)	(49,950.00)	(330.31)	(41,700.00)	
8. ENDING BALANCE [(1+2)-7]	85,821.26	133,026.93	63,266.26	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE	89,381.25	
ENDING BALANCE	110,768.67	

REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*

BEGINNING BALANCE	18,612.62	
ENDING BALANCE	20,378.04	

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE	11,358.00	
ENDING BALANCE	10,836.00	

(*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	40	420.00	542.00	0.00	201,600.00	260,160.00	0.00	69.00
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
CURRENT RENT TOTALS:						201,600.00	260,160.00	0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 12 / 31 / 15

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	40	425.00	547.00	0.00	204,000.00	262,560.00	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
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00
PROPOSED RENT TOTALS:						204,000.00	262,560.00	0.00
						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	40	62.00	0.00	0.00	0.00	0.00	0.00	62.00
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
Appliances:							
Range	3	1,200.00	0.00	0.00	0.00	0.00	0
Refrigerator	5	2,500.00	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
Carpet & Vinyl:							
1BR	5	13,500.00	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
Cabinets:							
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	3	0.00	0.00	0.00	0.00	0.00	0
Doors:							
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
Window Coverings:							
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
Heating & Air Conditioning:							
Heating	0	0.00	0.00	0.00	0.00	0.00	0
Air Conditioning	3	7,500.00	0.00	0.00	0.00	0.00	0
Other	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing:							
Water Heater	3	0.00	330.31	0.00	0.00	330.31	1
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
Major Electrical:							
List		0.00	0.00	0.00	0.00	0.00	
Other		0.00	0.00	0.00	0.00	0.00	
Structures:							
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		12,000.00	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	
Paving:							
Asphalt		5,000.00	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	
Landscape & Grounds:							
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	
Accessibility Features:							
List		0.00	0.00	0.00	0.00	0.00	
Other		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
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	
Other:							
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	
TOTAL CAPITAL EXPENSES:	22	41,700.00	330.31	0.00	0.00	330.31	1

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:

Page 1

Line 13. Actual transfers from 1% reserve were much less than budget. No appliance replacement, flooring replacement, HVAC replacement, roofing repair, or parking lot repair that was budgeted was required in 2015.

Line 23. The RTO paid in 2015 was the 2014 RTO.

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Line 11. Actual Maintenance and Operating Expenses were 4% less than budget.

Line 18. Actual Utilities were 3% less than budget.

Line 33. Actual Administrative Expenses were 5% less than budget.

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

Riverwood 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
Appliances:							
Range	3	1,200.00	0.00	0.00	0.00	0.00	0
Refrigerator	5	2,500.00	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
Carpet & Vinyl:							
1BR	4	10,250.00	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
Cabinets:							
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:	3	0.00	0.00	0.00	0.00	0.00	0
Doors:							
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
Window Coverings:							
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
Heating & Air Conditioning:							
Heating	2	5,000.00	0.00	0.00	0.00	0.00	0
Air Conditioning	4	12,000.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing:							
Water Heater	3	0.00	330.31	0.00	0.00	330.31	1
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
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
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		12,000.00	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	
Paving:							
Asphalt		5,000.00	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	
Landscape & Grounds:							
Landscaping		0.00	0.00	1,000.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		1,000.00	0.00	0.00	0.00	0.00	
Recreation Area		0.00	0.00	0.00	0.00	0.00	
Signs		1,000.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
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	
Other:							
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	
TOTAL CAPITAL EXPENSES:	24	49,950.00	330.31	1,000.00	0.00	330.31	1

Yardi Classic Addendum Page

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
BLUE RIDGE, GEORGIA

FINANCIAL AND COMPLIANCE REPORTS

AS OF DECEMBER 31, 2016 AND 2015

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)

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INDEPENDENT AUDITOR'S REPORT

To the Partners
Blue Ridge Elderly Housing, LTD., L.P.
(A Limited Partnership)
Valdosta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Ridge Elderly Housing, LTD., L.P. (a Limited Partnership), USDA, RD No: 10-055-680292929 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 of

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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

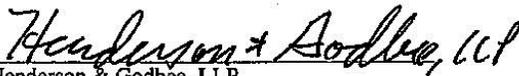
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Elderly Housing, LTD., L.P. as of December 31, 2016 and 2015, and the results of its operations, partners' (deficit), and its cash flows for the years then ended in 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 Blue Ridge 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 Blue Ridge Elderly Housing, LTD., L.P.'s internal control over financial reporting and compliance.


Henderson & Godbee, LLP
Certified Public Accountants
Valdosta, Georgia

February 10, 2017

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 129,242	\$ 110,769
Accounts receivable - RD	4,684	4,709
	<u>133,926</u>	<u>115,478</u>
Total Current Assets		
Restricted Deposits and Funded Reserves		
Escrow-tenants' security deposits	10,333	10,836
Escrow-replacement reserve	131,681	133,027
Escrow-tax reserve	17,284	20,378
	<u>159,298</u>	<u>164,241</u>
Total Restricted Deposits and Funded Reserves		
Property, Plant and Equipment		
Property, plant and equipment, at cost	1,339,143	1,339,143
Accumulated depreciation	<u>(1,133,935)</u>	<u>(1,086,330)</u>
	<u>205,208</u>	<u>252,813</u>
Net Property, Plant and Equipment		
	<u>\$ 498,432</u>	<u>\$ 532,532</u>
Total Assets		

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	2016	2015
LIABILITIES AND PARTNERS' (DEFICIT)		
Current Liabilities		
Current maturities of long-term debt	\$ 12,460	\$ 11,591
Accounts payable	1,159	932
Prepaid tenant rent	5	-
	13,624	12,523
Total Current Liabilities		
Deposits and Prepayment Liabilities		
Tenants' security deposits	10,333	10,836
	10,333	10,836
Total Deposits and Prepayment Liabilities		
Long-Term Liabilities		
Notes payable, general partners	7,925	7,925
Mortgage payable, less current maturities	970,589	983,049
	978,514	990,974
Total Long-Term Liabilities		
	1,002,471	1,014,333
Total Liabilities		
Partners' (Deficit)		
Partners' (Deficit)	(504,039)	(481,801)
	(504,039)	(481,801)
Total Liabilities And Partners' (Deficit)		
	\$ 498,432	\$ 532,532

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE 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>
Revenues		
Gross potential rental income	\$ 204,884	\$ 202,234
Less: vacancy loss	(1,488)	-
Net rental income	<u>203,396</u>	<u>202,234</u>
Other income	<u>575</u>	<u>518</u>
 Total Revenues	 <u>203,971</u>	 <u>202,752</u>
Expenses		
Operating and maintenance	56,247	34,189
Utilities	39,470	35,900
Administrative	49,445	45,322
Taxes and insurance	<u>12,928</u>	<u>12,017</u>
 Total Operating Expenses	 <u>158,090</u>	 <u>127,428</u>
 Net Operating Income	 <u>45,881</u>	 <u>75,324</u>
Non-Operating (Income) Expenses		
Interest subsidy income	(53,975)	(53,681)
Interest expense	71,731	72,539
Depreciation	<u>47,605</u>	<u>47,605</u>
 Total Non-Operating Expenses	 <u>65,361</u>	 <u>66,463</u>
 Net Income (Loss)	 <u>\$ (19,480)</u>	 <u>\$ 8,861</u>

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE 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>
Limited Partners' (Deficit)		
Balance, January 1	\$ (454,251)	\$ (462,023)
Distributions	(1,000)	(1,000)
Net Income (Loss)	<u>(19,285)</u>	<u>8,772</u>
Balance, December 31	<u>\$ (474,536)</u>	<u>\$ (454,251)</u>
General Partner's (Deficit)		
Balance, January 1	\$ (27,550)	\$ (25,881)
Distributions	(1,758)	(1,758)
Net Income (Loss)	<u>(195)</u>	<u>89</u>
Balance, December 31	<u>\$ (29,503)</u>	<u>\$ (27,550)</u>
Total Partners' (Deficit)		
Balance, January 1	\$ (481,801)	\$ (487,904)
Distributions	(2,758)	(2,758)
Net Income (Loss)	<u>(19,480)</u>	<u>8,861</u>
Balance, December 31	<u>\$ (504,039)</u>	<u>\$ (481,801)</u>

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities		
Net Income (Loss)	\$ (19,480)	\$ 8,861
Adjustments To Reconcile Net Income (Loss) To Net Cash		
Provided By Operating Activities:		
Depreciation	47,605	47,605
Changes In Operating Assets And Liabilities:		
Accounts receivable	25	(4)
Security deposits	503	522
Replacement reserve	1,346	(18,818)
Tax reserve	3,094	(1,765)
Accounts payable	227	(59)
Tenants' security deposits	(503)	(522)
Deferred revenue	5	(891)
Total Adjustments	52,302	26,068
Net Cash Provided By Operating Activities	32,822	34,929
Cash Flows From Financing Activities		
Principal payments on long-term debt	(11,591)	(10,783)
Distributions	(2,758)	(2,758)
Net Cash (Used In) Financing Activities	(14,349)	(13,541)
Net Increase In Cash	18,473	21,388
Cash, Beginning Of Year	110,769	89,381
Cash, End Of Year	\$ 129,242	\$ 110,769

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE 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	\$ 71,731	\$ 72,539
Less: subsidized portion	(53,975)	(53,681)
Interest paid, net of subsidy	\$ 17,756	\$ 18,858

The accompanying notes are an integral part of these financial statements.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 Blue Ridge Elderly Housing, LTD., L.P., was formed as a limited partnership under the laws of the State of Georgia on April 21, 1991, to develop, own and operate a 40-unit rental housing project for persons of low and moderate income in the community. The project is located in Blue Ridge, Georgia and is currently operating under the name of Riverwood Apartments. 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 April 15, 2011, 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.

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.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$191 and \$139, respectively.

BLUE RIDGE 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

Replacement Reserve

	<u>2016</u>	<u>2015</u>
Annual funding required by loan agreement	<u>\$ 11,145</u>	<u>\$ 11,145</u>
Actual funding including interest income	<u>19,148</u>	<u>19,148</u>
Withdrawals approved by Rural Development Operating and maintenance expenses	<u>20,494</u>	<u>330</u>
Reserve balance at year end	\$ 131,681	\$ 133,027
Fully funded balance per loan agreement	<u>24,050</u>	<u>33,399</u>
Excess	<u>\$ 107,631</u>	<u>\$ 99,628</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	\$ 10,333	\$ 10,836
Tenant security deposits payable	<u>10,333</u>	<u>10,836</u>
Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>

BLUE RIDGE 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	\$ 17,284	\$ 20,378
Accrued or unpaid taxes and insurance	<u>-</u>	<u>-</u>
Excess	<u>\$ 17,284</u>	<u>\$ 20,378</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>
Buildings	30 Years	\$ 1,308,929	\$ 1,308,929
Equipment	10 Years	<u>30,214</u>	<u>30,214</u>
Total		1,339,143	1,339,143
Less: Accumulated depreciation		<u>(1,133,935)</u>	<u>(1,086,330)</u>
Net Property, Plant and Equipment		<u>\$ 205,208</u>	<u>\$ 252,813</u>

Property, plant and equipment is pledged as collateral on long-term debt. Depreciation expense aggregated \$47,605 and \$47,605 for the years ended December 31, 2016 and 2015.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 4 – ACCOUNTS PAYABLE

The following is a list of accounts payable at December 31:

	<u>2016</u>	<u>2015</u>
Utilities and telephone	\$ 564	\$ 378
Office supplies	272	271
Grounds	-	15
Repairs and maintenance	<u>323</u>	<u>268</u>
	<u>\$ 1,159</u>	<u>\$ 932</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 October 14, 1993, 7.25%, due in 599 monthly installments, secured by land, buildings and equipment with an original cost of \$1,348,444.	\$ 983,049	\$ 994,640
Less current maturities	<u>(12,460)</u>	<u>(11,591)</u>
Long-term portion	<u>\$ 970,589</u>	<u>\$ 983,049</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.

Maturities of long-term debt as of December 31, 2016, for the succeeding five years are as follows:

<u>Year</u>	
2017	\$ 12,460
2018	13,394
2019	14,398
2020	15,477
2021	16,637

Blue Ridge Elderly Housing, LTD., L.P. incurred interest costs of \$71,731 and \$72,539 for the years ended December 31, 2016 and 2015, respectively, all of which was properly charged to expense.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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>\$ 85,101</u>	<u>\$ 87,614</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	\$ (19,480)	\$ 8,861
Book depreciation in excess of tax depreciation	<u>12,773</u>	<u>12,773</u>
Partnership Income (Loss) per tax return	<u>\$ (6,707)</u>	<u>\$ 21,634</u>

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 Blue Ridge Elderly Housing, LTD., L.P. The partnership paid Investors Management Company, Inc. management fees of \$22,520 and \$22,020 for the years ended December 31, 2016 and 2015, respectively.

Partners

The general partners advanced \$22,980, 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. To the extent these funds were not used for that stated purpose, the partnership shall return such funds to the general partner only with USDA, RD approval. With USDA, RD approval, \$15,055 of these funds were returned to the general partners in 1999.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

Rural Housing Reinsurance Company International Ltd. (CJ Thomas Company, Inc.)

An affiliate of the general ledger is also an owner of CJ Thomas Company, Inc., which provides property insurance to Crawford Rental Housing, L.P. The partnership paid CJ Thomas Company, Inc. insurance fees of \$8,226 and \$8,220 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% to the Limited Partner and 1% to the General Partner. Tax credits are to be allocated 99% to the Limited Partner and 1% 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 \$2,758, which is 8% of the borrowers' initial capital investment required by USDA, RD.

NOTE 10 – CONCENTRATION OF CREDIT RISK – CASH IN BANKS

Blue Ridge Elderly Housing, LTD., L.P. maintains its cash accounts at two banks. Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. A summary of the total insured and uninsured cash balances at December 31 consists of the following:

	2016	2015
Total cash in all banks	\$ 288,440	\$ 274,910
Portion insured by FDIC	288,440	274,910
Uninsured cash balances	\$ -	\$ -

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.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 13 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Riverwood 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.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Management Fee Calculation

The management fee is based on a fee per unit occupied by tenants during the month.

Total Qualified Units (40 * 1 months)	40
Less: Rent Free Units	-
Vacancies	-
Total Occupied Units	40
Fee Per Unit (Effective February, 2015)	\$ 46.00
Management fees January 2016	1,840
Total Qualified Units (40 * 11 months)	440
Less: Rent Free Units	-
Vacancies	-
Total Occupied Units	440
Fee Per Unit (Effective February, 2016)	\$ 47.00
Management fees February through December 2016	20,680
Management Fee Expense	\$ 22,520

2. Insurance Disclosure

The Partnership maintains Insurance coverage as follows:

	Deductible	Coverage
Property Coverage on Buildings	\$ 1,000	\$ 3,280,000
Comprehensive Business Liability	-	2,000,000
Fidelity / Employee Dishonesty	5,000	500,000

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
(A LIMITED PARTNERSHIP)
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

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>\$ 2,758</u>
Budget Return to Owner	<u>\$ 2,758</u>
Return to Owner Paid:	
General Partner Distribution	\$ 1,758
Limited Partner Distribution	<u>1,000</u>
	<u>\$ 2,758</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
Blue Ridge Elderly Housing, LTD., L.P.
Valdosta, Georgia

USDA Rural Development
Cartersville, 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 Blue Ridge 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 Blue Ridge 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 Blue Ridge Elderly Housing, LTD., L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Blue Ridge 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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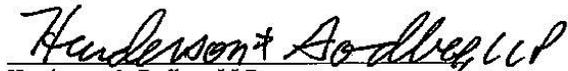
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Blue Ridge 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 Blue Ridge 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 Blue Ridge 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

**BLUE RIDGE 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.



Henderson & Godbee, LLP

Certified Public Accountants and Business Consultants

Members of American Institute of Certified Public Accountants • Georgia Society of Certified Public Accountants

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Mae A. Johnson, CPA
Keeley T. Collins, CPA
Kaitlyn E. Hannay, CPA
Jacey B. Pittman, CPA
Al. Allison Hutchins, CPA

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Partners of
Blue Ridge Elderly Housing, LTD., L.P.
Valdosta, Georgia

And

United States Department of Agriculture
Rural Development
Cartersville, Georgia

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development ("RD") and Blue Ridge Elderly Housing, LTD., L.P. ("Owner") the owner of Riverwood Apartments ("Project") located in Blue Ridge, 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 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.

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Findings:

Total Number of Invoices in Population: Approximately 265
Total Dollar Amount of Invoices in Population: \$135,570
Total Number of Invoices Reviewed: 15
Total Dollar Amount of Invoices Reviewed: \$4,493
Total Number of Invoices in Vendor Confirmation Sample: 1
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$1,584
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: 11
Total Number of Withdrawals Authorized by RD: 11
Total Dollar Amount of Reserve Account Withdrawals: \$20,494
Total Dollar Amount of Withdrawals Authorized by RD: \$20,494
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:

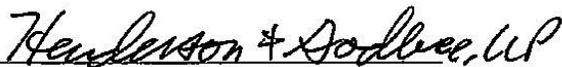
Total Number of Forms RD 3560-31 Received: 2
Company Name 1: Investor's Management Company, Inc.
Total Dollar Amount for the Year: \$22,520
Total Number of Invoices in Population: 12
Total Dollar Amount of Invoices in Population: \$22,520
Total Number of Invoices Reviewed: 12
Total Dollar Amount of Invoices Reviewed: \$22,520

Company Name 1: Rural Housing Reinsurance Company International Ltd. (CJ Thomas Company, Inc.)
Total Dollar Amount for the Year: \$8,226
Total Number of Invoices in Population: 1
Total Dollar Amount of Invoices in Population: \$8,226
Total Number of Invoices Reviewed: 1
Total Dollar Amount of Invoices Reviewed: \$8,226

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 Blue Ridge 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 Blue Ridge 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 I - BALANCE SHEET

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.	
Riverwood Apartments	Blue Ridge Elderly Housing, Ltd., L.P.	10-055-680292929	
	CURRENT YEAR	PRIOR YEAR	COMMENTS
BEGINNING DATES>	01-01-16	01-01-15	
ENDING DATES>	12-31-16	12-31-15	
ASSETS			
CURRENT ASSETS			
1. GENERAL OPERATING ACCOUNT.....	129,242	110,769	
2. R.E. TAX & INSURANCE ACCOUNT.....	17,284	20,378	
3. RESERVE ACCOUNT.....	131,681	133,027	
4. SECURITY DEPOSIT ACCOUNT.....	10,333	10,836	
5. OTHER CASH (identify)			
6. OTHER (identify)			
7. TOTAL ACCOUNTS RECEIVABLE (Attach list)	4,684	4,709	
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)	293,224	279,719	
FIXED ASSETS			
13. LAND.....	-	-	
14. BUILDINGS.....	1,308,929	1,308,929	
15. LESS: ACCUMULATED DEPRECIATION.....	(1,103,721)	(1,056,116)	
16. FURNITURE & EQUIPMENT.....	30,214	30,214	
17. LESS: ACCUMULATED DEPRECIATION.....	(30,214)	(30,214)	
18.			
19. TOTAL FIXED ASSETS (Add 13 thru 18)	205,208	252,813	
OTHER ASSETS			
20.			
21. TOTAL ASSETS (Add 12, 19, and 20)	498,432	532,532	
LIABILITIES AND OWNERS EQUITY			
CURRENT LIABILITIES			
22. TOTAL ACCOUNTS PAYABLE (Attach list)	1,159	932	
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	5	-	
24. SECURITY DEPOSITS.....	10,333	10,836	
25. TOTAL CURRENT LIABILITIES (Add 22 thru 24) ...	11,497	11,768	

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	983,049	994,640
27. OTHER (Identify) N/P General Partners	7,925	7,925
28. TOTAL LONG-TERM LIABILITIES (Add 26 and 27)	990,974	1,002,565
29. TOTAL LIABILITIES (Add 25 and 28)	1,002,471	1,014,333
30. OWNER'S EQUITY (Net Worth) (21 minus 29)	(504,039)	(481,801)
31 TOTAL LIABILITIES AND OWNER'S EQUITY (Add 29 and 30)	498,432	532,532

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.

BLUE RIDGE ELDERLY HOUSING, LTD., L.P.
ATTACHMENT TO FORM RD 3560-10
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Page 25, Line 7</u>		
Due from rural development	\$ 4,684	\$ 4,709
	<u> </u>	<u> </u>
<u>Page 25, Line 22</u>		
Utilities and telephone	\$ 564	\$ 378
Office supplies	272	271
Grounds	-	15
Repairs and maintenance	323	268
	<u> </u>	<u> </u>
	\$ 1,159	\$ 932
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements.

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

PROJECT NAME Riverwood Apartments		BORROWER NAME Blue Ridge Elderly Housing Ltd		BORROWER ID AND PROJECT NO. 680292929 021	
Loan/Transfer Amount \$ 1,114,530.00		Note Rate Payment \$ 6,943.51		IC Payment \$ 2,371.89	
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 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: 1 units of RA. Current number of RA units 38. 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)
OPERATIONAL CASH SOURCES					
1. RENTAL INCOME		204,000.00	118,295.00	206,400.00	40 Rev Produc
2. RHS RENTAL ASSISTANCE RECEIVED			85,101.00		
3. APPLICATION FEES RECEIVED			240.00		
4. LAUNDRY AND VENDING		0.00	0.00	0.00	
5. INTEREST INCOME		0.00	0.00	0.00	
6. TENANT CHARGES		400.00	335.00	700.00	
7. OTHER - PROJECT SOURCES		0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance)		(10,200.00)		(10,320.00)	5%
9. LESS (Agency Approved Incentive Allowance)		(0.00)		(0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]		194,200.00	203,971.00	196,780.00	
NON-OPERATIONAL CASH SOURCES					
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		41,700.00	20,494.22	41,700.00	
14. SUB-TOTAL (11 thru 13)		41,700.00	20,494.22	41,700.00	
15. TOTAL CASH SOURCES (10+14)		235,900.00	224,465.22	238,480.00	
OPERATIONAL CASH USES					
16. TOTAL O&M EXPENSES (From Part II)		142,781.00	137,595.38	146,301.00	
17. RHS DEBT PAYMENT		28,463.00	28,462.68	28,463.00	
18. RHS PAYMENT (Overage)			884.00		
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		19,145.00	19,148.00	19,145.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .		2,758.00	2,758.00	2,758.00	2015 RTO paid
24. SUB-TOTAL (16 thru 23)		193,147.00	188,848.06	196,667.00	
NON-OPERATIONAL CASH USES					
25. AUTHORIZED DEBT PAYMENT (Non-RHS)		0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)		41,700.00	20,494.22	41,700.00	
27. MISCELLANEOUS		0.00	0.93	0.00	Rounding
28. SUB-TOTAL (25 thru 27)		41,700.00	20,495.15	41,700.00	
29. TOTAL CASH USES (24+28)		234,847.00	209,343.21	238,367.00	
30. NET CASH (DEFICIT) (15-29)		1,053.00	15,122.01	113.00	
CASH BALANCE					
31. BEGINNING CASH BALANCE		27,968.76	131,147.01	28,921.76	
32. ACCRUAL TO CASH ADJUSTMENT			256.90		Adjust to accru
33. ENDING CASH BALANCE (30+31+32)		28,921.76	146,525.92	29,034.76	

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	11,250.00	11,380.44	11,700.00	Maintenance or
2. MAINTENANCE AND REPAIRS SUPPLY	9,600.00	9,579.27	7,500.00	
3. MAINTENANCE AND REPAIRS CONTRACT	0.00	0.00	0.00	
4. PAINTING	1,400.00	310.11	1,200.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	9,700.00	10,492.80	9,700.00	725/M + 1000
8. SERVICES	4,276.00	3,875.00	6,244.00	187/MPestConr
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	0.00	0.00	0.00	
10. OTHER OPERATING EXPENSES (Itemize)	200.00	115.07	200.00	UA calc fees
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	36,426.00	35,752.69	36,544.00	
12. ELECTRICITY <input type="checkbox"/> If master metered	4,000.00	3,179.67	3,500.00	
13. WATER <input type="checkbox"/> check box on	18,000.00	18,241.23	18,000.00	
14. SEWER <input type="checkbox"/> front	11,700.00	14,579.88	14,100.00	
15. FUEL (Oil/Coal/Gas)	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	2,500.00	3,468.61	3,200.00	
17. OTHER UTILITIES	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17)	36,200.00	39,489.39	38,800.00	
19. SITE MANAGEMENT PAYROLL	11,452.00	13,407.15	11,752.00	896/M (3% incr
20. MANAGEMENT FEE	22,660.00	22,520.00	23,520.00	\$49x40Ux12M
21. PROJECT AUDITING EXPENSE	4,000.00	3,880.00	4,000.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	200.00	0.00	200.00	
24. ADVERTISING	250.00	191.10	250.00	
25. TELEPHONE & ANSWERING SERVICE	1,000.00	1,043.00	1,100.00	
26. OFFICE SUPPLIES	2,500.00	1,653.99	2,500.00	
27. OFFICE FURNITURE & EQUIPMENT	1,275.00	1,810.41	1,273.00	\$79/MCompSu
28. TRAINING EXPENSE	1,178.00	879.92	1,182.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	600.00	569.55	600.00	
30. PAYROLL TAXES	2,400.00	2,162.79	2,400.00	
31. WORKER'S COMPENSATION	700.00	662.61	700.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	300.00	664.80	300.00	Property Tax C
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	48,415.00	49,445.32	49,777.00	
34. REAL ESTATE TAXES	12,800.00	4,501.98	12,000.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS	100.00	200.00	100.00	reg fee
37. PROPERTY & LIABILITY INSURANCE	8,640.00	8,226.00	8,880.00	222/U (3% inc)
38. FIDELITY COVERAGE INSURANCE	0.00	0.00	0.00	
39. OTHER INSURANCE	200.00	0.00	200.00	EPL
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39)	21,740.00	12,927.98	21,180.00	
41. TOTAL O&M EXPENSES (11+18+33+40)	142,781.00	137,595.36	146,301.00	

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	85,821.28	133,026.93	63,286.26	
2. TRANSFER TO RESERVE	19,145.00	19,148.00	19,145.00	\$929/M + \$8k
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve)	41,700.00	20,494.22	41,700.00	
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)	(41,700.00)	(20,494.22)	(41,700.00)	
8. ENDING BALANCE [(1+2)-7]	63,266.26	131,680.71	40,711.26	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE	110,766.97	
ENDING BALANCE	129,241.86	

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

BEGINNING BALANCE	20,378.04	
ENDING BALANCE	17,284.06	

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE	10,836.00	
ENDING BALANCE	10,333.00	

(*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	40	425.00	547.00	0.00	204,000.00	262,560.00	0.00	62.00
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
CURRENT RENT TOTALS:						204,000.00	262,560.00	0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 12 / 31 / 16

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	40	430.00	552.00	0.00	206,400.00	264,960.00	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:						206,400.00	264,960.00	0.00
						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	40	62.00	0.00	0.00	0.00	0.00	0.00	62.00
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
Appliances:							
Range	3	1,200.00	0.00	0.00	0.00	0.00	0
Refrigerator	5	2,500.00	2,060.10	0.00	0.00	2,060.10	3
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
Carpet & Vinyl:							
1BR	5	13,500.00	14,048.01	0.00	0.00	14,048.01	5
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
Cabinets:							
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:	3	0.00	0.00	0.00	0.00	0.00	0
Doors:							
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
Window Coverings:							
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
Heating & Air Conditioning:							
Heating	0	0.00	2,880.00	0.00	0.00	2,880.00	1
Air Conditioning	3	7,500.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing:							
Water Heater	3	0.00	389.03	0.00	0.00	389.03	1
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
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
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		12,000.00	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	
Paving:							
Asphalt		5,000.00	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	
Landscape & Grounds:							
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	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
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	
Other:							
List:		0.00	1,117.08	0.00	0.00	1,117.08	
List:		0.00	0.00	0.00	0.00	0.00	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	22	41,700.00	20,494.22	0.00	0.00	20,494.22	10

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 much less than budget. No roofing repair or parking lot repair that was budgeted was required in 2016.
Line 23. The RTO paid in 2016 was the 2015 RTO.

Page 2
Line 11. Actual Maintenance and Operating Expenses were 2% less than budget.
Line 18. Actual Utilities were 9% more than budget.
Line 33. Actual Administrative Expenses were 2% more than budget.
Line 40. Actual Tax & Insurance Expense was less than budgeted due to a lower property tax bill than budgeted.

Riverwood 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
Appliances:							
Range	3	1,200.00	0.00	0.00	0.00	0.00	0
Refrigerator	5	2,500.00	2,060.10	0.00	0.00	2,060.10	3
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
Carpet & Vinyl:							
1BR	5	13,500.00	14,048.01	0.00	0.00	14,048.01	5
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
Cabinets:							
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:	3	0.00	0.00	0.00	0.00	0.00	0
Doors:							
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
Window Coverings:							
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
Heating & Air Conditioning:							
Heating	0	0.00	2,880.00	0.00	0.00	2,880.00	1
Air Conditioning	3	7,500.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing:							
Water Heater	3	0.00	389.03	0.00	0.00	389.03	1
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
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
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		12,000.00	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	
Paving:							
Asphalt		5,000.00	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	
Landscape & Grounds:							
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	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
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	
Other:							
List:		0.00	1,117.08	0.00	0.00	1,117.08	
List:		0.00	0.00	0.00	0.00	0.00	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	22	41,700.00	20,494.22	0.00	0.00	20,494.22	10

Yardi Classic Addendum Page

The accompanying notes are an integral part of these financial statements.

**Balance Sheet (Cash)
Riverwood - (420)
April 2017**

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CURRENT ASSETS

CASH

1010.0 Petty Cash	100.00
1020.0 CDA-Checking	1,137.41
1021.0 Operating-Checking	129,589.00
1030.0 Tax & Insurance Reserve	10,732.06
1040.0 Replacement Reserve	139,137.37
TOTAL CASH	280,695.84

1140.0 A/R Rents/FMHA Receivable	4,684.11
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FIXED ASSETS

2030.0 Buildings	1,304,399.00
2035.0 Buildings-Sec 754	4,530.00
2060.0 Washers & Dryers	2,335.20
2080.0 Furniture & Fixtures	27,879.30
2110.0 Accumulated Depreciation-Buildings	-1,103,719.97
2120.0 Accumulated Depreciation-Furniture & Fixt	-30,214.50
TOTAL FIXED ASSETS	205,209.03

OTHER ASSETS

2510.0 Security Deposits-Checking	10,203.00
TOTAL OTHER ASSETS	10,203.00

TOTAL ASSETS	500,791.98
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LIABILITIES & CAPITAL

CURRENT LIABILITIES

3021.0 Security Deposits Payable	10,203.00
3028.0 Accounts Payable	1,158.84
3029.0 Prepaid Tenants Rent	5.00
TOTAL CURRENT LIABILITIES	11,366.84

LONG TERM LIABILITIES

4020.0 Mortgage Payable	983,049.07
4080.0 Note Payable-2% Funds	7,925.00
TOTAL LONG TERM LIABILITIES	990,974.07

TOTAL LIABILITIES	1,002,340.91
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CAPITAL

5006.0 Return To Owners	-2,758.00
5020.0 General Partners Equity	-25,400.22
5030.0 Retained Earnings	-16,989.93
5040.0 Limited Partners Equity	-379,676.11
5050.0 General Partners Capital	-2,149.78
5051.0 Limited Partners Capital	-74,574.89
TOTAL CAPITAL	-501,548.93

TOTAL LIABILITIES & CAPITAL	500,791.98
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**Budget Comparison (Cash)
Riverwood - (420)
April 2017**

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	MTD Actual	MTD Budget	\$ Var.	% Var.	YTD Actual	YTD Budget	\$ Var.	% Var.	Annual
INCOME									
RENT INCOME									
6010.0 Income-Rent	9,539.00	17,200.00	-7,661.00	-44.54	40,007.00	68,800.00	-28,793.00	-41.85	206,400.00
6011.0 Income-Rental Assistan	7,250.00	0.00	7,250.00	0	29,225.00	0.00	29,225.00	0	0.00
TOTAL RENT INCOME	16,789.00	17,200.00	-411.00	-2.39	69,232.00	68,800.00	432.00	0.63	206,400.00
OTHER INCOME									
6015.0 Income-Application Fee	0.00	0.00	0.00	0	15.00	0.00	15.00	0	0.00
6018.0 Tenant Charges/Damag	5.00	7.29	-2.29	-31.41	20.00	29.16	-9.16	-31.41	87.50
6025.0 Income-Pet Fees	100.00	0.00	100.00	0	100.00	0.00	100.00	0	0.00
6029.0 Income-Cleaning & Rep	0.00	7.29	-7.29	-100.0	0.00	29.16	-29.16	-100.0	87.50
6030.0 Income-Late Fees	0.00	29.17	-29.17	-100.0	0.00	116.68	-116.68	-100.0	350.00
6031.0 Forfeited Security Depo	-50.00	7.29	-57.29	-785.8	0.00	29.16	-29.16	-100.0	87.50
6033.0 Income-Miscellaneous	0.00	7.29	-7.29	-100.0	0.00	29.16	-29.16	-100.0	87.50
TOTAL OTHER INCOME	55.00	58.33	-3.33	-5.71	135.00	233.32	-98.32	-42.14	700.00
TOTAL INCOME	16,844.00	17,258.33	-414.33	-2.40	69,367.00	69,033.32	333.68	0.48	207,100.00
OFFSETS TO INCOME									
7100.0 Vacancy Allowance	0.00	-860.00	860.00	100.0	0.00	-3,440.00	3,440.00	100.0	-10,320.00
7300.0 Rural Development Ove	-207.00	0.00	-207.00	0	-582.00	0.00	-582.00	0	0.00
TOTAL OFFSETS	-207.00	-860.00	653.00	75.93	-582.00	-3,440.00	2,858.00	83.08	-10,320.00
TOTAL INCOME AFTER O	16,637.00	16,398.33	238.67	1.46	68,785.00	65,593.32	3,191.68	4.87	196,780.00
OPERATING EXPENSES									
OPERATING & MAINTENANCE									
MAINTENANCE & REPAIRS PAYR									
8045.0 Payroll-Maintenance Pe	864.00	975.00	111.00	11.38	3,669.54	3,900.00	230.46	5.91	11,700.00
TOTAL MAINTENANCE & RE	864.00	975.00	111.00	11.38	3,669.54	3,900.00	230.46	5.91	11,700.00
MAINTENANCE & REPAIRS SUP									
8075.0 R&M Building Supplies	169.04	156.25	-12.79	-8.19	242.30	625.00	382.70	61.23	1,875.00
8080.0 R&M-Heating & Air Sup	0.00	156.25	156.25	100.0	192.17	625.00	432.83	69.25	1,875.00
8085.0 R&M-Plumbing Supplie	15.41	156.25	140.84	90.14	82.95	625.00	542.05	86.73	1,875.00
8090.0 R&M-Appliance Supplie	0.00	156.25	156.25	100.0	294.14	625.00	330.86	52.94	1,875.00
TOTAL MAINTENANCE & RE	184.45	625.00	440.55	70.49	811.56	2,500.00	1,688.44	67.54	7,500.00
UNIT TURNS									
8135.0 Paint/Clean/Clean Carp	0.00	100.00	100.00	100.0	0.00	400.00	400.00	100.0	1,200.00
TOTAL UNIT TURNS	0.00	100.00	100.00	100.0	0.00	400.00	400.00	100.0	1,200.00
GROUNDS									
8160.0 Monthly Contracted Gr	725.00	725.00	0.00	0.00	2,175.00	2,900.00	725.00	25.00	8,700.00
8175.0 Grounds Supplies	0.00	83.33	83.33	100.0	160.00	333.32	173.32	52.00	1,000.00
TOTAL GROUNDS	725.00	808.33	83.33	10.31	2,335.00	3,233.32	898.32	27.78	9,700.00
PEST CONTROL									
8195.0 Pest Control Service	187.00	187.00	0.00	0.00	935.00	748.00	-187.00	-25.00	2,244.00
8200.0 Termite Service/Bond	0.00	0.00	0.00	0	0.00	0.00	0.00	0	4,000.00
TOTAL PEST CONTROL	187.00	187.00	0.00	0.00	935.00	748.00	-187.00	-25.00	6,244.00
OTHER OPERATING EXPENSES									
8220.0 Outside Services	0.00	16.67	16.67	100.0	0.00	66.68	66.68	100.0	200.00
TOTAL OTHER OPERATING	0.00	16.67	16.67	100.0	0.00	66.68	66.68	100.0	200.00
TOTAL OPERATING & MAIN	1,960.45	2,712.00	751.55	27.71	7,751.10	10,848.00	3,096.90	28.55	36,544.00
UTILITIES									
8255.0 Utilities-Electricity	970.34	291.67	-678.67	-232.6	1,893.80	1,166.68	-727.12	-62.32	3,500.00
8260.0 Utilities-Water	1,816.92	1,500.00	-316.92	-21.13	7,280.28	6,000.00	-1,280.28	-21.34	18,000.00
8265.0 Utilities-Sewer	1,441.02	1,175.00	-266.02	-22.64	5,774.58	4,700.00	-1,074.58	-22.86	14,100.00
8275.0 Utilities-Sanitation	306.85	266.67	-40.18	-15.07	1,227.56	1,066.68	-160.88	-15.08	3,200.00

**Budget Comparison (Cash)
Riverwood - (420)
April 2017**

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	MTD Actual	MTD Budget	\$ Var.	% Var.	YTD Actual	YTD Budget	\$ Var.	% Var.	Annual
TOTAL UTILITIES	4,535.13	3,233.34	-1,301.79	-40.26	16,176.22	12,933.36	-3,242.86	-25.07	38,800.00
ADMINISTRATIVE									
8310.0 Site Management Payro	1,160.00	896.00	-264.00	-29.46	4,930.00	3,584.00	-1,346.00	-37.56	11,752.00
8315.0 Management Fees	1,960.00	1,960.00	0.00	0.00	7,760.00	7,840.00	80.00	1.02	23,520.00
8320.0 Accounting/Auditing Fe	0.00	0.00	0.00	0	3,880.00	4,000.00	120.00	3.00	4,000.00
8325.0 Legal Expenses	0.00	16.67	16.67	100.0	0.00	66.68	66.68	100.0	200.00
8330.0 Advertising	0.00	20.83	20.83	100.0	0.00	83.32	83.32	100.0	250.00
8335.0 Telephone	25.00	91.67	66.67	72.73	288.46	366.68	78.22	21.33	1,100.00
8340.0 Office Supplies	0.00	208.33	208.33	100.0	569.42	833.32	263.90	31.67	2,500.00
8350.0 Computer Equipment,	79.00	106.08	27.08	25.53	588.26	424.32	-163.94	-38.64	1,273.00
8355.0 Prospect Screening Ex	13.00	0.00	-13.00	0	13.00	0.00	-13.00	0	0.00
8360.0 Training Expenses	14.76	98.50	83.74	85.02	59.04	394.00	334.96	85.02	1,182.00
8365.0 Group Health Insurance	18.32	25.00	6.68	26.72	73.28	100.00	26.72	26.72	300.00
8370.0 Retirement Plan Expen	30.00	25.00	-5.00	-20.00	120.00	100.00	-20.00	-20.00	300.00
8375.0 Payroll Taxes-FICA	152.04	180.00	27.96	15.53	646.67	720.00	73.33	10.18	2,160.00
8380.0 Unemployment Taxes	18.99	20.00	1.01	5.05	101.77	80.00	-21.77	-27.21	240.00
8385.0 Workmans Compensati	0.00	58.33	58.33	100.0	821.23	233.32	-587.91	-251.9	700.00
8390.0 Bank Charges/Fees	0.00	0.00	0.00	0	40.48	0.00	-40.48	0	0.00
8400.0 Late Charges/Fees	0.00	0.00	0.00	0	20.00	0.00	-20.00	0	0.00
8405.0 Postage & Shipping	0.00	0.00	0.00	0	107.96	0.00	-107.96	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
TOTAL ADMINISTRATIVE	3,771.11	3,731.41	-39.70	-1.06	20,319.57	18,925.64	-1,393.93	-7.37	49,777.00
TAXES & INSURANCE									
8440.0 Taxes-Real Estate	0.00	0.00	0.00	0	0.00	0.00	0.00	0	12,000.00
8445.0 Licenses & Permits	0.00	8.33	8.33	100.0	150.00	33.32	-116.68	-350.1	100.00
8450.0 Property Insurance	0.00	0.00	0.00	0	8,152.00	8,880.00	728.00	8.20	8,880.00
8460.0 EPL Insurance	0.00	16.67	16.67	100.0	0.00	66.68	66.68	100.0	200.00
TOTAL TAXES & INSURANC	0.00	25.00	25.00	100.0	8,302.00	8,980.00	678.00	7.55	21,180.00
8510.0 Replacement Reserve P	929.00	928.75	-0.25	-0.03	11,716.00	11,715.00	-1.00	-0.01	19,145.00
TOTAL OPERATING EXPE	11,195.69	10,630.50	-565.19	-5.32	64,264.89	63,402.00	-862.89	-1.36	165,446.00
OPERATING INCOME BEFORE D	5,441.31	5,767.83	-326.52	-5.66	4,520.11	2,191.32	2,328.79	106.2	31,334.00
DEBT SERVICE									
8805.0 Rural Development Pay	2,371.89	2,371.92	0.03	0.00	9,487.56	9,487.68	0.12	0.00	28,463.00
TOTAL DEBT SERVICE	2,371.89	2,371.92	0.03	0.00	9,487.56	9,487.68	0.12	0.00	28,463.00
OPERATING INCOME AFTER DE	3,069.42	3,395.91	-326.49	-9.61	-4,967.45	-7,296.36	2,328.91	31.92	2,871.00
REPLACEMENT RESERVE									
8910.0 1% Building Repair & I	2,767.12	2,541.67	-225.45	-8.87	2,767.12	10,166.68	7,399.56	72.78	30,500.00
8915.0 1% Equipment Repair &	0.00	933.33	933.33	100.0	1,492.22	3,733.32	2,241.10	60.03	11,200.00
TOTAL REPLACEMENT RES	2,767.12	3,475.00	707.88	20.37	4,259.34	13,900.00	9,640.66	69.36	41,700.00
8945.0 Reserve Payments Adjustm	-929.00	0.00	929.00	0	-11,716.00	0.00	11,716.00	0	0.00
NET	1,231.30	-79.09	1,310.39	1,656.	2,489.21	-21,196.36	23,685.57	111.74	-38,829.00



November 9, 2016

Mr. David Brown
General Partner
3548 North Crossing Circle
Valdosta, GA 31602

NOTICE OF APPROVED RENT (OCCUPANCY CHARGE) AND/OR UTILITY ALLOWANCE CHANGE

Dear Mr. Brown:

You are hereby notified that Rural Development has reviewed the request for a change in shelter costs for the **Riverwood Apartments** and considered all justifications provided by project management and comments provided by tenants, if applicable. 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 change is needed for the following reasons:

Increased Operating and Maintenance Expenses

The approved changes are as follows:

<u>Unit</u>	<u>Present Rent</u>		<u>Approved Rent</u>	
	<u>Basic</u>	<u>Market</u>	<u>Basic</u>	<u>Market</u>
1BR	\$425	\$547	\$430	\$552

The approved utility allowance changes are as follows:

<u>Unit</u>	<u>Present Utility Allowance</u>	<u>Approved Utility Allowance</u>
1BR	\$62	\$62

Should you have any questions or concerns, you may contact Paula Crocker, Area Specialist, at (770) 386-3393, Ext. 104 or by email paula.crocker@ga.usda.gov

Rural Development • Cartersville Area Office
12 Felton Place, Suite A • Cartersville, GA 30120
Voice (770) 386-3393 • Fax (770) 387-0429

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

You must notify the tenants of Rural Development's approval of the rent and utility allowance changes by posting this letter in the same manner as the "NOTICE TO TENANTS (MEMBERS) OF PROPOSED RENT 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 Evette M. Jones, Area Director, USDA RD, 12 Felton Place, Suite A, Cartersville, GA 30120. 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,
Paula Crocker
for
EVETTE M. JONES
Area Director

cc: Investors Management

Attachments: Approved 2017 Proposed Budget

Project Name:	RIVERWOOD APARTMENTS
Borrower Name:	BLUE RIDGE ELDERLY APARTMENTS, LP
Borrower ID and Project No:	680292929 02-1
Date of Operation:	10/14/1993

Loan/Transfer Amount:	
Note Rate Payment:	
IC Payment:	\$2,371.89

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 .

The following utilities are master metered:

Gas
 Electricity
 Water
 Sewer
 Trash
 Other

Borrower Accounting Method

Cash
 Accrual

Project Name: RIVERWOOD APARTMENTS State: 10 Servicing Office: 601 County: 55
 Borrower Name: BLUE RIDGE ELDERLY APARTMENTS, LP Borr ID: 680292929 Prj Nbr: 02-1 Paid Code: Active
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 APPROVED 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	
PART I - CASH FLOW STATEMENT				
Operational Cash Sources				
1. Rental Income	204,000.00		206,400.00	40 REV PRODUCING UNITS
2. RHS 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		700.00	
7. Other - Project Sources	0.00		0.00	
8. Less (Vcncy @ Cntgncy Allw)	-10,200.00		-10,320.00	5%
9. Less (Agncy Aprvd Incentv)	0.00		0.00	
10. Sub-Ttl [(1 thru 7)-(8@9)]	194,200.00		196,780.00	
Non-Operational Cash Sources				
11. Cash - Non Project	0.00		0.00	
12. Authorized Loan (Non-RHS)	0.00		0.00	
13. Transfer From Reserve	41,700.00		41,700.00	
14. Sub-Total (11 thru 13)	41,700.00		41,700.00	
15. Total Cash Sources (10+14)	235,900.00		238,480.00	
Operational Cash Uses				
16. Ttl O&M Exp (From Part II)	142,781.00		146,301.00	
17. RHS Debt Payment	28,463.00		28,463.00	
18. RHS Payment (Overage)				
19. RHS Payment (Late Fee)				
20. Reductn In Prior Yr Pybles				
21. Tenant Utility Payments				
22. Transfer to Reserve	19,145.00		19,145.00	
23. RTN Owner/NP Asset Mgt Fee	2,758.00		2,758.00	2016 RTO TO BE PAID IN 2017
24. Sub-Total (16 thru 23)	193,147.00		196,667.00	
Non-Operational Cash Uses				
25. Authzd Debt Pymnt (NonRHS)	0.00		0.00	
26. Capital Budget (III 4-6)	41,700.00		41,700.00	
27. Miscellaneous	0.00		0.00	
28. Sub-Total (25 thru 27)	41,700.00		41,700.00	
29. Total Cash Uses (24+28)	234,847.00		238,367.00	
30. Net (Deficit) (15-29)	1,053.00		113.00	
Cash Balance				
31. Beginning Cash Balance	27,868.76		28,921.76	
32. Accrual To Cash Adjustment				
33. Ending Cash Bal (30+31+32)	28,921.76		29,034.76	

Project Name: RIVERWOOD APARTMENTS State: 10 Servicing Office: 601 County: 55
 Borrower Name: BLUE RIDGE ELDERLY APARTMENTS, LP Borr ID: 680292929 Prj Nbr: 02-1 Paid Code: Active
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 APPROVED 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	
PART II - O@M EXPENSE SCHEDULE				
1. Maint. @ Repairs Payroll	11,250.00		11,700.00	MAINTENANCE ON PAYROLL
2. Maint. @ Repairs Supply	9,600.00		7,500.00	
3. Maint. @ Repairs Contract	0.00		0.00	
4. Painting	1,400.00		1,200.00	
5. Snow Removal	0.00		0.00	
6. Elevator Maint./Contract	0.00		0.00	
7. Grounds	9,700.00		9,700.00	725/M + 1000
8. Services	4,276.00		6,244.00	187/MPESTCONTROL+4000TERMITEBOND
9. Cptl Bgt(Part V operating)	0.00		0.00	
10. Other Operating Expenses	200.00		200.00	UA CALC FEES
11. Sub-Ttl O@M (1 thru 10)	36,426.00		36,544.00	
12. Electricity	4,000.00		3,500.00	
13. Water	18,000.00		18,000.00	
14. Sewer	11,700.00		14,100.00	
15. Fuel (Oil/Coal/Gas)	0.00		0.00	
16. Garbage @ Trash Removal	2,500.00		3,200.00	
17. Other Utilities	0.00		0.00	
18. Sub-Ttl Util. (12 thru 17)	36,200.00		38,800.00	
19. Site Management Payroll	11,452.00		11,752.00	896/M (3% INCREASE) + 1000
20. Management Fee	22,560.00		23,520.00	\$49X40UX12M
21. Project Auditing Expense	4,000.00		4,000.00	
22. Proj. Bookkeeping/Accnting	0.00		0.00	
23. Legal Expenses	200.00		200.00	
24. Advertising	250.00		250.00	
25. Phone @ Answering Service	1,000.00		1,100.00	
26. Office Supplies	2,500.00		2,500.00	
27. Office Furniture @ Equip.	1,275.00		1,273.00	\$79/MCOMPSUPPORT+275YARDI+50EMALLACCT
28. Training Expense	1,178.00		1,182.00	
29. Hlth Ins. @ Other Benefits	600.00		600.00	
30. Payroll Taxes	2,400.00		2,400.00	
31. Workmans Compensation	700.00		700.00	
32. Other Admin.Expenses	300.00		300.00	PROPERTY TAX CONSULTANT
33. Sub-Ttl Admin (19 thru 32)	48,415.00		49,777.00	
34. Real Estate Taxes	12,800.00		12,000.00	
35. Special Assessments	0.00		0.00	
36. Othr Taxes, Lcnses, Permts	100.00		100.00	REG FEE
37. Property @ Liability Ins.	8,640.00		8,880.00	222/U (3% INC)
38. Fidelity Coverage Ins.	0.00		0.00	
39. Other Insurance	200.00		200.00	EPL
40. Sub-Ttl Tx/In (34 thru 39)	21,740.00		21,180.00	
41. Ttl O@M Exps (11+18+33+40)	142,781.00		146,301.00	

Project Name: RIVERWOOD APARTMENTS State: 10 Servicing Office: 601 County: 55
 Borrower Name: BLUE RIDGE ELDERLY APARTMENTS, LP Borr ID: 680292929 Prj Nbr: 02-1 Paid Code: Active
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 APPROVED 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	
PART III - ACCT BUDGET/STATUS				
Reserve Account				
1. Beginning Balance	85,821.26		63,266.26	
2. Transfer to Reserve	19,145.00		19,145.00	\$929/M + \$8K ADD`L
Transfer From Reserve				
3. Operating Deficit	0.00		0.00	
4. Cptl Bgt (Part V reserve)	41,700.00		41,700.00	
5. Building @ Equip Repair	0.00		0.00	
6. Othr Non-Operating Expenses	0.00		0.00	
7. Total (3 thru 6)	41,700.00		41,700.00	
8. Ending Balance [(1+2)-7]]	63,266.26		40,711.26	
General Operating Account				
Beginning Balance				
Ending Balance				
Real Estate Tax And Ins Escrow				
Beginning Balance				
Ending Balance				
Tenant Security Deposit Acct				
Beginning Balance				
Ending Balance				
Number of Applicants on Waiting List	0	Reserve Acct. Req. Balance	30,846.31	
Number of Applicants Needing RA		Amount Ahead/Behind	102,180.62	

Project Name: RIVERWOOD APARTMENTS State: 10 Servicing Office: 601 County: 55
 Borrower Name: BLUE RIDGE ELDERLY APARTMENTS, LP Borr ID: 680292929 Prj Nbr: 02-1 Paid Code: Active
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 APPROVED 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			40	425	547	0	204,000	262,560	0	62
CURRENT RENT TOTALS									204,000	262,560	0	

EFFECTIVE DATE OF RENTS/UTILITY ALLOWANCE: 01/01/2016

Unit Description					Utility Types					
Type	Size	HC	Rev	Unit	Elect	Gas	Sewer	Trash	Other	Total Allow
N	1	All			62	0	0	0	0	62

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			40	430	552	0	206,400	264,960	0	62
PROPOSED RENT TOTALS									206,400	264,960	0	

EFFECTIVE DATE OF RENTS/UTILITY ALLOWANCE: 01/01/2017

Unit Description					Utility Types					
Type	Size	HC	Rev	Unit	Elect	Gas	Sewer	Trash	Other	Total Allow
N	1	All			62	0	0	0	0	62

Project Name: RIVERWOOD APARTMENTS State: 10 Servicing Office: 601 County: 55
 Borrower Name: BLUE RIDGE ELDERLY APARTMENTS, LP Borr ID: 680292929 Prj Nbr: 02-1 Paid Code: Active
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 APPROVED 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
ANNUAL CAPITAL BUDGET							
Appliances							
Appliances - Range	3	1,200.00	0.00	0.00	0.00	0.00	0
Appliances - Refrigerator	5	2,500.00	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
Carpet and Vinyl							
Carpet @ Vinyl - 1 Br.	5	13,500.00	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
Cabinets							
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	3	0.00	0.00	0.00	0.00	0.00	0
Doors							
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
Window Coverings							
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
Heat and Air Conditioning							
Heat @ Air - Heating	0	0.00	0.00	0.00	0.00	0.00	0
Heat @ Air - Air Conditioning	3	7,500.00	0.00	0.00	0.00	0.00	0
Heat @ Air - Other	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing							
Plumbing - Water Heater	3	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
Major Electrical							
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
Structures							
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	12,000.00	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

Project Name: RIVERWOOD APARTMENTS State: 10 Servicing Office: 601 County: 55
 Borrower Name: BLUE RIDGE ELDERLY APARTMENTS, LP Borr ID: 680292929 Prj Nbr: 02-1 Paid Code: Active
 Classification: A Fiscal Year: 2017 Version: 01/01/2017 APPROVED 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
Paving							
Paving - Asphalt	0	5,000.00	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
Landscape and Grounds							
Lndscp@Grnds - Landscaping	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Lawn Equipment	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Fencin	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Recreation Area	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Signs	0	0.00	0.00	0.00	0.00	0.00	0
Lndscp@Grnds - Other	0	0.00	0.00	0.00	0.00	0.00	0
Accessibility Features							
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
Automation Equipment							
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
Other							
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
Total Capital Expenses	0	41,700.00	0.00	0.00	0.00	0.00	0

Project Name: RIVERWOOD APARTMENTS	State: 10	Servicing Office: 601	County: 55
Borrower Name: BLUE RIDGE ELDERLY APARTMENTS, LP	Borr ID: 680292929	Prj Nbr: 02-1	Paid Code: Active
Classification: A	Fiscal Year: 2017	Version: 01/01/2017 APPROVED	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.
---------	--

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.

09/22/2016
(Date Submitted)

INVESTORS MANAGEMENT COMPANY
(Management Agency)

MA734114
(MA#)

(Date)

(Signature of Borrower or Borrower's Representative)

(Title)

Agency Approval (Rural Development Approval Official):

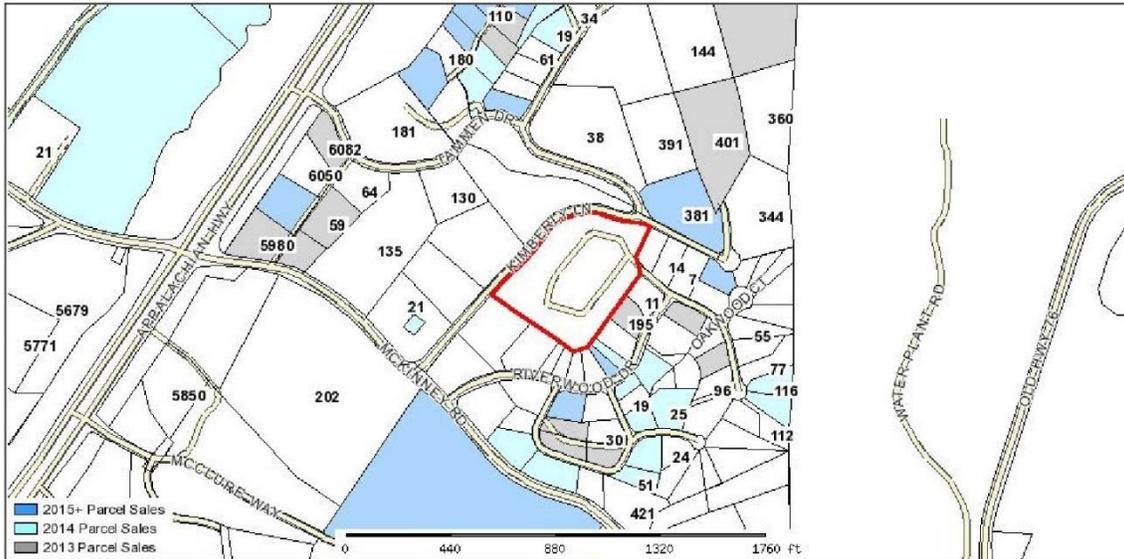
(Date)

Project Name: RIVERWOOD APARTMENTS	State: 10	Servicing Office: 601	County: 55
Borrower Name: BLUE RIDGE ELDERLY APARTMENTS, LP	Borr ID: 680292929	Prj Nbr: 02-1	Paid Code: Active
Classification: A	Fiscal Year: 2017	Version: 01/01/2017 APPROVED	Totals: By Project Analyzed: Y

SPVS Comment:
Batched/ II 092016

Narrative:

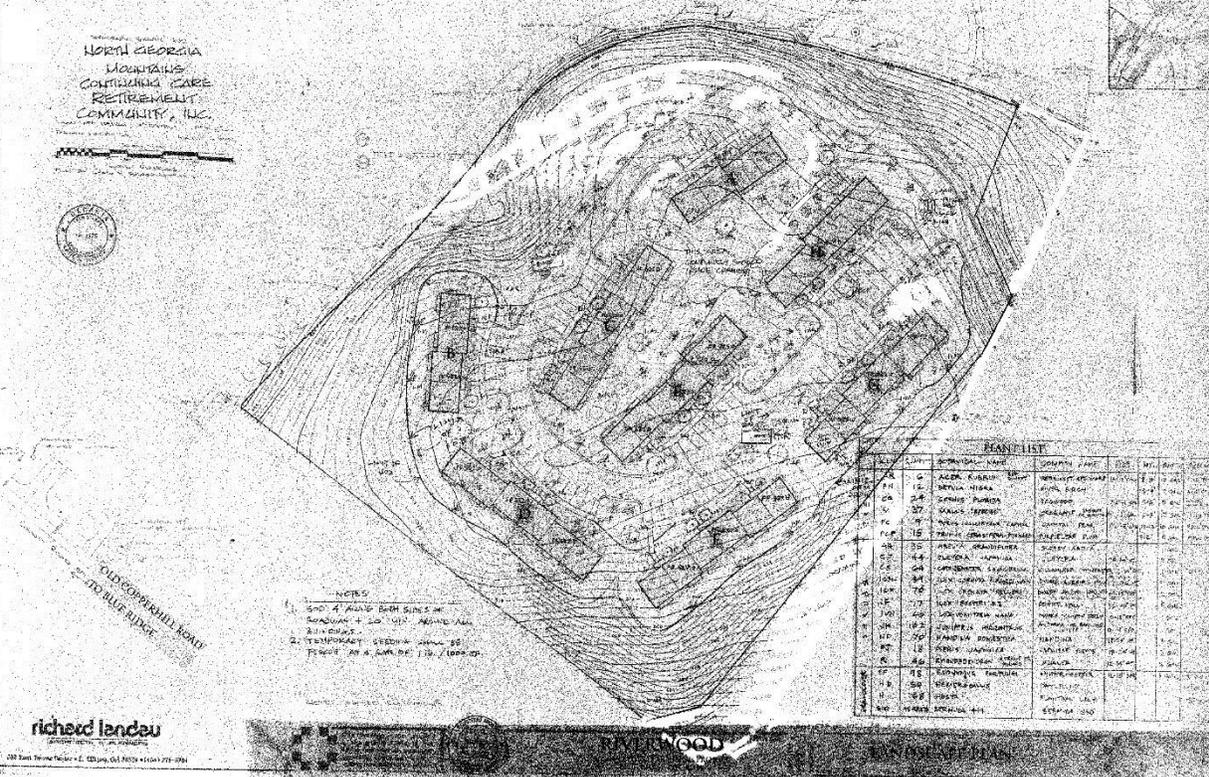
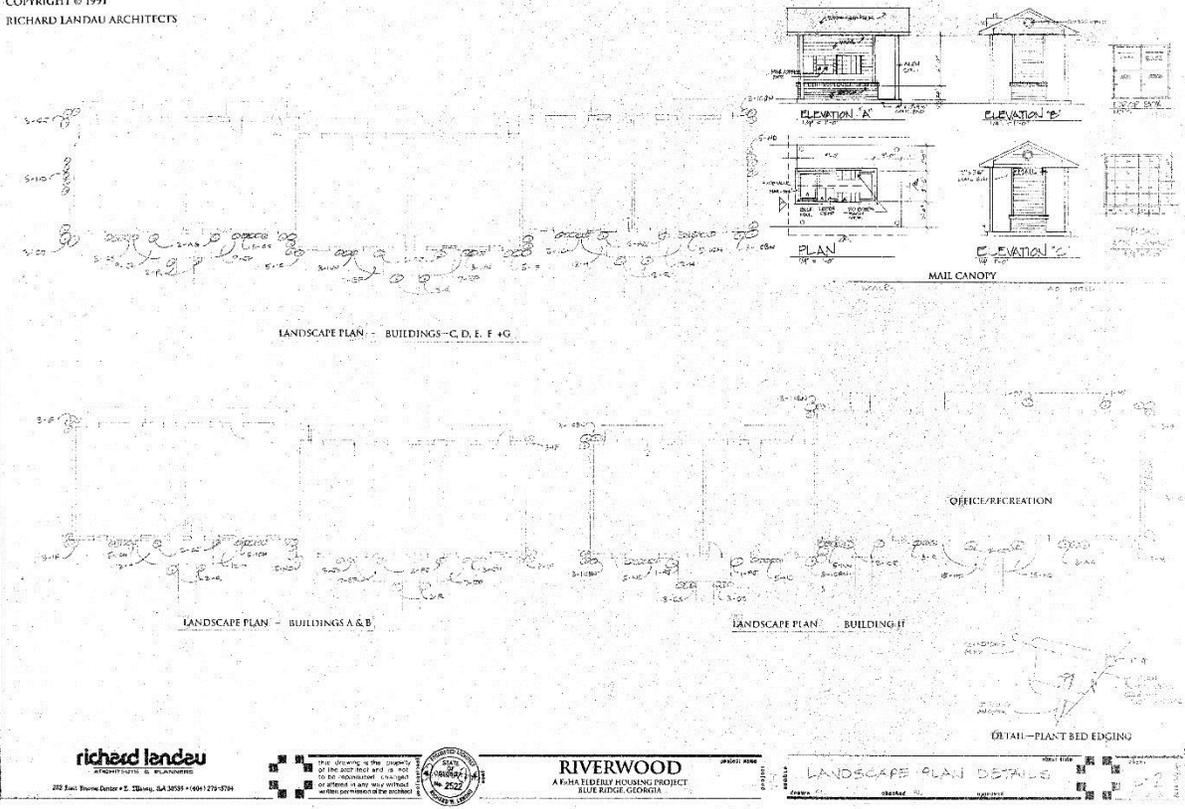
A) Riverwood is a 41 unit elderly complex in Blue Ridge, GA. It has 40 1-br units and 1 2-br resident manager unit. The property has 38 RA units. One additional RA unit has been requested with this budget. The property has good occupancy (95%). B) The property is in compliance with its loan agreement and RD regulations. The property is fully accessible. C) The property's financial status is stable. The 1% reserve is at or ahead of its required balance. We have budgeted additional deposits of \$8,000 into the 1% reserve in anticipation of upcoming roof replacements, HVAC, and appliances. D) No expense category subtotals exceed the 10% tolerance threshold. Administrative Expenses are 24.1% of Gross Potential and do not exceed the 27% threshold used by the state of Georgia. E) 2017 projected capital expenditures and reserve withdrawals Replacement of appliances Carpet and vinyl HVAC units Repair of roof leaks Asphalt Repair 1% Estimate \$41,700 Projected capital needs 2018-2020 Replacement of appliances Carpet and vinyl HVAC units Roof repairs Replacement of exterior storm doors Estimate \$36,000 F) The 2017 proposed budget includes a rent increase of \$5 per unit per month. The rent increase is needed because of projected increased operating and maintenance expenses. We are not requesting a change in the utility allowance of \$62. 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. The property is in compliance with its loan agreement and RD regulations.

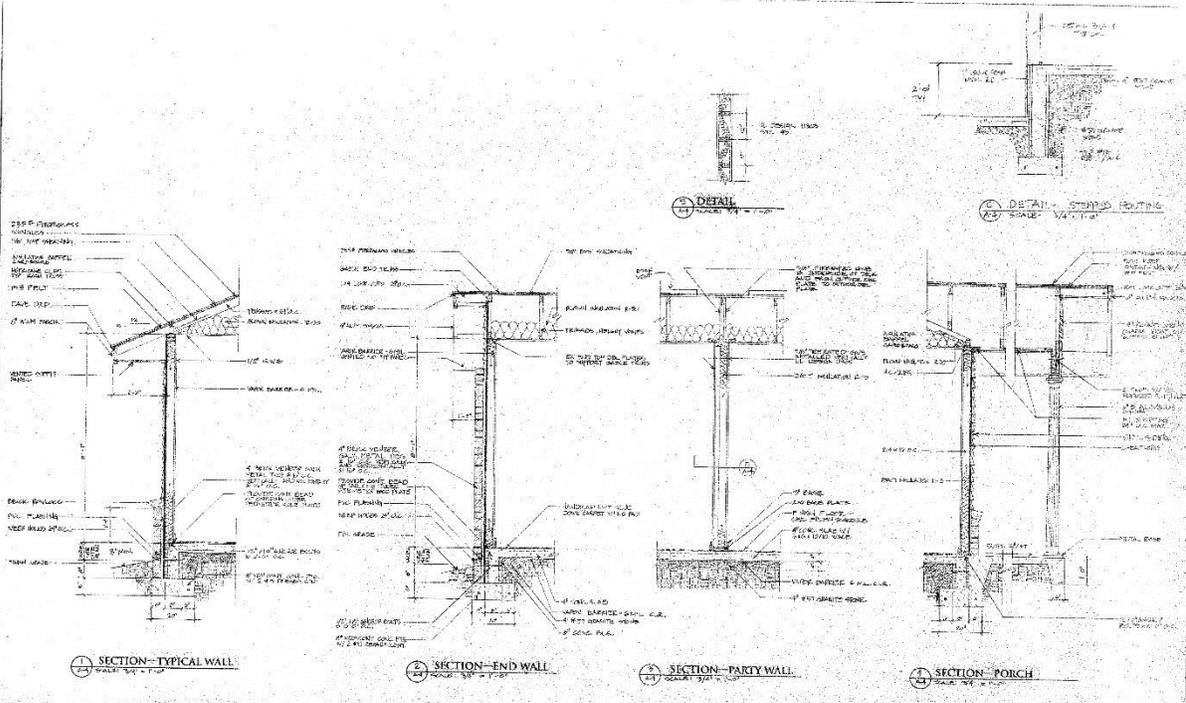


Fannin County Assessor			
Parcel: 0045 0494A Acres: 5.47			
Name:	BLUE RIDGE ELDERLY	Land Value	\$54,700.00
Site:	0	Building Value	\$729,089.00
Sale:	\$0 on 10-1993 Reason=QC Qual=U	Misc Value	\$0.00
	HOUSING LTD LP	Total Value:	\$783,789.00
Mail:	3548 NORTH CROSSING CIR VALDOSTA, GA 31602		



The Fannin County Assessor's Office makes every effort to produce the most accurate information possible. No warranties, expressed or implied, are provided for the data herein, its use or interpretation. The assessment information is from the last certified taxroll. All data is subject to change before the next certified taxroll. PLEASE NOTE THAT THE PROPERTY APPRAISER MAPS ARE FOR ASSESSMENT PURPOSES ONLY NEITHER FANNIN COUNTY NOR ITS EMPLOYEES ASSUME RESPONSIBILITY FOR ERRORS OR OMISSIONS --THIS IS NOT A SURVEY--
Date printed: 10/13/15 : 11:42:39





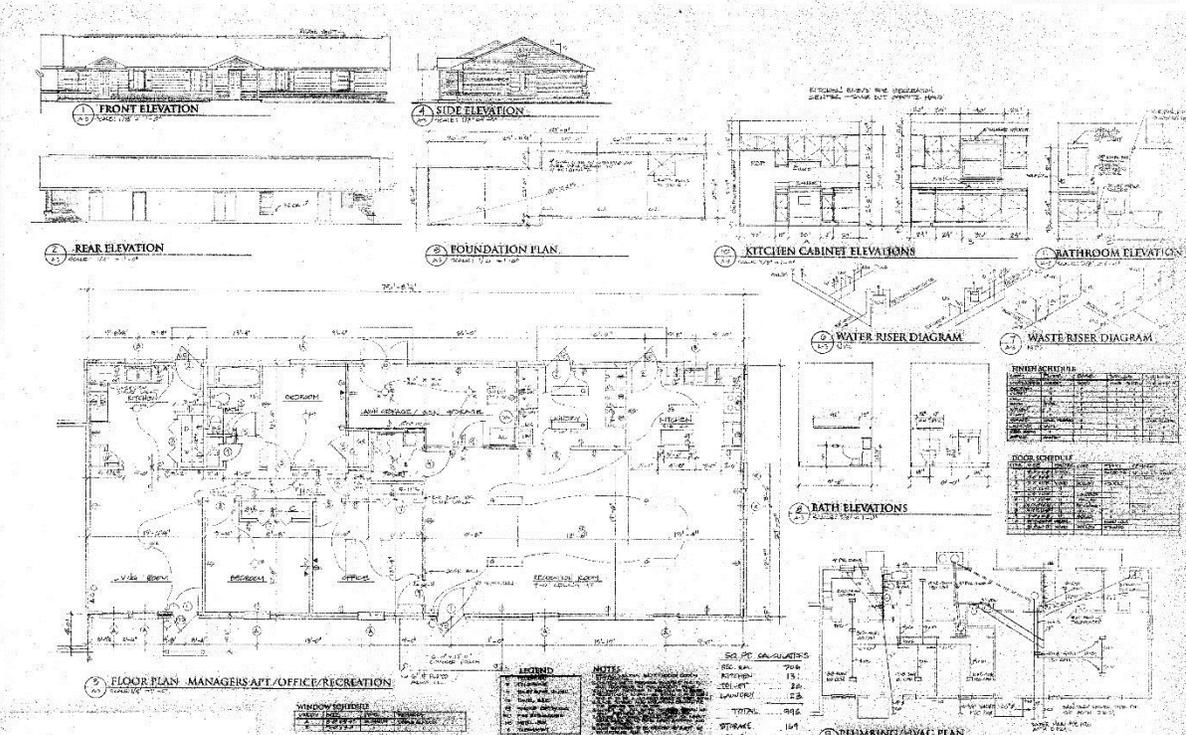
richard landau
ARCHITECTURE & PLANNING
332 East Tower Drive • F. 11th Fl., GA 30308 • (404) 270-9784

RIVERWOOD
A FINE ELDERSHOPE HOUSING PROJECT
BETHLEHEM, GEORGIA

WALL SECTIONS

Scale: 1/4" = 1'-0"

Sheet: A-4



richard landau
ARCHITECTURE & PLANNING
332 East Tower Drive • F. 11th Fl., GA 30308 • (404) 270-9784

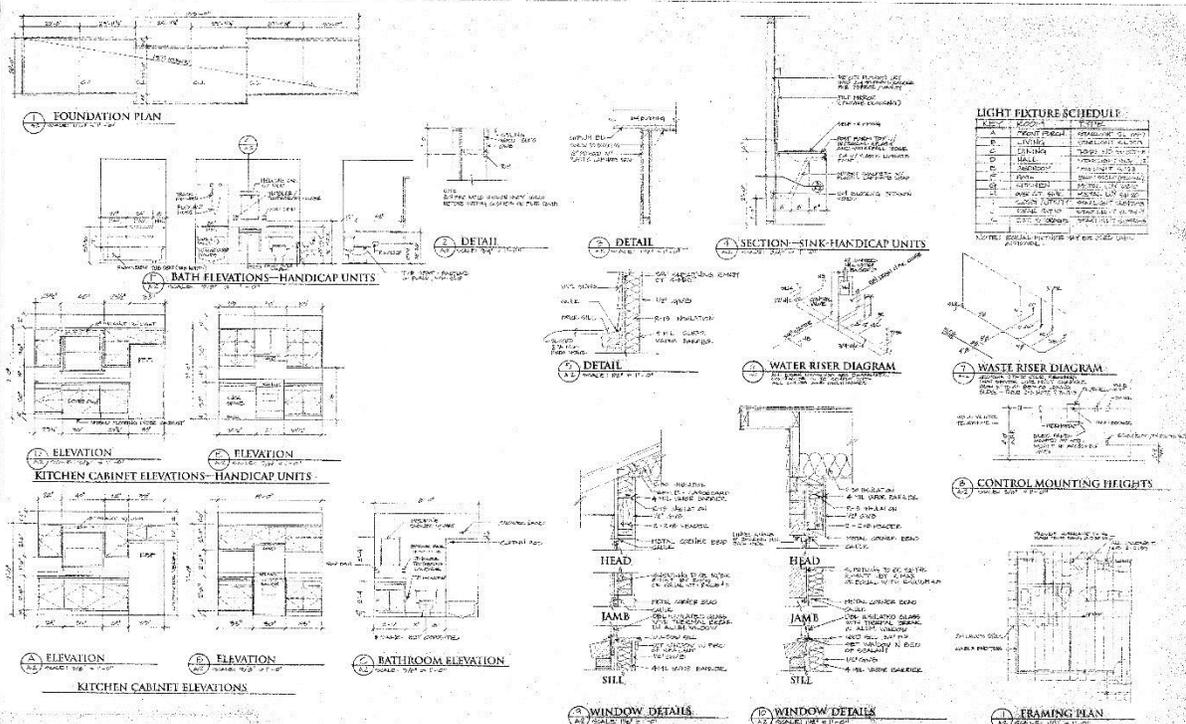
RIVERWOOD
A FINE ELDERSHOPE HOUSING PROJECT
BETHLEHEM, GEORGIA

MANAGERS APT/OFFICE/RECREATION - PLANS

Scale: 1/4" = 1'-0"

Sheet: A-3

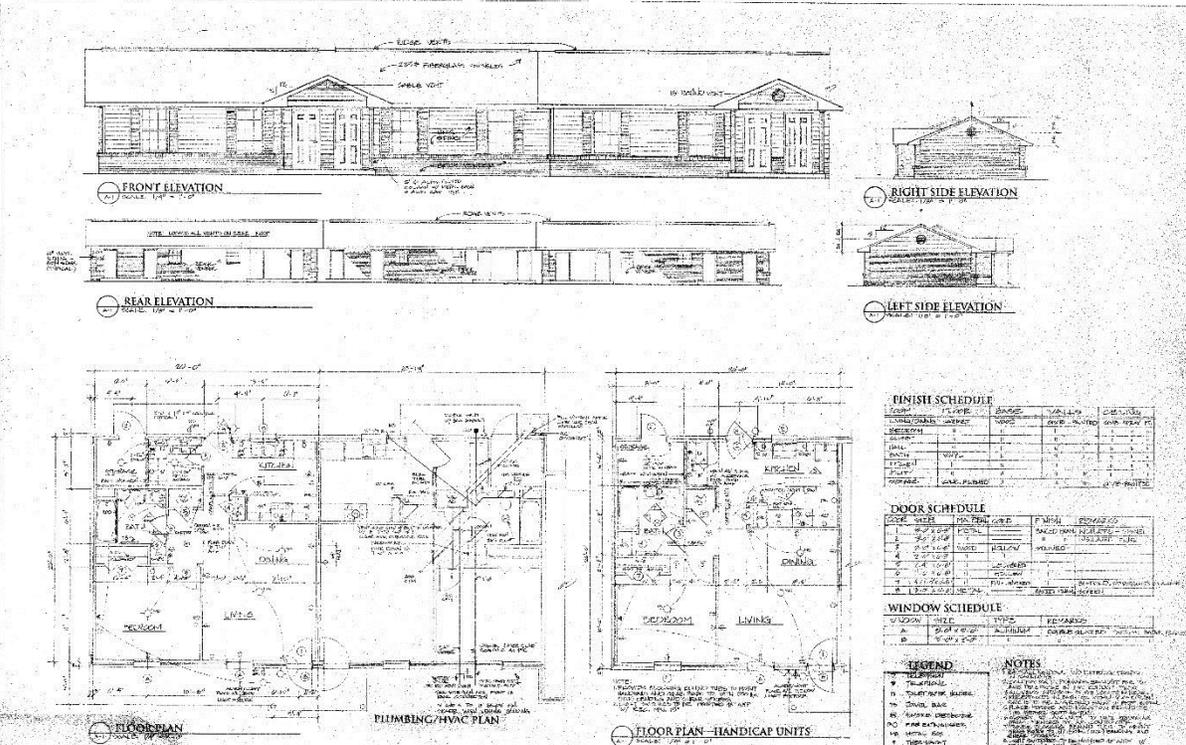
NO.	DESCRIPTION	AREA
1	REAR PORCH	70.6
2	KITCHEN	13.7
3	OFFICE	28.0
4	LIVING	11.0
5	BATH	5.0
6	REAR PORCH	1.4
7	OFFICE	11.2
8	REAR APT.	25.7
TOTAL		166.6



LIGHT FIXTURE SCHEDULE

NO.	SYMBOL	TYPE	FINISH	HEIGHT	REMARKS
1	1	RECESSED	ALUMINUM	8'-0"	IN LIVING AREA
2	2	RECESSED	ALUMINUM	8'-0"	IN BEDROOM
3	3	RECESSED	ALUMINUM	8'-0"	IN BATH
4	4	RECESSED	ALUMINUM	8'-0"	IN KITCHEN
5	5	RECESSED	ALUMINUM	8'-0"	IN HALL
6	6	RECESSED	ALUMINUM	8'-0"	IN ENTRY
7	7	RECESSED	ALUMINUM	8'-0"	IN CLOSET
8	8	RECESSED	ALUMINUM	8'-0"	IN GARAGE
9	9	RECESSED	ALUMINUM	8'-0"	IN PORCH
10	10	RECESSED	ALUMINUM	8'-0"	IN PATIO

NOTE: ALL LIGHT FIXTURES ARE TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC).



FINISH SCHEDULE

NO.	SYMBOL	FINISH	REMARKS
1	1	PAINT	INTERIOR WALLS
2	2	PAINT	EXTERIOR WALLS
3	3	PAINT	CEILING
4	4	PAINT	FLOOR
5	5	PAINT	BASE
6	6	PAINT	TRIM
7	7	PAINT	DOOR
8	8	PAINT	WINDOW
9	9	PAINT	STAIR
10	10	PAINT	BATH
11	11	PAINT	KITCHEN
12	12	PAINT	HALL
13	13	PAINT	ENTRY
14	14	PAINT	CLOSET
15	15	PAINT	GARAGE
16	16	PAINT	PORCH
17	17	PAINT	PATIO

DOOR SCHEDULE

NO.	SYMBOL	TYPE	FINISH	REMARKS
1	1	DOOR	PAINT	ENTRY
2	2	DOOR	PAINT	BEDROOM
3	3	DOOR	PAINT	BATH
4	4	DOOR	PAINT	KITCHEN
5	5	DOOR	PAINT	HALL
6	6	DOOR	PAINT	CLOSET
7	7	DOOR	PAINT	GARAGE
8	8	DOOR	PAINT	PORCH
9	9	DOOR	PAINT	PATIO

WINDOW SCHEDULE

NO.	SYMBOL	TYPE	FINISH	REMARKS
1	1	WINDOW	PAINT	ENTRY
2	2	WINDOW	PAINT	BEDROOM
3	3	WINDOW	PAINT	BATH
4	4	WINDOW	PAINT	KITCHEN
5	5	WINDOW	PAINT	HALL
6	6	WINDOW	PAINT	CLOSET
7	7	WINDOW	PAINT	GARAGE
8	8	WINDOW	PAINT	PORCH
9	9	WINDOW	PAINT	PATIO

LEGEND

1. FINISH
2. PAINT
3. PAINT
4. PAINT
5. PAINT
6. PAINT
7. PAINT
8. PAINT
9. PAINT
10. PAINT
11. PAINT
12. PAINT
13. PAINT
14. PAINT
15. PAINT
16. PAINT
17. PAINT

NOTES

1. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC).

2. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL FIRE PROTECTION ASSOCIATION (NFPA) STANDARDS.

3. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL BUREAU OF STANDARDS (NBS) STANDARDS.

4. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ARCHITECTURAL ASSOCIATION (NAA) STANDARDS.

5. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ASSOCIATION OF ARCHITECTS (NAA) STANDARDS.

6. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ASSOCIATION OF ARCHITECTS (NAA) STANDARDS.

7. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ASSOCIATION OF ARCHITECTS (NAA) STANDARDS.

8. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ASSOCIATION OF ARCHITECTS (NAA) STANDARDS.

9. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ASSOCIATION OF ARCHITECTS (NAA) STANDARDS.

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12. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ASSOCIATION OF ARCHITECTS (NAA) STANDARDS.

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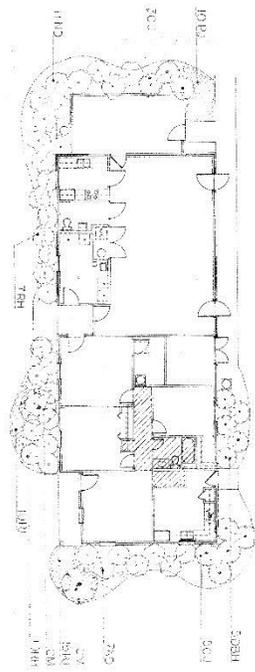
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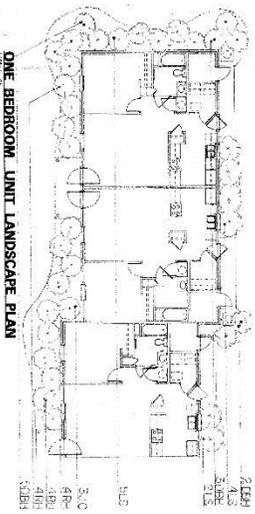
17. ALL FINISHES TO BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ASSOCIATION OF ARCHITECTS (NAA) STANDARDS.

OFFICE/LAUNDRY/MGR. APT. LANDSCAPE PLAN



NO.	SYMBOL	NAME	SIZE	QTY.	AREA
1	○	PLANTING	1.00	1	1.00
2	○	PLANTING	1.00	1	1.00
3	○	PLANTING	1.00	1	1.00
4	○	PLANTING	1.00	1	1.00
5	○	PLANTING	1.00	1	1.00
6	○	PLANTING	1.00	1	1.00
7	○	PLANTING	1.00	1	1.00
8	○	PLANTING	1.00	1	1.00
9	○	PLANTING	1.00	1	1.00
10	○	PLANTING	1.00	1	1.00
11	○	PLANTING	1.00	1	1.00
12	○	PLANTING	1.00	1	1.00
13	○	PLANTING	1.00	1	1.00
14	○	PLANTING	1.00	1	1.00
15	○	PLANTING	1.00	1	1.00
16	○	PLANTING	1.00	1	1.00
17	○	PLANTING	1.00	1	1.00
18	○	PLANTING	1.00	1	1.00
19	○	PLANTING	1.00	1	1.00
20	○	PLANTING	1.00	1	1.00
21	○	PLANTING	1.00	1	1.00
22	○	PLANTING	1.00	1	1.00
23	○	PLANTING	1.00	1	1.00
24	○	PLANTING	1.00	1	1.00
25	○	PLANTING	1.00	1	1.00
26	○	PLANTING	1.00	1	1.00
27	○	PLANTING	1.00	1	1.00
28	○	PLANTING	1.00	1	1.00
29	○	PLANTING	1.00	1	1.00
30	○	PLANTING	1.00	1	1.00
31	○	PLANTING	1.00	1	1.00
32	○	PLANTING	1.00	1	1.00
33	○	PLANTING	1.00	1	1.00
34	○	PLANTING	1.00	1	1.00
35	○	PLANTING	1.00	1	1.00
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ONE BEDROOM UNIT LANDSCAPE PLAN



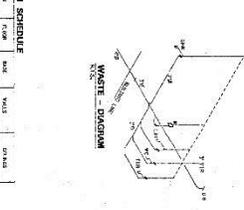
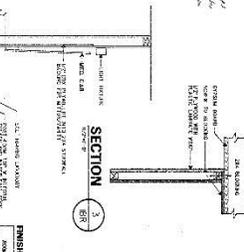
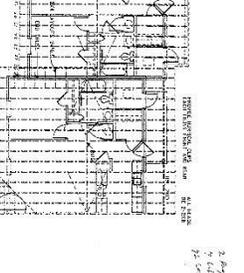
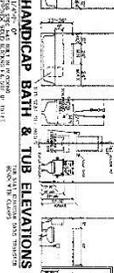
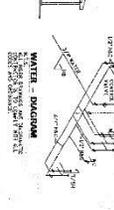
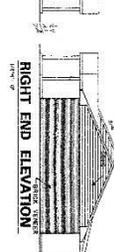
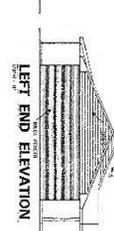
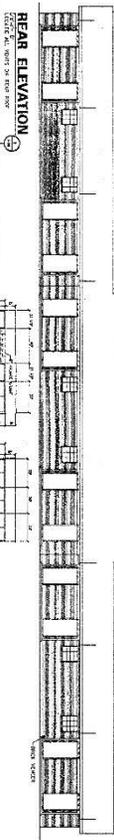
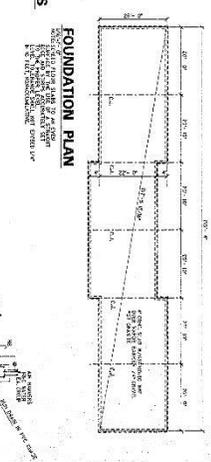
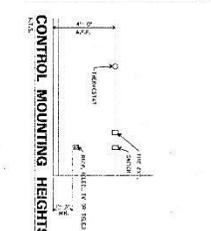
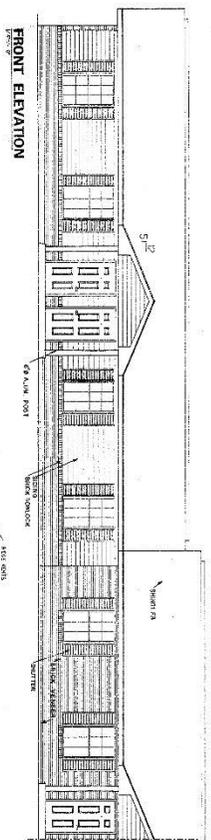
BLUE RIDGE ELDERS APARTMENTS, L.P.
LANDSCAPE SITE PLAN



DATE: 11/11/03
 DRAWN BY: [Name]
 CHECKED BY: [Name]
 APPROVED BY: [Name]
 PROJECT: BLUE RIDGE ELDERS APARTMENTS, L.P.
 SHEET: 1 OF 1

ELLIS, RICKET & ASSOCIATES
ARCHITECTS
 POST Office, Box 2077, Valuzola, Georgia 31001 Telephone (912) 242 3556
 BLUE RIDGE ELDERS APARTMENTS, L.P.
 BLUE RIDGE PARKIN COURT

ELLIS, RICKET & ASSOCIATES
 ARCHITECTS
 1111 RIVERWOOD DRIVE
 VALUZOLA, GEORGIA 31001
 (912) 242-3556
 FAX (912) 242-3557
 www.ellisricket.com



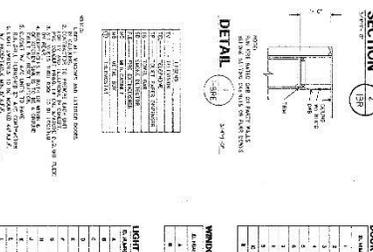
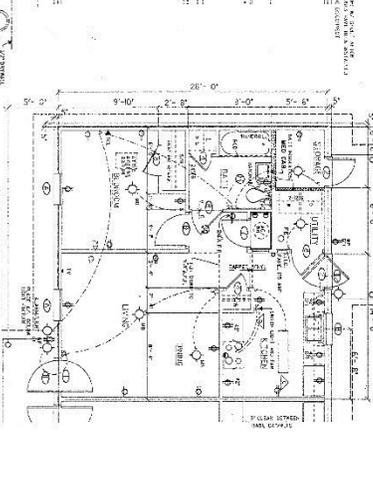
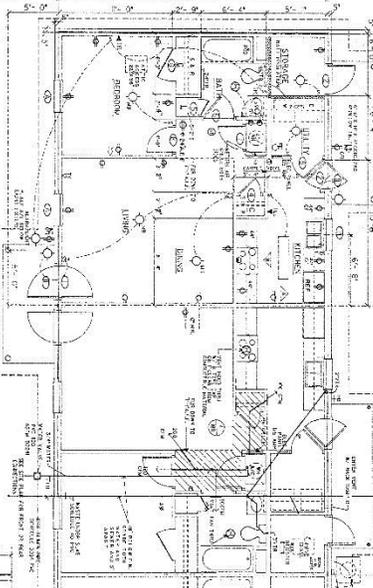
KITCHEN CABINET ELEVATIONS
 ELEVATION A
 ELEVATION B

BATHROOM ELEVATION

FRAMING PLAN

SECTION 1

SECTION 2



FINISH SCHEDULE

NO.	DESCRIPTION	FINISH
1	CEILING	AC
2	FLOOR	WOOD
3	WALL	PLASTER
4	DOOR	WOOD
5	WINDOW	WOOD
6	TRIM	WOOD
7	PAINT	WHITE
8	GLASS	CLEAR
9	GLASS	TINTED
10	GLASS	LEADED
11	GLASS	OPAL
12	GLASS	SMOKED
13	GLASS	WAVY
14	GLASS	TEXTURED
15	GLASS	ETCHED
16	GLASS	FLINT
17	GLASS	FLINT
18	GLASS	FLINT
19	GLASS	FLINT
20	GLASS	FLINT

DOOR SCHEDULE

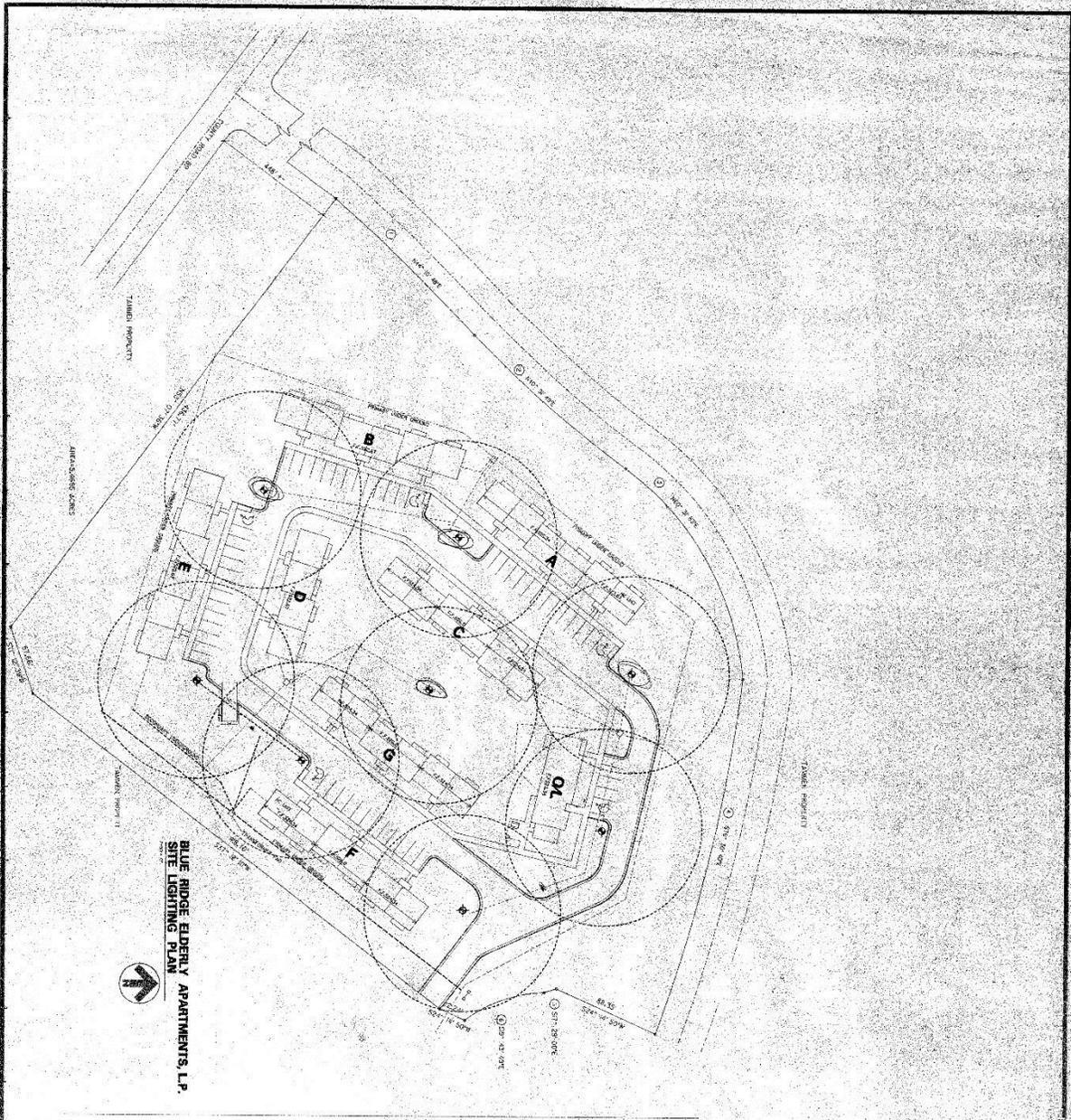
NO.	DESCRIPTION	FINISH
1	DOOR	WOOD
2	DOOR	WOOD
3	DOOR	WOOD
4	DOOR	WOOD
5	DOOR	WOOD
6	DOOR	WOOD
7	DOOR	WOOD
8	DOOR	WOOD
9	DOOR	WOOD
10	DOOR	WOOD
11	DOOR	WOOD
12	DOOR	WOOD
13	DOOR	WOOD
14	DOOR	WOOD
15	DOOR	WOOD
16	DOOR	WOOD
17	DOOR	WOOD
18	DOOR	WOOD
19	DOOR	WOOD
20	DOOR	WOOD

WINDOW SCHEDULE

NO.	DESCRIPTION	FINISH
1	WINDOW	WOOD
2	WINDOW	WOOD
3	WINDOW	WOOD
4	WINDOW	WOOD
5	WINDOW	WOOD
6	WINDOW	WOOD
7	WINDOW	WOOD
8	WINDOW	WOOD
9	WINDOW	WOOD
10	WINDOW	WOOD
11	WINDOW	WOOD
12	WINDOW	WOOD
13	WINDOW	WOOD
14	WINDOW	WOOD
15	WINDOW	WOOD
16	WINDOW	WOOD
17	WINDOW	WOOD
18	WINDOW	WOOD
19	WINDOW	WOOD
20	WINDOW	WOOD

LIGHT FIXTURE SCHEDULE

NO.	DESCRIPTION	FINISH
1	FIXTURE	WOOD
2	FIXTURE	WOOD
3	FIXTURE	WOOD
4	FIXTURE	WOOD
5	FIXTURE	WOOD
6	FIXTURE	WOOD
7	FIXTURE	WOOD
8	FIXTURE	WOOD
9	FIXTURE	WOOD
10	FIXTURE	WOOD
11	FIXTURE	WOOD
12	FIXTURE	WOOD
13	FIXTURE	WOOD
14	FIXTURE	WOOD
15	FIXTURE	WOOD
16	FIXTURE	WOOD
17	FIXTURE	WOOD
18	FIXTURE	WOOD
19	FIXTURE	WOOD
20	FIXTURE	WOOD

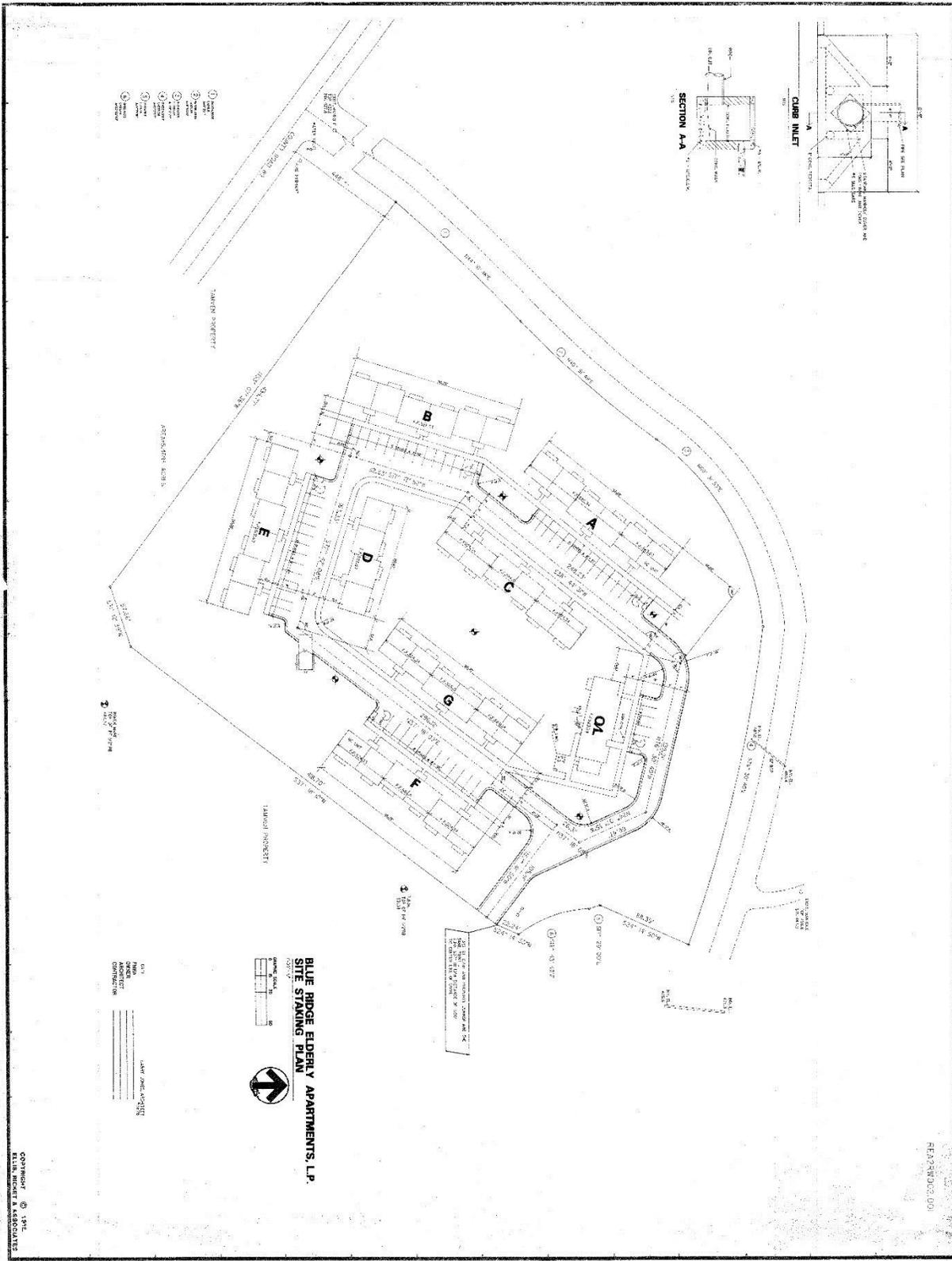


SITE LIGHTING LAYOUT

DATE: 11/11/11
 DRAWN BY: [Name]
 CHECKED BY: [Name]

BLISS, RICKET & ASSOCIATES
ARCHITECTS
 824 Ridge
 site 1111

NO.	DATE	DESCRIPTION
1	11/11/11	ISSUED FOR PERMIT
2		
3		
4		
5		
6		
7		
8		
9		
10		



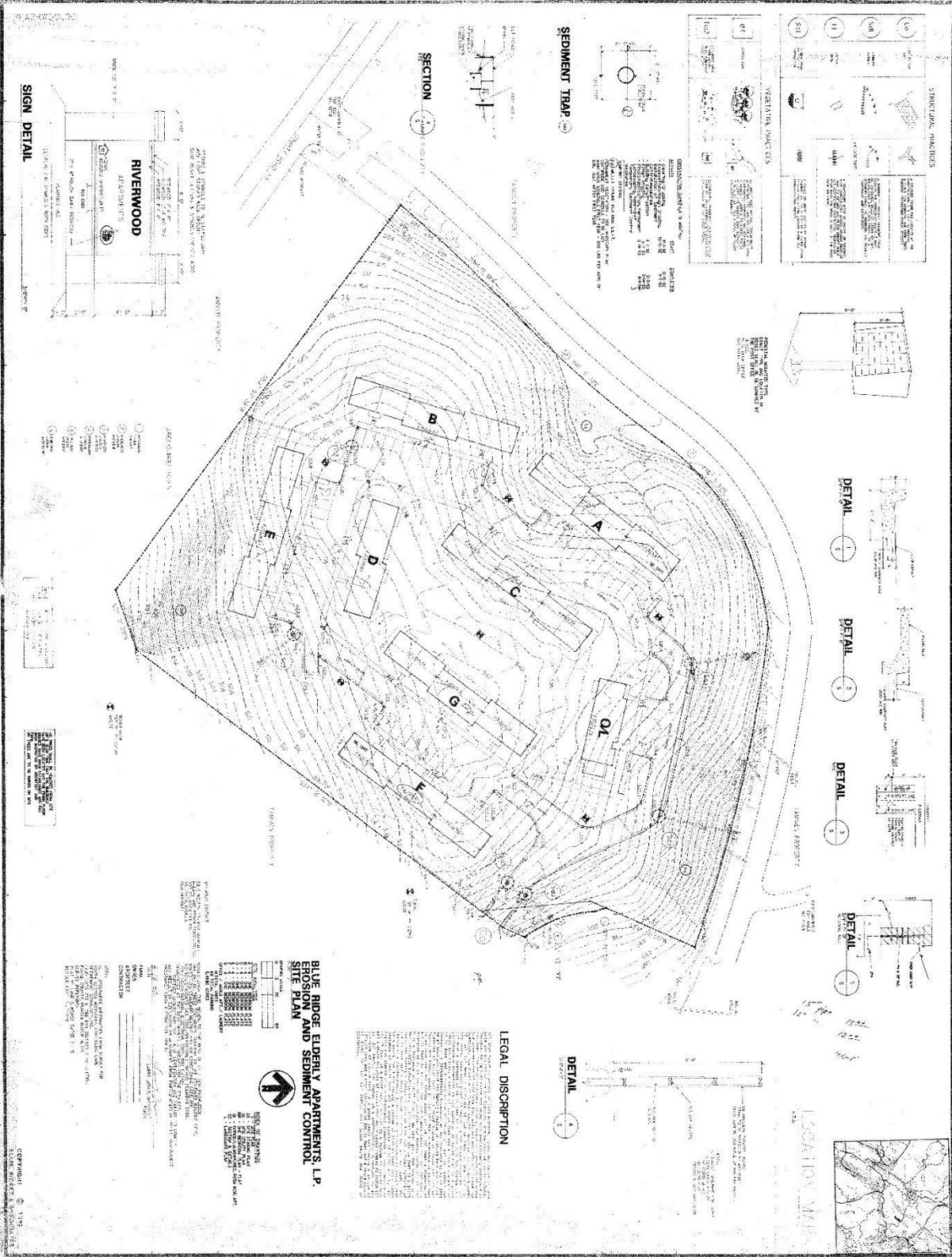
ELLIS, RICKET & ASSOCIATES
ARCHITECTS
 Post Office Box 2977 Valdosta, Georgia 31601 Telephone (912) 242-3556

BLUE RIDGE ELDERLY APARTMENTS, L.P.
 BLUE RIDGE, FANNING COUNTY, GEORGIA

NO.	DATE	REVISION
1	10/15/93	ISSUED FOR PERMITS
2	10/15/93	REVISED PER COMMENTS
3	10/15/93	REVISED PER COMMENTS
4	10/15/93	REVISED PER COMMENTS
5	10/15/93	REVISED PER COMMENTS

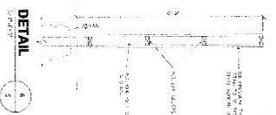
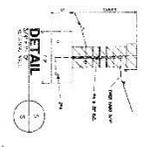
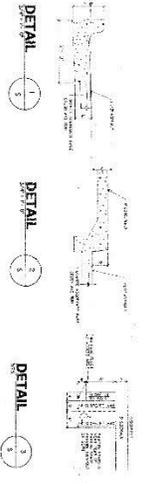


REA-24002.00



STRUCTURAL FINISHES

10	CONCRETE	11	PAINT
12	PLASTER	13	CEILING
14	FLOORING	15	WALLS
16	ROOFING	17	GLASS
18	MECHANICAL	19	ELECTRICAL
20	PLUMBING	21	HEATING
22	Cooling	23	Lighting
24	Acoustic	25	Fire Protection
26	Security	27	Accessibility
28	Other	29	Specialty



BLUE RIDGE ELDERLY APARTMENTS, L.P.
FOUNDATION AND SEDIMENT CONTROL
SITE PLAN



ELLIS, RICKET & ASSOCIATES
ARCHITECTS

Post Office Box 2977, Valdosta, Georgia 31601 Telephone (912) 229-2222
 BLUE RIDGE ELDERLY APARTMENTS, L.P. 1000
 BLUE RIDGE PARK DRIVE, VALDOSTA, GEORGIA

S

2015 REHABILITATION WORK SCOPE

PROJECT NAME: Riverwood Apartments	YEAR BUILT: 1993
PROJECT LOCATION: 36 W Dogwood Lane	UNIT COUNT: 40
	GROSS SQUARE FOOTAGE: 26,720

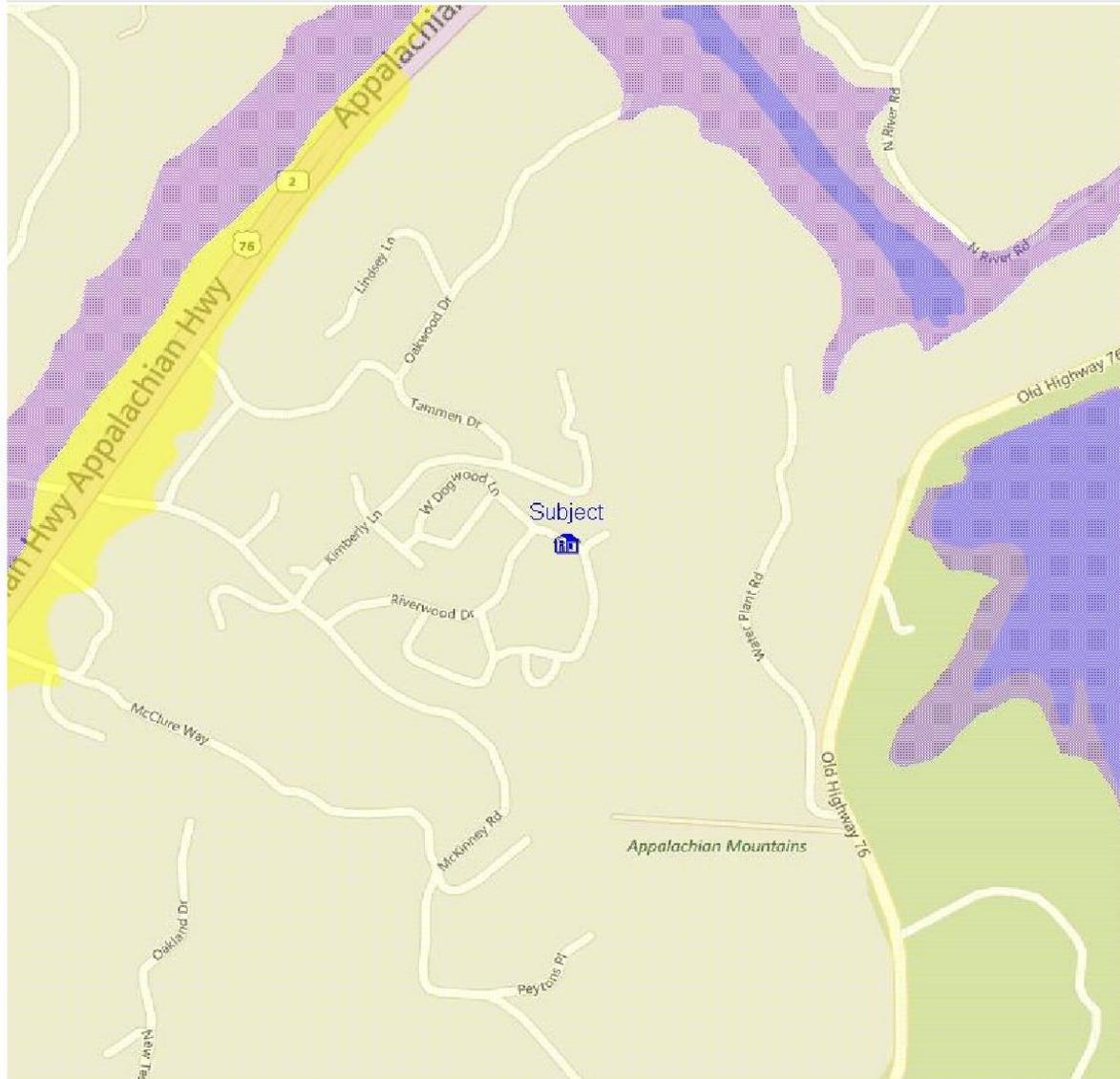
CSI DIVISION		TRADE ITEM	Describe scope, materials, performance specifications	Percentage of total existing to be demoed or replaced	QUANTITY	UNIT (sf, lf, ea, cy, sy, etc.)	UNIT COST	TOTAL (quantity * unit cost)
New Format	Old Format							
24	n/a	Accessibility						\$0
24		convert existing units to 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 on site 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	100	25	units	265	\$6,625
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 3 Handicap parking spaces have a slope greater than 2% slope and cross slope and need to be redone. Several of the sidewalks have settled and are causing a tripping hazard.	34	5240	SF	5.5	\$28,820
Total (Accessibility)								\$70,965
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		Add storm drain behind office and behind bldg "C"	The area behind the office needs to have a storm drain added to prevent flooding of the office/community center. Yard drains have been added but cannot handle heavy rains. The storm drain needs to be run from behind the office and under the road to be tied into the storm drain on the NE side. The Area behind Bldg "C" needs to have a storm drain added to prevent flooding of the building. Water now covers the back porches and gets up to the back thresholds during heavy rain. The storm drain needs to be run from the rear of Bldg. "C" and across the road to be tied in to the storm drain on the SE side of the property.	100	286	LF	56	\$16,016
34	2	Landscaping & Irrigation						\$0
34		sodding/seeding						\$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 and roots on the NE side of the property. Remove the large juniper bed at the entrance that are causing problems with the utilities.	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 Pavilion, picnic tables and grill.	100	1 each	24480		\$24,480
32	2	Roads (paving)		8	1084 SF	16		\$17,344
32		asphalt paving	Repair Asphalt and Overlay	100	30350 SF	2		\$60,700
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 the picnic pavilion and picnic tables.	2	340 SF	6.2		\$2,108
32		Video utilities	Video sewer lines	100	900 LF	8		\$7,200
31	2	Site Utilities						\$0
31		water service						\$0
31		fire service						\$0
31		storm water piping						\$0
31		sewer service	Clean sewer lines and remove roots that are clogging lines. RegROUT the inlets and outlets to the sewer manholes to prevent roots from entering.	100	6 each	860		\$5,160
31		electrical service	Exterior Lighting is a constant problem. The wiring to the lights needs to be replaced.	100	870 LF	8		\$6,960
31		gas service						\$0
								\$0
Total (Land Improvements)								
								\$177,784
1	3	Concrete (building pads & gypcrete)						\$0
2	4	Masonry						\$0
3	5	Metals (stair stringers, metal decking, handrails, structural steel)	Pressure wash brick and point up	100	8 Bldgs.	500		\$4,000
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	34 Fire Walls	145		\$4,930
4		exterior wood decks/patios and rails						\$0
5	6	Finish Carpentry (window sills, wood base, wood paneling, exterior wood trim, shutters, etc)						\$0
5		exterior trim including shutters						\$0
5		interior trim including wood base						\$0
6	7	Waterproofing, caulking and sealants	Replace Exterior door trim and damaged window stools	100	41 units	256		\$10,496
7	7	Insulation	Caulk all receptacles, light fixture boxes, windows, doors	100	41 units	160		\$5,560
7		wall insulation						\$0
7		roof insulation	Boost Attic Insulation to R-38	100	26720 SF	0.39		\$10,421
7		sound insulation						\$0
8	7	Roofing						\$0
8		shingles (or other roofing material)	Replace with 25 year asphalt Shingles	100	432 SQ	250		\$108,000
8		gutters & downspouts						\$0
6	7	Siding/slucco	Replace vinyl siding	100	12400 SF	4		\$49,600
10	8	Doors & hardware						\$0
10		interior doors	Replace interior door units	100	294 each	90		\$26,460
10		exterior doors	Replace exterior door units	100	124 each	390		\$48,360
10		hardware	Replace Door hardware	100	41 each	320		\$13,120
10		Storm Doors	Replace Storm doors	100	41 each	120		\$4,920
11	8	Windows/glass						\$0

11		Windows	Replace all windows with Low-E, U-Factor 0.35 and SHGC	100	126	each	330	\$41,560
11		mirrors						\$0
13	9	Drywall						\$0
13		repair and replacement-walls	Repair damaged areas	2.5	678	SF	4	\$2,712
13		repair and placement-ceiling	Repair damaged areas and spray finish	1.8	587	SF	4	\$2,348
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	34	1507	SY	18.75	\$28,258
16		wood flooring						\$0
17	9	Painting						\$0
17		exterior walls						\$0
17		interior walls	Semi Gloss Enamel	100	26720	SF	0.75	\$20,040
17		ceilings						\$0
17		doors & trim	Semi Gloss Enamel	100	26720	SF	0.25	\$6,680
17		steel: handrails, stairs, etc	Hand Rails	100	672	LF	5.5	\$3,668
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	41	units	88	\$3,608
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	41	units	68	\$2,788
20	11	Cabinets (incl. countertops)						\$0
20		unit kitchens	Refinish Cabinets	100	41	units	880	\$36,090
20		countertops	Replace Countertops	100	41	units	690	\$28,290
20		bathroom vanities	refinish vanities	100	41	units	85	\$3,485
21	11	Appliances						\$0
21		refrigerators	Replace with Energy Star Refrigerator	84	42	Each	705.12	\$29,615
21		stove	Replace Stove	64	32	Each	456.03	\$14,689
21		vent hood	Replace Vent Hood	100	41	Each	84.53	\$3,465
21		dishwasher						\$0
21		microwave						\$0
21		disposals						\$0
22	12	Blinds & Shades	Replace with 2" faux blinds	100	126	each	55	\$6,930
23	12	Carpets						\$0
24	13	Special Construction (pools)						\$0
25	14	Elevators						\$0
26	15	Sprinklers						\$0
26	15	Plumbing						\$0
26		bathubs and/or pre-fab showers	Tub Repair and Refinish	100	41	units	200	\$8,200
26		shower heads						\$0
26		tub faucets	Replace with new delta faucets	100	41	units	400	\$16,400
26		bathroom sinks	Replace with new china sink, Delta faucet, trap and supp	100	41	units	385	\$15,785
26		bathroom faucets						\$0
26		kitchen sinks	Replace Kitchen Sink, Delta Faucet, Strainers, Trap and	100	41	units	385	\$15,785
26		kitchen faucets						\$0
26		toilets	Replace Toilets with HC Toilets	100	41	Each	385	\$15,785
26		new water service--piping, valves, etc						\$0
26		new waste/vent service--piping, valves, etc						\$0
26		water heaters	Replace	50	25	Each	450	\$11,250
26		individual water metering						\$0
27	15	HVAC						\$0
27		air conditioning equipment	All labor and Materials HVAC Subcontractor	68	34	Each	2900	\$98,600
27		heating equipment						\$0
27		ductwork cleaning						\$0

27		ductwork						\$0
27		duct insulation						\$0
27		bathroom ventilation fans		100	41 each		100	\$4,100
27		solar hot water heating						\$0
29	16	Electrical						\$0
29		unit light fixtures	Install Energy Star ceiling fan in Living Room and Bedro	100	41 Apts.		690	\$28,290
29		common area/exterior building mounted light fixtures	Included in Light Fixture Allowance					\$0
29		pole lights	n/a - GA Power maintained					\$0
29		ceiling fans	Included in Light fixture allowance					\$0
29		electrical wiring (within unit)	Replace switches and outlets	100	40 Apts.		450	\$18,000
29		outlets & light switches	Install GFCI outlets in Laundry and kitchen	100	82 Each		50	\$4,100
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	82 Each		50	\$4,100
29		fire alarm system						\$0
29		security alarm system						\$0
29		access control system						\$0
29		camera system						\$0
Subtotal (structures)								\$774,625
Total (Structure & Land Imprvmts & Accessibility)								\$1,023,374

ADDENDUM C



MAP DATA

Panel Date	September 17, 2010	FIPS Code	13111
Map Number	13111C0068E	Census Tract	0504.00
Geocoding Accuracy	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 D

**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

ORIGINALLY LICENSED

02/06/2003

END OF RENEWAL
09/30/2018

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

SAMUEL TODD GILL

258907
Status ACTIVE

ORIGINALLY LICENSED

02/06/2003

END OF RENEWAL
09/30/2018

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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 E

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

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

2nd 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

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