

**Appraisal Report\***

**For**

**An Existing Senior Apartment Complex**

**Called**

**Meadow Run II Apartments  
875 Meadow Run Lane Southeast  
Dawson, Georgia 39842**

**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**

**August 1, 2017**

**Effective Date of Appraisal**

**May 9, 2017**

**Appraised By**

**Samuel T. Gill**

**Gill  
Group**

*P.O. Box 784*

*512 N. One Mile Road*

*Dexter, MO 63841*



August 1, 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: Meadow Run II Apartments  
875 Meadow Run Lane Southeast  
Dawson, Georgia 39842  
"As Is" and "As Stabilized" Appraisal Report  
As of May 9, 2017

Dear Ms. Ferrell:

In accordance with your request, I have personally appraised the existing Rural Development and Low Income Housing Tax Credit property targeted towards seniors ages 62 and older known as Meadow Run II Apartments. The site contains approximately 4.00 acres. The subject is improved with seven one-story buildings containing 40 units and an accessory building.

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

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

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

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

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

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

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

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Market Value, within 7 CFR part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition as-if Conventional Housing, as of May 9, 2017, is as follows.

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

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Market Value, Subject to Restricted Rents, within 7 CFR part 3560.752(b)(1)(i), as of May 9, 2017, is as follows.

**NINE HUNDRED EIGHTY THOUSAND DOLLARS**  
**\$980,000**

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 9, 2017, is as follows.

**NINE HUNDRED EIGHTY THOUSAND DOLLARS**  
**\$980,000**

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

**ONE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS**  
**\$1,350,000**

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

**ONE MILLION SIX HUNDRED TEN THOUSAND DOLLARS**  
**\$1,610,000**

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 9, 2017, is as follows:

**FIVE HUNDRED SEVENTY THOUSAND DOLLARS**  
**\$570,000**

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 9, 2017, is as follows:

**FOUR HUNDRED FIFTY ONE THOUSAND DOLLARS**  
**\$451,000**

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 9, 2017, is as follows:

**SIX HUNDRED EIGHTY THOUSAND DOLLARS**  
**\$680,000**

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 637 square feet one-bedroom units of the subject property, as of May 9, 2017, is as follows:

**FOUR HUNDRED THIRTY FIVE DOLLARS**  
**\$435.00**

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 798 square feet two-bedroom units of the subject property, as of May 9, 2017, is as follows:

**FIVE HUNDRED FIFTEEN DOLLARS**  
**\$515.00**

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

**FOUR HUNDRED EIGHTY FIVE DOLLARS**  
**\$485.00**

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

**FIVE HUNDRED SIXTY FIVE DOLLARS**  
**\$565.00**

*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 9, 2017, is as follows.

**THIRTY EIGHT THOUSAND DOLLARS**

**\$38,000**

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 9, 2017, is as follows.

**ONE MILLION TWO HUNDRED THOUSAND DOLLARS**

**\$1,200,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the “As Is” market value of the subject property, subject to restricted rents, as of May 9, 2017, is as follows.

**NINE HUNDRED EIGHTY THOUSAND DOLLARS**

**\$980,000**

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

**ONE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS**

**\$1,350,000**

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

**ONE MILLION SIX HUNDRED TEN THOUSAND DOLLARS**

**\$1,610,000**

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

**THREE MILLION SIX HUNDRED SIXTY SEVEN THOUSAND DOLLARS**

**\$3,667,000.00**

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

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

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

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

Respectfully submitted,

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

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

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**EXECUTIVE SUMMARY**

**Name of the Property** Meadow Run II Apartments  
**Location** 875 Meadow Run Lane Southeast, Dawson, Terrell County, Georgia 39842  
**Current Owner** Dawson Elderly, LP  
**Type of Report** "As Is" and "As Stabilized" Appraisal Report  
**Total Land Area** 4.00 acres or 174,240+/- square feet  
**Floodplain Hazard** According to CoreLogic, Flood Map Number 13273C-0120A, dated September 2, 2009, the subject is zoned X, an area determined to be outside the 100- and 500-year floodplains. Federal flood insurance is available but is not required.

**Zoning** According to the City of Dawson, the subject is zoned R-2, One, Two, and Multiple Family Residential District. The subject is a legal, conforming use.

**Property Description** The subject is improved with seven one-story buildings containing 40 units and an accessory building. The net rentable area is approximately 25,802 square feet. The gross building area, according to the Terrell County Assessor's Office, is 27,900 square feet.

Unit Type	# of Units	Square Footage	Total Square Footage
1/1	38	637	24,206
2/1	2	798	1,596
	<b>40</b>		<b>25,802</b>

**Real Estate Taxes** \$11,428.80 for 2016      **Parcel Number** 042B 021  
**Property Type** Apartment Complex      **Highest and Best Use** Apartment Complex  
**Date of Inspection** May 9, 2017      **Date of Report** August 1, 2017

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

**EXECUTIVE SUMMARY VALUES**

<b>Cost Approach</b>	<b>\$995,000 (As Is Restricted)</b> <b>\$1,210,000 (As Is Market)</b> <b>\$1,610,000 (As Stabilized Restricted)</b> <b>\$1,355,000 (As Stabilized Market)</b>
<b>Income Approach</b>	<b>\$980,000 (As Is Restricted)</b> <b>\$1,200,000 (As Is Market)</b> <b>\$1,610,000 (As Stabilized Restricted)</b> <b>\$1,350,000 (As Stabilized Market)</b>
<b>Sales Comparison Approach</b>	<b>Not Developed (As Is Restricted)</b> <b>\$1,680,000 (As Is Market)</b> <b>Not Developed (As Stabilized Restricted)</b> <b>\$1,840,000 (As Stabilized Market)</b>
<b>Value of Land</b>	<b>\$38,000</b>
<b>Value of Existing 515 Loan</b>	<b>\$570,000</b>
<b>Value of Proposed 515 Loan</b>	<b>\$451,000</b>
<b>Value of Low Income Housing Tax Credits</b>	<b>\$680,000</b>
<b>Insurable Value</b>	<b>\$1,570,000</b>
<b>Unrestricted Market Value at Loan Maturity</b>	<b>\$3,667,000</b>
<b>As Is Market Rent (CRCU)</b>	
One-Bedroom with 637 SF	<b>\$435.00</b>
Two-Bedroom with 798 SF	<b>\$515.00</b>
<b>As Complete Market Rent (CRCU)</b>	
One-Bedroom with 637 SF	<b>\$485.00</b>
Two-Bedroom with 798 SF	<b>\$565.00</b>

## CERTIFICATION

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

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



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

## **SCOPE OF WORK**

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

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

- ◆ Samuel T. Gill, a State Certified General Real Estate Appraiser, oversaw and supervised all data collection and analysis and performed the research. The following actions were taken to complete this appraisal.
  - On May 9, 2017, Trey Johnson and Scott Hassler, Market Analysts, conducted an interior and exterior inspection of the subject property to determine the property's physical and functional characteristics. Samuel T. Gill, State Certified General Real Estate Appraisal, also inspected the exterior. Trey Johnson and Scott Hassler inspected all common areas and at least one unit of each varying type.
  - Trey Johnson and Scott Hassler and Samuel T. Gill researched comparable apartment rental activity in the subject market and competing locations. The research retrieve data from several of the following: internet sites, local newspapers and rental publications, town records, owners and managers of local apartment properties, local real estate brokers, fellow appraisers and the appraiser's office files.
  - During the week of May 9, 2017, Trey Johnson and Scott Hassler inspected the exterior of each comparable property used in the analysis.
  - During the verification process, Samuel T. Gill or one of his associates talked with the managers or leasing agents of the comparable properties, to confirm all data and to collect additional information about each comparable, including size, age, amenities, occupancy rates and general market information. Whenever possible, floor plans and brochures were obtained, which describe the comparable properties unit size, feature and amenities.
  - Samuel T. Gill completed all data and adjustments on the analysis and determined all value conclusions determined in the appraisal.

## INTRODUCTION

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

The property appraised is the land and improvements known as Meadow Run II Apartments. The site is located at 875 Meadow Run Lane Southeast, Dawson, Terrell County, Georgia.

### **Legal Description**

See Addendum A.

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

According to the Terrell County Assessor's Office, the property is owned by Dawson Elderly, LP. The property has not transferred ownership within the past five years. The property is currently under contract for sale between Dawson Elderly, LP (seller) and Meadow Run II Dawson, 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 9, 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 Dawson, the Terrell County Recorder; the Terrell County Assessor; United States Bureau of Labor Statistics; United States Census Bureau; Walkscore; ESRI Business Information Solutions; and Nielsen Claritas and Ribbon Demographics.

### **Area and Neighborhood Analyses**

Primary data was gathered pertaining to the subject neighborhood and the area during the week of May 8, 2017, to May 12, 2017. This information was analyzed and summarized in this report. Area data was obtained from the City of Dawson; the Terrell County Recorder; the Terrell 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 Dawson and the surrounding area. Market data on improved sales and leased properties were obtained from Dawson 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 market area 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 Dawson, Georgia, and the surrounding area indicate that they are not owner-occupied. The Income Approach discusses similar apartment complexes in Dawson, Terrell County, Georgia, which were leased.

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

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

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

### **Summary**

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

### **Estimated Marketing Time**

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

## **Definition of Terms**

### **Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of U.S. cash dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

### **Market Value, Subject to Restricted Rents**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

It considers any rent limits, rent subsidies, expense abatements or restrictive-use conditions imposed by any government or non-government financing sources but does not consider any favorable financing involved in the development of the property.<sup>2</sup>

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

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

### **“As-Is” Value**

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.<sup>3</sup>

### **Prospective Value**

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

### **Investment Value**

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

### **Fee Simple Estate**

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

### **Leased Fee Estate**

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

### **Leasehold Estate**

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

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

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

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

**Replacement Cost**

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

**Reproduction Cost**

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

**Contract Rent**

The actual rental income specified in a lease.

**Market Rent**

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

**Excess Rent**

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

**Percentage Rent**

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

**Overage Rent**

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

**Special Purpose Property**

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

## **Special Limited Conditions and Assumptions**

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

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

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

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

### **3. Confidentiality**

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

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

### **4. Information Used**

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

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

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

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

#### **6. Exhibits**

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

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

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

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

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

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

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

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

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

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

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

## **8. Legality of Use**

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

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

### **9. Component Values**

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

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

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

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

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

### **12. Inclusions**

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

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

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

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

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

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

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

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

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

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

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

#### **16. Fee**

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

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

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

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

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

**19. Hypothetical Conditions\***

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

**20. Extraordinary Assumptions\***

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

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

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

**22. Review**

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

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

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

**DESCRIPTIVE SECTION**

## Regional and Area Data and Area Maps

The following data on the City of Dawson and Terrell 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 Dawson is located in Terrell County which is located in the southwest portion of Georgia. The nearest cities include the following: Bronwood, Georgia; Sasser, Georgia; Parrott, Georgia; Shellman, Georgia; Smithville, Georgia; Leesburg, Georgia; Weston, Georgia; and Plains, Georgia.

### Utilities

The City of Dawson provides water, sewer, and natural gas services to the residents of the city. Electricity is provided by Georgia Power. Basic phone service is provided by Windstream.

### Health Care

Terrell Community Hospital is located in Dawson and serves the residents of the city and the surrounding area. Additional health care and medical facilities nearby include Southwest Georgia Regional Medical Center in Cuthbert, approximately 23 miles from Dawson, and Phoebe Sumter Medical Center, approximately 28 miles from the city in Americus.

### Transportation

Major highways in the County of Terrell include U.S. Route 82, and State Highways 32, 41, 45, 49, 50, 55, 118, and 520. Dawson is home to Dawson Municipal Airport and Young Airport. Southwest Georgia Regional Airport is approximately 25 miles from the city in Albany.

## Population and Employment Statistics

### CENSUS

	City	County	State
<b>Population</b>	4,388	9,213	10,006,693
<b>Households</b>	1,516	3,312	3,574,362
<b>Renter Occupied</b>	934	1,370	1,310,665

LABOR STATISTICS

COUNTY				
	Labor Force	Employment	Unemployment	Unemployment Rate
<b>2005</b>	4,586	4,271	315	6.9
<b>2010</b>	3,917	3,439	478	12.2
<b>March 2017</b>	3,740	3,502	238	6.4

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

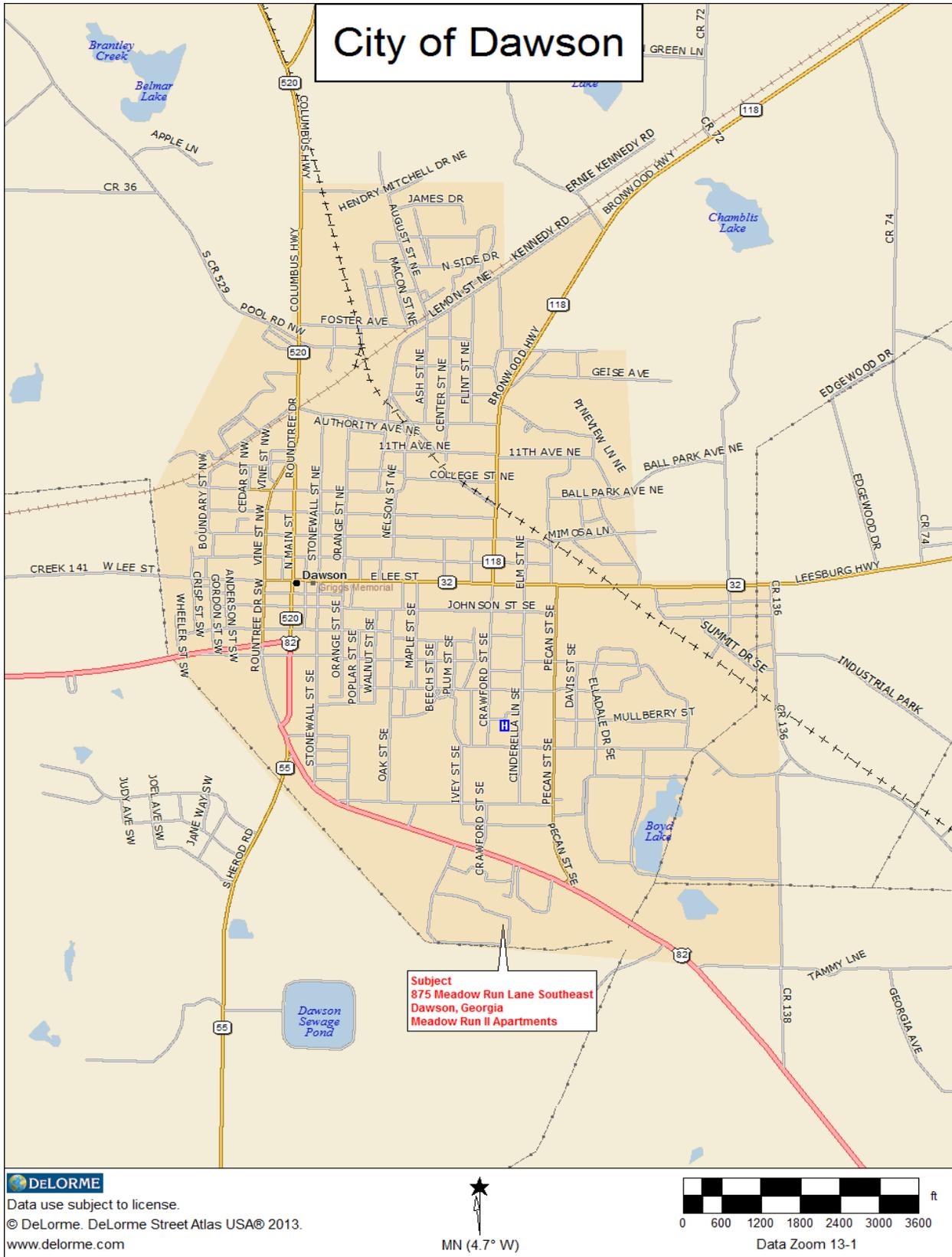
**Major Employers**

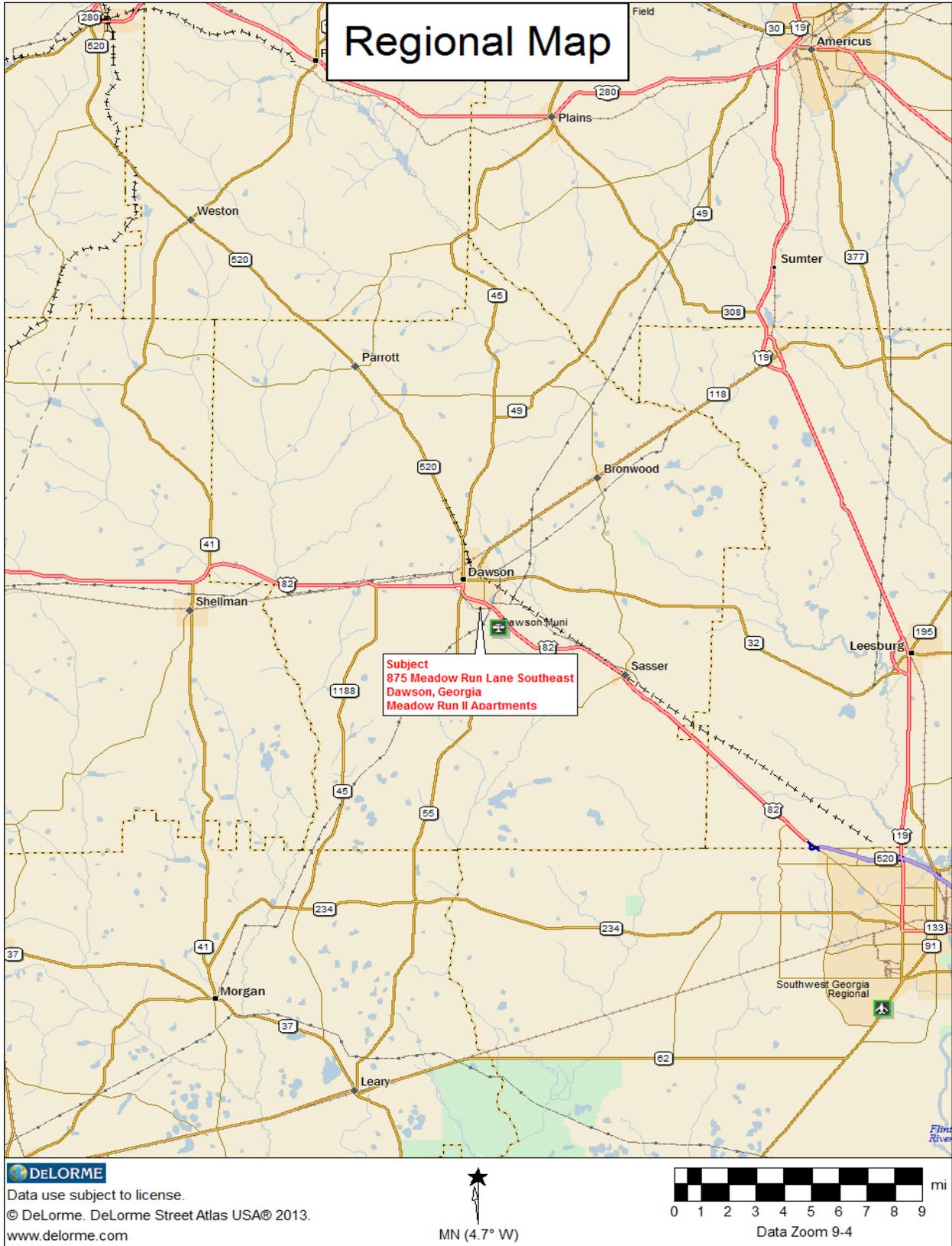
Major employers for the area are as follows:

MAJOR EMPLOYERS	
Name	Product/Industry
Badcock Home Furniture and More	Retail
Bank of Terrell	Finance
Dawson Health and Rehabilitation	Health Care
Golden Peanut Co.	Manufacturing
Harvey's Supermarket	Grocery
McCleskey Cotton Co., LLC	Manufacturing
McDonald's	Restaurant
Rainey Used Cars, Inc.	Automobile Sales
Terrell Academy, Inc.	Education
Tyson Farms, Inc.	Manufacturing

**Summary and Conclusions**

Dawson is a city located in the southwest portion of Georgia. The economic outlook for future growth and development appears to be stable.





**Neighborhood Data**

**Location**

The subject property is located in the southern portion of the City of Dawson, Georgia. The neighborhood has average attractiveness and appeal. The neighborhood has the following boundaries: North – U.S. Highway 82; South – County Road 135 and City Limits; East – U.S. Highway 82; and West – State Highway 55

**Access**

The neighborhood is accessed by U.S. Highway 82, State Highway 55 and County Road 135. There are additional roads running north to south and west to east that provide access to the neighborhood as well. Street widths and patterns appear to be adequate for the surrounding uses.

**Proximity to Services**

<b>Restaurants</b>	
0.1 mi	Huddle House
0.1 mi	520 Rib Shack
0.1 mi	Hardee's
0.3 mi	Subway
0.3 mi	Wayne's Restaurant & Grill
0.8 mi	San Joe's Mexican Grill
0.9 mi	McDonald's
0.9 mi	Main St Steak & Seafood
0.9 mi	Pizza Hut
1.1 mi	No 1 Chinese Restaurant
1.2 mi	Carters Fried Chicken
1.4 mi	The Farmhouse
1.5 mi	Peanut Meal

<b>Groceries</b>	
0.8 mi	Manders & Mims Go Market
1 mi	Piggly Wiggly
1 mi	Harvey's Supermarket
1.4 mi	Brumby Foods
6.4 mi	AMI Grocery and Gas
10 mi	Brumby Foods IGA

<b>Schools</b>	
0.3 mi	Terrell Academy
0.6 mi	Carver Elementary School
0.7 mi	Terrell Middle School
1.8 mi	Cooper Primary School
3.1 mi	Terrell Middle High School
10 mi	Randolph Southern School
15 mi	Lee County Middle School
15 mi	Lee County High School

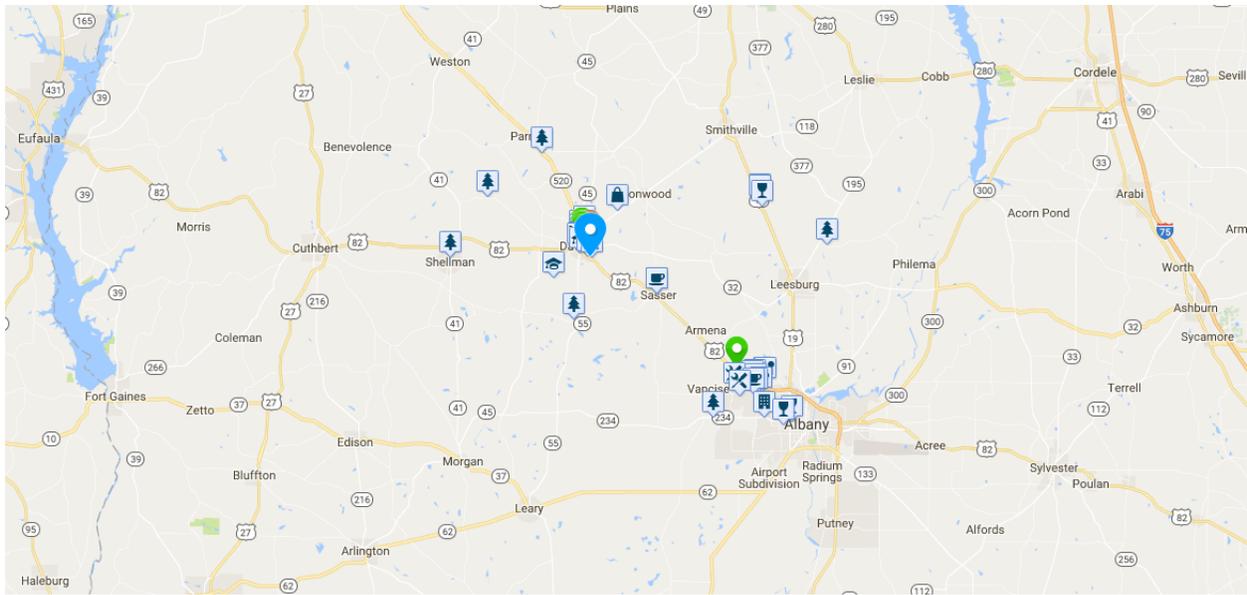
<b>Shopping</b>	
1 mi	Knight's Outlet
4.1 mi	Weston Enterprises
10 mi	Maridean's
13 mi	Doublegate EE-ZZ Mart
13 mi	Factory Connection
14 mi	Edwin Watts Golf
15 mi	Powersports Plus
15 mi	Family Dollar Store
15 mi	Target
15 mi	Cato Fashions
15 mi	Party City
15 mi	Southern Peach
16 mi	Catherines
16 mi	Hibbett Sports
16 mi	It's Fashion Metro

<b>Banks</b>	
0.1 mi	OneSouth Bank
1.1 mi	Bank of Terrell
1.2 mi	Bank of Dawson
14 mi	Synovus - SB&T Bank

<b>Police</b>	
1.1 mi	Dawson Public Safety Department

<b>Medical Facilities</b>	
1 mi	Dawson Medical Center
14 mi	Hughston Clinic
16 mi	Private Clinic Albany
16 mi	FastTrack Immediate Care
17 mi	Phoebe Primary Care
17 mi	Albany Area Primary Health Care

Meadow Run II Apartments \* 875 Meadow Run Lane Southeast \* Dawson, Georgia



**Land Use Pattern**

The subject neighborhood is comprised primarily of multifamily dwellings and is 90 percent built up. Approximately 60 percent of the land use is made up of multifamily dwellings. About 30 percent is comprised of commercial properties. The remaining 10 percent is vacant land. The area is mostly rural.

**Neighborhood Characteristics**

The subject is located in the City Center neighborhood, according to Neighborhood Scout. The median real estate price of the neighborhood is \$85,179, which is less expensive than 81.2 percent of the neighborhoods in Georgia and 81.2 percent of the neighborhoods in the United States. The average rental price in the neighborhood is \$840, according to Neighborhood Scout, which is lower than 74.9 percent of all Georgia neighborhoods.

The neighborhood has 32.0 percent of the working population employed in sales and service jobs. Another 25.1 percent of the residents are employed in manufacturing and laborer occupations. Clerical, assistant and technical support occupations make up 23.5 percent, and 19.4 percent are employed in executive, management and professional occupations.

According to Neighborhood Scout, the school quality rating is 8 (100 is the best). The neighborhood is served by the Terrell County School District which contains four schools and approximately 1,479 students. The school district quality is considered better than 5.9 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 multifamily dwellings. Meadow Run I Apartments and commercial properties are located north of the site. Wooded vacant land are located south of the site. Commercial properties are located east of the subject. Autumn Crest Apartments is located west of the subject.



### **Crime**

According to [www.neighborhoodscout.com](http://www.neighborhoodscout.com), the crime index for the subject neighborhood is 14. There are 171 total crimes annually in the neighborhood, 28 of which are violent crimes and 143 of which are property crimes. The annual violent crime rate is 9.23 per 1,000 residents, while the property crime rate is 47.12 per 1,000 residents. The total annual crime rate is 56.35 per 1,000 residents. The chances of becoming a victim of a violent crime are 1 in 108 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 21 which is lower than the rate for the state which is 1 in 30.

### **Adverse Influences**

The crime index for the subject neighborhood is elevated. However, the subject has video surveillance which offset any adverse influence due to crime. Therefore, 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 3,106, an decrease of (31) people from the 2010 population of 3,137. The population is expected to decrease at an annual rate of 1.4 percent between 2017 and 2022. Therefore, the 2022 population is projected at 3,063. The median age for the neighborhood is 43.9.

The total number of households decreased from 1,147 in 2010 to 1,139 in 2017. Household totals are expected to decrease, with a projected 1,123 households in 2022.

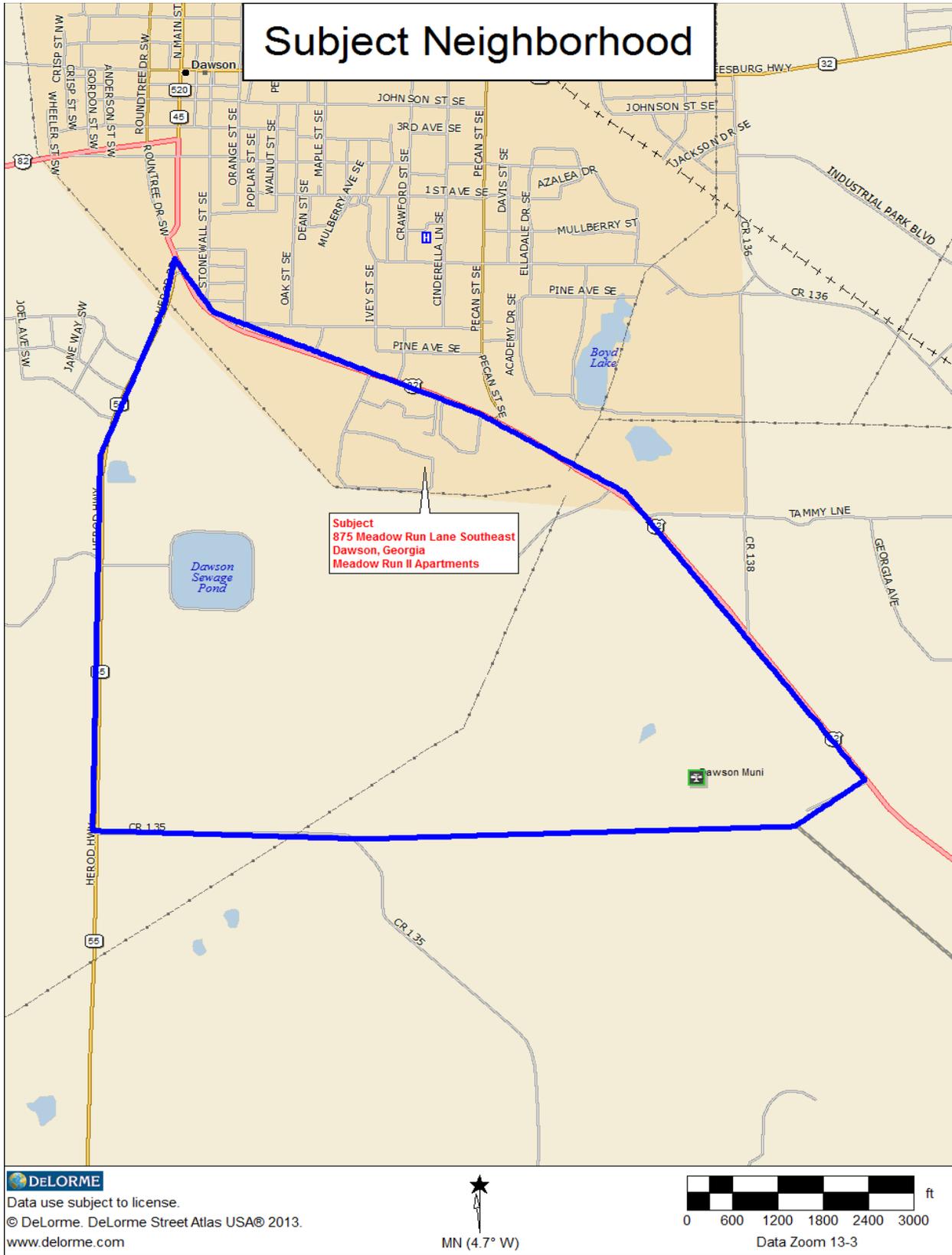
The median household income for the neighborhood in 2017 is \$31,094. It is expected to increase to \$32,796 by 2022. The per capita income is \$19,475.

The median home value for the neighborhood in 2017, according to ESRI, is \$82,200. According to ESRI, the average amount spent for owner-occupied households in the subject's neighborhood is \$7,860.00, or \$655 per month. The average amount spent for renter-occupied households is \$7,500.00, or \$625 per month.

### **Analysis/Comments**

In conclusion, the subject is located in the southern portion of Dawson, 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 the following Census Tracts: 1202.00, 1203.00 and 1204.00. The market area has the following boundaries: North – Webster County; South – Calhoun County; East – Sumter County, Lee County, State Highway 32 and Chickasawhatchee Creek; and West – Randolph County.

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.

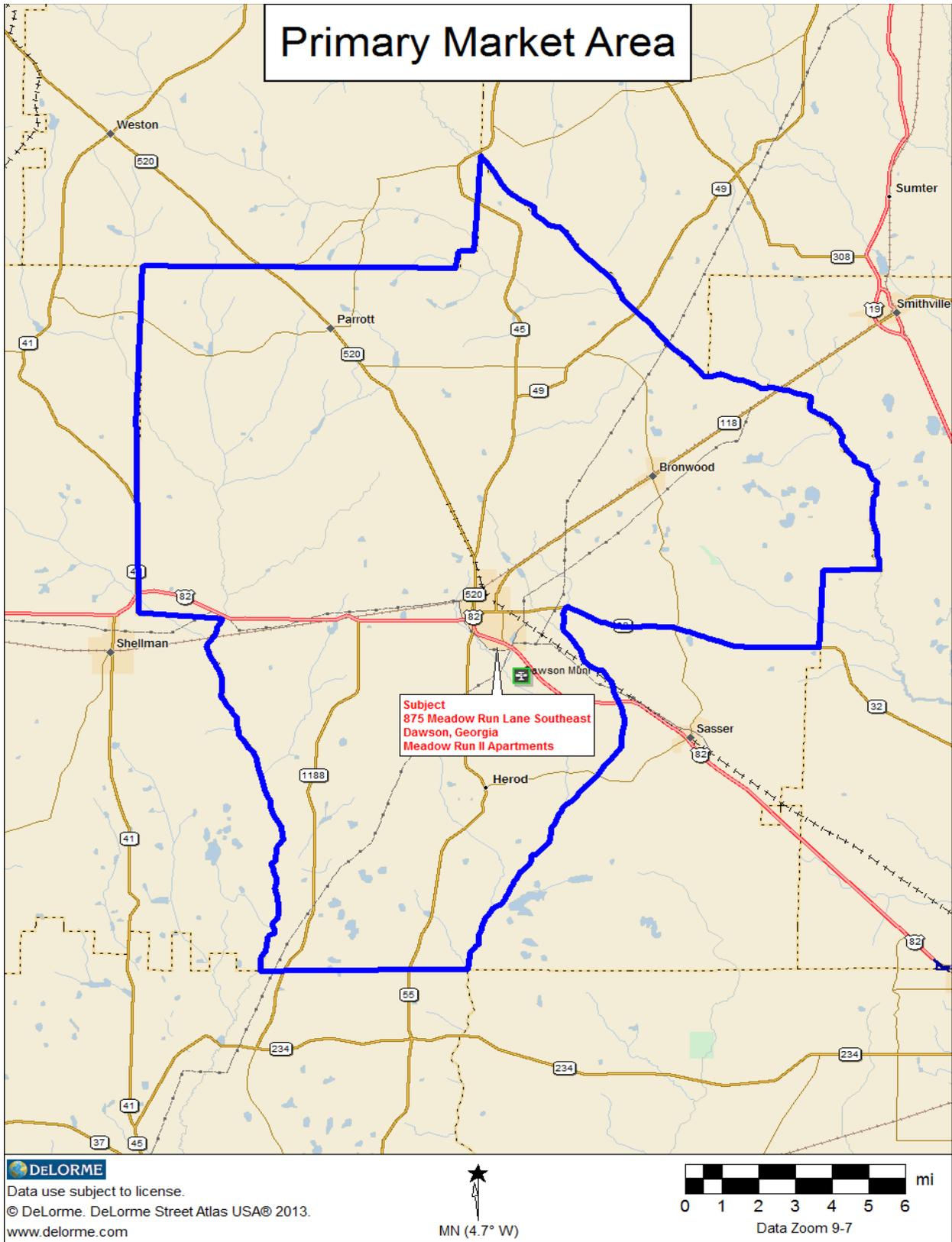
The field/phone survey was conducted in March 2017. Nine market-rate properties responded to the survey and four restricted properties, including the subject, responded to the survey. Of the apartments surveyed an overall vacancy rate of five percent was determined for the market-rate vacancy and four percent was determined for the restricted vacancy. The subject is currently 97 percent occupied. Historically, the subject’s occupancy rate has ranged from 88 to 96 percent since 2013. 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.

<b>Market Area Vacancy by Development - Conventional</b>			
<b>Property Name</b>	<b># of Units</b>	<b># of Vacant Units</b>	<b>Vacancy Percentage</b>
Southland Heights Apartments	89	0	0.0%
Lexington Place Apartments	97	7	7.0%
Cripple Creek Apartments	50	3	5.0%
Georgetown Apartments	32	1	4.0%
Troy Hill Apartments	57	6	10.0%
Country Club Drive Apartments	24	0	0.0%
St. Charles Apartments	42	4	10.0%
Hillside Manor Apartments	60	3	5.0%
Pecan Villas Apartments	8	0	0.0%
<b>TOTALS</b>	<b>459</b>	<b>23</b>	<b>5.1%</b>

<b>Market Area Vacancy by Development - Affordable</b>			
<b>Property Name</b>	<b># of Units</b>	<b># of Vacant Units</b>	<b>Vacancy Percentage</b>
Meadow Run I Apartments	49	5	10.2%
Meadow Run II Apartments	40	1	2.5%
Autumn Crest Apartments	36	0	0.0%
Dawson Housing Authority	135	4	3.0%
<b>TOTALS</b>	<b>260</b>	<b>10</b>	<b>3.8%</b>

**Absorption Period**

The subject is an existing 40-unit complex that is currently 97 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 Terrell County Assessor's Office.

**Total Land Area** 4.00 acres or 174,240+/- square feet

**Shape/Dimensions** Irregular

**Access & Exposure** The subject property is located on Meadow Run Lane Southeast. The site is at or near pavement grade with Meadow Run Lane Southeast. The site has ingress and egress on Meadow Run Lane Southeast.

**Topography/Drainage** The site is nearly level. 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 CoreLogic, Flood Map Number 13273C-0120A, dated September 2, 2009, the subject is zoned X, an area determined to be outside the 100- and 500-year floodplains. Federal flood insurance is available but is not required.

**Environmental Issues** The appraisers are not qualified to determine whether or not hazards exist. A copy of a Phase I Environmental Site Assessment was not 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 not provided with this assignment. The appraisers are not qualified to determine whether or not the adjacent properties encroach on the subject site.

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

**Site Ratios**

Building to Land Ratio: 1 to 6.25;

Site Coverage Ratio - 16.01 percent

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

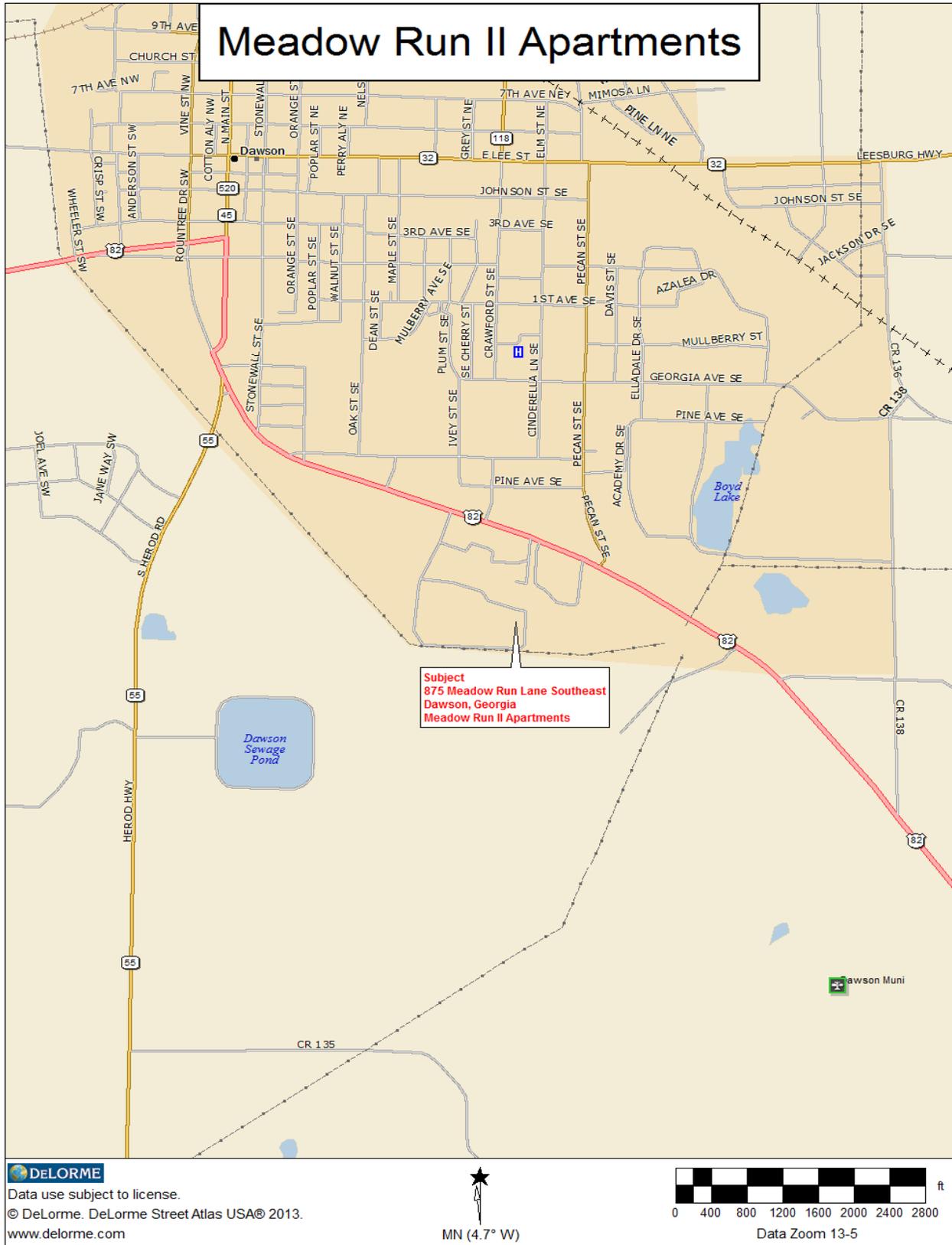
**Utilities**

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

**Zoning**

According to the City of Dawson, the subject is zoned R-2, One, Two, and Multiple Family Residential District. The subject is a legal, conforming use. Therefore, it is unlikely that a zoning change will occur. The subject appears to meet site and setback requirements and appears to conform to the current zoning restrictions. The subject could be re-built if it were destroyed. The current zoning is consistent with the Highest and Best Use of the subject. Since there are no obvious conflicts between the subject property and the zoning of the property, there is no negative impact on the market value by the zoning classification.

Subject Map



**Improvement Description**

<b>Number of Buildings</b>	The subject contains seven one-story buildings containing 40 units and an accessory building.
<b>Net Rentable Building Area</b>	25,802 square feet
<b>Gross Building Area</b>	27,900 square feet
<b>Year Built/Year Renovated</b>	1994
<b>Economic Life</b>	55 Years
<b>Effective Age</b>	10 Years (As Is) 5 Years (As Complete)

The subject contains seven one-story buildings containing 40 units. The property also contains an accessory building housing the community room, laundry facility, leasing office and maintenance area. According to the Terrell County Assessor, the gross building area of the property is 27,900 square feet. A copy of the plans, dated June 18, 1992, and completed by Ellis, Ricket and Associates Architects of Valdosta, Georgia, is included in the addenda.

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

<b>Unit Type</b>	<b># of Units</b>	<b>Square Footage</b>	<b>Total Square Footage</b>
1/1	38	637	24,206
2/1	2	798	1,596
	<b>40</b>		<b>25,802</b>

The property includes the following amenities:

Unit Amenities	Included	Fee	Project Amenities	Included	Fee
Refrigerator	x		Clubhouse		
Range/Oven	x		Meeting Room	x	
Garbage Disposal			Dining Room		
Dishwasher			Swimming Pool		
Microwave			Spa/Hot Tub		
Washer/Dryer			Exercise Room		
Washer/Dryer Hook-Ups	x		Picnic Area	x	
Carpet	x		Playground		
Vinyl	x		Tot Lot		
Wood			Volleyball Court		
Wood Composite			Basketball Court		
Ceramic Tile			Tennis Court		
Blinds	x		Exterior Storage		
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			Laundry Facility	x	
Emergency Call			On-Site Management	x	
Safety Bars			On-Site Maintenance		
<b>Parking</b>	<b>Included</b>	<b>Fee</b>	Intercom/Electronic Entry		
Parking Lot/# of Spaces	x/58	\$0	Limited Access Gate		
Covered Parking/# of Spaces			Perimeter Fencing	x	
Garage/# of Spaces			Security Patrol		
Parking Garage/Underground/# of Spaces			Video Surveillance		

The subject is 100 percent Rural Development and Low Income Housing Tax Credit with Rental Assistance for 39 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	38	637	\$407	\$125
2/1	2	798	\$427	\$144

The property will undergo a substantial rehabilitation and will be in average condition. 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. The current non-revenue unit will be converted and rented after rehabilitation.

Unit Type	# of Units	Square Footage	Proposed Rent	Utility Allowance
1/1	38	637	\$385	\$125
2/1	2	798	\$468	\$144

The rents indicated in the table are assuming LIHTC restrictions, but the subject will retain its Rental Assistance for 39 units. The subject is currently a Rural Development property that, after rehabilitation, will remain a Rural Development property with Rental Assistance for 39 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.

Once rehabilitation is complete, the property will include 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		
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			Laundry Facility	x	
Emergency Call			On-Site Management	x	
Safety Bars			On-Site Maintenance		
<b>Parking</b>	<b>Included</b>	<b>Fee</b>	Intercom/Electronic Entry		
Parking Lot/# of Spaces	x/58	\$0	Limited Access Gate		
Covered Parking/# of Spaces			Perimeter Fencing	x	
Garage/# of Spaces			Security Patrol		
Parking Garage/Underground/# of Spaces			Video Surveillance		

**CONSTRUCTION SUMMARY**

Foundation	Concrete Slab on Grade
Construction	Frame
Exterior Walls	Vinyl Siding/Brick
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	Tenant
Trash Collection	N/A	Tenant

**APPEAL**

Landscaping                                      Trees, Grass, Shrubs

**Age, Life and Condition**

The subject was constructed in 1994 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 \$82,200. According to ESRI, the average amount spent for owner-occupied households in the subject's neighborhood is \$7,860.00, or \$655 per month. The average amount spent for renter-occupied households is \$7,500.00, or \$625 per month. This data indicates that the cost to rent is 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. 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.

**Subject Photos**



View of Sign



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Perimeter Fencing



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Accessory Building



View of Community Room



View of Community Room Kitchen

Meadow Run II Apartments \* 875 Meadow Run Lane Southeast \* Dawson, Georgia



View of Laundry Facility



View of Mailboxes



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 Utility Area - One-Bedroom Unit



View of Pull Cord - One-Bedroom Unit



View of Living Area - Two-Bedroom Unit



View of Kitchen - Two-Bedroom Unit



View of Bedroom - Two-Bedroom Unit



View of Bath - Two-Bedroom Unit



View of Parking Lot



View of Street



View to the North



View to the South



View to the East



View to the West

**Assessments and Current Real Estate Taxes**

The tax rate for Terrell County is 29.98400 per \$1,000 of assessed value, and the tax rate for Dawson is 8.11200 per \$1,000 of the assessed value. The property has a total appraised value of \$750,000, with \$120,000 allocated to land and \$630,000 allocated to improvements. The assessor uses 40 percent of the appraised value to determine the assessed value. As a result, the assessed value was \$300,000. The 2016 real estate taxes for the subject were \$11,428.80: \$8,995.20 for the county and \$2,433.60 for the city. 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
Lexington Place Apartments 1130 Felder Street Americus, Sumter County, Georgia	97	1998	73-1	\$216,200	\$3,099,800	\$3,316,000	\$58,611.00	\$604.24
Troy Hill Apartments 303 East Glessner Street Americus, Sumter County, Georgia	57	1970	58-5-2	\$224,700	\$2,624,800	\$2,849,500	\$50,365.00	\$883.60
Cripple Creek Apartments 110 Knollwood Drive Americus, Sumter County, Georgia	50	1983	33B-69	\$122,500	\$936,500	\$1,059,000	\$18,718.00	\$374.36
Georgetown Apartments 1034 Elm Avenue Americus, Sumter County, Georgia	32	1996	58-1-1	\$97,500	\$1,783,100	\$1,880,600	\$33,240.00	\$1,038.75
Pecan Villas 578 Pecan Street Southeast Dawson, Terrell County, Georgia	8	1981	D21-021	\$10,100	\$195,374	\$205,474	\$3,131.10	\$391.39

These comparables are all market-rate facilities in Sumter and Terrell Counties. The comparables indicated a range of \$374.36 per unit to \$1,038.75 per unit. The subject's actual real estate taxes are \$286.00 per unit. The subject's real estate taxes are lower than the range of the tax comparables. Pecan Villas is the only comparable in Terrell County and has per unit taxes of \$391.39. This comparable was given considerable weight. Therefore, real estate taxes were projected at \$450 per unit, or \$22,050, for the market "as is" scenario.

### **Highest and Best Use Analysis**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As noted in the Site Data section of this report, the subject site has a land area of 4.00 acres. Topographically, the site is nearly level. The subject is not located in a flood hazard area. No subsoil or drainage conditions are known that would adversely affect the development of the site. Public utilities available to the subject include electricity, water, sewer and telephone. The size of the subject and the adjacent properties suggest a number of possible uses for the subject site.

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

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

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

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

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

### **MAXIMALLY PRODUCTIVE AS VACANT**

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

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

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

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

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

### **PHYSICALLY POSSIBLE AS IMPROVED**

The subject site supports an existing multifamily development with a gross building area of approximately 27,900 square feet. The subject does appear to suffer from functional or external obsolescence. The subject is in average condition.

### **LEGALLY PERMISSIBLE AS IMPROVED**

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

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

**FINANCIALLY FEASIBLE AS IMPROVED**

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

**MAXIMALLY PRODUCTIVE AS IMPROVED**

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

## **Appraisal Procedures**

### **The Cost Approach**

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

### **The Income Approach**

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

### **The Sales Comparison Approach**

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

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

**VALUATION SECTION**

### **Cost Approach**

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

### **Site Value**

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

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

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

**Land Sale No. 1**

**Property Identification**

**Record ID** 1672  
**Property Type** Residential  
**Property Name** 2120 Torch Hill Road  
**Address** 2120 Torch Hill Road, Columbus, Muscogee County, Georgia  
31904  
**Tax ID** 062 036 002  
**Market Type** Land

**Sale Data**

**Grantor** Camellia Associates LP F/K/A  
**Grantee** Four J S Family LLLP  
**Sale Date** October 11, 2013  
**Deed Book/Page** 11000 00104  
**Property Rights** Fee Simple  
**Conditions of Sale** Normal  
**Financing** Conventional  
**Verification** Assessor; April 28, 2015

**Sale Price** \$20,900  
**Cash Equivalent** \$20,900  
**Adjusted Price** \$20,900

**Land Data**

**Zoning** RMF2, Residential Multi-Family  
**Topography** Nearly Level  
**Utilities** E, G, W, S  
**Shape** Irregular

**Land Size Information**

**Gross Land Size** 1.510 Acres or 65,776 SF  
**Allowable Units** 25  
**Front Footage** Torch Hill Road

**Indicators**

**Sale Price/Gross Acre** \$13,841  
**Sale Price/Gross SF** \$0.32  
**Sale Price/Allowable Unit** \$836

**Land Sale No. 2**

**Property Identification**

**Record ID** 1673  
**Property Type** Residential  
**Property Name** 6395 Psalmound Road  
**Address** 6395 Psalmound Road, Columbus, Muscogee County, Georgia  
31820  
**Tax ID** 120 001 034  
**Market Type** Land

**Sale Data**

**Grantor** Pierson Jeannie Duncan  
**Grantee** Alton R Duncan  
**Sale Date** August 02, 2012  
**Deed Book/Page** 10646 00201  
**Property Rights** Fee Simple  
**Conditions of Sale** Normal  
**Financing** Conventional  
**Verification** Assessor; April 28, 2015

**Sale Price** \$62,720  
**Cash Equivalent** \$62,720  
**Adjusted Price** \$62,720

**Land Data**

**Zoning** PUD, Planned Unit Development  
**Topography** Nearly Level  
**Utilities** E, G, W, S  
**Shape** Irregular

**Land Size Information**

**Gross Land Size** 3.100 Acres or 135,036 SF  
**Allowable Units** 51  
**Front Footage** Psalmound Road

**Indicators**

**Sale Price/Gross Acre** \$20,232  
**Sale Price/Gross SF** \$0.46  
**Sale Price/Allowable Unit** \$1,230

**Land Sale No. 3**

**Property Identification**

**Record ID** 1674  
**Property Type** Residential  
**Property Name** 2309 6th Avenue  
**Address** 2309 6th Avenue, Columbus, Muscogee County, Georgia 31904  
**Tax ID** 015 041 012  
**Market Type** Land

**Sale Data**

**Grantor** Bette F Toole  
**Grantee** Traci L and McKinley Robinson  
**Sale Date** October 29, 2014  
**Deed Book/Page** 11380 00077  
**Property Rights** Fee Simple  
**Conditions of Sale** Normal  
**Financing** Conventional  
**Verification** Assessor; April 28, 2015

**Sale Price** \$2,300  
**Cash Equivalent** \$2,300  
**Adjusted Price** \$2,300

**Land Data**

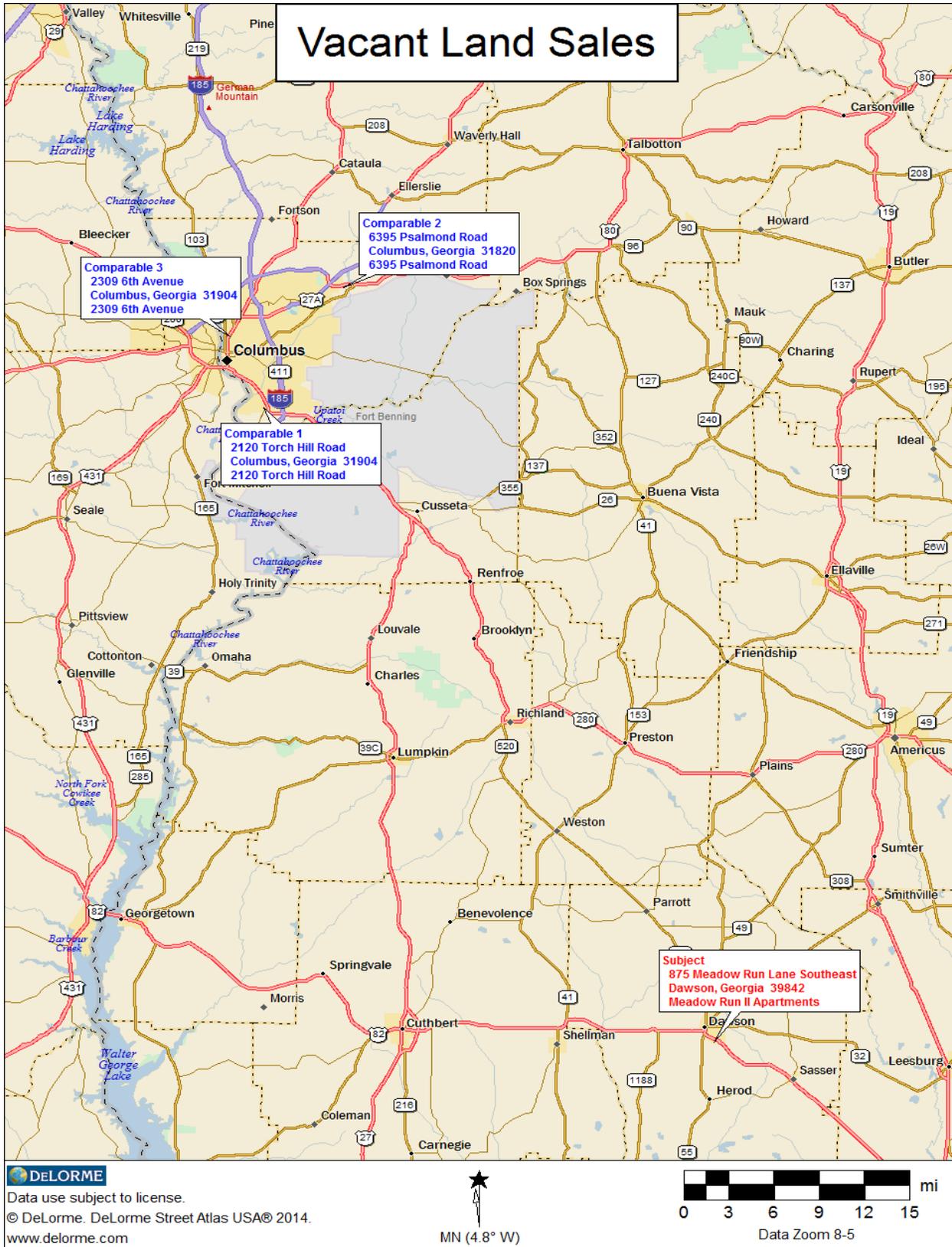
**Zoning** RMF2, Residential Multi-Family  
**Topography** Nearly Level  
**Utilities** E, G, W, S  
**Shape** Irregular

**Land Size Information**

**Gross Land Size** 0.130 Acres or 5,663 SF  
**Allowable Units** 2  
**Front Footage** 6th Avenue

**Indicators**

**Sale Price/Gross Acre** \$17,692  
**Sale Price/Gross SF** \$0.41  
**Sale Price/Allowable Unit** \$1,150



Meadow Run II Apartments \* 875 Meadow Run Lane Southeast \* Dawson, Georgia

Land Analysis Grid		Comp 1		Comp 2		Comp 3	
Address	875 Meadow Run	2120 Torch Hill Road		6395 Psalmound Road		2309 6th Avenue	
City	Dawson	Columbus		Columbus		Columbus	
State	GA	GA		GA		GA	
Date	5/9/2017	10/11/2013		8/2/2012		10/29/2014	
Price		\$20,900		\$62,720		\$2,300	
No. of Units	40	25		51		2	
Acre Unit Price		\$836		\$1,230		\$1,150	
<b>Transaction Adjustments</b>							
Property Rights	Fee Simple	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%
Financing	Conventional	Conventional	0.0%	Conventional	0.0%	Conventional	0.0%
Conditions of Sale	Normal	Normal	0.0%	Normal	0.0%	Normal	0.0%
<b>Adjusted Acre Unit Price</b>		<b>\$836</b>		<b>\$1,230</b>		<b>\$1,150</b>	
Market Trends Through	05/09/17	0%		0%		0%	
<b>Adjusted GBA Unit Price</b>		<b>\$836</b>		<b>\$1,230</b>		<b>\$1,150</b>	
Location	Good	Superior		Superior		Superior	
% Adjustment		-15%		-15%		-15%	
\$ Adjustment		-\$125		-\$184		-\$173	
No. of Units	40	25		51		2	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
Visibility/Access	Average	Similar		Similar		Similar	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
Topography	Nearly Level	Nearly Level		Nearly Level		Nearly Level	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
Zoning	R-2	RMF2		PUD		RMF2	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
Utilities	E, G, W, S	E, G, W, S		E, G, W, S		E, G, W, S	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
Density/Acre	10.00	16.56		16.45		15.38	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
Acres	4.00	1.51		3.10		0.13	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0		\$0		\$0	
<b>Adjusted Acre Unit Price</b>		<b>\$711</b>		<b>\$1,045</b>		<b>\$978</b>	
Net adjustments		-15.0%		-15.0%		-15.0%	
Gross adjustments		-15.0%		-15.0%		-15.0%	

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 9, 2017, is as follows:

**40 units x \$950 per unit = \$38,000**

**Rounded \$38,000**

**Summary of Vacant Land Sales**

Comp	Address	Sale Date	Sale Price	Acre Unit Price	Acres	No. of Units	Zoning
1	2120 Torch Hill Road	10/11/2013	\$20,900	\$13,841	1.51	25	RMF2
2	6395 Psalmound Road	8/2/2012	\$62,720	\$20,232	3.10	51	PUD
3	2309 6th Avenue	10/29/2014	\$2,300	\$17,692	0.13	2	RMF2

**Adjustments**

The appraiser attempted to locate land sales within the City of Dawson or Terrell County. However, the appraiser was unable to locate any land sales for which information could be verified. However, no land sales within the vicinity could be verified. Because it was necessary to utilize comparables in larger cities within a reasonably close proximity to Dawson, it was considered necessary to utilize comparables zoned multifamily. Therefore, the comparables selected and utilized were considered the most reasonable indicators of value for the subject. The prices of the comparable land sales range from \$836 to \$1,230 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 Dawson. All comparables are located in Columbus. Columbus is a larger city with a significantly greater proximity to services. In addition, the median income and median home value are all higher in Columbus than in Dawson. The following table shows the comparison between the two cities:

U.S. Census Bureau Stats	Dawson	Columbus	% Diff
2015 Population	4,388	200,285	97.81%
Households	1,516	72,556	97.91%
Median Home Value	\$82,800	\$134,500	38.44%
Median Rent	\$576	\$830	30.60%

After considering all factors, an adjustment of 15 percent was determined for the difference in location between Dawson and Columbus.

**Size/Density/Units**

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 4.00 acres and contains 40 units. The density per acre is 10.00. The comparables range in size from 0.13 acres to 3.10 acres and from 2 to 51 units. The density per acre for the comparables ranges from 15.38 to 16.56. 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 to the subject. No adjustment was needed.

**Topography**

Consideration was given to the subject's topography. The subject is nearly level. All comparables are similar to the subject. No adjustment was needed.

**Zoning**

The adjustment for zoning reflects not only the zoning of the comparables relative to the subject property but also the potential utility of the sites. The subject is zoned R-2. Comparable 1 is zoned RMF2. Comparable 2 is zoned PUD. Comparable 3 is zoned RMF2. All comparables have multifamily zoning. No adjustments were made.

**Utilities**

Consideration was given to the subject's utilities. The subject has electricity, gas, water and sewer utilities provided to the site. 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 \$711 to \$1,045 per unit after adjustments. All comparables were given consideration. The comparables indicated a reconciled value of \$950 per unit. These were considered to be the best comparables available after researching sales with local realtors and the county assessor's office.

**40 units x \$950 per Unit = \$38,000**

**Rounded \$38,000**

## **Improvement Valuation**

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

Replacement cost new (RCN) is defined as follows:

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

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

## **Depreciation Analysis**

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

## **Physical Deterioration**

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

## **Depreciation Accrued To The Subject**

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

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

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

**External Obsolescence**

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

**Deferred Maintenance**

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

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

**External Obsolescence - As Is Restricted**

<b>Total Construction Cost of Structures</b>				\$1,806,784
<b>Plus: Entrepreneur's Profit</b>				\$180,678
<b>Depreciation</b>				(\$369,840)
<b>Cost of Structures before External Obsolescence</b>				<u>\$1,617,622</u>
<b>Value of Land</b>				\$38,000
<b>Plus: Entrepreneur's Profit</b>				<u>\$3,800</u>
<b>Cost before External Obsolescence</b>				\$1,659,422
<b>Current Capitalization Rate</b>				6.00%
<b>Economic Net Operating Income (RCN x CR)</b>				\$99,565
<b>Net Operating Income from the Subject</b>				<u>\$58,827</u>
<b>Net Loss Due to Economic Obsolescence</b>				(\$40,739)
<b>Ratio of Improvements Total Property Value</b>				0.9748
<b>Year</b>		<b>Actual NOI Loss</b>	<b>Overall Cap Rate</b>	<b>Capitalized NOI Loss</b>
1		(\$40,739)	6.00%	(\$678,975)
<b>Times ratio of Improvements to Total Property</b>				0.9748
<b>Total External Obsolescence</b>				(\$661,872)

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

**Marshall & Swift**

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

**Building Improvements**

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	27,900	0.855	\$1,706,590
Built-Ins	Per Unit	\$1,925.00	40	0.855	\$65,827
<b>Total Building Improvement Costs</b>					<b>\$1,772,417</b>
Price per SF Gross Building Area					\$63.53

**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
<b>Total Site Improvement Costs</b>					<b>\$34,367</b>
<b>Subtotal: Building &amp; Site Costs</b>					<b>\$1,806,784</b>
Price per SF Gross Building Area					\$64.76

**Total Costs**

Subtotal: Building, Site & Soft Costs	\$1,806,784
Developer's Profit 10.0%	\$180,678
<b>Total Cost</b>	<b>\$1,987,463</b>
Price per SF Gross Building Area	\$71.24

**Depreciation**

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	10	55	18%	\$350,939
Physical Depreciation: Site	10	20	50%	\$18,902
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$661,872
<b>Total Depreciation</b>				<b>\$1,031,712</b>
<b>Depreciated Value of Improvements</b>				<b>\$955,750</b>
Cost Per Square Foot Gross Building Area				\$34.26

**Additional Cost Sections**

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

**Land Value**

Land Value	\$38,000
Other	\$0
<b>Cost Approach Value Indication</b>	<b>\$993,750</b>
<b>Rounded</b>	<b>\$995,000</b>
<b>Price per SF Gross Building Area</b>	<b>\$35.66</b>

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

**Restricted Value As Is = \$995,000**

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

**External Obsolescence - As Is Market**

<b>Total Construction Cost of Structures</b>				\$1,806,784
<b>Plus: Entrepreneur's Profit</b>				\$180,678
<b>Depreciation</b>				(\$369,840)
<b>Cost of Structures before External Obsolescence</b>				<u>\$1,617,622</u>
<b>Value of Land</b>				\$38,000
<b>Plus: Entrepreneur's Profit</b>				<u>\$3,800</u>
<b>Cost before External Obsolescence</b>				\$1,659,422
<b>Current Capitalization Rate</b>				7.00%
<b>Economic Net Operating Income (RCN x CR)</b>				\$116,160
<b>Net Operating Income from the Subject</b>				<u>\$84,124</u>
<b>Net Loss Due to Economic Obsolescence</b>				(\$32,036)
<b>Ratio of Improvements Total Property Value</b>				0.9748
<b>Year</b>		<b>Actual NOI Loss</b>	<b>Overall Cap Rate</b>	<b>Capitalized NOI Loss</b>
1		(\$32,036)	7.00%	(\$457,653)
<b>Times ratio of Improvements to Total Property</b>				0.9748
<b>Total External Obsolescence</b>				(\$446,125)

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

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

<b>Building Improvements</b>					
Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	27,900	0.855	\$1,706,590
Built-Ins	Per Unit	\$1,925.00	40	0.855	\$65,827
<b>Total Building Improvement Costs</b>					<b>\$1,772,417</b>
Price per SF Gross Building Area					\$63.53

<b>Site Improvements</b>					
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
<b>Total Site Improvement Costs</b>					<b>\$34,367</b>
<b>Subtotal: Building &amp; Site Costs</b>					<b>\$1,806,784</b>
Price per SF Gross Building Area					\$64.76

<b>Total Costs</b>	
Subtotal: Building, Site & Soft Costs	\$1,806,784
Developer's Profit 10.0%	\$180,678
<b>Total Cost</b>	<b>\$1,987,463</b>
Price per SF Gross Building Area	\$71.24

<b>Depreciation</b>				
Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	10	55	18%	\$350,939
Physical Depreciation: Site	10	20	50%	\$18,902
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$446,125
<b>Total Depreciation</b>				<b>\$815,965</b>
<b>Depreciated Value of Improvements</b>				<b>\$1,171,497</b>
Cost Per Square Foot Gross Building Area				\$41.99

<b>Additional Cost Sections</b>	
Cost Section 2	\$0
Cost Section 3	\$0

<b>Land Value</b>	
Land Value	\$38,000
Other	\$0
<b>Cost Approach Value Indication</b>	
<b>Rounded</b>	
<b>\$1,209,497</b>	
<b>\$1,210,000</b>	
<b>Price per SF Gross Building Area</b>	
<b>\$43.37</b>	

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

**Market Value As Is = \$1,210,000**

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

**External Obsolescence - As Complete Restricted**

<b>Total Construction Cost of Structures</b>				\$1,806,784
<b>Plus: Entrepreneur's Profit</b>				\$180,678
<b>Depreciation</b>				(\$184,920)
<b>Cost of Structures before External Obsolescence</b>				<u>\$1,802,542</u>
<b>Value of Land</b>				\$38,000
<b>Plus: Entrepreneur's Profit</b>				<u>\$3,800</u>
<b>Cost before External Obsolescence</b>				\$1,844,342
<b>Current Capitalization Rate</b>				6.00%
<b>Economic Net Operating Income (RCN x CR)</b>				\$110,661
<b>Net Operating Income from the Subject</b>				<u>\$96,540</u>
<b>Net Loss Due to Economic Obsolescence</b>				(\$14,120)
<b>Ratio of Improvements Total Property Value</b>				0.9773
<b>Year</b>		<b>Actual NOI Loss</b>	<b>Overall Cap Rate</b>	<b>Capitalized NOI Loss</b>
1		(\$14,120)	6.00%	(\$235,336)
<b>Times ratio of Improvements to Total Property</b>				0.9773
<b>Total External Obsolescence</b>				(\$230,002)

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

**Marshall & Swift**

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

**Building Improvements**

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	27,900	0.855	\$1,706,590
Built-Ins	Per Unit	\$1,925.00	40	0.855	\$65,827
<b>Total Building Improvement Costs</b>					<b>\$1,772,417</b>
Price per SF Gross Building Area					\$63.53

**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
<b>Total Site Improvement Costs</b>					<b>\$34,367</b>
<b>Subtotal: Building &amp; Site Costs</b>					<b>\$1,806,784</b>
Price per SF Gross Building Area					\$64.76

**Total Costs**

Subtotal: Building, Site & Soft Costs	\$1,806,784
Developer's Profit 10.0%	\$180,678
<b>Total Cost</b>	<b>\$1,987,463</b>
Price per SF Gross Building Area	\$71.24

**Depreciation: Section 1 of 1**

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	5	55	9%	\$175,469
Physical Depreciation: Site	5	20	25%	\$9,451
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$230,002
<b>Total Depreciation</b>				<b>\$414,922</b>
<b>Depreciated Value of Improvements</b>				<b>\$1,572,540</b>
Cost Per Square Foot Gross Building Area				\$56.36

**Additional Cost Sections**

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

**Land Value**

Land Value	\$38,000
Other	\$0
<b>Cost Approach Value Indication</b>	<b>\$1,610,540</b>
<b>Rounded</b>	<b>\$1,610,000</b>
<b>Price per SF Gross Building Area</b>	<b>\$57.71</b>

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

**Restricted Value As Complete = \$1,610,000**

The following formula shows the external obsolescence for the "as complete" market value.

**External Obsolescence - As Complete Market**

<b>Total Construction Cost of Structures</b>			\$1,806,784
<b>Plus: Entrepreneur's Profit</b>			\$180,678
<b>Depreciation</b>			(\$184,920)
<b>Cost of Structures before External Obsolescence</b>			<u>\$1,802,542</u>
<b>Value of Land</b>			\$38,000
<b>Plus: Entrepreneur's Profit</b>			<u>\$3,800</u>
<b>Cost before External Obsolescence</b>			\$1,844,342
<b>Current Capitalization Rate</b>			7.00%
<b>Economic Net Operating Income (RCN x CR)</b>			\$129,104
<b>Net Operating Income from the Subject</b>			<u>\$94,412</u>
<b>Net Loss Due to Economic Obsolescence</b>			(\$34,692)
<b>Ratio of Improvements Total Property Value</b>			0.9773
<b>Year</b>	<b>Actual NOI Loss</b>	<b>Overall Cap Rate</b>	<b>Capitalized NOI Loss</b>
1	(\$34,692)	7.00%	(\$495,602)
<b>Times ratio of Improvements to Total Property</b>			0.9773
<b>Total External Obsolescence</b>			(\$484,369)

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

**Marshall & Swift**

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

**Building Improvements**

Item	Unit Type	Cost	Quantity	Multiplier	Total
Average Class D Multiple Residences	Sq. Ft.	\$71.55	27900	0.855	\$1,706,590
Built-Ins	Per Unit	\$1,925.00	40	0.855	\$65,827
<b>Total Building Improvement Costs</b>					<b>\$1,772,417</b>
Price per SF Gross Building Area					\$63.53

**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
<b>Total Site Improvement Costs</b>					<b>\$34,367</b>
<b>Subtotal: Building &amp; Site Costs</b>					<b>\$1,806,784</b>
Price per SF Gross Building Area					\$64.76

**Total Costs**

Subtotal: Building, Site & Soft Costs	\$1,806,784
Developer's Profit 10.0%	\$180,678
<b>Total Cost</b>	<b>\$1,987,463</b>
Price per SF Gross Building Area	\$71.24

**Depreciation: Section 1 of 1**

Component	Eff. Age	Life	Percent	Amount
Physical Depreciation: Building	5	55	9%	\$175,469
Physical Depreciation: Site	5	20	25%	\$9,451
Functional Obsolescence Building			0%	\$0
External Obsolescence Building			0%	\$484,369
<b>Total Depreciation</b>				<b>\$669,289</b>
<b>Depreciated Value of Improvements</b>				<b>\$1,318,173</b>
Cost Per Square Foot Gross Building Area				\$47.25

**Additional Cost Sections**

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

**Land Value**

Land Value	\$38,000
Other	\$0
<b>Cost Approach Value Indication</b>	<b>\$1,356,173</b>
<b>Rounded</b>	<b>\$1,355,000</b>
<b>Price per SF Gross Building Area</b>	<b>\$48.57</b>

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

**Market Value As Complete = \$1,355,000**

**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 (637 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 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	Meadow Run II Apartments 875 Meadow Run Lane Southeast Dawson, Terrell, GA	Lexington Place Apartments 1130 Felder Street Americus, Sumter, GA	Troy Hill Apartments 303 East Glessner Street Americus, Sumter, GA	Cripple Creek Apartments 110 Knollwood Drive Americus, Sumter, GA	Georgetown Apartments 1034 Elm Avenue Americus, Sumter, GA	Pecan Villas Apartments 578 Pecan Street Southeast Dawson, Terrell, GA				
Characteristics	Data	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	WU/2		WU/2		WU/2		G/1		
5. Floor of Unit in Building	First	Varies		Varies		Varies		First		
6. Project Occupancy %	97%	93%		90%		95%		96%		
7. Concessions	N	N		N		N		N		
8. Year Built	1994	1998		1970	\$55	1983	\$75	1996		
9. Sq. Ft. Area	637	850	(\$30)	750	(\$15)	678	(\$5)	500	\$20	
10. Number of Bedrooms	1	1		1		1		1		
11. Number of Baths	1.0	1.0		1.0		1.0		1.0		
12. Number of Rooms	3	3		3		3		4		
13. Balc./Terrace/Patio	Y	N	\$5	Y		N	\$5	N	\$5	
14. Garage or Carport	L/0	L/0		L/0		L/0		L/0		
15. Equipment a. A/C	C	C		C		C		W	\$15	
b. Range/Refrigerator	RF	RF		RF		RF		RF		
c. Disposal	N	N		Y		N		N		
d. Microwave/Dishwasher	N	D	(\$10)	D	(\$10)	N		D	(\$10)	
e. Washer/Dryer	HU	HU		HU		HU		HU		
f. Carpet	C	C		C		C		C		
g. Drapes	B	B		B		B		B		
h. Pool/Rec. Area	R	P		P		R		P	\$10	
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	N	N		N		N		N		
g. Trash	N	N		Y	(\$15)	N		N		
17. Storage	N	N		N		N		N		
18. Project Location	Average	Superior	(\$50)	Superior	(\$50)	Superior	(\$50)	Superior	(\$50)	
19. Security	N	N	\$5	N	\$5	N	\$5	N	\$5	
20. Clubhouse/Meeting Room	MR	N	\$5	C		MR		N	\$5	
21. Special Features	N	N		N		N		N		
22. Business Center / Nbd Netwk	N	N		N		N		N		
23. Unit Rent Per Month		\$559		\$400		\$410		\$459		
24. Total Adjustment			(\$75)		(\$30)		\$30		(\$10)	
25. Indicated Rent		\$484		\$370		\$440		\$449		
26. Correlated Subject Rent	\$ 435	If there are any Remarks, check here and add the remarks to the back of page.					\$ 461		\$ 415	
	high rent	\$484	low rent	\$370	60% range	\$393	to	\$461		
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>		05/09/17						

Previous editions are obsolete

form HUD-92273 (07/2003)

Two-Bedroom Units (798 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 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. 6 (address)		E. Comparable Property No. 5 (address)	
Two-Bedroom	Meadow Run II Apartments 875 Meadow Run Lane Southeast Dawson, Terrell, GA	Lexington Place Apartments 1130 Felder Street Americus, Sumter, GA		Troy Hill Apartments 303 East Glessner Street Americus, Sumter, GA		Cripple Creek Apartments 110 Knollwood Drive Americus, Sumter, GA		St. Charles Apartments 1034 Elm Avenue Americus, Sumter, GA		Pecan Villas Apartments 578 Pecan Street Southeast Dawson, Terrell, 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		04/2017	
4. Type of Project/Stories	G/1	WU/2		WU/2		WU/2		WU/2		WU/2	
5. Floor of Unit in Building	First	Varies		Varies		Varies		Varies		Varies	
6. Project Occupancy %	97%	93%		90%		95%		90%		100%	
7. Concessions	N	N		N		N		N		N	
8. Year Built	1994	1998		1970	\$55	1983	\$75	1996/2000		1981	\$70
9. Sq. Ft. Area	798	140	(\$45)	1200	(\$55)	864	(\$10)	140	(\$45)	750	\$5
10. Number of Bedrooms	2	2		2		2		2		2	
11. Number of Baths	10	2.0	(\$10)	1.5	(\$10)	10		2.5	(\$30)	10	
12. Number of Rooms	4	4		4		4		4		4	
13. Balc./Terrace/Patio	Y	N	\$5	Y		N	\$5	Y		N	\$5
14. Garage or Carport	L/O	L/O		L/O		L/O		L/O		L/O	
15. Equipment a. A/C	C	C		C		C		W	\$15	C	
b. Range/Refrigerator	RF	RF		RF		RF		RF		RF	
c. Disposal	N	N		Y		N		Y		N	
d. Microwave/Dishwasher	N	D	(\$10)	D	(\$10)	N		D	(\$10)	D	(\$10)
e. Washer/Dryer	HU	HU		HU		HU		HU		HU	
f. Carpet	C	C		C		C		C		C	
g. Drapes	B	B		B		B		B		B	
h. Pool/Rec. Area	R	P		P		R		P		N	\$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	N	N		N		N		N		N	
g. Trash	N	N		Y	(\$5)	N		N		N	
17. Storage	N	N		N		N		N		N	
18. Project Location	Average	Superior	(\$50)	Superior	(\$50)	Superior	(\$50)	Superior	(\$50)	Similar	
19. Security	N	N	\$5	N	\$5	N	\$5	N	\$5	N	\$5
20. Clubhouse/Meeting Room	MR	N	\$5	C		MR		N	\$5	N	\$5
21. Special Features	N	N		N		N		N		N	
22. Business Center / Nbhnd Netwk	N	N		N		N		N		N	
23. Unit Rent Per Month		\$659		\$600		\$450		\$659		\$395	
24. Total Adjustment			(\$100)		(\$80)		\$25		(\$10)		\$90
25. Indicated Rent		\$559		\$520		\$475		\$549		\$485	
26. Correlated Subject Rent	\$ 515	If there are any Remarks, check here and add the remarks to the back of page.									
	high rent	\$559	low rent	\$475	60% range	\$492	to	\$542			
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)	
				Samuel J. Hill		05/09/17					

Previous editions are obsolete

form HUD-92273 (07/2003)

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

### **Meadow Run II Apartments**

#### **Primary Unit Types – One-Bedroom Units (637 SF) and Two-Bedroom Units (798 SF)**

Rent comparability grids were prepared for the primary unit types with 637 and 798 square feet. Comparable apartments used include the following: Lexington Place Apartments (Comparable 1), Troy Hill Apartments (Comparable 2), Cripple Creek Apartments (Comparable 3), Georgetown Apartments (Comparable 4), Pecan Villas Apartments (Comparable 5) and St. Charles Apartments (Comparable 6).

**Structure/Stories** – The subject is located in one-story buildings. All comparables are located in one- or two-story buildings. No complex in the market area shows a rent difference based on this particular item. No adjustment was needed.

**Project Occupancy** – The subject is currently 97 percent occupied. The occupancy rates of the comparables range from 90 to 100 percent. No adjustment was 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 1994. Comparable 1 was built in 1998, and Comparable 2 was constructed in 1970. Comparable 3 was built in 1983, and Comparable 4 was constructed in 1996. Comparable 5 was constructed in 1981. Comparable 6 was constructed in 1996 and renovated in 2000. Comparables 1, 4 and 6 are relatively similar to the subject and were not adjusted. The remaining comparables are considered to be inferior to varying degrees. In order to determine the appropriate adjustments for condition (year built/year renovated), the appraiser utilized paired analysis to compare the comparables. Comparable 1 was deemed the most similar to the subject. Therefore, this comparable was considered the subject in the paired analysis calculation. When performing the analysis, the appraiser compared the units at Comparables 2, 3 and 5 individually to the units at Comparable 1. 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 unit size, # of bedrooms, # of bathrooms, balcony/patio, AC: central/wall, microwave/dishwasher, pool/recreation area, trash collection and clubhouse/meeting room. Once the net adjusted rents were determined, these rents were compared to the street rent at Comparable 1. The differences between the rents indicate the appropriate adjustments for condition.

Paired Analysis - One-Bedroom Units			
Item	Comparable 2	Comparable 3	Comparable 5
Street Rent	\$400	\$410	\$395
Unit Interior Sq. ft.	\$15	\$25	\$15
# Bedrooms	\$0	\$0	-\$50
Balcony/Patio	-\$5	\$0	\$0
AC: Central/Wall	\$0	\$0	\$0
Microwave/Dishwasher	\$0	\$10	\$0
Pool/Recreation Areas	\$0	\$0	\$10
Trash/Recycling	\$0	-\$15	\$0
Location	\$0	\$0	\$50
Clubhouse/Meeting Room	-\$5	-\$5	\$0
<b>Net Rent</b>	<b>\$405</b>	<b>\$425</b>	<b>\$420</b>
Comparable 1 Street Rent	\$559	\$559	\$559
<b>Indicated Adjustment</b>	<b>\$154</b>	<b>\$134</b>	<b>\$139</b>

Paired Analysis - Two-Bedroom Units			
Item	Comparable 2	Comparable 3	Comparable 5
Street Rent	\$600	\$450	\$395
Unit Interior Sq. ft.	-\$10	\$35	\$50
# Baths	\$10	\$20	\$20
Balcony/Patio	-\$5	\$0	\$0
AC: Central/Wall	\$0	\$0	\$0
Microwave/Dishwasher	\$0	\$10	\$0
Pool/Recreation Areas	\$0	\$0	\$10
Trash/Recycling	\$0	-\$15	\$0
Location	\$0	\$0	\$50
Clubhouse/Meeting Room	-\$5	-\$5	\$0
<b>Net Rent</b>	<b>\$590</b>	<b>\$495</b>	<b>\$525</b>
Comparable 1 Street Rent	\$659	\$659	\$659
<b>Indicated Adjustment</b>	<b>\$69</b>	<b>\$164</b>	<b>\$134</b>

As can be seen on the analysis, the amount of adjustments indicated was different for each bedroom type. 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. The comparables were adjusted as follows: Comparable 2 - \$55; Comparable 3 - \$75; and Comparable 5 - \$70. All remaining comparables were considered similar to the subject and were not adjusted.

**SF Area** – For the purpose of this report, a range of comparable rents per square foot was derived. To determine this adjustment, each comparables' 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 \$0.15 and for the two-bedroom comparison is \$0.13. 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- and two-bedroom units. Comparables 1 and 3 are similar. Comparable 4 contains one-bedroom units only and was compared to the one-bedroom units at the subject. Comparable 5 contains two-bedroom units only but was utilized on all rent grids as it is located in the subject's city. Comparable 6 contains two- and three-bedroom units only and was not utilized on the one-bedroom analysis. Due to the lack of one-bedroom conventional units in the area, however, Comparable 5 was compared to the subject's one-bedroom units. Comparable 5 was adjusted \$50 per bedroom when compared to the differing bedroom types as the subject. 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 added convenience of additional bedrooms. The extra room will enhance the marketability of the unit even if the square footage remains the same. Paired analysis was conducted to determine an appropriate adjustment for the number of baths. The following table shows the paired analysis results:

	<b>Cripple Creek</b>	<b>Southland Heights</b>	<b>Hillside Manor</b>
<b>1 BR Rent</b>	\$410	\$415	\$490
<b>1 BR Size</b>	676	875	576
<b>2 BR Rent</b>	\$450	\$465	\$625
<b>2 BR Size</b>	864	950	864
<b>Size Adj Factor</b>	\$0.15	\$0.15	\$0.15
<b>Size Difference</b>	188	75	288
<b>Indicated Size Adj.</b>	\$28	\$11	\$43
<b>Adjusted 2 BR Rent</b>	\$422	\$454	\$582
<b>Indicated BR Adj.</b>	<b>\$12</b>	<b>\$39</b>	<b>\$92</b>

After considering all factors, an adjustment of \$50 was determined for difference in number of bedrooms.

**# of Baths** – The subject contains one bath in the one- and two-bedroom units. 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 as the majority of properties containing two-bedroom units in this market contain similar number of baths. Therefore, a \$10 per half-bath per month adjustment was selected, and a \$20 per full bath per month adjustment was selected.

**Balcony/Patio** – The subject contains patios. Comparables 2 and 6 are similar to the subject. The comparables without balconies or patios were adjusted upward \$5 per month. Although the comparables do not indicate a rent differential for units with these features versus units without these features, the added amenity is an enhancement. Therefore, a nominal \$5 adjustment was selected for these features.

**Parking** – The subject and all comparables contain open parking lots. No adjustment is needed.

**AC: Central/Wall** – The subject contains central air conditioning as do Comparables 1, 2, 3 and 5. Comparables 4 and 6 contain through-the-wall air conditioning which is considered slightly inferior to central air conditioning. Therefore, Comparables 4 and 6 were adjusted upward \$15 per month.

**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. Comparables 2 and 6 contain garbage disposals. Since there is no market data concerning units with this feature, no adjustment was given.

**Microwave/Dishwasher** – The subject does not contain either amenity in the units. All comparables except Comparable 3 contain dishwashers in the units. Complexes in the market area do not indicate a rent differential for these features. However, residents in the market area do indicate a preference for these items. Therefore, based on management indications and estimated usage, a \$10 adjustment was selected.

**Washer/Dryer** – The subject and all comparables contain washer/dryer hook-ups in the units. No adjustment was needed.

**Carpet** – The subject contains carpet floor coverings in the units. All comparables are similar to the subject. No adjustment was needed.

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

**Pool/Recreation Areas** – The subject contains a picnic area. Comparables 1, 2, 4 and 6 each contain a swimming pool. Comparable 2 contains fitness center, picnic area, tennis court and walking trail. Comparable 3 contains a playground. Comparable 5 does not contain either amenity. Apartments with these features can command a higher rent in the market. Tenants in the market area indicated a willingness to pay a small amount for these amenities. Therefore, the comparable without either pool or recreation area was considered inferior and was adjusted upward \$10 per month.

**Heat** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Cooling** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Cooking** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Electricity** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Hot Water** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Cold Water/Sewer** – The subject does not have either utility provided by the landlord. All comparables are similar to the subject. No adjustment was needed.

**Trash** – The subject does not provide trash. Comparable 2 is the only comparable that provides this utility. It was adjusted downward \$15 per month for both bedroom types based on the Allowances for Tenant-Furnished Utilities and Other Services for the Southern Georgia Region. The amounts were substantiated by local utility companies.

**Extra Storage** – The subject does not contain this feature. All comparables are similar to the subject. No adjustment was needed.

**Location** – The subject's location is good. All comparables except Comparable 5 are located in Americus which is superior to the subject. The location of the subject property and the comparables relative to residential population, population wealth, traffic patterns, centers of employment, economic levels and other locational attributes was analyzed. Location comparisons were made based on the appraiser's judgment as to the relative desirability of the property to a potential renter. The following table was utilized to determine appropriate adjustments for any differences in location between Dawson and Americus:

U.S. Census Bureau Stats	Dawson	Americus	% Diff
2015 Population	4,388	16,345	73.15%
Households	1,516	3,775	59.84%
Median Home Value	\$82,800	\$83,700	1.08%
Median Rent	\$576	\$632	8.86%

After considering all factors a \$50 adjustment was selected for Comparables 1, 2, 3, 4 and 6.

**Security** – The subject contains video surveillance. None of the comparables contain any form of security. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement, particularly security that limits access to the property. Therefore, all comparables were adjusted upward \$5 per month.

**Clubhouse/Meeting Room** – The subject contains a community room. Comparables 2 and 3 contain clubhouse or community room. The remaining comparables contain neither feature. Apartments with these features can command a higher rent in the market. Tenants in the market area indicated a willingness to pay a small amount for these amenities. Therefore, comparables without either feature were adjusted upward \$5 per month.

**Special Features** – The subject does not contain special features in the units. All comparables are similar to the subject. No adjustment was needed.

**Business Center/Neighborhood Network** – The subject does not contain either amenity. All comparables are similar to the subject. No adjustment was needed.

**Conclusion of Market Rents – As Is**

The adjusted rents range from \$370 to \$484 for the one-bedroom comparison and from \$475 to \$559 for the two-bedroom comparison. All comparables were given consideration. The appraiser concluded the market rent for the units at the subject as follows:

- **637 SF One-Bedroom Units** - **\$435**
- **798 SF Two-Bedroom Units** - **\$515**

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	38	637	\$385	\$407	\$125
2/1	2	798	\$468	\$427	\$144

HUD-Forms 92273 – As Complete

One-Bedroom Units (637 SF) – As Complete

Estimates of Market Rent  
by Comparison - As Complete

U.S. Department of Housing and Urban Development  
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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	Meadow Run II Apartments 875 Meadow Run Lane Southeast Dawson, Terrell, GA	Lexington Place Apartments 1130 Felder Street Americus, Sumter, GA	Troy Hill Apartments 303 East Glessner Street Americus, Sumter, GA	Cripple Creek Apartments 110 Knollwood Drive Americus, Sumter, GA	Georgetown Apartments 1034 Elm Avenue Americus, Sumter, GA	Pecan Villas Apartments 578 Pecan Street Southeast Dawson, Terrell, GA	
Characteristics	Data	Data	Adjustments	Data	Adjustments	Data	Adjustments
3. Effective Date of Rental	05/2017	05/2017		05/2017		05/2017	
4. Type of Project/Stories	G/1	WU/2		WU/2		WU/2	
5. Floor of Unit in Building	First	Varies		Varies		First	
6. Project Occupancy %	97%	93%		90%		96%	
7. Concessions	N	N		N		N	
8. Year Built	1994/Proposed	1998	\$50	1970	\$105	1983	\$125
9. Sq. Ft. Area	637	850	(\$30)	750	(\$15)	500	\$20
10. Number of Bedrooms	1	1		1		1	
11. Number of Baths	10	10		10		10	
12. Number of Rooms	3	3		3		3	
13. Balc./Terrace/Patio	Y	N	\$5	Y		N	\$5
14. Garage or Carport	L/O	L/O		L/O		L/O	
15. Equipment a. A/C	C	C		C		W	\$15
b. Range/Refrigerator	RF	RF		RF		RF	
c. Disposal	N	N		Y		N	
d. Microwave/Dishwasher	N	D	(\$10)	D	(\$10)	D	(\$10)
e. Washer/Dryer	HU	HU		HU		HU	
f. Carpet	C	C		C		C	
g. Drapes	B	B		B		B	
h. Pool/Rec. Area	R	P		R		P	\$10
16. Services a. Heat/Type	N/E	N/E		N/E		N/E	
b. Cooling	N/E	N/E		N/E		N/E	
c. Cook/Type	N/E	N/E		N/E		N/E	
d. Electricity	N	N		N		N	
e. Hot Water	N/E	N/E		N/E		N/E	
f. Cold Water/Sewer	N	N		N		N	
g. Trash	N	N		Y	(\$15)	N	
17. Storage	N	N		N		N	
18. Project Location	Average	Superior	(\$50)	Superior	(\$50)	Superior	(\$50)
19. Security	N	N		N		N	
20. Clubhouse/Meeting Room	MR	N	\$5	C		MR	\$5
21. Special Features	N	N		N		N	
22. Business Center / Nbrhd Netwk	N	N		N		N	
23. Unit Rent Per Month		\$559		\$400		\$410	
24. Total Adjustment			(\$25)		\$20		\$80
25. Indicated Rent		\$534		\$420		\$490	\$80
26. Correlated Subject Rent	\$485						
If there are any Remarks, check here and add the remarks to the back of page.							
	high rent	\$534	low rent	\$420	60% range	\$443	to \$511
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>	05/09/17		

Previous editions are obsolete

form HUD-92273 (07/2003)

Two-Bedroom Units (798 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 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. 6 (address)	E. Comparable Property No. 5 (address)					
Two-Bedroom	Meadow Run II Apartments 875 Meadow Run Lane Southeast Dawson, Terrell, GA	Lexington Place Apartments 1130 Felder Street Americus, Sumter, GA	Troy Hill Apartments 303 East Glessner Street Americus, Sumter, GA	Cripple Creek Apartments 110 Knollwood Drive Americus, Sumter, GA	St. Charles Apartments 1034 Elm Avenue Americus, Sumter, GA	Pecan Villas Apartments 578 Pecan Street Southeast Dawson, Terrell, 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		04/2017	
4. Type of Project/Stories	G/1	WU/2		WU/2		WU/2		WU/2		WU/2	
5. Floor of Unit in Building	First	Varies		Varies		Varies		Varies		Varies	
6. Project Occupancy %	97%	93%		90%		95%		90%		100%	
7. Concessions	N	N		N		N		N		N	
8. Year Built	1994/Proposed	1998	\$50	1970	\$105	1983	\$125	1996/2000	\$50	1981	\$120
9. Sq. Ft. Area	798	140	(\$45)	1200	(\$55)	864	(\$10)	140	(\$45)	750	\$5
10. Number of Bedrooms	2	2		2		2		2		2	
11. Number of Baths	1.0	2.0	(\$20)	1.5	(\$10)	1.0		2.5	(\$30)	1.0	
12. Number of Rooms	4	4		4		4		4		4	
13. Balc./Terrace/Patio	Y	N	\$5	Y		N	\$5	Y		N	\$5
14. Garage or Carport	L/O	L/O		L/O		L/O		L/O		L/O	
15. Equipment a. A/C	C	C		C		C		W	\$15	C	
b. Range/Refrigerator	RF	RF		RF		RF		RF		RF	
c. Disposal	N	N		Y		N		Y		N	
d. Microwave/Dishwasher	N	D	(\$10)	D	(\$10)	N		D	(\$10)	D	(\$10)
e. Washer/Dryer	HU	HU		HU		HU		HU		HU	
f. Carpet	C	C		C		C		C		C	
g. Drapes	B	B		B		B		B		B	
h. Pool/Rec. Area	R	P		P		R		P		N	\$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	N	N		N		N		N		N	
g. Trash	N	N		Y	(\$15)	N		N		N	
17. Storage	N	N		N		N		N		N	
18. Project Location	Average	Superior	(\$50)	Superior	(\$50)	Superior	(\$50)	Superior	(\$50)	Similar	
19. Security	N	N	\$5	N	\$5	N	\$5	N	\$5	N	\$5
20. Clubhouse/Meeting Room	MR	N	\$5	C		MR		N	\$5	N	\$5
21. Special Features	N	N		N		N		N		N	
22. Business Center / Nbrhd Netwk	N	N		N		N		N		N	
23. Unit Rent Per Month		\$659		\$600		\$450		\$659		\$395	
24. Total Adjustment			(\$60)		(\$30)		\$75		(\$60)		\$140
25. Indicated Rent		\$599		\$570		\$525		\$599		\$535	
26. Correlated Subject Rent	\$565	If there are any Remarks, check here and add the remarks to the back of page.									
	high rent	\$599	low rent	\$525	60% range	\$540	to	\$584			
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 <i>Samuel J. Hill</i>		Date (mm/dd/yy) 05/09/17		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***

### **Meadow Run II Apartments**

#### **Primary Unit Types – One-Bedroom Units (637 SF) and Two-Bedroom Units (798 SF)**

Rent comparability grids were prepared for the primary unit types with 637 and 798 square feet. Comparable apartments used include the following: Lexington Place Apartments (Comparable 1), Troy Hill Apartments (Comparable 2), Cripple Creek Apartments (Comparable 3), Georgetown Apartments (Comparable 4), Pecan Villas Apartments (Comparable 5) and St. Charles Apartments (Comparable 6).

**Structure/Stories** – The subject is located in one-story buildings. All comparables are located in one- or two-story buildings. No complex in the market area shows a rent difference based on this particular item. No adjustment was needed.

**Project Occupancy** – The subject is currently 97 percent occupied. The occupancy rates of the comparables range from 90 to 100 percent. No adjustment was 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 1994. It will undergo a substantial renovation and will be in good condition. Comparable 1 was built in 1998, and Comparable 2 was constructed in 1970. Comparable 3 was built in 1983, and Comparable 4 was constructed in 1996. Comparable 5 was constructed in 1981. Comparable 6 was constructed in 1996 and renovated in 2000. As renovated, all comparables will be 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, the comparables were adjusted as follows: Comparable 1 - \$50; Comparable 2 - \$105; Comparable 3 - \$125; Comparable 4 - \$50; Comparable 5 - \$120; and Comparable 6 - \$50.

**SF Area** – For the purpose of this report, a range of comparable rents per square foot was derived. To determine this adjustment, each comparables' 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 \$0.15 and for the two-bedroom

comparison is \$0.13. 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- and two-bedroom units. Comparables 1 and 3 are similar. Comparable 4 contains one-bedroom units only and was compared to the one-bedroom units at the subject. Comparable 5 contains two-bedroom units only but was utilized on all rent grids as it is located in the subject’s city. Comparable 6 contains two- and three-bedroom units only and was not utilized on the one-bedroom analysis. Due to the lack of one-bedroom conventional units in the area, however, Comparable 5 was compared to the subject’s one-bedroom units. Comparable 5 was adjusted \$50 per bedroom when compared to the differing bedroom types as the subject. 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 added convenience of additional bedrooms. The extra room will enhance the marketability of the unit even if the square footage remains the same. Paired analysis was conducted to determine an appropriate adjustment for the number of baths. The following table shows the paired analysis results:

	<b>Cripple Creek</b>	<b>Southland Heights</b>	<b>Hillside Manor</b>
<b>1 BR Rent</b>	\$410	\$415	\$490
<b>1 BR Size</b>	676	875	576
<b>2 BR Rent</b>	\$450	\$465	\$625
<b>2 BR Size</b>	864	950	864
<b>Size Adj Factor</b>	\$0.15	\$0.15	\$0.15
<b>Size Difference</b>	188	75	288
<b>Indicated Size Adj.</b>	\$28	\$11	\$43
<b>Adjusted 2 BR Rent</b>	\$422	\$454	\$582
<b>Indicated BR Adj.</b>	<b>\$12</b>	<b>\$39</b>	<b>\$92</b>

After considering all factors, an adjustment of \$50 was determined for difference in number of bedrooms.

**# of Baths** – The subject contains one bath in the one- and two-bedroom units. 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 as the majority of properties containing two-bedroom units in this market contain similar number of baths. Therefore, a \$10 per half-bath per month adjustment was selected, and a \$20 per full bath per month adjustment was selected.

**Balcony/Patio** – The subject contains patios. Comparables 2 and 6 are similar to the subject. The comparables without balconies or patios were adjusted upward \$5 per month. Although the comparables do not indicate a rent differential for units with these features versus units without these features, the added amenity is an enhancement. Therefore, a nominal \$5 adjustment was selected for these features.

**Parking** – The subject and all comparables contain open parking lots. No adjustment is needed.

**AC: Central/Wall** – The subject contains central air conditioning as do Comparables 1, 2, 3 and 5. Comparables 4 and 6 contain through-the-wall air conditioning which is considered slightly inferior to central air conditioning. Therefore, Comparables 4 and 6 were adjusted upward \$15 per month.

**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. Comparables 2 and 6 contain garbage disposals. Since there is no market data concerning units with this feature, no adjustment was given.

**Microwave/Dishwasher** – The subject does not contain either amenity in the units. All comparables except Comparable 3 contain dishwashers in the units. Complexes in the market area do not indicate a rent differential for these features. However, residents in the market area do indicate a preference for these items. Therefore, based on management indications and estimated usage, a \$10 adjustment was selected.

**Washer/Dryer** – The subject and all comparables contain washer/dryer hook-ups in the units. No adjustment was needed.

**Carpet** – The subject contains carpet floor coverings in the units. All comparables are similar to the subject. No adjustment was needed.

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

**Pool/Recreation Areas** – The subject contains a picnic area. Comparables 1, 2, 4 and 6 each contain a swimming pool. Comparable 2 contains fitness center, picnic area, tennis court and walking trail. Comparable 3 contains a playground. Comparable 5 does not contain either amenity. Apartments with these features can command a higher rent in the market. Tenants in the market area indicated a willingness to pay a small amount for these amenities. Therefore, the comparable without either pool or recreation area was considered inferior and was adjusted upward \$10 per month.

**Heat** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Cooling** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Cooking** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Electricity** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Hot Water** – The subject does not have this utility provided. All comparables are similar to the subject. No adjustment was needed.

**Cold Water/Sewer** – The subject does not have either utility provided by the landlord. All comparables are similar to the subject. No adjustment was needed.

**Trash** – The subject does not provide trash. Comparable 2 is the only comparable that provides this utility. It was adjusted downward \$15 per month for both bedroom types based on the Allowances for Tenant-Furnished Utilities and Other Services for the Southern Georgia Region. The amounts were substantiated by local utility companies.

**Extra Storage** – The subject does not contain this feature. All comparables are similar to the subject. No adjustment was needed.

**Location** – The subject's location is good. All comparables except Comparable 5 are located in Americus which is superior to the subject. The location of the subject property and the comparables relative to residential population, population wealth, traffic patterns, centers of employment, economic levels and other locational attributes was analyzed. Location comparisons were made based on the appraiser's judgment as to the relative desirability of the property to a potential renter. The following table was utilized to determine appropriate adjustments for any differences in location between Dawson and Americus:

U.S. Census Bureau Stats	Dawson	Americus	% Diff
2015 Population	4,388	16,345	73.15%
Households	1,516	3,775	59.84%
Median Home Value	\$82,800	\$83,700	1.08%
Median Rent	\$576	\$632	8.86%

After considering all factors a \$50 adjustment was selected for Comparables 1, 2, 3, 4 and 6.

**Security** – The subject contains video surveillance. None of the comparables contain any form of security. No complex in the market area shows a rent differential based on this particular item; however, the added amenity is an enhancement, particularly security that limits access to the property. Therefore, all comparables were adjusted upward \$5 per month.

**Clubhouse/Meeting Room** – The subject contains a community room. Comparables 2 and 3 contain clubhouse or community room. The remaining comparables contain neither feature. Apartments with these features can command a higher rent in the market. Tenants in the market area indicated a willingness to pay a small amount for these amenities. Therefore, comparables without either feature were adjusted upward \$5 per month.

**Special Features** – The subject does not contain special features in the units. All comparables are similar to the subject. No adjustment was needed.

**Business Center/Neighborhood Network** – The subject does not contain either amenity. All comparables are similar to the subject. No adjustment was needed.

**Conclusion of Market Rents – As Complete**

The adjusted rents range from \$420 to \$534 for the one-bedroom comparison and from \$525 to \$599 for the two-bedroom comparison. All comparables were given consideration. The appraiser concluded the market rent for the units at the subject as follows:

- **637 SF One-Bedroom Units** - **\$485**
- **798 SF Two-Bedroom Units** - **\$565**

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	38	637	\$385	\$385	\$125
2/1	2	798	\$468	\$468	\$144

**Rent Comparables**

**Multi-Family Lease No. 1**



**Property Identification**

**Record ID** 5381  
**Property Type** Garden/Townhouse  
**Property Name** Lexington Place Apartments  
**Address** 1130 Felder Street, Americus, Sumter County, Georgia 31709  
**Market Type** Market

**Verification** Tasha; 229-928-8413, May 9, 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	Unknown	850	\$559	\$0.66
2/2	Unknown	1,140	\$659	\$0.58
2/2	Unknown	1,140	\$685	\$0.60
2/2.5TH	Unknown	1,150	\$659	\$0.57
2/2.5TH	Unknown	1,150	\$685	\$0.60
3/3.5TH	Unknown	1,400	\$759	\$0.54
3/3.5TH	Unknown	1,400	\$785	\$0.56

**Occupancy** 93%  
**Rent Premiums** N

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

**Physical Data**

<b>No. of Buildings</b>	13
<b>Construction Type</b>	Brick
<b>HVAC</b>	Central Elec/Central Elec
<b>Stories</b>	1, 2
<b>Utilities with Rent</b>	None
<b>Parking</b>	L/0
<b>Year Built</b>	1998
<b>Condition</b>	Good
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

**Amenities**

Range/Oven, Refrigerator, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Hardwood, Blinds, Coat Closet, Swimming Pool, On-Site Management

**Remarks**

The contact could not verify the number of units of each unit type. The annual turnover rate is approximately 12 percent. This complex does not maintain an active waiting list.

**Multi-Family Lease No. 2**



**Property Identification**

**Record ID** 5978  
**Property Type** Walk-Up  
**Property Name** Troy Hill Apartments  
**Address** 303 East Glessner Street, Americus, Sumter County, Georgia 31709  
**Market Type** Market  
**Verification** Rachael; 229-924-8440, May 9, 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	36	750	\$400	\$0.53
2/1.5	21	1,200	\$600	\$0.50

**Occupancy** 90%  
**Rent Premiums** N  
**Total Units** 57  
**Unit Size Range** 750 - 1,200  
**Avg. Unit Size** 916  
**Avg. Rent/Unit** \$474  
**Avg. Rent/SF** \$0.52  
**SF** 52,200

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

**Physical Data**

<b>No. of Buildings</b>	5
<b>Construction Type</b>	Brick
<b>HVAC</b>	Central Elec/Central Elec
<b>Stories</b>	2
<b>Utilities with Rent</b>	Trash Collection
<b>Parking</b>	L/0
<b>Year Built</b>	1970
<b>Condition</b>	Good
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

**Amenities**

Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups (2 BR), Carpet, Vinyl, Blinds, Ceiling Fans, Walk-In Closet, Coat Closet, Balcony, Patio, Clubhouse, Swimming Pool, On-Site Maintenance, On-Site Management

**Remarks**

The occupancy rate is lower than typical due to recent updates. The annual turnover rate was not disclosed by the contact. The property does not maintain an active waiting list.

**Multi-Family Lease No. 3**



**Property Identification**

**Record ID** 5378  
**Property Type** Walk-Up  
**Property Name** Cripple Creek Apartments  
**Address** 110 Knollwood Drive, Americus, Sumter County, Georgia 31709  
**Market Type** Market

**Verification** Angela; 229-928-0854, May 9, 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	12	676	\$410	\$0.06
1/1	13	678	\$410	\$0.60
2/1	15	864	\$450	\$0.52
3/1.5	10	1,078	\$485	\$0.45

**Occupancy** 95%  
**Rent Premiums** N  
**Total Units** 50  
**Unit Size Range** 676 - 1,078  
**Avg. Unit Size** 813  
**Avg. Rent/Unit** \$437  
**Avg. Rent/SF** \$0.54

**SF** 40,666

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

**Physical Data**

<b>No. of Buildings</b>	6
<b>Construction Type</b>	Brick
<b>HVAC</b>	Central Elec/Central Elec
<b>Stories</b>	2
<b>Utilities with Rent</b>	None
<b>Parking</b>	L/0
<b>Year Built</b>	1983
<b>Condition</b>	Good
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

**Amenities**

Range/Oven, Refrigerator, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Coat Closet, Community Room, Playground, On-Site Management

**Remarks**

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

**Multi-Family Lease No. 4**



**Property Identification**

**Record ID** 5382  
**Property Type** Garden  
**Property Name** Georgetown Apartments  
**Address** 1034 Elm Avenue, Americus, Sumter County, Georgia 31709  
**Market Type** Market

**Verification** Tasha; 229-928-8413, May 9, 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	18	500	\$459	\$0.92
1/1	14	850	\$559	\$0.66

**Occupancy** 96%  
**Rent Premiums** N  
**Total Units** 32  
**Unit Size Range** 500 - 850  
**Avg. Unit Size** 653  
**Avg. Rent/Unit** \$503  
**Avg. Rent/SF** \$0.77  
  
**SF** 20,900

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

**Physical Data**

<b>No. of Buildings</b>	2
<b>Construction Type</b>	Siding
<b>HVAC</b>	Wall Elec/Wall Elec
<b>Stories</b>	1
<b>Utilities with Rent</b>	None
<b>Parking</b>	L/0
<b>Year Built</b>	1996
<b>Condition</b>	Good
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

**Amenities**

Range/Oven, Refrigerator, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Ceiling Fans, Coat Closet, Swimming Pool, On-Site Management

**Remarks**

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

**Multi-Family Lease No. 5**



**Property Identification**

**Record ID** 7777  
**Property Type** Walk-Up  
**Property Name** Pecan Villas Apartments  
**Address** 578 Pecan Street Southeast, Dawson, Terrell County, Georgia 39842  
**Market Type** Market  
**Verification** Alton Dobbs; 229-995-3252, May 9, 2017

<u>Unit Type</u>	<u>Unit Mix</u>			
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
2/1	8	750	\$395	\$0.53
<b>Occupancy</b>	100%			
<b>Rent Premiums</b>	N			
<b>Total Units</b>	8			
<b>Unit Size Range</b>	750			
<b>Avg. Unit Size</b>	750			
<b>Avg. Rent/Unit</b>	\$395			
<b>Avg. Rent/SF</b>	\$0.53			
<b>SF</b>	6,000			

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

**Physical Data**

<b>No. of Buildings</b>	2
<b>Construction Type</b>	Brick
<b>HVAC</b>	Central Elec/Central Elec
<b>Stories</b>	2
<b>Utilities with Rent</b>	None
<b>Parking</b>	L/0
<b>Year Built</b>	1981
<b>Condition</b>	Good
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

**Amenities**

Refrigerator, Range/Oven, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Tile, Blinds

**Remarks**

The property does not maintain an active waiting list.

**Multi-Family Lease No. 6**



**Property Identification**

**Record ID** 5975  
**Property Type** Garden/Walk-Up  
**Property Name** St. Charles Apartments  
**Address** 1034 Elm Avenue, Americus, Sumter County, Georgia 31709  
**Market Type** Market

**Verification** Tasha; 229-928-8413, May 9, 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>
2/2.5	38	1,140	\$659	\$0.58
3/3	3	1,400	\$759	\$0.54
4/4	1	Unknown	\$859	Unknown

**Occupancy** 90%  
**Rent Premiums** N  
**Total Units** 42  
**Unit Size Range** 1,140 - 1,400  
**Avg. Unit Size** 1,131  
**Avg. Rent/Unit** \$671  
**Avg. Rent/SF** \$0.59  
  
**SF** 47,520

**Multi-Family Lease No. 6 (Cont.)**

**Physical Data**

<b>No. of Buildings</b>	7
<b>Construction Type</b>	Siding
<b>HVAC</b>	Central Elec/Wall Elec
<b>Stories</b>	1, 2
<b>Utilities with Rent</b>	None
<b>Parking</b>	L/0
<b>Year Built</b>	1996/2000
<b>Condition</b>	Good
<b>Gas Utilities</b>	None
<b>Electric Utilities</b>	All

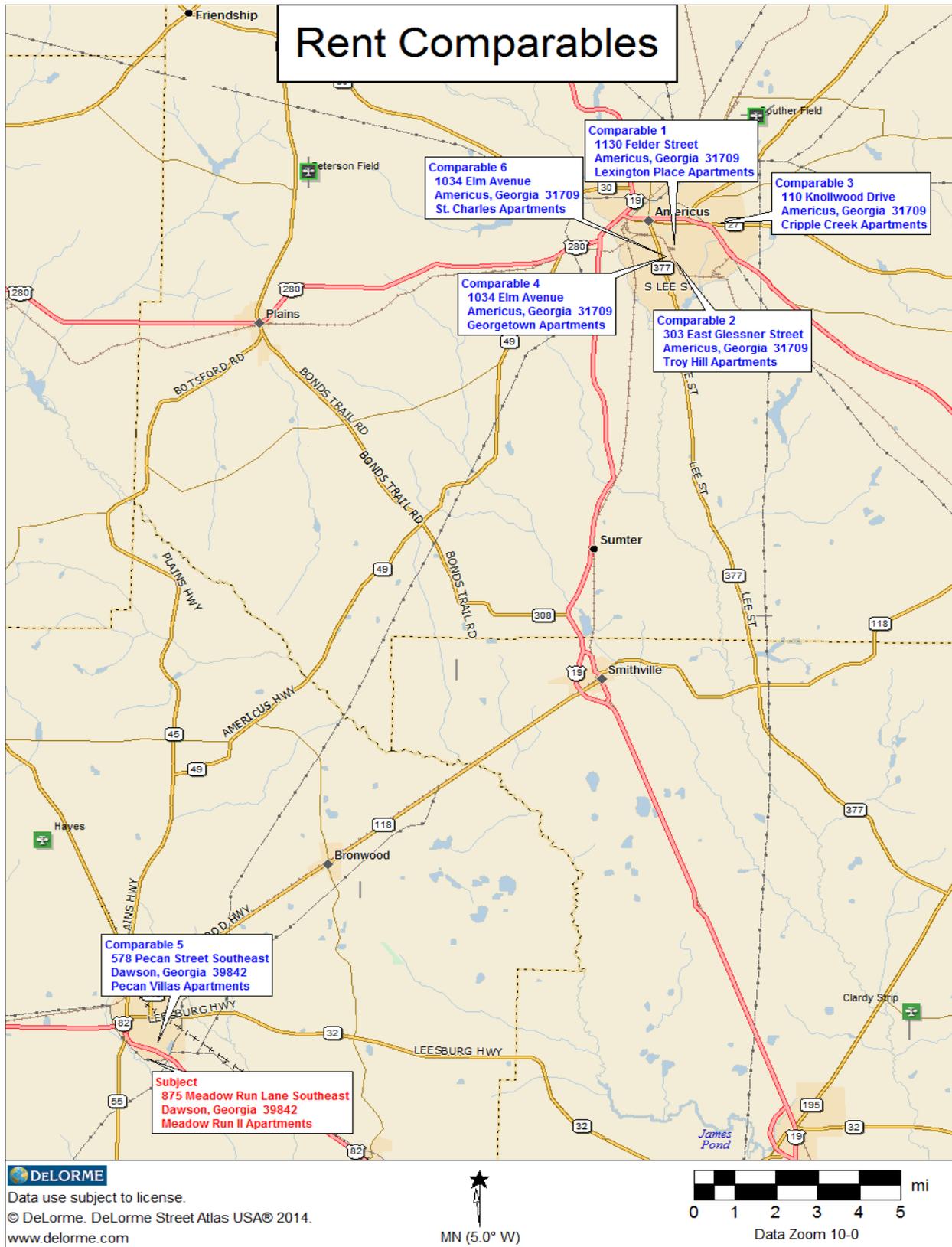
**Amenities**

Refrigerator, Range/Oven, Garbage Disposal, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Hardwood, Blinds, Ceiling Fans, Walk-In Closet, Patio, Swimming Pool, On-Site Management, On-Site Maintenance

**Remarks**

The annual turnover rate is approximately 36 percent. This property does not maintain a waiting list.

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	Contract Rent	Potential Gross Income
38	1/1	637	\$407	\$15,466
2	2/1	798	\$427	\$854
Total Potential Monthly Rental Income				\$16,320
				x 12
Total Potential Gross Rental Income				\$195,840
Tenant Charges				\$600
<b>Total Potential Gross Income</b>				<b>\$196,440</b>

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

# of Units	Unit Type	Unit SF	Market Rent	Potential Gross Income
38	1/1	637	\$435	\$16,530
2	2/1	798	\$515	\$1,030
Total Potential Monthly Rental Income				\$17,560
				x 12
Total Potential Gross Rental Income				\$210,720
Tenant Charges				\$600
<b>Total Potential Gross Income</b>				<b>\$211,320</b>

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

# of Units	Unit Type	Unit SF	Contract Rent	Potential Gross Income
38	1/1	637	\$485	\$18,430
2	2/1	798	\$565	\$1,130
Total Potential Monthly Rental Income				\$19,560
				x 12
Total Potential Gross Rental Income				\$234,720
Tenant Charges				\$600
<b>Total Potential Gross Income</b>				<b>\$235,320</b>

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

# of Units	Unit Type	Unit SF	Market Rent	Potential Gross Income
38	1/1	637	\$485	\$18,430
2	2/1	798	\$565	\$1,130
Total Potential Monthly Rental Income				\$19,560
				x 12
Total Potential Gross Rental Income				\$234,720
Tenant Charges				\$600
<b>Total Potential Gross Income</b>				<b>\$235,320</b>

**Vacancy and Expense Explanations**

**Vacancy and Collection Loss**

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

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

The field/phone survey was conducted in March 2017. Nine 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 five percent was determined for the market-rate vacancy and four percent was determined for the restricted vacancy. The subject is currently 97 percent occupied. Historically, the subject's occupancy rate has ranged from 88 to 96 percent since 2013. 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 fire fighting, 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: Meadow Run II Apartments  
 Project #:   
 # of Rental Units: 40

**Revenue and Expense Analysis**  
**Historical and Proforma**

% change compared to preceding year.

2015 is base year for % changes for YTD current year annualized and projections.

REVENUE - Annual												REVENUE - Annual						
	2013	PUPA	2014	PUPA	%	2015	PUPA	%	2016	PUPA	%	12			Budget	PUPA	%	
												Pro Forma	PUPA	%				
<b>Residential &amp; Ancillary Income</b>																		Residential & Ancillary Income
Annual Gross Potential Rental Income	184,377	4,609	188,682	4,717	2%	191,040	4,776	1%	189,049	4,726	-1%	234,600	5,865	24%	195,840	4,896	4%	Annual Gross Potential Rental Income
Annual Ancillary Income	908	23	439	11	-52%	276	7	-37%	687	17	149%	600	15	-13%	600	15	-13%	Annual Ancillary Income
Annual Gross Potential Income	185,285	4,632	189,121	4,728	2%	191,316	4,783	1%	189,736	4,743	-1%	235,200	5,880	24%	196,440	4,911	4%	Annual Gross Potential Income
Occupancy	96.57%	159	99.46%	26	3%	98.87%	54	-1%	97.69%	110	-1%	96.01%	235	-2%	95.02%	245	-3%	Occupancy
Effective Gross Income (EGI)	178,925	4,473	188,097	4,702	5%	189,159	4,729	1%	185,345	4,634	-2%	225,816	5,645	22%	186,648	4,666	1%	Effective Gross Income (EGI)

ITEMIZED EXPENSES - Annual												ITEMIZED EXPENSES - Annual						
Estimate of Annual Expense	2013	PUPA	2014	PUPA	%	2015	PUPA	%	2016	PUPA	%	12			Budget	PUPA	%	
												Pro Forma	PUPA	%				
<b>Administrative</b>																		Administrative
Advertising	315	8	96	2	-70%	217	5	128%	307	8	41%	200	5	-35%	200	5	-35%	Advertising
Management Fee	20,870	522	21,360	534	2%	21,882	547	2%	22,285	557	2%	21,197	530	-5%	23,520	588	6%	Management Fee
Other (Specify)	21,893	547	22,904	573	5%	24,448	611	7%	22,726	568	-7%	28,441	711	25%	24,669	617	9%	Other (Specify)
<b>Total Administrative</b>	<b>43,078</b>	<b>1,077</b>	<b>44,360</b>	<b>1,109</b>	<b>3%</b>	<b>46,547</b>	<b>1,164</b>	<b>5%</b>	<b>45,318</b>	<b>1,133</b>	<b>-3%</b>	<b>49,838</b>	<b>1,246</b>	<b>10%</b>	<b>48,389</b>	<b>1,210</b>	<b>7%</b>	<b>Total Administrative</b>
<b>Operating</b>																		Operating
Elevator Maintenance Exp.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Elevator Maintenance Exp.
Fuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Fuel - Heating
Fuel - Domestic Hotwater	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Fuel - Domestic Hotwater
Lighting and Misc. Power	4,314	108	5,458	136	27%	4,711	118	-14%	5,257	131	12%	5,300	133	1%	5,300	133	1%	Lighting and Misc. Power
Water	910	23	826	21	-9%	637	16	-23%	905	23	42%	736	18	-19%	950	24	5%	Water
Gas	179	4	261	7	46%	158	4	-40%	151	4	-4%	200	5	32%	200	5	32%	Gas
Garbage and Trash Removal	1,131	28	870	22	-23%	874	22	1%	1,599	40	83%	1,300	33	-19%	1,300	33	-19%	Garbage and Trash Removal
Payroll	14,616	365	15,458	386	6%	15,414	385	0%	15,577	389	1%	16,044	401	3%	16,400	410	5%	Payroll
Other (Specify)	6,269	157	7,470	187	19%	10,189	255	36%	7,034	176	-31%	11,025	276	57%	11,000	275	56%	Other (Specify)
<b>Total Operating</b>	<b>27,419</b>	<b>685</b>	<b>30,344</b>	<b>759</b>	<b>11%</b>	<b>31,983</b>	<b>800</b>	<b>5%</b>	<b>30,523</b>	<b>763</b>	<b>-5%</b>	<b>34,605</b>	<b>865</b>	<b>13%</b>	<b>35,150</b>	<b>879</b>	<b>15%</b>	<b>Total Operating</b>
<b>Maintenance</b>																		Maintenance
Decorating	2,485	62	1,935	48	-22%	2,719	68	41%	1,538	38	-43%	1,500	38	-2%	2,500	63	63%	Decorating
Repairs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Repairs
Exterminating	2,851	71	2,859	71	0%	2,359	59	-17%	3,009	75	28%	3,099	77	3%	2,859	71	-5%	Exterminating
Insurance	7,773	194	7,927	198	2%	8,019	200	1%	8,025	201	0%	8,426	211	5%	9,080	227	13%	Insurance
Ground Expense	7,064	177	7,180	180	2%	6,290	157	-12%	7,510	188	19%	7,735	193	3%	9,200	230	23%	Ground Expense
Other (specify)	111	3	235	6	111%	248	6	5%	115	3	-53%	200	5	73%	250	6	117%	Other (specify)
<b>Total Maintenance</b>	<b>20,285</b>	<b>507</b>	<b>20,137</b>	<b>503</b>	<b>-1%</b>	<b>19,635</b>	<b>491</b>	<b>-2%</b>	<b>20,198</b>	<b>505</b>	<b>3%</b>	<b>20,960</b>	<b>524</b>	<b>4%</b>	<b>23,889</b>	<b>597</b>	<b>18%</b>	<b>Total Maintenance</b>
<b>Taxes</b>																		Taxes
Real Estate Tax	11,114	278	10,391	260	-7%	22,924	573	121%	11,429	286	-50%	12,572	314	10%	23,000	575	101%	Real Estate Tax
Personal Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	2,855	71	3,007	75	5%	2,864	72	-5%	2,427	61	-15%	2,500	63	3%	2,700	68	11%	Employee Payroll Tax
Employee Benefits	1,129	28	1,578	39	40%	1,872	47	19%	2,729	68	46%	2,809	70	3%	2,560	64	-6%	Employee Benefits
Other	53	1	88	2	67%	53	1	-39%	203	5	280%	209	5	3%	100	3	-51%	Other
<b>Total Taxes</b>	<b>15,151</b>	<b>379</b>	<b>15,064</b>	<b>377</b>	<b>-1%</b>	<b>27,713</b>	<b>693</b>	<b>84%</b>	<b>16,787</b>	<b>420</b>	<b>-39%</b>	<b>18,090</b>	<b>452</b>	<b>8%</b>	<b>28,360</b>	<b>709</b>	<b>69%</b>	<b>Total Taxes</b>
Operating Exp. before RFR	105,932	2,648	109,904	2,748	4%	125,877	3,147	15%	112,825	2,821	-10%	123,493	3,087	9%	135,788	3,395	20%	Operating Exp. before RFR
Reserve For Replacement	17,036	426	17,036	426	0%	17,036	426	0%	16,036	401	-6%	14,000	350	-13%	16,028	401	0%	Reserve For Replacement
<b>Operating Exp. Incl. RFR</b>	<b>122,968</b>	<b>3,074</b>	<b>126,940</b>	<b>3,173</b>	<b>3%</b>	<b>142,913</b>	<b>3,573</b>	<b>13%</b>	<b>128,861</b>	<b>3,222</b>	<b>-10%</b>	<b>137,493</b>	<b>3,437</b>	<b>7%</b>	<b>151,816</b>	<b>3,795</b>	<b>18%</b>	<b>Operating Exp. Incl. RFR</b>
<b>NOI</b>	<b>55,957</b>	<b>1,399</b>	<b>61,157</b>	<b>1,529</b>	<b>9%</b>	<b>46,246</b>	<b>1,156</b>	<b>-24%</b>	<b>56,484</b>	<b>1,412</b>	<b>22%</b>	<b>88,323</b>	<b>2,208</b>	<b>91%</b>	<b>34,832</b>	<b>871</b>	<b>-38%</b>	<b>NOI</b>

Meadow Run II Apartments \* 875 Meadow Run Lane Southeast \* Dawson, Georgia

**Property:** Meadow Run II Apartments

**Project #:**

**# of Rental Units:** 40

**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	%	
<b>Residential &amp; Ancillary Income</b>							Residential & Ancillary Income
Annual Gross Potential Rental Income	195,840	4,896	4%	234,720	5,868	24%	Annual Gross Potential Rental Income
Annual Ancillary Income	600	15	-13%	600	15	-13%	Annual Ancillary Income
Annual Gross Potential Income	196,440	4,911	4%	235,320	5,883	24%	Annual Gross Potential Income
Occupancy	97.00%	147	-1%	97.00%	176	-1%	Occupancy
Effective Gross Income (EGI)	190,547	4,764	3%	228,260	5,707	23%	Effective Gross Income (EGI)

ITEMIZED EXPENSES - Annual Estimate of Annual Expense	As Is			As Complete			ITEMIZED EXPENSES - Annual Estimate of Annual Expense
	Restricted Projections	PUPA	%	Restricted Projections	PUPA	%	
<b>Administrative</b>							Administrative
Advertising	200	5	-35%	200	5	-35%	Advertising
Management Fee	20,520	513	-8%	20,520	513	-8%	9.050% Management Fee
Other (Specify)	24,000	600	6%	24,000	600	6%	Other (Specify)
<b>Total Administrative</b>	<b>44,720</b>	<b>1,118</b>	<b>-1%</b>	<b>44,720</b>	<b>1,118</b>	<b>-1%</b>	<b>Total Administrative</b>
<b>Operating</b>							Operating
Elevator Maintenance Exp.	0	0	0	0	0	0	Elevator Maintenance Exp.
Fuel	0	0	0	0	0	0	Fuel - Heating
Fuel - Domestic Hotw ater	0	0	0	0	0	0	Fuel - Domestic Hotw ater
Lighting and Msc. Pow er	5,400	135	3%	5,400	135	3%	Lighting and Msc. Pow er
Water	800	20	-12%	800	20	-12%	Water
Gas	200	5	32%	200	5	32%	Gas
Garbage and Trash Removal	1,400	35	-12%	1,400	35	-12%	Garbage and Trash Removal
Payroll	16,000	400	3%	16,000	400	3%	Payroll
Other (Specify)	9,000	225	28%	8,000	200	14%	Other (Specify)
<b>Total Operating</b>	<b>32,800</b>	<b>820</b>	<b>7%</b>	<b>31,800</b>	<b>795</b>	<b>4%</b>	<b>Total Operating</b>
<b>Maintenance</b>							Maintenance
Decorating	2,000	50	30%	2,000	50	30%	Decorating
Repairs	0	0	0	0	0	0	Repairs
Exterminating	3,000	75	0%	3,000	75	0%	Exterminating
Insurance	9,000	225	12%	9,000	225	12%	Insurance
Ground Expense	7,000	175	-7%	7,000	175	-7%	Ground Expense
Other (specify)	200	5	73%	200	5	73%	Other (specify)
<b>Total Maintenance</b>	<b>21,200</b>	<b>530</b>	<b>5%</b>	<b>21,200</b>	<b>530</b>	<b>5%</b>	<b>Total Maintenance</b>
<b>Taxes</b>							Taxes
Real Estate Tax	11,600	290	1%	12,600	315	10%	Real Estate Tax
Personal Property Tax	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	2,600	65	7%	2,600	65	7%	Employee Payroll Tax
Employee Benefits	2,600	65	-5%	2,600	65	-5%	Employee Benefits
Other	200	5	-1%	200	5	-1%	Other
<b>Total Taxes</b>	<b>17,000</b>	<b>425</b>	<b>1%</b>	<b>18,000</b>	<b>450</b>	<b>7%</b>	<b>Total Taxes</b>
Operating Exp. before RFR	115,720	2,893	3%	115,720	2,893	3%	Operating Exp. before RFR
Reserve For Replacement	16,000	400	0%	16,000	400	0%	Reserve For Replacement
<b>Operating Exp. Incl. RFR</b>	<b>131,720</b>	<b>3,293</b>	<b>2%</b>	<b>131,720</b>	<b>3,293</b>	<b>2%</b>	<b>Operating Exp. Incl. RFR</b>
<b>NOI</b>	<b>58,827</b>	<b>1,471</b>	<b>4%</b>	<b>96,540</b>	<b>2,414</b>	<b>71%</b>	<b>NOI</b>

**Estimating Restricted Expenses Per Unit**

<b>Estimating Restricted Expenses Per Unit</b>							
Subject As Is	Expenses	Subject As Complete	Comparable One	Comparable Two	Comparable Three	Comparable Four	IREM Region IV
\$5	Advertising	\$5	\$3	\$21	\$14	\$31	\$0
\$513	Management	\$513	\$362	\$539	\$501	\$408	\$441
\$600	Other Administrative Expenses	\$600	\$280	\$443	\$368	\$713	\$1,272
\$0	Elevator Maintenance Expense	\$0	\$0	\$0	\$0	\$0	\$0
\$0	Fuel	\$0	\$0	\$0	\$0	\$0	\$0
\$135	Lighting & Misc. Power	\$135	\$119	\$164	\$148	\$238	\$177
\$20	Water/Sewer	\$20	\$254	\$1,025	\$1,316	\$322	\$199
\$5	Gas	\$5	\$22	\$12	\$43	\$322	\$10
\$35	Garbage/Trash Removal	\$35	\$0	\$0	\$145	\$90	\$0
\$400	Payroll	\$400	\$441	\$935	\$1,292	\$666	\$732
\$225	Other Operating Expenses	\$200	\$272	\$297	\$190	\$304	\$272
\$50	Decorating	\$50	\$0	\$0	\$200	\$58	\$92
\$0	Repairs	\$0	\$96	\$223	\$1,575	\$84	\$252
\$75	Exterminating	\$75	\$0	\$0	\$0	\$29	\$0
\$225	Insurance	\$225	\$203	\$599	\$308	\$334	\$355
\$175	Ground Expenses	\$175	\$0	\$0	\$393	\$151	\$249
\$5	Other Maintenance	\$5	\$0	\$0	\$0	\$0	\$0
\$290	Real Estate Taxes	\$315	\$277	\$440	\$824	\$411	\$422
\$65	Payroll Taxes	\$65	\$0	\$0	\$124	\$87	\$0
\$65	Employee Benefits	\$65	\$0	\$0	\$243	\$111	\$0
\$5	Other Taxes	\$5	\$0	\$0	\$14	\$0	\$3
\$400	Replacement Reserves	\$400	\$0	\$0	\$0	\$0	\$0
\$3,293	<b>Total Per Unit</b>	\$3,293	\$2,329	\$4,698	\$7,698	\$4,359	\$4,476
<p><b>Comments:</b>                      Subject expenses were estimated based on comparable apartments and industry norms. Comparable apartment expenses were estimated after discussions with area apartment managers. The comparable estimates were substantiated by the 2016 <i>Income/Expense Analysis: Federally Assisted Apartments</i> printed by the Institute of Real Estate Management. 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 38 and 55 percent of the gross rent potential. The subject's expenses were estimated at 56 percent of the gross rent potential which is higher than the comparable range. Market expenses for the subject were categorized similar to the actual expenses as different properties categorize expenses in different ways. Explanations of specific itemized expenses are indicated on the following pages.</p>							

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

<b>Expense</b>	<b>As Is</b>	<b>As Complete</b>	<b>Comp Range</b>
1. Advertising	\$5	\$5	\$0- \$31
<p>An advertising expense of \$5 per unit was projected for the subject. A comparable range of \$0 to \$31 per unit was determined. The expense was projected considering the subject's historical financials and the comparable range.</p>			
2. Management	\$513	\$513	\$362-\$539
<p>A management expense of \$513 per unit was projected for the "as is" scenario, and a management expense of \$513 per unit was projected for the "as complete" scenario. A comparable range of \$362 to \$539 was determined. The expense was projected based on \$45 per unit as indicated by the budget.</p>			
3. Other Administrative	\$600	\$600	\$280- \$713
<p>An other administrative expense of \$600 per unit was projected. The other administrative expenses include office supplies, other renting expenses, office salaries, office furniture and equipment, training expenses, office salaries, telephone and answering services, legal expenses, audit expense, bank fees and utility allowance fees. A comparable range of \$280 to \$713 was determined. The expense was projected considering the subject's historical financials and the comparable range.</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	\$135	\$135	\$119-\$238
<p>A lighting and miscellaneous power expense of \$135 was projected for the subject. A comparable range of \$119 to \$238 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>			

- |    |             |      |      |                |
|----|-------------|------|------|----------------|
| 7. | Water/Sewer | \$20 | \$20 | \$254- \$1,316 |
|----|-------------|------|------|----------------|
- A water/sewer expense of \$20 per unit was projected for the subject. A comparable range of \$254 to \$1,316 per unit was determined. The subject does not provide this utility. 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 | \$5 | \$5 | \$12-\$322 |
|----|-----|-----|-----|------------|
- A gas expense of \$5 per unit was projected for the subject. A comparable range of \$12 to \$322 per unit was determined. The subject does not provide this utility. 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 | \$35 | \$35 | \$0- \$145 |
|----|-----------------------|------|------|------------|
- A garbage/trash removal expense of \$35 per unit was projected for the subject. A comparable range of \$0 to \$145 per unit was determined. The expense was projected considering the subject's historical financials and the comparable range.
- |     |         |       |       |               |
|-----|---------|-------|-------|---------------|
| 10. | Payroll | \$400 | \$400 | \$441-\$1,292 |
|-----|---------|-------|-------|---------------|
- The payroll expense of \$400 per unit was projected. A comparable range of \$441 to \$1,292 was determined. The expense was projected considering the subject's historical financials.
- |     |                          |       |       |             |
|-----|--------------------------|-------|-------|-------------|
| 11. | Other Operating Expenses | \$225 | \$200 | \$190-\$304 |
|-----|--------------------------|-------|-------|-------------|
- An other operating expense of \$225 per unit was projected for the "as is" scenario and \$200 was projected for the "as complete" scenario. A comparable range of \$190 to \$304 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. The subject will undergo a substantial rehabilitation. Upon completion of the rehabilitation, fewer other operating expenses will be required. Therefore, the "as complete" expense was projected lower than the "as is" expense.
- |    |            |      |      |            |
|----|------------|------|------|------------|
| 12 | Decorating | \$50 | \$50 | \$0- \$200 |
|----|------------|------|------|------------|
- A decorating expense of \$50 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.

- |     |         |     |     |               |
|-----|---------|-----|-----|---------------|
| 13. | Repairs | \$0 | \$0 | \$84- \$1,575 |
|-----|---------|-----|-----|---------------|
- A repairs expense of \$0 was projected for the “as is” scenario. A comparable range of \$84 to \$1,575 was determined. While the subject does contain repairs, in the historical financial data they have been allocated into other categories, including decorating contracts, exterminating contracts and grounds expenses. Therefore, no specific repairs were included in the historical data. The expense was projected using the subject’s historical financials.
- |     |               |      |      |           |
|-----|---------------|------|------|-----------|
| 14. | Exterminating | \$75 | \$75 | \$0- \$29 |
|-----|---------------|------|------|-----------|
- An exterminating expense of \$75 per unit was projected. A comparable range of \$0 to \$29 was determined. Expenses such as exterminating 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.
- |     |           |       |       |              |
|-----|-----------|-------|-------|--------------|
| 15. | Insurance | \$225 | \$225 | \$203- \$599 |
|-----|-----------|-------|-------|--------------|
- An insurance expense of \$225 per unit was projected for the subject’s “as is” scenario, and \$225 per unit for the subject’s as complete scenario. A comparable range of \$203 to \$599 per unit was determined. The expense was projected considering the subject’s historical financials and the comparable range.
- |     |                 |       |       |           |
|-----|-----------------|-------|-------|-----------|
| 16. | Ground Expenses | \$175 | \$175 | \$0-\$393 |
|-----|-----------------|-------|-------|-----------|
- A ground expense of \$175 per unit was projected. A comparable range of \$0 to \$393 was determined. The expense was projected considering the subject’s historical financials and the comparable range.
- |     |                   |     |     |          |
|-----|-------------------|-----|-----|----------|
| 17. | Other Maintenance | \$5 | \$5 | \$0- \$0 |
|-----|-------------------|-----|-----|----------|
- Other maintenance expenses of \$5 per unit were projected for the subject. A comparable range of \$0 to \$0 per unit was determined. Expenses such as other maintenance 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.
- |     |                   |       |       |              |
|-----|-------------------|-------|-------|--------------|
| 18. | Real Estate Taxes | \$290 | \$315 | \$277- \$824 |
|-----|-------------------|-------|-------|--------------|
- A real estate tax expense of \$290 per unit was projected for the subject based on the information obtained by the Terrell 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 | \$65 | \$65 | \$0- \$124 |
|-----|---------------|------|------|------------|
- Payroll taxes were projected at \$65 per unit. A comparable range of \$0 to \$124 was determined. The expense was projected considering the subject's historical financials and the comparable range.
- |     |                   |      |      |           |
|-----|-------------------|------|------|-----------|
| 20. | Employee Benefits | \$65 | \$65 | \$0-\$243 |
|-----|-------------------|------|------|-----------|
- Employee benefits were projected at \$65 per unit. A comparable range of \$0 to \$243 was determined. The expense was projected considering the subject's historical financials and the comparable range.
- |     |                      |       |       |         |
|-----|----------------------|-------|-------|---------|
| 21. | Replacement Reserves | \$400 | \$400 | \$0-\$0 |
|-----|----------------------|-------|-------|---------|
- A replacement reserves expense \$400 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 \$2,893 before reserves for replacement. This is three percent higher than the 2016 data. The comparables range from \$2,329 to \$7,698 per unit before reserves for replacement. All comparables are Section 8 or Rural Development properties located in the State of Georgia. The subject is within 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 1975, contains 80 units and has total overall expenses of \$2,329 per unit; Comparable 2 was constructed in 1974, contains 100 units and has total overall expenses of \$4,698 per unit; Comparable 3 was constructed in 1983, contains 88 units and has total overall expenses of \$7,697 per unit; and Comparable 4 was constructed in 1974, contains 100 units and has total overall expenses of \$4,359 per unit. The subject was constructed in 1994 and is a 40-unit stabilized Rural Development property. Historically, the subject's overall expenses have ranged from \$2,748 to \$3,147 per unit before reserves for replacement. Therefore, the subject's expenses were deemed reasonable.

### Operating Expenses & Market Projections

Property: Meadow Run II Apartments

Project #:

# of Rental Units: 40

#### Revenue and Expense Analysis

#### Historical and Proforma

% change compared to preceding year.

2015 is base year for % changes for YTD current year annualized and projections.

REVENUE - Annual												REVENUE - Annual						
	2013	PUPA	2014	PUPA	%	2015	PUPA	%	2016	PUPA	%	12	PUPA	%	Budget	PUPA	%	
<b>Residential &amp; Ancillary Income</b>																		Residential & Ancillary Income
Annual Gross Potential Rental Income	184,377	4,609	188,682	4,717	2%	191,040	4,776	1%	189,049	4,726	-1%	234,600	5,865	24%	195,840	4,896	4%	Annual Gross Potential Rental Income
Annual Ancillary Income	908	23	439	11	-52%	276	7	-37%	687	17	149%	600	15	-13%	600	15	-13%	Annual Ancillary Income
Annual Gross Potential Income	185,285	4,632	189,121	4,728	2%	191,316	4,783	1%	189,736	4,743	-1%	235,200	5,880	24%	196,440	4,911	4%	Annual Gross Potential Income
Occupancy	96.57%	159	99.46%	26	3%	98.87%	54	-1%	97.69%	110	-1%	96.01%	235	-2%	95.02%	245	-3%	Occupancy
Effective Gross Income (EGI)	178,925	4,473	188,097	4,702	5%	189,159	4,729	1%	185,345	4,634	-2%	225,816	5,645	22%	186,648	4,666	1%	Effective Gross Income (EGI)

ITEMIZED EXPENSES - Annual												ITEMIZED EXPENSES - Annual						
Estimate of Annual Expense												Estimate of Annual Expense						
	2013	PUPA	2014	PUPA	%	2015	PUPA	%	2016	PUPA	%	12	PUPA	%	Budget	PUPA	%	
<b>Administrative</b>																		Administrative
Advertising	315	8	96	2	-70%	217	5	128%	307	8	41%	200	5	-35%	200	5	-35%	Advertising
Management Fee	20,870	522	21,360	534	2%	21,882	547	2%	22,285	557	2%	21,197	530	-5%	23,520	588	6%	Management Fee
Other (Specify)	21,893	547	22,904	573	5%	24,448	611	7%	22,726	568	-7%	28,441	711	25%	24,669	617	9%	Other (Specify)
<b>Total Administrative</b>	<b>43,078</b>	<b>1,077</b>	<b>44,360</b>	<b>1,109</b>	<b>3%</b>	<b>46,547</b>	<b>1,164</b>	<b>5%</b>	<b>45,318</b>	<b>1,133</b>	<b>-3%</b>	<b>49,838</b>	<b>1,246</b>	<b>10%</b>	<b>48,389</b>	<b>1,210</b>	<b>7%</b>	<b>Total Administrative</b>
<b>Operating</b>																		Operating
Elevator Maintenance Exp.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Elevator Maintenance Exp.
Fuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Fuel - Heating
Fuel - Domestic Hot water	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Fuel - Domestic Hot water
Lighting and Misc. Power	4,314	108	5,458	136	27%	4,711	118	-14%	5,257	131	12%	5,300	133	1%	5,300	133	1%	Lighting and Misc. Power
Water	910	23	826	21	-9%	637	16	-23%	905	23	42%	736	18	-19%	950	24	5%	Water
Gas	179	4	261	7	46%	158	4	-40%	151	4	-4%	200	5	32%	200	5	32%	Gas
Garbage and Trash Removal	1,131	28	870	22	-23%	874	22	1%	1,599	40	83%	1,300	33	-19%	1,300	33	-19%	Garbage and Trash Removal
Payroll	14,616	365	15,458	386	6%	15,414	385	0%	15,577	389	1%	16,044	401	3%	16,400	410	5%	Payroll
Other (Specify)	6,269	157	7,470	187	19%	10,189	255	36%	7,034	176	-31%	11,025	276	57%	11,000	275	56%	Other (Specify)
<b>Total Operating</b>	<b>27,419</b>	<b>685</b>	<b>30,344</b>	<b>759</b>	<b>11%</b>	<b>31,983</b>	<b>800</b>	<b>5%</b>	<b>30,523</b>	<b>763</b>	<b>-5%</b>	<b>34,605</b>	<b>865</b>	<b>13%</b>	<b>35,150</b>	<b>879</b>	<b>15%</b>	<b>Total Operating</b>
<b>Maintenance</b>																		Maintenance
Decorating	2,485	62	1,935	48	-22%	2,719	68	41%	1,538	38	-43%	1,500	38	-2%	2,500	63	63%	Decorating
Repairs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Repairs
Exterminating	2,851	71	2,859	71	0%	2,359	59	-17%	3,009	75	28%	3,099	77	3%	2,859	71	-5%	Exterminating
Insurance	7,773	194	7,927	198	2%	8,019	200	1%	8,025	201	0%	8,426	211	5%	9,080	227	13%	Insurance
Ground Expense	7,064	177	7,180	180	2%	6,290	157	-12%	7,510	188	19%	7,735	193	3%	9,200	230	23%	Ground Expense
Other (specify)	111	3	235	6	111%	248	6	5%	115	3	-53%	200	5	73%	250	6	117%	Other (specify)
<b>Total Maintenance</b>	<b>20,285</b>	<b>507</b>	<b>20,137</b>	<b>503</b>	<b>-1%</b>	<b>19,635</b>	<b>491</b>	<b>-2%</b>	<b>20,198</b>	<b>505</b>	<b>3%</b>	<b>20,960</b>	<b>524</b>	<b>4%</b>	<b>23,889</b>	<b>597</b>	<b>18%</b>	<b>Total Maintenance</b>
<b>Taxes</b>																		Taxes
Real Estate Tax	11,114	278	10,391	260	-7%	22,924	573	121%	11,429	286	-50%	12,572	314	10%	23,000	575	101%	Real Estate Tax
Personal Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	2,855	71	3,007	75	5%	2,864	72	-5%	2,427	61	-15%	2,500	63	3%	2,700	68	11%	Employee Payroll Tax
Employee Benefits	1,129	28	1,578	39	40%	1,872	47	19%	2,729	68	46%	2,809	70	3%	2,560	64	-6%	Employee Benefits
Other	53	1	88	2	67%	53	1	-39%	203	5	280%	209	5	3%	100	3	-51%	Other
<b>Total Taxes</b>	<b>15,151</b>	<b>379</b>	<b>15,064</b>	<b>377</b>	<b>-1%</b>	<b>27,713</b>	<b>693</b>	<b>84%</b>	<b>16,787</b>	<b>420</b>	<b>-39%</b>	<b>18,090</b>	<b>452</b>	<b>8%</b>	<b>28,360</b>	<b>709</b>	<b>69%</b>	<b>Total Taxes</b>
Operating Exp. before RFR	105,932	2,648	109,904	2,748	4%	125,877	3,147	15%	112,825	2,821	-10%	123,493	3,087	9%	135,788	3,395	20%	Operating Exp. before RFR
Reserve For Replacement	17,036	426	17,036	426	0%	17,036	426	0%	16,036	401	-6%	14,000	350	-13%	16,028	401	0%	Reserve For Replacement
<b>Operating Exp. Incl. RFR</b>	<b>122,968</b>	<b>3,074</b>	<b>126,940</b>	<b>3,173</b>	<b>3%</b>	<b>142,913</b>	<b>3,573</b>	<b>13%</b>	<b>128,861</b>	<b>3,222</b>	<b>-10%</b>	<b>137,493</b>	<b>3,437</b>	<b>7%</b>	<b>151,816</b>	<b>3,795</b>	<b>18%</b>	<b>Operating Exp. Incl. RFR</b>
<b>NOI</b>	<b>55,957</b>	<b>1,399</b>	<b>61,157</b>	<b>1,529</b>	<b>9%</b>	<b>46,246</b>	<b>1,156</b>	<b>-24%</b>	<b>56,484</b>	<b>1,412</b>	<b>22%</b>	<b>88,323</b>	<b>2,208</b>	<b>91%</b>	<b>34,832</b>	<b>871</b>	<b>-38%</b>	<b>NOI</b>

Meadow Run II Apartments \* 875 Meadow Run Lane Southeast \* Dawson, Georgia

**Property:** Meadow Run II Apartments

Project #:

# of Rental Units: 40

**Revenue and Expense Analysis**

**Historical and Proforma**

% change compared to preceding year.

REVENUE - Annual	As Is			As Complete			REVENUE - Annual
	Market Projections	PUPA	%	Market Projections	PUPA	%	
<b>Residential &amp; Ancillary Income</b>							Residential & Ancillary Income
Annual Gross Potential Rental Income	210,720	5,268	11%	234,720	5,868	24%	Annual Gross Potential Rental Income
Annual Ancillary Income	600	15	-13%	600	15	-13%	Annual Ancillary Income
Annual Gross Potential Income	211,320	5,283	11%	235,320	5,883	24%	Annual Gross Potential Income
Occupancy	95.00%	264	-3%	95.00%	294	-3%	Occupancy
Effective Gross Income (EGI)	200,754	5,019	8%	223,554	5,589	21%	Effective Gross Income (EGI)

ITEMIZED EXPENSES - Annual Estimate of Annual Expense	As Is			As Complete			ITEMIZED EXPENSES - Annual Estimate of Annual Expense
	Market Projections	PUPA	%	Market Projections	PUPA	%	
<b>Administrative</b>							Administrative
Advertising	200	5	-35%	200	5	-35%	Advertising
Management Fee	8,030	201	-64%	8,942	224	-60%	4.000% Management Fee
Other (Specify)	21,000	525	-8%	21,000	525	-8%	Other (Specify)
<b>Total Administrative</b>	<b>29,230</b>	<b>731</b>	<b>-35%</b>	<b>30,142</b>	<b>754</b>	<b>-33%</b>	<b>Total Administrative</b>
<b>Operating</b>							Operating
Elevator Maintenance Exp.	0	0	0	0	0	0	Elevator Maintenance Exp.
Fuel	0	0	0	0	0	0	Fuel - Heating
Fuel - Domestic Hot water	0	0	0	0	0	0	Fuel - Domestic Hot water
Lighting and Misc. Power	5,400	135	3%	5,400	135	3%	Lighting and Misc. Power
Water	800	20	-12%	800	20	-12%	Water
Gas	200	5	32%	200	5	32%	Gas
Garbage and Trash Removal	1,400	35	-12%	13,000	325	713%	Garbage and Trash Removal
Payroll	16,000	400	3%	16,000	400	3%	Payroll
Other (Specify)	9,000	225	28%	8,000	200	14%	Other (Specify)
<b>Total Operating</b>	<b>32,800</b>	<b>820</b>	<b>7%</b>	<b>43,400</b>	<b>1,085</b>	<b>42%</b>	<b>Total Operating</b>
<b>Maintenance</b>							Maintenance
Decorating	2,000	50	30%	2,000	50	30%	Decorating
Repairs	0	0	0	0	0	0	Repairs
Exterminating	3,000	75	0%	3,000	75	0%	Exterminating
Insurance	9,000	225	12%	9,000	225	12%	Insurance
Ground Expense	7,000	175	-7%	7,000	175	-7%	Ground Expense
Other (specify)	200	5	73%	200	5	73%	Other (specify)
<b>Total Maintenance</b>	<b>21,200</b>	<b>530</b>	<b>5%</b>	<b>21,200</b>	<b>530</b>	<b>5%</b>	<b>Total Maintenance</b>
<b>Taxes</b>							Taxes
Real Estate Tax	18,000	450	57%	19,000	475	66%	Real Estate Tax
Personal Property Tax	0	0	0	0	0	0	Personal Property Tax
Employee Payroll Tax	2,600	65	7%	2,600	65	7%	Employee Payroll Tax
Employee Benefits	2,600	65	-5%	2,600	65	-5%	Employee Benefits
Other	200	5	-1%	200	5	-1%	Other
<b>Total Taxes</b>	<b>23,400</b>	<b>585</b>	<b>39%</b>	<b>24,400</b>	<b>610</b>	<b>45%</b>	<b>Total Taxes</b>
Operating Exp. before RFR	106,630	2,666	-5%	119,142	2,979	6%	Operating Exp. before RFR
Reserve For Replacement	10,000	250	-38%	10,000	250	-38%	Reserve For Replacement
<b>Operating Exp. Incl. RFR</b>	<b>116,630</b>	<b>2,916</b>	<b>-9%</b>	<b>129,142</b>	<b>3,229</b>	<b>0%</b>	<b>Operating Exp. Incl. RFR</b>
<b>NOI</b>	<b>84,124</b>	<b>2,103</b>	<b>49%</b>	<b>94,412</b>	<b>2,360</b>	<b>67%</b>	<b>NOI</b>

**Estimating Market Expenses Per Unit**

<b>Estimating Market Expenses Per Unit</b>							
Subject As Is	Expenses	Subject As Complete	Comparable One	Comparable Two	Comparable Three	Comparable Four	IREM Region IV
\$5	Advertising	\$5	\$15	\$0	\$0	\$150	\$0
\$201	Management	\$224	\$344	\$191	\$0	\$299	\$382
\$525	Other Administrative Expenses	\$525	\$113	\$0	\$70	\$300	\$650
\$0	Elevator Maintenance Expense	\$0	\$0	\$0	\$0	\$0	\$0
\$0	Fuel	\$0	\$0	\$0	\$0	\$0	\$0
\$135	Lighting & Misc. Power	\$135	\$150	\$298	\$191	\$0	\$161
\$20	Water/Sewer	\$20	\$306	\$0	\$136	\$1,127	\$278
\$5	Gas	\$5	\$2	\$0	\$0	\$244	\$7
\$35	Garbage/Trash Removal	\$325	\$60	\$0	\$148	\$0	\$0
\$400	Payroll	\$400	\$1,783	\$190	\$382	\$1,200	\$628
\$225	Other Operating Expenses	\$200	\$0	\$0	\$0	\$0	\$282
\$50	Decorating	\$50	\$0	\$0	\$0	\$0	\$190
\$0	Repairs	\$0	\$450	\$632	\$0	\$500	\$407
\$75	Exterminating	\$75	\$0	\$68	\$65	\$0	\$0
\$225	Insurance	\$225	\$338	\$452	\$0	\$250	\$248
\$175	Ground Expenses	\$175	\$0	\$0	\$142	\$0	\$193
\$5	Other Maintenance	\$5	\$0	\$5	\$0	\$0	\$0
\$450	Real Estate Taxes	\$475	\$501	\$922	\$0	\$699	\$696
\$65	Payroll Taxes	\$65	\$0	\$0	\$0	\$0	\$0
\$65	Employee Benefits	\$65	\$0	\$0	\$0	\$0	\$0
\$5	Other Taxes	\$5	\$0	\$0	\$0	\$0	\$11
\$250	Replacement Reserves	\$250	\$375	\$0	\$0	\$300	\$0
\$2,916	<b>Total Per Unit</b>	\$3,229	\$4,437	\$2,758	\$1,134	\$5,069	\$4,133
<p><b>Comments:</b>                      Subject expenses were estimated based on comparable apartments and industry norms. Comparable apartment expenses were estimated after discussions with area apartment managers. The comparable estimates were substantiated by the 2016 <i>Income/Expense Analysis: Conventional Apartments</i> printed by the Institute of Real Estate Management. 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 60 percent of the gross rent potential. The subject's expenses were estimated at 55 percent of the gross rent potential which is within the comparable range. Market expenses for the subject were categorized similar to the actual expenses as different properties categorize expenses in different ways. Explanations of specific itemized expenses are indicated on the following pages.</p>							

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

	<b>Expense</b>	<b>As Is</b>	<b>As Complete</b>	<b>Comp Range</b>
1.	Advertising	\$5	\$5	\$0- \$150
	An advertising expense of \$5 per unit was projected for the subject. A comparable range of \$0 to \$150 per unit was determined. The expense was projected considering the subject's historical financials and the comparable range.			
2.	Management	\$201	\$224	\$0-\$344
	A management expense of \$201 per unit was projected for the "as is" scenario, and a management expense of \$224 per unit was projected for the "as complete" scenario. A comparable range of \$0 to \$344 was determined. The expense was projected using approximately four percent of the effective gross income as indicated by the comparables.			
3.	Other Administrative	\$525	\$525	\$0-\$300
	An other administrative expense of \$525 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 <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	\$135	\$135	\$0-\$298
	A lighting and miscellaneous power expense of \$135 was projected for the subject. A comparable range of \$0 to \$298 per unit was determined. The landlord does not provide this utility. 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.			

- |    |             |      |      |             |
|----|-------------|------|------|-------------|
| 7. | Water/Sewer | \$20 | \$20 | \$0-\$1,127 |
|----|-------------|------|------|-------------|
- A water/sewer expense of \$20 per unit was projected for the subject. A comparable range of \$0 to \$1,127 per unit was determined. The landlord does not provide this utility. 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.
- |    |     |     |     |           |
|----|-----|-----|-----|-----------|
| 8. | Gas | \$5 | \$5 | \$0-\$244 |
|----|-----|-----|-----|-----------|
- A gas expense of \$5 per unit was projected for the subject. A comparable range of \$0 to \$244 per unit was determined. The landlord does not provide this utility. 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.
- |    |                       |      |       |           |
|----|-----------------------|------|-------|-----------|
| 9. | Garbage/Trash Removal | \$35 | \$325 | \$0-\$148 |
|----|-----------------------|------|-------|-----------|
- A garbage/trash removal expense of \$35 per unit was projected for the subject. A comparable range of \$0 to \$148 per unit was determined. The expense was projected considering the subject's historical financials and the comparable range.
- |     |         |       |       |               |
|-----|---------|-------|-------|---------------|
| 10. | Payroll | \$400 | \$400 | \$190-\$1,783 |
|-----|---------|-------|-------|---------------|
- The payroll expense of \$400 per unit was projected. A comparable range of \$190 to \$1,783 was determined. The expense was projected considering the subject's historical financials and the comparable range.
- |     |                          |       |       |         |
|-----|--------------------------|-------|-------|---------|
| 11. | Other Operating Expenses | \$225 | \$200 | \$0-\$0 |
|-----|--------------------------|-------|-------|---------|
- An other operating expense of \$225 per unit was projected. 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. The subject will undergo a substantial rehabilitation. Upon completion of the rehabilitation, fewer other operating expenses will be required. Therefore, the "as complete" expense was projected lower than the "as is" expense.
- |     |            |      |      |         |
|-----|------------|------|------|---------|
| 12. | Decorating | \$50 | \$50 | \$0-\$0 |
|-----|------------|------|------|---------|
- A decorating expense of \$50 was projected. A comparable range of \$0 to \$0 was determined. The expense was projected considering the subject's historical financials and the *2016 Income/Expense Analysis: Conventional Apartments* printed by Institute of Real Estate Management.

- |     |         |     |     |           |
|-----|---------|-----|-----|-----------|
| 13. | Repairs | \$0 | \$0 | \$0-\$632 |
|-----|---------|-----|-----|-----------|
- A repairs expense of \$0 was projected for the “as is” scenario. A comparable range of \$0 to \$632 was determined. While the subject does contain repairs, in the historical financial data they have been allocated into other categories, including decorating contracts, exterminating contracts and grounds expenses. Therefore, no specific repairs were included in the historical data. The expense was projected using the subject’s historical financials.
- |     |               |      |      |          |
|-----|---------------|------|------|----------|
| 14. | Exterminating | \$75 | \$75 | \$0-\$68 |
|-----|---------------|------|------|----------|
- An exterminating expense of \$75 per unit was projected. A comparable range of \$0 to \$68 was determined. The expense was projected considering the subject’s historical financials and the comparable range.
- |     |           |       |       |           |
|-----|-----------|-------|-------|-----------|
| 15. | Insurance | \$225 | \$225 | \$0-\$452 |
|-----|-----------|-------|-------|-----------|
- An insurance expense of \$225 per unit was projected for the subject’s “as is” scenario, and \$225 per unit for the subject’s “as complete” scenario. A comparable range of \$0 to \$452 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.
- |     |                 |       |       |           |
|-----|-----------------|-------|-------|-----------|
| 16. | Ground Expenses | \$175 | \$175 | \$0-\$142 |
|-----|-----------------|-------|-------|-----------|
- A ground expense of \$175 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 | \$5 | \$5 | \$0-\$5 |
|-----|-------------------|-----|-----|---------|
- Other maintenance expenses of \$5 per unit were projected for the subject. A comparable range of \$0 to \$5 per unit was determined. Expenses such as other maintenance 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.
- |     |                   |       |       |           |
|-----|-------------------|-------|-------|-----------|
| 18. | Real Estate Taxes | \$450 | \$475 | \$0-\$922 |
|-----|-------------------|-------|-------|-----------|
- A real estate tax expense of \$450 per unit was projected for the subject based on the information obtained by the real estate analysis completed on Page 57. 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 | \$65 | \$65 | \$0-\$0 |
|-----|---------------|------|------|---------|
- Payroll taxes were projected at \$65 per unit. A comparable range of \$0 to \$0 was determined. Expenses such as payroll taxes 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.
- |     |                   |      |      |         |
|-----|-------------------|------|------|---------|
| 20. | Employee Benefits | \$65 | \$65 | \$0-\$0 |
|-----|-------------------|------|------|---------|
- Employee benefits were projected at \$65 per unit. A comparable range of \$0 to \$0 was determined. Expenses such as employee benefits 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.
- |     |                      |       |       |           |
|-----|----------------------|-------|-------|-----------|
| 21. | Replacement Reserves | \$250 | \$250 | \$0-\$375 |
|-----|----------------------|-------|-------|-----------|
- 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 \$2,666 before reserves for replacement. This is a five percent decrease from the 2016 data. The comparables range from \$1,134 to \$5,069 per unit before reserves for replacement. All comparables are market-rate properties located in the State of Georgia. The subject is within 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 1985, contains 60 units and has total overall expenses of \$4,062 per unit; Comparable 2 was constructed in 1965, contains 22 units and has total overall expenses of \$2,758 per unit; Comparable 3 was constructed in 1972, contains 12 units and has total overall expenses of \$1,134 per unit; and Comparable 4 was constructed in 1972 and renovated in 2013, contains 132 units and has total overall expenses of \$5,069 per unit. The subject was constructed in 1994 and is a 40-unit stabilized Rural Development property. Historically, the subject's overall expenses have ranged from \$2,748 to \$3,147 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	2215 Friar Tuck Lane Albany, Georgia	44	11/30/2016	\$189,000	\$2,100,000	9.00%
2	5500 Saint Marys Road Columbus, Georgia	66	6/22/2017	\$143,220	\$2,046,000	7.00%
3	820 Bowens Mill Road Southeast Douglas, Georgia	48	10/21/2016	\$135,142	\$1,925,100	7.02%
4	100 Lochlyn Place Bonaire, Georgia	100	5/21/2015	\$421,800	\$5,700,000	7.40%
5	4226 University Avenue Columbus, Georgia	48	1/23/2015	\$284,925	\$4,350,000	6.55%
6	201 West Glenn Avenue Auburn, Georgia	30	6/8/2015	\$189,600	\$3,160,000	6.00%

The comparables indicate a range of 6.00 to 9.00 percent for indicated capitalization rates, with a mean of 7.16 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	0.06080	x	Loan Ratio	80%	= 0.0486 Mortgage Component
Equity Dividend Rate	10%	x	Equity Ratio	0.20	= 0.02 Equity Component
			<b>Capitalization Rate</b>		<b>6.86%</b>
Debt Coverage Ratio Analysis					
Debt Coverage Ratio	1.25	x	LTV	80%	x
					Mortgage Constant
					0.06080 = 0.060802
			<b>Capitalization Rate</b>		<b>6.08%</b>

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

**Determination of the Market Capitalization Rate**

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

**Income Values**

<b>Market</b>	<b>As Is</b>	<b>\$84,124 /7.00%</b>	<b>= \$1,201,769</b>
<b>Market</b>	<b>As Complete</b>	<b>\$94,412 /7.00%</b>	<b>= \$1,348,741</b>
		<b>Market Rate As Is Value</b>	<b>= \$1,200,000</b>
		<b>Market Rate As Complete Value</b>	<b>= \$1,350,000</b>

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

Due to the presence of Rental Assistance, properties similar to the subject have guaranteed income streams and typically have higher occupancy rates than market properties. As a result, the marketplace shows a preference for these types of properties with Rental Assistance, and the market indicates a lower capitalization rate as a result. Therefore, a slightly more aggressive capitalization rate of one half-point to one full point is seen in the market. The subject has Rental Assistance for 39 of the 40 units. Therefore, the capitalization rate was adjusted from the market-indicated rate of 7.00 percent to a capitalization rate one point lower at **6.00 percent** for the property's restricted valuations.

<b>Restricted</b>	<b>As Is</b>	<b>\$58,827 /6.00%</b>	<b>=</b>	<b>\$980,450</b>
<b>Restricted</b>	<b>As Complete</b>	<b>\$96,540 /6.00%</b>	<b>=</b>	<b>\$1,609,000</b>
		<b>Restricted Rate As Is Value</b>	<b>=</b>	<b>\$980,000</b>
		<b>Restricted Rate As Complete Value</b>	<b>=</b>	<b>\$1,610,000</b>

<b>Prospective Market Value Upon Loan Maturity</b>	
<b>\$1,350,000 Prospective Market Value (As Complete and Stabilized)</b> <b>50 Term of Loan (years)</b> <b>2.00% Growth Rate</b>	
<b>Market Value</b>	
\$1,350,000 PV	
50 [g] [n]	
2.00 [g] [i]	
Solve for FV	<b>\$3,666,627.07</b>
Using these factors, a prospective market value upon loan maturity of <b>\$3,666,627.07</b> was determined. <div style="text-align: center;"><b>Prospective Market Value Upon Loan Maturity</b> <b>\$3,667,000.00</b></div>	

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

### Population

The population for the subject’s neighborhood for 2017, according to ESRI, is 3,106, an decrease of (31) people from the 2010 population of 3,137. The population is expected to decrease at an annual rate of 1.4 percent between 2017 and 2022. Therefore, the 2022 population is projected at 3,063. The median age for the neighborhood is 43.9.

### Unemployment Trends

The unemployment rate has fluctuated from 5.8 percent to 12.2 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 TERRELL COUNTY					
ANNUALS	CIVILIAN LABOR FORCE*	EMPLOYMENT		UNEMPLOYMENT	
		TOTAL	%	TOTAL	%
2005	4,586	4,271	93.1%	315	6.9%
2006	4,554	4,292	94.2%	262	5.8%
2007	4,430	4,166	94.0%	264	6.0%
2008	4,437	4,144	93.4%	293	6.6%
2009	4,442	3,982	89.6%	460	10.4%
2010	3,917	3,439	87.8%	478	12.2%
2011	3,850	3,388	88.0%	462	12.0%
2012	3,755	3,345	89.1%	410	10.9%
2013	3,668	3,308	90.2%	360	9.8%
2014	3,621	3,331	92.0%	290	8.0%
2015	3,630	3,360	92.6%	270	7.4%
2016	3,675	3,434	93.4%	241	6.6%
2017**	3,740	3,502	93.6%	238	6.4%

\* 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 \$31,094. It is expected to increase to \$32,796 by 2022. The per capita income is \$19,475.

**Median Home Value**

The median home value for the neighborhood in 2017, according to ESRI, is \$82,200. According to ESRI, the average amount spent for owner-occupied households in the subject's neighborhood is \$7,860.00, or \$655 per month. The average amount spent for renter-occupied households is \$7,500.00, or \$625 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 8.10 to 8.30 percent in 2014, with an average of 8.23 percent.

<b>REALTY RATES MARKET SURVEY – AREA CAPITALIZATION RATES</b>			
<b>QUARTER</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
1 <sup>ST</sup> Quarter	8.20%	8.30%	8.10%
2 <sup>nd</sup> Quarter	8.10%	8.30%	---
3 <sup>rd</sup> Quarter	8.50%	8.20%	---
4 <sup>th</sup> Quarter	8.40%	8.10%	---

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%

Meadow Run II Apartments \* 875 Meadow Run Lane Southeast \* Dawson, 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 decrease at an annual rate of 1.4 percent between 2017 and 2022. The median household income for the neighborhood in 2017 is \$31,094. It is expected to increase to \$32,796 by 2022. The per capita income is \$19,475.

The unemployment rate has fluctuated from 5.8 percent to 12.2 percent, and due to the recent economic trends, Terrell 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 Dawson's market represents this percentage. Therefore, a 2.00 percent growth rate was used in determining the subject's prospective market value upon loan maturity.

**Prospective Market Value Upon Loan Maturity = \$3,667,000.00**

Value of Interest Credit Subsidy

Value of the Interest Credit Subsidy from the Existing USDA RD Section 515 Loan	
	<b>\$1,208,371 Original RD Loan Amount</b>
	<b>\$1,074,917 Balance of the Original Loan</b>
	<b>600 Months for the Term of the Loan</b>
	<b>346 Remaining Months for the Term of the RD Loan</b>
	<b>4.50% Market Interest Rate</b>
	<b>8.25% Note Rate of Interest</b>
	<b>1.00% Base Rate of Interest</b>
<b>Market Loan</b>	<b>Original RD Loan</b>
\$1,074,917 PV	\$1,208,371 PV
0.0450 [i]	0.0100 [i]
360 [n]	600 [n]
Solve for PMT	Solve for PMT
\$5,446.45 per month	\$2,560.05 per month
<b>Interest Credit Subsidy</b>	
Difference in Payment	\$2,886.40
\$2,886.40 [PMT]	
0.0450 [i]	
360 [n]	
Solve for PV	\$569,663.25
<b>Value of Subsidy from the Existing 515 Loan (Existing Terms) Rounded:</b>	
<b>\$570,000</b>	

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

**\$1,074,917 Proposed Loan**  
**600 Months for the Term of the Loan**  
**4.50% Market Interest Rate**  
**3.75% Note Rate of Interest**  
**1.00% Base Rate of Interest**

**Proposed Loan**  
**\$1,074,917 PV**  
**0.0450 [i]**  
**360 [n]**  
**Solve for PMT \$5,446.45 per month**

**With 1% interest**  
**\$1,074,917 PV**  
**0.0100 [i]**  
**600 [n]**  
**Solve for PMT \$2,277.31 per month**

**Value of Balloon**  
**\$1,074,917 [CHS] [PV]**  
**0.0375 [i]**  
**600 [n]**  
**Solve for PMT \$3,969.67**  
**360 [n]**  
**Solve for FV \$669,546.89**  
  
**\$669,546.89 [CHS] [FV]**  
**0.0450 [i]**  
**360 [n]**  
**Solve for PV \$174,012.33**

**Interest Credit Subsidy**  
**Difference in Payment \$3,169.14**  
**\$3,169.14 [PMT]**  
**0.0450 [i]**  
**360 [n]**  
**Solve for PV \$625,464.27**  
**-\$174,012.33**  
**\$451,451.95**

**Value of Subsidy from the Assumed 515 Loan (New Terms) Rounded:**  
**\$451,000.00**

**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 \$79,886 from the Georgia Department of Community Affairs for low-income housing tax credits. The total for the 10-year period will be \$798,860. 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:	=	\$798,860	
<b>Price</b>	<b>x 0.85</b>	<b>= \$679,031</b>	<b>\$679,031</b>

**Total Value Tax Credits = \$680,000**

**Insurable Value**

<b>USDA Rural Development Insurable Value Calculation</b>				
<b>Property Name:</b>		Meadow Run II Apartments		
<b>Street Address:</b>		875 Meadow Run Lane Southeast		
<b>City, County, State, Zip:</b>		Dawson, Terrell, Georgia 39842		
<b>BASE COST</b>				
Main Structure			\$71.55	
Sprinkler				
Other				
Adjustments and/or Multipliers			0.83	Local
			1.03	Current
<b>TOTAL BASE COST PER SQ. FT</b>			\$61.17	
Building Area Square Footage			27,900	
<b>TOTAL REPLACEMENT COST NEW</b>			\$1,706,590	
<b>EXCLUSIONS</b>	<u>Per SF</u>	<u>Percent</u>		
Excavations	\$0.06	0.1%	\$1,674	
Foundations	\$3.67	6.0%	\$102,393	
Site Work	\$1.53	2.5%	\$42,687	
Site Improvements	\$2.02	3.3%	\$56,358	
Architect's Fees	\$0.61	1.0%	\$17,019	
Underground Piping	\$0.61	1.0%	\$17,019	
<b>TOTAL EXCLUSIONS</b>	\$8.50	13.9%	\$237,150	
<b>INCLUSIONS</b>				
Appliance Packages			\$65,827	
Patios/Balconies, etc.				
Parking Lot			\$32,230	
Other			\$2,137	
<b>TOTAL INCLUSIONS</b>			\$100,194	
<b>CONCLUDED INSURABLE VALUE</b>				
Total Replacement Cost New			\$1,706,590	
Less Total Exclusions			\$237,150	
Plus Total Inclusions			\$100,194	
<b>CONCLUDED INSURABLE VALUE</b>			<b>\$1,569,634</b>	

**Total Insurable Value (Rounded) = \$1,570,000**

## **Sales Comparison Approach**

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

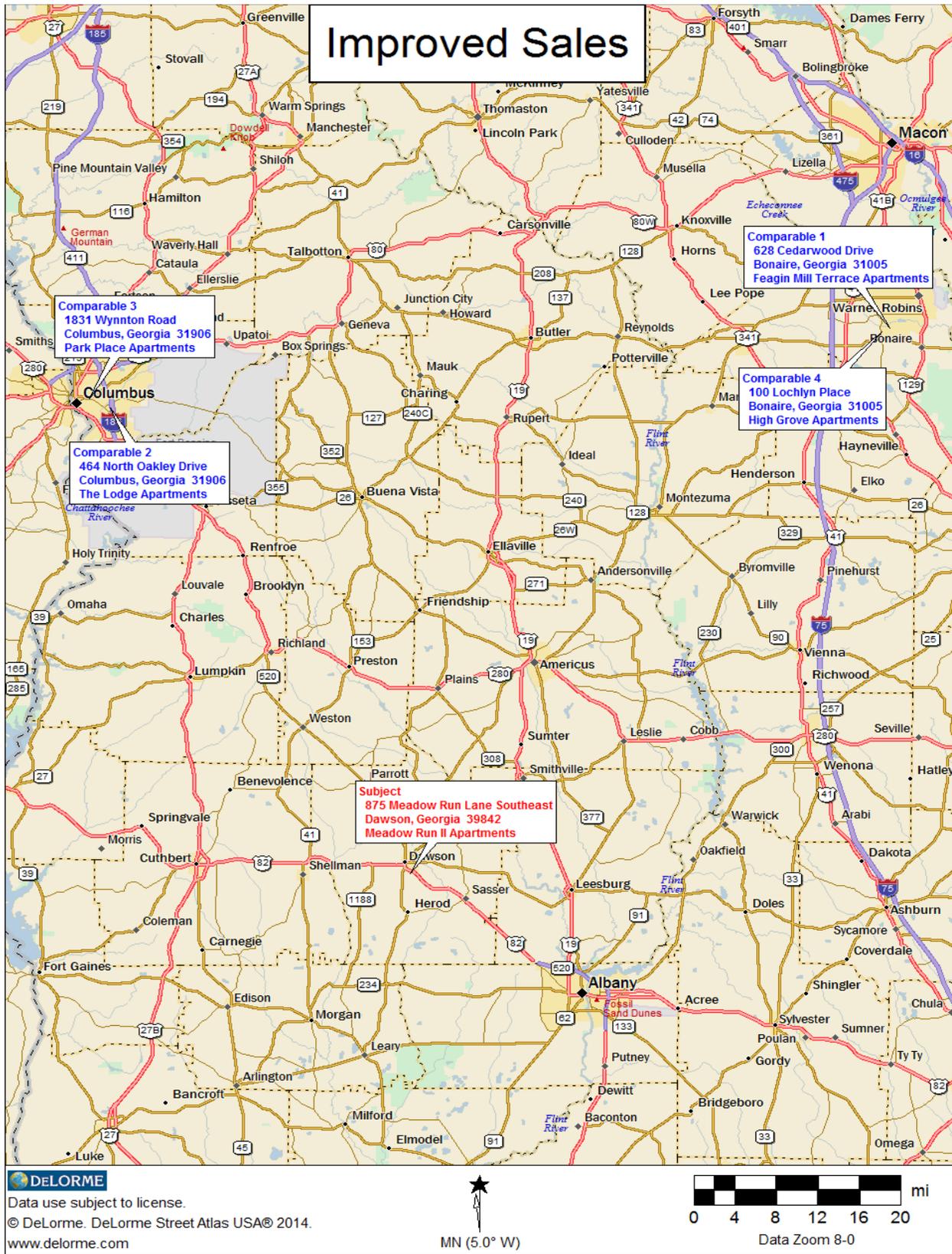
- Availability of comparable sales data
- Verification of sales data
- Degree of comparability to the extent that large or numerous adjustments are not necessary to compensate for the differences between the subject property and the comparable sales used

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

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

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

Comparable Sales Map



**Comparable Sales**

**Multi-Family Sale No. 1**



**Property Identification**

<b>Record ID</b>	3579
<b>Property Type</b>	Garden
<b>Property Name</b>	Feagin Mill Terrace Apartments
<b>Address</b>	628 Cedarwood Drive, Bonaire, Houston County, Georgia 31005
<b>Tax ID</b>	0W0910020000
<b>Market Type</b>	Market

**Sale Data**

<b>Grantor</b>	Livingston Property Management
<b>Grantee</b>	Precision Lawn Care
<b>Sale Date</b>	February 28, 2017
<b>Deed Book/Page</b>	7433/0305
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal
<b>Financing</b>	Conventional
<b>Verification</b>	Assessor; July 14, 2017

<b>Sale Price</b>	\$2,550,000
<b>Cash Equivalent</b>	\$2,550,000
<b>Adjusted Price</b>	\$2,550,000

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

**Land Data**

**Land Size** 13.100 Acres or 570,636 SF  
**Front Footage** Cedarwood Drive  
**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>
3/1	7	1,297	\$655	\$0.51
3/2	24	1,297	\$875	\$0.67
3/2.5	17	1,297	\$882	\$0.68

**Total Units** 48  
**Avg. Unit Size** 1,297  
**Avg. Rent/Unit** \$845  
**Avg. Rent/SF** \$0.65

**SF** 62,256

**General Physical Data**

**No. of Buildings** 49  
**Construction Type** Siding  
**HVAC** Central Elec/Central Elec  
**Parking** L/O  
**Stories** 1  
**Utilities with Rent** Water, Sewer, Trash Collection  
**Year Built** 1970/1994  
**Condition** Good

**Amenities**

Refrigerator, Range/Oven, Carpet, Vinyl, Blinds and Laundry Facility

**Multi-Family Sale No. 2**



**Property Identification**

<b>Record ID</b>	3581
<b>Property Type</b>	Walk-Up
<b>Property Name</b>	The Lodge Apartments
<b>Address</b>	464 North Oakley Drive, Columbus, Muskogee County, Georgia 31906
<b>Tax ID</b>	088-025-018
<b>Market Type</b>	Market

**Sale Data**

<b>Grantor</b>	Schatten Properties Management Company, Inc.
<b>Grantee</b>	Gladiator, LLC.
<b>Sale Date</b>	January 28, 2016
<b>Deed Book/Page</b>	2016/1745
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal
<b>Financing</b>	Conventional
<b>Verification</b>	Assessor; July 14, 2017; Confirmed by Accounting Dept.

<b>Sale Price</b>	\$9,800,000
<b>Cash Equivalent</b>	\$9,800,000
<b>Adjusted Price</b>	\$9,800,000

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

**Land Data**

**Land Size** 4.550 Acres or 198,198 SF  
**Front Footage** North Oakley Drive  
**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	64	719	\$540	\$0.75
1/1	33	736	\$595	\$0.81
2/1	40	1,012	\$651	\$0.64
2/2	80	1,120	\$695	\$0.62
3/2	20	1,316	\$798	\$0.61
<b>Total Units</b>	237			
<b>Avg. Unit Size</b>	957			
<b>Avg. Rent/Unit</b>	\$640			
<b>Avg. Rent/SF</b>	\$0.67			

**SF** 226,704

**General Physical Data**

**No. of Buildings** 10  
**Construction Type** Siding  
**HVAC** Central Elec/Central Elec  
**Parking** L/0  
**Stories** 3  
**Utilities with Rent** Water, Sewer, Trash Collection  
**Year Built** 1973  
**Condition** Good

**Amenities**

Refrigerator, Range/Oven, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Balcony, Patio, Clubhouse, Swimming Pool, Volleyball Court, Tennis Court, Business Center and Laundry Facility

**Multi-Family Sale No. 3**



**Property Identification**

<b>Record ID</b>	3582
<b>Property Type</b>	Walk-Up
<b>Property Name</b>	Park Place Apartments
<b>Address</b>	1831 Wynnton Road, Columbus, Muskogee County, Georgia 31906
<b>Tax ID</b>	184-021-003
<b>Market Type</b>	Market

**Sale Data**

<b>Grantor</b>	Midtown Property Management
<b>Grantee</b>	Snead Properties
<b>Sale Date</b>	October 28, 2015
<b>Deed Book/Page</b>	2015/31035
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal
<b>Financing</b>	Conventional
<b>Verification</b>	Assessor; July 14, 2017

<b>Sale Price</b>	\$1,800,000
<b>Cash Equivalent</b>	\$1,800,000
<b>Adjusted Price</b>	\$1,800,000

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

**Land Data**

**Land Size** 2.420 Acres or 105,415 SF  
**Front Footage** Wynnton 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>
1/1	8	500	\$425	\$0.85
1/1	8	600	\$555	\$0.93
1/1	8	700	\$542	\$0.77
2/1	16	850	\$580	\$0.68

**Total Units** 40  
**Avg. Unit Size** 700  
**Avg. Rent/Unit** \$536  
**Avg. Rent/SF** \$0.77

**SF** 28,000

**General Physical Data**

**No. of Buildings** 2  
**Construction Type** Brick  
**HVAC** Central Elec/None  
**Parking** L/O  
**Stories** 2  
**Utilities with Rent** Water, Sewer, Trash Collection  
**Year Built** 1950  
**Condition** Good

**Amenities**

Refrigerator, Range/Oven, Hardwood, Blinds and Laundry Facility

**Multi-Family Sale No. 4**



**Property Identification**

<b>Record ID</b>	1277
<b>Property Type</b>	Walk-Up
<b>Property Name</b>	High Grove Apartments
<b>Address</b>	100 Lochlyn Place, Bonaire, Houston County, Georgia 31005
<b>Tax ID</b>	0W1010011000
<b>Market Type</b>	Market

**Sale Data**

<b>Grantor</b>	High Grove Ventures LLC
<b>Grantee</b>	Cenizo Ventures Florida, LLC
<b>Sale Date</b>	May 21, 2015
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Normal
<b>Financing</b>	Conventional
<b>Verification</b>	Assessor; April 28, 2015

<b>Sale Price</b>	\$5,700,000
<b>Cash Equivalent</b>	\$5,700,000

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

**Land Data**

**Land Size** 14.400 Acres or 627,264 SF  
**Front Footage** Lochlyn Place  
**Zoning** R-4, Residential District  
**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>
2/2	24	920	\$690	\$0.75
2/2	12	1,270	\$805	\$0.63
2/2	24	1,200	\$785	\$0.65
2/2	16	900	\$670	\$0.74
3/2	8	1,188	\$825	\$0.69
3/2	16	1,288	\$845	\$0.66
<b>Total Units</b>	100			
<b>Avg. Unit Size</b>	1,106			
<b>Avg. Rent/Unit</b>	\$759			
<b>Avg. Rent/SF</b>	\$0.69			
<b>Net SF</b>	110,632			

**General Physical Data**

**No. of Buildings** 21  
**Construction Type** Brick  
**HVAC** Central Elec/Central Elec  
**Parking** L/0  
**Stories** 2  
**Utilities with Rent** Water, Sewer, Trash Collection  
**Year Built** 2003  
**Condition** Good

**Amenities**

Refrigerator, Range/Oven, Microwave, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Tile, Blinds, Ceiling Fans, Walk-In Closet, Balcony, Clubhouse, Community Room, Swimming Pool, Fitness Center, Playground and Business Center

**Comparable Sales Chart – As Is**

Sales Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4
Address	875 Meadow Run Lane Southeast	628 Cedarwood Drive	464 North Oakley Drive	1831 Wynnton Road	100 Lochlyn Place
City	Dawson	Bonaire	Columbus	Columbus	Bonaire
State	GA	GA	GA	GA	GA
Date	5/9/2017	2/28/2017	1/28/2016	10/28/2015	5/21/2015
Price		\$2,550,000	\$9,800,000	\$1,800,000	\$5,700,000
Total No. of Units	40	48	237	40	100
Price per Unit		\$53,125	\$41,350	\$45,000	\$57,000
<b>Transaction Adjustments</b>					
Property Rights	Fee Simple	Fee Simple	0.0%	Fee Simple	0.0%
Financing	Conventional	Conventional	0.0%	Conventional	0.0%
Conditions of Sale	Normal	Normal	0.0%	Normal	0.0%
<b>Adjusted Price per Unit</b>		<b>\$53,125</b>	<b>\$41,350</b>	<b>\$45,000</b>	<b>\$57,000</b>
Market Trends Through 05/09/17		0%	0%	0%	0%
<b>Adjusted Price per Unit</b>		<b>\$53,125</b>	<b>\$41,350</b>	<b>\$45,000</b>	<b>\$57,000</b>
Location	Average	Superior	Superior	Superior	Superior
% Adjustment		-15%	-15%	-15%	-15%
\$ Adjustment		-\$7,969	-\$6,203	-\$6,750	-\$8,550
Total No. of Units	40	48	237	40	100
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
YearBuilt/Renovated	1994	1970/1994	1973	1950	2003
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Condition/Street Appeal	Average	Superior	Inferior	Inferior	Superior
% Adjustment		-10%	15%	5%	-10%
\$ Adjustment		-\$5,313	\$6,203	\$2,250	-\$5,700
HVAC	Central Electric/Central Electric	Central Elec/Central Elec	Central Elec/Central Elec	Central Elec/None	Central Elec/Central Elec
% Adjustment		0%	0%	5%	0%
\$ Adjustment		\$0	\$0	\$2,250	\$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, Tile, Blinds, Coat Closet, Patio, Community Room, Picnic Area, Laundry Facility and Perimeter Fencing	Refrigerator, Range/Oven, Carpet, Vinyl, Blinds and Laundry Facility	Refrigerator, Range/Oven, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Balcony, Patio, Clubhouse, Swimming Pool, Volleyball Court, Tennis Court, Business Center and Laundry Facility	Refrigerator, Range/Oven, Hardwood, Blinds and Laundry Facility	Refrigerator, Range/Oven, Microwave, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Tile, Blinds, Ceiling Fans, Walk-In Closet, Balcony, Clubhouse, Community Room, Swimming Pool, Fitness Center, Playground and Business Center
% Adjustment		5%	-2%	5%	-3%
\$ Adjustment		\$2,656	-\$827	\$2,250	-\$1,710
<b>Adjusted Price per Unit</b>		<b>\$42,500</b>	<b>\$40,523</b>	<b>\$45,000</b>	<b>\$41,040</b>
Net adjustments		-20.0%	-2.0%	0.0%	-28.0%
Gross adjustments		-20.0%	-2.0%	0.0%	-28.0%

Based on the preceding analysis, it is the appraiser's opinion that the market value of the subject property, as of May 9, 2017, via the Sales Comparable Approach is as follows:

40 units x \$42,000 per unit = **\$1,680,000**

**Indicated Value = \$1,680,000**

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

Comp	Address	Date	Price	Price per Unit	Total No. of Units	Year Built/Renovated
1	628 Cedarwood Drive	2/28/2017	\$2,550,000	\$53,125	48	1970/1994
2	464 North Oakley Drive	1/28/2016	\$9,800,000	\$41,350	237	1973
3	1831 Wynnton Road	10/28/2015	\$1,800,000	\$45,000	40	1950
4	100 Lochlyn Place	5/21/2015	\$5,700,000	\$57,000	100	2003

**Improved Sales Analysis**

The sale prices of the comparables range from \$41,350 to \$57,000 per unit before adjustments. 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 Dawson, Georgia. Comparable 1 is located in Bonaire. Comparable 2 is located in Columbus. Comparable 3 is located in Columbus. Comparable 4 is located in Bonaire. Columbus and Bonaire are larger cities with a significantly greater proximity to services. In addition, the median income and median home value are all higher in Columbus and Bonaire than in Dawson. The following table shows the comparison between the cities:

U.S. Census Bureau Stats	Dawson	Bonaire	% Diff	Columbus	% Diff
2015 Population	4,388	17,440	74.84%	200,285	97.81%
Households	1,516	6,149	75.35%	72,556	97.91%
Median Home Value	\$82,800	\$150,100	44.84%	\$134,500	38.44%
Median Rent	\$576	\$955	39.69%	\$830	30.60%

After considering all factors, an adjustment of 15 percent was determined all comparables.

**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 40 units. The number of units of the comparables range from 40 to 237. No adjustments were needed.

**Year Built/Renovated**

The subject was built in 1994. It is in average condition. Comparable 1 was built in 1970/1994. Comparable 2 was constructed in 1973. Comparable 3 was built in 1950. Comparable 4 was constructed in 2003. Any necessary adjustment was utilized in the condition/street appeal adjustment.

### **Condition/Street Appeal**

Consideration was given to the subject's condition/street appeal. Comparables 1 and 4 are superior to the subject, and Comparables 2 and 3 are inferior. Comparable 1 was adjusted downward 10 percent. Comparable 2 was adjusted upward 15 percent. Comparable 3 was adjusted upward five percent. Comparable 4 was adjusted downward 10 percent.

### **HVAC**

The subject contains Central Electric/Central Electric heating and cooling. Comparable 1 contains Central Elec/Central Elec heating and cooling. Comparable 2 contains Central Elec/Central Elec heating and cooling. Comparable 3 contains Central Elec/None heating and cooling. Comparable 4 contains Central Elec/Central Elec heating and cooling. Comparable 3 was adjusted upward five percent. The remaining comparables were considered to be similar and were not adjusted.

### **Parking**

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

### **Amenities**

The subject contains a refrigerator, range/oven, washer/dryer hook-ups, carpet, tile, blinds, coat closet, patio, community room, picnic area, laundry facility and perimeter fencing. Comparable 1 contains a refrigerator, range/oven, carpet, vinyl, blinds and laundry facility. Comparable 2 contains a refrigerator, range/oven, washer/dryer hook-ups, carpet, vinyl, blinds, balcony, patio, clubhouse, swimming pool, volleyball court, tennis court, business center and laundry facility. Comparable 3 contains a refrigerator, range/oven, hardwood, blinds and laundry facility. Comparable 4 contains a refrigerator, range/oven, microwave, dishwasher, washer/dryer hook-ups, carpet, tile, blinds, ceiling fans, walk-in closet, balcony, clubhouse, community room, swimming pool, fitness center, playground and business center. Comparable 1 was adjusted upward five percent. Comparable 2 was adjusted downward two percent. Comparable 3 was adjusted upward five percent. Comparable 4 was adjusted downward three percent.

### **Summary and Conclusion**

The comparables range from \$40,523 to \$45,000 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 9, 2017, via the Sales Comparable Approach is as follows:

40 units x \$42,000 per unit = \$1,680,000

**Indicated As Is Market Value = \$1,680,000**

**Comparable Sales Chart – As Complete**

Sales Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4
Address	875 Meadow Run Lane Southeast	628 Cedarwood Drive	464 North Oakley Drive	1831 Wynnton Road	100 Lochlyn Place
City	Dawson	Bonaire	Columbus	Columbus	Bonaire
State	GA	GA	GA	GA	GA
Date	5/9/2017	2/28/2017	1/28/2016	10/28/2015	5/21/2015
Price		\$2,550,000	\$9,800,000	\$1,800,000	\$5,700,000
Total No. of Units	40	48	237	40	100
Price per Unit		\$53,125	\$41,350	\$45,000	\$57,000
<b>Transaction Adjustments</b>					
Property Rights	Fee Simple	Fee Simple	0.0%	Fee Simple	0.0%
Financing	Conventional	Conventional	0.0%	Conventional	0.0%
Conditions of Sale	Normal	Normal	0.0%	Normal	0.0%
<b>Adjusted Price per Unit</b>		<b>\$53,125</b>	<b>\$41,350</b>	<b>\$45,000</b>	<b>\$57,000</b>
Market Trends Through 05/09/17		0%	0%	0%	0%
<b>Adjusted Price per Unit</b>		<b>\$53,125</b>	<b>\$41,350</b>	<b>\$45,000</b>	<b>\$57,000</b>
Location	Average	Superior	Superior	Superior	Superior
% Adjustment		-15%	-15%	-15%	-15%
\$ Adjustment		-\$7,969	-\$6,203	-\$6,750	-\$8,550
Total No. of Units	40	48	237	40	100
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
YearBuilt/Renovated	1994/Proposed	1970/1994	1973	1950	2003
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0	\$0	\$0	\$0
Condition/Street Appeal	Good	Similar	Inferior	Inferior	Similar
% Adjustment		0%	25%	15%	0%
\$ Adjustment		\$0	\$10,338	\$6,750	\$0
HVAC	Central Electric/Central Electric	Central Elec/Central Elec	Central Elec/Central Elec	Central Elec/None	Central Elec/Central Elec
% Adjustment		0%	0%	5%	0%
\$ Adjustment		\$0	\$0	\$2,250	\$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, Tile, Blinds, Coat Closet, Patio, Community Room, Picnic Area, Laundry Facility and Perimeter Fencing	Refrigerator, Range/Oven, Carpet, Vinyl, Blinds and Laundry Facility	Refrigerator, Range/Oven, Washer/Dryer Hook-Ups, Carpet, Vinyl, Blinds, Balcony, Patio, Clubhouse, Swimming Pool, Volleyball Court, Tennis Court, Business Center and Laundry Facility	Refrigerator, Range/Oven, Hardwood, Blinds and Laundry Facility	Refrigerator, Range/Oven, Microwave, Dishwasher, Washer/Dryer Hook-Ups, Carpet, Tile, Blinds, Ceiling Fans, Walk-In Closet, Balcony, Clubhouse, Community Room, Swimming Pool, Fitness Center, Playground and Business Center
% Adjustment		5%	-2%	5%	-3%
\$ Adjustment		\$2,656	-\$827	\$2,250	-\$1,710
<b>Adjusted Price per Unit</b>		<b>\$47,813</b>	<b>\$44,658</b>	<b>\$49,500</b>	<b>\$46,740</b>
Net adjustments		-10.0%	8.0%	10.0%	-18.0%
Gross adjustments		-10.0%	8.0%	10.0%	-18.0%

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:

$$40 \text{ units} \times \$46,000 \text{ per unit} = 1840000$$

**Indicated Value = \$1,840,000**

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

Comp	Address	Date	Price	Price per Unit	Total No. of Units	Year Built/Renovated
1	628 Cedarwood Drive	2/28/2017	\$2,550,000	\$53,125	48	1970/1994
2	464 North Oakley Drive	1/28/2016	\$9,800,000	\$41,350	237	1973
3	1831 Wynnton Road	10/28/2015	\$1,800,000	\$45,000	40	1950
4	100 Lochlyn Place	5/21/2015	\$5,700,000	\$57,000	100	2003

**Improved Sales Analysis**

The sale prices of the comparables range from \$41,350 to \$57,000 per unit before adjustments. 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 Dawson, Georgia. Comparable 1 is located in Bonaire. Comparable 2 is located in Columbus. Comparable 3 is located in Columbus. Comparable 4 is located in Bonaire. Columbus and Bonaire are larger cities with a significantly greater proximity to services. In addition, the median income and median home value are all higher in Columbus and Bonaire than in Dawson. The following table shows the comparison between the cities:

U.S. Census Bureau Stats	Dawson	Bonaire	% Diff	Columbus	% Diff
2015 Population	4,388	17,440	74.84%	200,285	97.81%
Households	1,516	6,149	75.35%	72,556	97.91%
Median Home Value	\$82,800	\$150,100	44.84%	\$134,500	38.44%
Median Rent	\$576	\$955	39.69%	\$830	30.60%

After considering all factors, an adjustment of 15 percent was determined all comparables.

**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 40 units. The number of units of the comparables range from 40 to 237. No adjustments were needed.

**Year Built/Renovated**

The subject was built in 1994 and will be rehabilitated. It will be in good condition. Comparable 1 was built in 1970/1994. Comparable 2 was constructed in 1973. Comparable 3 was built in 1950. Comparable 4 was constructed in 2003. Any necessary adjustment was utilized in the condition/street appeal adjustment.

### **Condition/Street Appeal**

After rehabilitation, the subject will be in good condition. Comparables 1 and 2 will be similar to the subject, and Comparables 2 and 3 will be inferior. Comparable 1 was not adjusted. Comparable 2 was adjusted upward 25 percent. Comparable 3 was adjusted upward 15 percent. Comparable 4 was not adjusted.

### **HVAC**

The subject will contain Central Electric/Central Electric heating and cooling. Comparable 1 contains Central Elec/Central Elec heating and cooling. Comparable 2 contains Central Elec/Central Elec heating and cooling. Comparable 3 contains Central Elec/None heating and cooling. Comparable 4 contains Central Elec/Central Elec heating and cooling. Comparable 3 was adjusted upward five percent. The remaining comparables were considered to be similar and were not adjusted.

### **Parking**

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

### **Amenities**

The subject will contain a refrigerator, range/oven, washer/dryer hook-ups, carpet, tile, blinds, coat closet, patio, community room, picnic area, laundry facility and perimeter fencing. Comparable 1 contains a refrigerator, range/oven, carpet, vinyl, blinds and laundry facility. Comparable 2 contains a refrigerator, range/oven, washer/dryer hook-ups, carpet, vinyl, blinds, balcony, patio, clubhouse, swimming pool, volleyball court, tennis court, business center and laundry facility. Comparable 3 contains a refrigerator, range/oven, hardwood, blinds and laundry facility. Comparable 4 contains a refrigerator, range/oven, microwave, dishwasher, washer/dryer hook-ups, carpet, tile, blinds, ceiling fans, walk-in closet, balcony, clubhouse, community room, swimming pool, fitness center, playground and business center. Comparable 1 was adjusted upward five percent. Comparable 2 was adjusted downward two percent. Comparable 3 was adjusted upward five percent. Comparable 4 was adjusted downward three percent.

### **Summary and Conclusion**

The comparables range from \$44,658 to \$49,500 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:

40 units x \$46,000 per unit = 1840000

**Indicated As Is Market Value = \$1,840,000**

**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 Dawson and the surrounding area were used in this analysis. The most weight is accorded to the indication via the Income Comparison Approach in the final value conclusion.

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

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

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

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

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

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Market Value, within 7 CFR part 3560.752(b)(1)(ii), Premised Upon a Hypothetical Condition as-if Conventional Housing, as of May 9, 2017, is as follows.

**ONE MILLION TWO HUNDRED THOUSAND DOLLARS**

**\$1,200,000**

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the Market Value, Subject to Restricted Rents, within 7 CFR part 3560.752(b)(1)(i), as of May 9, 2017, is as follows.

**NINE HUNDRED EIGHTY THOUSAND DOLLARS**

**\$980,000**

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

**ONE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS**

**\$1,350,000**

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

**ONE MILLION SIX HUNDRED TEN THOUSAND DOLLARS**

**\$1,610,000**

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 9, 2017, is as follows:

**FIVE HUNDRED SEVENTY THOUSAND DOLLARS**

**\$570,000**

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 9, 2017, is as follows:

**FOUR HUNDRED FIFTY ONE THOUSAND DOLLARS**  
**\$451,000**

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 9, 2017, is as follows:

**SIX HUNDRED EIGHTY THOUSAND DOLLARS**  
**\$680,000**

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 637 square feet one-bedroom units of the subject property, as of May 9, 2017, is as follows:

**FOUR HUNDRED THIRTY FIVE DOLLARS**  
**\$435.00**

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 798 square feet two-bedroom units of the subject property, as of May 9, 2017, is as follows:

**FIVE HUNDRED FIFTEEN DOLLARS**  
**\$515.00**

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

**FOUR HUNDRED EIGHTY FIVE DOLLARS**  
**\$485.00**

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

**FIVE HUNDRED SIXTY FIVE DOLLARS**  
**\$565.00**

*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 9, 2017, is as follows.

**THIRTY EIGHT THOUSAND DOLLARS**  
**\$38,000**

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 9, 2017, is as follows.

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

Based on the data, analyses and conclusions presented in the attached report, it is my opinion the “As Is” market value of the subject property, subject to restricted rents, as of May 9, 2017, is as follows.

**NINE HUNDRED EIGHTY THOUSAND DOLLARS**  
**\$980,000**

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

**ONE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS**  
**\$1,350,000**

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

**ONE MILLION SIX HUNDRED TEN THOUSAND DOLLARS**

**\$1,610,000**

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

**THREE MILLION SIX HUNDRED SIXTY SEVEN THOUSAND DOLLARS**

**\$3,667,000.00**

**Sources Used**

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

## **ADDENDUM A**

EXHIBIT A  
LEGAL DESCRIPTION

EXHIBIT "A"  
PROPERTY DESCRIPTION FOR DAWSON ELDERLY, L.P.

All that tract or parcel of land, situate, lying and being in Land Lot 18 of the 3rd Land District of Terrell County, Georgia, and consisting of 4.25 acres lying within the City of Dawson in said county and being described as follows: COMMENCE at the point of intersection of the north land lot line of Land Lot 18 with the south right of way of U. S. Highway No. 82 and from said point thence run northwesterly along the south right of way of U. S. Highway No. 82 to a point the chord of which is north 69 degrees 29 minutes 42 seconds west a distance of 266.50 feet which point is located on the northeast corner of a proposed 60 foot roadway; from said point thence go south 00 degrees 51 minutes 33 seconds west a distance of 1,050.85 feet to a point; thence go north 73 degrees 17 minutes 08 seconds west a distance of 62.37 feet to an iron pin and the Point of Beginning of the herein described property. From said Point of Beginning thence go north 73 degrees 17 minutes 08 seconds west a distance of 609.75 feet to an iron pin; thence go south 16 degrees 42 minutes 52 seconds west a distance of 331.61 feet to an iron pin; thence go south 89 degrees 09 minutes 43 seconds east a distance of 690.81 feet along the north right of way of the Oglethorpe Power Corporation easement to a point; thence go north 00 degrees 51 minutes 33 seconds east a distance of 200.25 feet to an iron pin and the Point of Beginning.

This property being shown on that certain plat of survey entitled "Survey For: Dawson Elderly L.P.", drawn by B. H. Langford, Jr., Professional Land Surveyor, under date of March 15, 1993 and revised March 28, 1993 which plat of survey is recorded in plat book 8, page 158, in the office of the Clerk of Superior Court of Terrell County, Georgia.

There is also conveyed all easements rights for ingress and egress over a 60 foot wide right of way evidenced on the above referenced survey.

RECORDED ON Nov 29 1994  
James D. Bryant  
CLERK

## **ADDENDUM B**

## Rent Roll

### *Meadow Run Apts PH II (295)*

Report Date: 04/2017

**Building: 1**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
<b>Units with Square Footage Set</b>								
52	Stringer, Joyce	03/01/2004	08/31/2017	S1	\$407.00	\$86.00	86.00	637
53	ADKINS, ROGER	03/11/2011	03/31/2018	S1	\$407.00	\$87.00	87.00	637
54	HARVEY, OLLIE	07/22/2011	07/21/2017	S1	\$407.00	\$113.00	113.00	637
55	PRICE, NELLIE	01/09/2013	02/28/2018	S1	\$407.00	\$154.00	154.00	637
56	GRANT, CECIL	07/01/2009	06/30/2017	S1	\$407.00	\$86.00	86.00	637
57	HARDWICK, SHIRLEY	03/11/1996	02/28/2018	S1	\$407.00	\$208.00	208.00	637
Units in Building:					6			
Occupied Units:					6			
% Occupied:					100%			
					\$2,442.00	\$734.00	734.00	

**Building: 2**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
<b>Units with Square Footage Set</b>								
58	GREEN, JUANITA	09/10/1994	01/31/2018	S1	\$407.00	\$87.00	87.00	637
59	Kimbrough, Bobbie	12/01/2015	11/30/2017	S1	\$407.00	\$93.00	93.00	637
60	Smith, Velma	08/03/2016	08/02/2017	S1	\$407.00	\$154.00	154.00	637
61	King, Joan	02/29/2016	02/28/2018	S1	\$407.00	\$207.00	207.00	637
62	HUMPHRIES, JO ANN	11/02/2011	11/30/2017	S1	\$407.00	\$160.00	160.00	637
63	BROWN, LIZZIE	05/02/2007	05/31/2017	S1	\$407.00	\$92.00	92.00	637
Units in Building:					6			
Occupied Units:					6			
% Occupied:					100%			
					\$2,442.00	\$793.00	793.00	

**Building: 3**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
<b>Units with Square Footage Set</b>								
64	HARROLD, ARRON	10/05/2011	10/04/2017	S1	\$407.00	\$86.00	86.00	637
65	DANIELS, ROZELLE	09/06/2011	09/05/2017	S1	\$407.00	\$90.00	90.00	637
66	Buchanan, Eddie	08/17/2015	08/16/2017	S1	\$407.00	\$98.00	98.00	637
67	HAYES, RUTH	05/10/2002	03/31/2018	S1	\$407.00	\$119.00	119.00	637
68	Irby, Curtis	07/02/2015	07/01/2017	S1	\$407.00	\$86.00	86.00	637
69	Sims, Flossie	05/29/2014	06/30/2017	S1	\$407.00	\$92.00	92.00	637
Units in Building:					6			
Occupied Units:					6			
% Occupied:					100%			
					\$2,442.00	\$571.00	571.00	

**Building: 4**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
<b>Units with Square Footage Set</b>								

\*\* = Expired Lease

\*MR = Moved out during the report range.

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## Rent Roll

### *Meadow Run Apts PH II (295)*

Report Date: 04/2017

**Building: 4**

<u>Unit</u>	<u>Tenant</u>	<u>Move In</u>	<u>Lease End</u>	<u>Description</u>	<u>Potential</u>	<u>Net Rent</u>	<u>Lease</u>	<u>Sq. Ft.</u>
70	BARNES, HELEN	08/01/2007	07/31/2017	S1	\$407.00	\$86.00	86.00	637
71	SMALL, EDDIE	07/03/2009	06/30/2017	S1	\$407.00	\$92.00	92.00	637
72	KIMBROUGH, VIVIAN	04/13/2007	04/30/2017	S1	\$407.00	\$163.00	163.00	637
73	MONCUS, BRENDA	04/06/2001	12/31/2017	S1	\$407.00	\$93.00	93.00	637
74	HUGHES, MILDRED	01/06/2004	01/31/2018	S1	\$407.00	\$87.00	87.00	637
75	Redding, Helen	01/04/2017	01/31/2018	S1	\$407.00	\$198.00	198.00	637
Units in Building: 6								
Occupied Units: 6					\$2,442.00	\$719.00	719.00	
% 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>
<b>Units with Square Footage Set</b>								
76	Carter, Mildred	12/15/2015	05/31/2017	S1	\$407.00	\$123.00	123.00	637
77	Powell, Shirley	07/11/2016	07/10/2017	S1	\$407.00	\$239.00	239.00	637
78	Scott, Bobby	05/10/2012	05/09/2017	S1	\$407.00	\$227.00	227.00	637
79	CLYDE, JOSEPH	11/01/2003	06/30/2017	S1	\$407.00	\$102.00	102.00	637
80	HUGHES, DAVID	09/26/2013	09/25/2017	S1	\$407.00	\$92.00	92.00	637
81	GRIGGS, WILBUR	09/01/2012	08/31/2017	S1	\$407.00	\$218.00	218.00	637
Units in Building: 6								
Occupied Units: 6					\$2,442.00	\$1,001.00	1,001.00	
% 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>
<b>Units with Square Footage Set</b>								
82	LOCKETT, MILLERENE	02/03/2009	03/31/2018	S1	\$407.00	\$203.00	203.00	637
83	Stephens, Mary	05/28/2014	05/31/2017	S1	\$407.00	\$135.00	135.00	637
84	Ward, Willie	01/04/2016	01/31/2018	S1	\$407.00	\$93.00	93.00	637
85	HEATH, AGGIE	01/15/2003	01/31/2018	S1	\$407.00	\$90.00	90.00	637
86	* VACANT * 4/1/2017 - 4/30/2017			S1	\$407.00	\$0.00	0.00	637
87	WILLIAMS, BELINDA	07/16/1998	08/31/2017	S1	\$407.00	\$201.00	201.00	637
Units in Building: 6								
Occupied Units: 5					\$2,442.00	\$722.00	722.00	
% Occupied: 83%								

**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>
<b>Units with Square Footage Set</b>								

\*\* = Expired Lease

\*MR = Moved out during the report range.

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## Rent Roll

### *Meadow Run Apts PH II (295)*

Report Date: 04/2017

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>
88	MORRIS, ROSA	12/04/2009	01/31/2018	S1	\$407.00	\$179.00	179.00	637
89	Harris, Kevin	01/17/2017	01/31/2018	M2	\$427.00	\$308.00	308.00	798
90	Jackson, Verlinda	09/15/2000	06/30/2017	M2	\$427.00	\$39.00	39.00	798
91	TOLBERT, MARY	10/20/2009	10/19/2017	S1	\$407.00	\$93.00	93.00	637

Units in Building: 4  
 Occupied Units: 4  
 % Occupied: 100%

\$1,668.00	\$619.00	619.00
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**Total Units: 40**  
**Total Occupied: 39.00**  
**Total % Occupied: 97.50**

**Grand Totals:**

<b>\$16,320.00</b>	<b>\$5,159.00</b>	<b>5,159.00</b>
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Selected Parameters:

Property Name - Meadow Run Apts PH II

Rent Roll for - 04/2017

Show Negative Rents as Zero - True

Sort By Unit - True

Include Inactive Units - False

\*\* = Expired Lease

\*MR = Moved out during the report range.

Print Date & Time: 05/22/2017 10:44:32AM

Meadow Run II Apartments  
 Dawson, Georgia  
 Expense Year

2013

Row Labels	Sum of Amount
<b>Advertising</b>	<b>\$315</b>
Advertising and Marketing	\$315
<b>Annual Ancillary Income</b>	<b>\$908</b>
Laundry and Vending Revenue	\$183
Miscellaneous Revenue	\$100
Tenant Charges	\$400
Application Fees Received	\$225
<b>Annual Gross Potential Rental Income</b>	<b>\$184,377</b>
Rent Revenue - Gross Potential	\$184,377
Tenant Assistance Payments	\$0
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$2,485</b>
Painting	\$2,485
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance Expense	\$0
<b>Employee Benefits</b>	<b>\$1,129</b>
Health Insurance and Other Employee Benefits	\$584
Workmen's Compensation	\$545
<b>Employee Payroll Tax</b>	<b>\$2,855</b>
Payroll Taxes (Project's Share)	\$2,855
<b>Excluded Income</b>	<b>\$0</b>
Financial Revenue	\$0
Interest Reduction Payments Revenue	\$0
Retained Excess Income	\$0
Special Claims Revenue	\$0
<b>Exterminating</b>	<b>\$2,851</b>
Exterminating	\$2,851
<b>Fuel</b>	<b>\$0</b>
Fuel	\$0
<b>Garbage and Trash Removal</b>	<b>\$1,131</b>
Garbage and Trash Removal	\$1,131
<b>Gas</b>	<b>\$179</b>
Gas	\$179
<b>Ground Expense</b>	<b>\$7,064</b>
Snow Removal	\$0
Grounds	\$7,064

<b>Insurance</b>	<b>\$7,773</b>
Fidelity Bond Insurance	\$0
Property and Liability Insurance (Hazard)	\$7,773
<b>Lighting and Miscellaneous Power</b>	<b>\$4,314</b>
Electricity	\$4,314
<b>Management Fee</b>	<b>\$20,870</b>
Management Fee	\$20,870
<b>Misc. Taxes/Licenses</b>	<b>\$53</b>
Miscellaneous Taxes, Licenses, Permits and Insurance	\$53
<b>Other Administrative</b>	<b>\$21,893</b>
Administrative Rent Free Unit	\$0
Audit Expense	\$3,680
Bookkeeping Fees/Accounting Services	\$0
Conventions and Meetings	\$0
Legal Expense - Project	\$141
Management Consultants	\$0
Manager or Superintendent Salaries	\$13,087
Miscellaneous Administrative Expenses	\$1,103
Office Expenses	\$0
Office Salaries	\$0
Other Renting Expenses	\$0
Telephone and Answering Service	\$1,252
Office Supplies	\$1,183
Office Furniture and Equipment	\$685
Training Expense	\$762
<b>Other Maintenance</b>	<b>\$111</b>
Miscellaneous Operating and Maintenance Expense	\$111
<b>Other Operating</b>	<b>\$6,269</b>
Operating/Maintenance Rent Free Unit	\$0
Maintenance and Repairs Supplies	\$6,269
<b>Payroll</b>	<b>\$14,616</b>
Security Payroll/Contract	\$0
Maintenance and Repairs Payroll	\$14,616
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$11,114</b>
Real Estate Taxes	\$11,114
<b>Repairs</b>	<b>\$0</b>
Heating/Cooling Repairs and Maintenance	\$0
Replacement Reserves Releases Included as Expense	\$0
Vehicle and Maintenance Equipment Operation and Repairs	\$0
Maintenance and Repairs Contracts	\$0
<b>Reserves for Replacement</b>	<b>\$17,036</b>
Replacement Reserve Deposits	\$17,036

☐ <b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
☐ <b>Vacancy (Apartments)</b>	<b>-\$6,360</b>
Vacancies - Apartments	-\$6,360
Vacancies - Concessions	\$0
☐ <b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
☐ <b>Water/Sewer</b>	<b>\$910</b>
Sewer	\$222
Water	\$688
☐ <b>(blank)</b>	<b>\$747,957</b>
Net Rental Revenue	\$178,242
Operating Expenses	
Total Administrative Expenses	\$43,078
Total Operating and Maintenance Expenses	\$34,528
Total Operating Expenses	\$105,932
Total Other Revenue	\$683
Total Rent Revenue	\$184,602
Total Revenue	\$178,925
Total Taxes and Insurance	\$22,924
Total Utilities Expense	\$5,402
Total Vacancies	-\$6,360
(blank)	
<b>Grand Total</b>	<b>\$1,049,851</b>

Meadow Run II Apartments  
 Dawson, Georgia  
 Expense Year

2014

Row Labels	Sum of Amount
<b>Advertising</b>	<b>\$96</b>
Advertising and Marketing	\$96
<b>Annual Ancillary Income</b>	<b>\$439</b>
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$244
Application Fees Received	\$195
<b>Annual Gross Potential Rental Income</b>	<b>\$188,682</b>
Rent Revenue - Gross Potential	\$188,682
Tenant Assistance Payments	\$0
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$1,935</b>
Painting	\$1,935
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance Expense	\$0
<b>Employee Benefits</b>	<b>\$1,578</b>
Health Insurance and Other Employee Benefits	\$1,080
Workmen's Compensation	\$498
<b>Employee Payroll Tax</b>	<b>\$3,007</b>
Payroll Taxes (Project's Share)	\$3,007
<b>Excluded Income</b>	<b>\$0</b>
Financial Revenue	\$0
Interest Reduction Payments Revenue	\$0
Retained Excess Income	\$0
Special Claims Revenue	\$0
<b>Exterminating</b>	<b>\$2,859</b>
Exterminating	\$2,859
<b>Fuel</b>	<b>\$0</b>
Fuel	\$0
<b>Garbage and Trash Removal</b>	<b>\$870</b>
Garbage and Trash Removal	\$870
<b>Gas</b>	<b>\$261</b>
Gas	\$261
<b>Ground Expense</b>	<b>\$7,180</b>
Snow Removal	\$0
Grounds	\$7,180

<b>Insurance</b>	<b>\$7,927</b>
Fidelity Bond Insurance	\$0
Property and Liability Insurance (Hazard)	\$7,927
<b>Lighting and Miscellaneous Power</b>	<b>\$5,458</b>
Electricity	\$5,458
<b>Management Fee</b>	<b>\$21,360</b>
Management Fee	\$21,360
<b>Misc. Taxes/Licenses</b>	<b>\$88</b>
Miscellaneous Taxes, Licenses, Permits and Insurance	\$88
<b>Other Administrative</b>	<b>\$22,904</b>
Administrative Rent Free Unit	\$0
Audit Expense	\$3,880
Bookkeeping Fees/Accounting Services	\$0
Conventions and Meetings	\$0
Legal Expense - Project	\$364
Management Consultants	\$0
Manager or Superintendent Salaries	\$14,681
Miscellaneous Administrative Expenses	\$528
Office Expenses	\$0
Office Salaries	\$0
Other Renting Expenses	\$0
Telephone and Answering Service	\$1,110
Office Supplies	\$875
Office Furniture and Equipment	\$809
Training Expense	\$657
<b>Other Maintenance</b>	<b>\$235</b>
Miscellaneous Operating and Maintenance Expense	\$235
<b>Other Operating</b>	<b>\$7,470</b>
Operating/Maintenance Rent Free Unit	\$0
Maintenance and Repairs Supply	\$7,470
<b>Payroll</b>	<b>\$15,458</b>
Security Payroll/Contract	\$0
Maintenance and Repairs Payroll	\$15,458
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$10,391</b>
Real Estate Taxes	\$10,391
<b>Repairs</b>	<b>\$0</b>
Heating/Cooling Repairs and Maintenance	\$0
Replacement Reserves Releases Included as Expense	\$0
Vehicle and Maintenance Equipment Operation and Repairs	\$0
Maintenance and Repairs Contract	\$0
<b>Reserves for Replacement</b>	<b>\$17,036</b>
Replacement Reserve Deposits	\$17,036

☐ <b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
☐ <b>Vacancy (Apartments)</b>	<b>-\$1,024</b>
Vacancies - Apartments	-\$1,024
Vacancies - Concessions	\$0
☐ <b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
☐ <b>Water/Sewer</b>	<b>\$826</b>
Sewer	\$123
Water	\$703
☐ <b>(blank)</b>	<b>\$783,855</b>
Net Rental Revenue	\$187,853
Operating Expenses	
Total Administrative Expenses	\$44,360
Total Operating and Maintenance Expenses	\$36,008
Total Operating Expenses	\$109,904
Total Other Revenue	\$244
Total Rent Revenue	\$188,877
Total Revenue	\$188,097
Total Taxes and Insurance	\$22,991
Total Utilities Expense	\$6,545
Total Vacancies	-\$1,024
(blank)	
<b>Grand Total</b>	<b>\$1,098,892</b>

Meadow Run II Apartments  
 Dawson, Georgia  
 Expense Year

2015

Row Labels	Sum of Amount
<b>Advertising</b>	<b>\$217</b>
Advertising and Marketing	\$217
<b>Annual Ancillary Income</b>	<b>\$276</b>
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$141
Application Fees Received	\$135
<b>Annual Gross Potential Rental Income</b>	<b>\$191,040</b>
Rent Revenue - Gross Potential	\$191,040
Tenant Assistance Payments	\$0
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$2,719</b>
Painting	\$2,719
<b>Elevator Maintenance Expense</b>	
Elevator Maintenance Expense	
<b>Employee Benefits</b>	<b>\$1,872</b>
Health Insurance and Other Employee Benefits	\$1,168
Workmen's Compensation	\$704
<b>Employee Payroll Tax</b>	<b>\$2,864</b>
Payroll Taxes (Project's Share)	\$2,864
<b>Excluded Income</b>	<b>\$0</b>
Financial Revenue	\$0
Retained Excess Income	\$0
Special Claims Revenue	\$0
Grant Revenue	\$0
<b>Exterminating</b>	<b>\$2,359</b>
Exterminating	\$2,359
<b>Fuel</b>	<b>\$0</b>
Fuel	\$0
<b>Garbage and Trash Removal</b>	<b>\$874</b>
Garbage and Trash Removal	\$874
<b>Gas</b>	<b>\$158</b>
Gas	\$158
<b>Ground Expense</b>	<b>\$6,290</b>
Snow Removal	
Grounds	\$6,290

<b>Insurance</b>	<b>\$8,019</b>
Fidelity Bond Insurance	\$0
Property and Liability Insurance (Hazard)	\$8,019
<b>Lighting and Miscellaneous Power</b>	<b>\$4,711</b>
Electricity	\$4,711
<b>Management Fee</b>	<b>\$21,882</b>
Management Fee	\$21,882
<b>Misc. Taxes/Licenses</b>	<b>\$53</b>
Miscellaneous Taxes, Licenses, Permits and Insurance	\$53
<b>Other Administrative</b>	<b>\$24,448</b>
Administrative Rent Free Unit	
Audit Expense	\$3,880
Bookkeeping Fees/Accounting Services	
Conventions and Meetings	
Legal Expense - Project	\$193
Management Consultants	
Manager or Superintendent Salaries	\$14,764
Miscellaneous Administrative Expenses	\$558
Office Expenses	
Office Salaries	
Other Renting Expenses	
Telephone and Answering Service	\$1,223
Office Supplies	\$994
Office Furniture and Equipment	\$1,491
Training Expense	\$1,347
<b>Other Maintenance</b>	<b>\$248</b>
Miscellaneous Operating and Maintenance Expense	\$248
<b>Other Operating</b>	<b>\$10,189</b>
Operating/Maintenance Rent Free Unit	
Maintenance and Repairs Supply	\$10,189
<b>Payroll</b>	<b>\$15,414</b>
Security Payroll/Contract	
Maintenance and Repairs Payroll	\$15,414
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$22,924</b>
Real Estate Taxes	\$22,924
<b>Repairs</b>	<b>\$0</b>
Heating/Cooling Repairs and Maintenance	
Replacement Reserves Releases Included as Expense	\$0
Vehicle and Maintenance Equipment Operation and Repairs	
Maintenance and Repairs Contract	\$0
<b>Reserves for Replacement</b>	<b>\$17,036</b>
Replacement Reserve Deposits	\$17,036

<b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
<b>Vacancy (Apartments)</b>	<b>-\$2,157</b>
Vacancies - Apartments	-\$2,157
Vacancies - Concessions	\$0
<b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
<b>Water/Sewer</b>	<b>\$637</b>
Sewer	\$21
Water	\$616
<b>(blank)</b>	<b>\$819,091</b>
Net Rental Revenue	\$189,018
Operating Expenses	
Total Administrative Expenses	\$46,547
Total Operating and Maintenance Expenses	\$38,092
Total Operating Expenses	\$125,877
Total Other Revenue	\$141
Total Rent Revenue	\$191,175
Total Revenue	\$189,159
Total Taxes and Insurance	\$35,732
Total Utilities Expense	\$5,506
Total Vacancies	-\$2,157
(blank)	
<b>Grand Total</b>	<b>\$1,151,163</b>

Meadow Run II Apartments  
 Dawson, Georgia  
 Expense Year

2016

Row Labels	Sum of Amount
<b>Advertising</b>	<b>\$307</b>
Advertising and Marketing	\$307
<b>Annual Ancillary Income</b>	<b>\$687</b>
Laundry and Vending Revenue	\$11
Tenant Charges	\$511
Application Fees	\$165
<b>Annual Gross Potential Rental Income</b>	<b>\$189,049</b>
Rent Revenue - Gross Potential	\$57,916
Tenant Assistance Payments	\$131,133
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$1,538</b>
Decorating	\$1,538
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance Expense	\$0
<b>Employee Benefits</b>	<b>\$2,729</b>
Health Insurance and Other Employee Benefits	\$2,082
Workmen's Compensation	\$646
<b>Employee Payroll Tax</b>	<b>\$2,427</b>
Payroll Taxes (Project's Share)	\$2,427
<b>Excluded Income</b>	<b>\$0</b>
Financial Revenue	\$0
Interest Reduction Payments Revenue	\$0
Miscellaneous Rent Revenue	\$0
Special Claims Revenue	\$0
<b>Exterminating</b>	<b>\$3,009</b>
Exterminating	\$3,009
<b>Fuel</b>	<b>\$0</b>
Fuel	\$0
<b>Garbage and Trash Removal</b>	<b>\$1,599</b>
Garbage and Trash Removal	\$1,599
<b>Gas</b>	<b>\$151</b>
Gas	\$151
<b>Ground Expense</b>	<b>\$7,510</b>
Snow Removal	\$7,510

<b>Insurance</b>	<b>\$8,025</b>
Fidelity Bond Insurance	\$0
Property and Liability Insurance (Hazard)	\$8,025
<b>Lighting and Miscellaneous Power</b>	<b>\$5,257</b>
Electricity	\$5,257
<b>Management Fee</b>	<b>\$22,285</b>
Management Fee	\$22,285
<b>Misc. Taxes/Licenses</b>	<b>\$203</b>
Miscellaneous Taxes, Licenses, Permits and Insurance	\$203
<b>Other Administrative</b>	<b>\$22,726</b>
Administrative Rent Free Unit	\$0
Audit Expense	\$3,880
Bad Debts	\$0
Bookkeeping Fees/Accounting Services	\$0
Legal Expense - Project	-\$364
Manager or Superintendent Salaries	\$14,869
Miscellaneous Administrative Expenses	\$318
Office Salaries	\$0
Telephone and Answering Service	\$1,053
Office Supplies	\$1,348
Office Furniture and Equipment	\$1,090
Training Expense	\$531
<b>Other Maintenance</b>	<b>\$115</b>
Miscellaneous Operating and Maintenance Expense	\$115
<b>Other Operating</b>	<b>\$7,034</b>
Supplies	\$7,003
Other Utilities	\$30
<b>Payroll</b>	<b>\$15,577</b>
Payroll	\$15,577
Security Payroll/Contract	\$0
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$11,429</b>
Real Estate Taxes	\$11,429
<b>Repairs</b>	<b>\$0</b>
Contracts	\$0
Heating/Cooling Repairs and Maintenance	\$0
Replacement Reserves Releases Included as Expense	\$0
Vehicle and Maintenance Equipment Operation and Repairs	\$0
<b>Reserves for Replacement</b>	<b>\$16,036</b>
Replacement Reserve Deposits	\$16,036

<b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
<b>Vacancy (Apartments)</b>	<b>-\$4,391</b>
Vacancies - Apartments	-\$4,391
Vacancies - Concessions	\$0
<b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
<b>Water/Sewer</b>	<b>\$905</b>
Sewer	\$262
Water	\$643
<b>(blank)</b>	<b>\$780,999</b>
Net Rental Revenue	\$184,658
Operating Expenses	
Total Administrative Expenses	\$45,318
Total Operating and Maintenance Expenses	\$36,382
Total Operating Expenses	\$112,825
Total Other Revenue	\$687
Total Rent Revenue	\$189,049
Total Revenue	\$185,345
Total Taxes and Insurance	\$24,812
Total Utilities Expense	\$6,314
Total Vacancies	-\$4,391
(blank)	
<b>Grand Total</b>	<b>\$1,095,205</b>

Meadow Run II Apartments  
 Dawson, Georgia  
 Expense Year

Budget

Row Labels	Sum of Amount
<b>Advertising</b>	<b>\$200</b>
Advertising and Marketing	\$200
<b>Annual Ancillary Income</b>	<b>\$600</b>
Laundry and Vending Revenue	\$0
Miscellaneous Revenue	\$0
Tenant Charges	\$600
<b>Annual Gross Potential Rental Income</b>	<b>\$195,840</b>
Application Fees Received	\$0
Rent Revenue - Gross Potential	\$195,840
Tenant Assistance Payments	\$0
<b>Annual Income (Commercial)</b>	<b>\$0</b>
Rent Revenue - Stores and Commercial	\$0
<b>Decorating</b>	<b>\$2,500</b>
Painting	\$2,500
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance Expense	\$0
<b>Employee Benefits</b>	<b>\$2,560</b>
Health Insurance and Other Employee Benefits	\$1,800
Workmen's Compensation	\$760
<b>Employee Payroll Tax</b>	<b>\$2,700</b>
Payroll Taxes (Project's Share)	\$2,700
<b>Excluded Income</b>	<b>\$0</b>
Financial Revenue	\$0
Interest Reduction Payments Revenue	\$0
Retained Excess Income	\$0
Special Claims Revenue	\$0
<b>Exterminating</b>	<b>\$2,859</b>
Exterminating	\$2,859
<b>Fuel</b>	<b>\$0</b>
Fuel	\$0
<b>Garbage and Trash Removal</b>	<b>\$1,300</b>
Garbage and Trash Removal	\$1,300
<b>Gas</b>	<b>\$200</b>
Gas	\$200
<b>Ground Expense</b>	<b>\$9,200</b>
Grounds	\$9,200
Snow Removal	\$0

<b>Insurance</b>	<b>\$9,080</b>
Property and Liability Insurance (Hazard)	\$8,880
Other Insurance	\$200
<b>Lighting and Miscellaneous Power</b>	<b>\$5,300</b>
Electricity	\$5,300
<b>Management Fee</b>	<b>\$23,520</b>
Management Fee	\$23,520
<b>Misc. Taxes/Licenses</b>	<b>\$100</b>
Miscellaneous Taxes, Licenses, Permits and Insurance	\$100
<b>Other Administrative</b>	<b>\$24,669</b>
Audit Expense	\$4,000
Bookkeeping Fees/Accounting Services	\$0
Conventions and Meetings	\$0
Legal Expense - Project	\$300
Management Consultants	\$0
Manager or Superintendent Salaries	\$15,736
Miscellaneous Administrative Expenses	\$300
Office Expenses	\$0
Office Salaries	\$0
Office Supplies	\$1,600
Other Renting Expenses	\$0
Telephone and Answering Service	\$1,500
Training Expense	\$511
Office Furniture & Equipment	\$722
<b>Other Maintenance</b>	<b>\$250</b>
Miscellaneous Operating and Maintenance Expense	\$250
<b>Other Operating</b>	<b>\$11,000</b>
Maintenance and Repairs Supply	\$11,000
Operating/Maintenance Rent Free Unit	\$0
<b>Payroll</b>	<b>\$16,400</b>
Maintenance and Repairs Payroll	\$16,400
Security Payroll/Contract	\$0
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$23,000</b>
Real Estate Taxes	\$23,000
<b>Repairs</b>	<b>\$0</b>
Heating/Cooling Repairs and Maintenance	\$0
Maintenance and Repairs Contract	\$0
Replacement Reserves Releases Included as Expense	\$0
Vehicle and Maintenance Equipment Operation and Repairs	\$0
<b>Reserves for Replacement</b>	<b>\$16,028</b>
Replacement Reserve Deposits	\$16,028

<b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
<b>Vacancy (Apartments)</b>	<b>-\$9,792</b>
Vacancies - Apartments	-\$9,792
Vacancies - Concessions	\$0
<b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
<b>Water/Sewer</b>	<b>\$950</b>
Sewer	\$300
Water	\$650
<b>(blank)</b>	<b>\$830,920</b>
Net Rental Revenue	\$186,048
Operating Expenses	
Total Administrative Expenses	\$48,389
Total Operating and Maintenance Expenses	\$43,509
Total Operating Expenses	\$135,788
Total Other Revenue	\$600
Total Rent Revenue	\$195,840
Total Revenue	\$186,648
Total Taxes and Insurance	\$37,440
Total Utilities Expense	\$6,450
Total Vacancies	-\$9,792
(blank)	
<b>Grand Total</b>	<b>\$1,169,384</b>

Meadow Run II Apartments

Dawson, Georgia

Expense Year

Pro Forma

# of Months

12

<b>Row Labels</b>	<b>Sum of Amount</b>
<b>Advertising</b>	<b>\$200</b>
Advertising and Marketing	\$200
<b>Annual Ancillary Income</b>	<b>\$600</b>
Laundry and Vending Revenue	\$75
Miscellaneous Revenue	\$0
Tenant Charges	\$350
Application Fees	\$175
<b>Annual Gross Potential Rental Income</b>	<b>\$234,600</b>
Rent Revenue - Gross Potential	\$234,600
Tenant Assistance Payments	\$0
Utility Income	\$0
<b>Decorating</b>	<b>\$1,500</b>
Painting	\$1,500
<b>Elevator Maintenance Expense</b>	<b>\$0</b>
Elevator Maintenance Expense	\$0
<b>Employee Benefits</b>	<b>\$2,809</b>
Health Insurance and Other Employee Benefits	\$2,144
Workmen's Compensation	\$665
<b>Employee Payroll Tax</b>	<b>\$2,500</b>
Payroll Taxes (Project's Share)	\$2,500
<b>Excluded Income</b>	<b>\$0</b>
Financial Revenue	\$0
Interest Reduction Payments Revenue	\$0
Retained Excess Income	\$0
<b>Exterminating</b>	<b>\$3,099</b>
Exterminating	\$3,099
<b>Fuel</b>	<b>\$0</b>
Fuel	\$0
<b>Garbage and Trash Removal</b>	<b>\$1,300</b>
Garbage and Trash Removal	\$1,300
<b>Gas</b>	<b>\$200</b>
Gas	\$200
<b>Ground Expense</b>	<b>\$7,735</b>
Snow Removal	\$0
Grounds	\$7,735

<b>Insurance</b>	<b>\$8,426</b>
Fidelity Bond Insurance	\$0
Property and Liability Insurance (Hazard)	\$8,426
<b>Lighting and Miscellaneous Power</b>	<b>\$5,300</b>
Electricity	\$5,300
<b>Management Fee</b>	<b>\$21,197</b>
Management Fee	\$21,197
<b>Misc. Taxes/Licenses</b>	<b>\$209</b>
Miscellaneous Taxes, Licenses, Permits and Insurance	\$209
<b>Other Administrative</b>	<b>\$28,441</b>
Audit Expense	\$4,000
Bookkeeping Fees/Accounting Services	\$0
Conventions and Meetings	\$0
Legal Expense - Project	\$300
Management Consultants	\$0
Manager or Superintendent Salaries	\$15,315
Miscellaneous Administrative Expenses	\$4,630
Office Expenses	\$0
Office Salaries	\$0
Other Renting Expenses	\$0
Telephone and Answering Service	\$1,085
Training Expense	\$600
Office Furniture & Equipment	\$1,123
Office Supplies	\$1,388
<b>Other Maintenance</b>	<b>\$200</b>
Miscellaneous Operating and Maintenance Expense	\$200
<b>Other Operating</b>	<b>\$11,025</b>
Operating/Maintenance Rent Free Unit	\$0
Maintenance and Repairs Supplies	\$11,025
<b>Payroll</b>	<b>\$16,044</b>
Security Payroll/Contract	\$0
Maintenance and Repair Payroll	\$16,044
<b>Personal Property Tax</b>	<b>\$0</b>
Personal Property Taxes	\$0
<b>Real Estate Tax</b>	<b>\$12,572</b>
Real Estate Taxes	\$12,572
<b>Repairs</b>	<b>\$0</b>
Heating/Cooling Repairs and Maintenance	\$0
Replacement Reserves Releases Included as Expense	\$0
Vehicle and Maintenance Equipment Operation and Repairs	\$0
Maintenance and Repairs Contracts	\$0
<b>Reserves for Replacement</b>	<b>\$14,000</b>
Replacement Reserve Deposits	\$14,000

▣ <b>Service Coordinator</b>	<b>\$0</b>
Service Coordinator Expenses	\$0
Service Coordinator Income	\$0
▣ <b>Vacancy (Apartments)</b>	<b>-\$9,384</b>
Vacancies - Apartments	-\$9,384
Vacancies - Concessions	\$0
▣ <b>Vacancy (Commercial)</b>	<b>\$0</b>
Vacancies - Stores and Commercial	\$0
▣ <b>Water/Sewer</b>	<b>\$736</b>
Sewer	\$74
Water	\$662
▣ <b>(blank)</b>	<b>\$924,009</b>
Net Rental Revenue	\$225,391
Operating Expenses	
Total Administrative Expenses	\$49,838
Total Operating and Maintenance Expenses	\$40,903
Total Operating Expenses	\$123,493
Total Other Revenue	\$425
Total Rent Revenue	\$234,775
Total Revenue	\$225,816
Total Taxes and Insurance	\$26,516
Total Utilities Expense	\$6,236
Total Vacancies	-\$9,384
(blank)	
<b>Grand Total</b>	<b>\$1,287,318</b>

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**DAWSON, GEORGIA**

**FINANCIAL AND COMPLIANCE REPORTS**

**AS OF DECEMBER 31, 2013 AND 2012**

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**

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## INDEPENDENT AUDITOR'S REPORT

To the Partners  
Dawson Elderly, L.P.  
(A Limited Partnership)  
Valdosta, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of Dawson Elderly, L.P. (a Limited Partnership), USDA, RD No: 11-035-636910757 which comprises the balance sheets as of December 31, 2013 and 2012, 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**

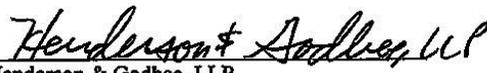
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dawson Elderly, L.P. as of December 31, 2013 and 2012, and the results of its operations, partners' (deficit), and its cash flows for the years then ended in conformity with 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 and 24-33 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, 2014 on our consideration of Dawson Elderly, 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 Dawson Elderly, L.P.'s internal control over financial reporting and compliance.

  
Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 11, 2014

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 93,649	\$ 82,166
Accounts receivable - RD	8,151	7,403
Accounts receivable - tenants	-	282
Total Current Assets	101,800	89,851
<b>Restricted Deposits and Funded Reserves</b>		
Escrow-tenants' security deposits	6,859	6,860
Escrow-replacement reserve	55,255	48,342
Escrow-tax reserve	25,014	15,182
Total Restricted Deposits and Funded Reserves	87,128	70,384
<b>Property, Plant and Equipment</b>		
Property, plant and equipment, at cost	1,474,973	1,474,973
Accumulated depreciation	(721,193)	(686,655)
Net Property, Plant and Equipment	753,780	788,318
Total Assets	\$ 942,708	\$ 948,553

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>LIABILITIES AND PARTNERS' (DEFICIT)</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 10,146	\$ 9,438
Accounts payable	<u>640</u>	<u>642</u>
<b>Total Current Liabilities</b>	<u>10,786</u>	<u>10,080</u>
<b>Deposits and Prepayment Liabilities</b>		
Tenants' security deposits	6,859	6,860
Unearned rents	<u>99</u>	<u>-</u>
<b>Total Deposits and Prepayment Liabilities</b>	<u>6,958</u>	<u>6,860</u>
<b>Long-Term Liabilities</b>		
Mortgage payable, less current maturities	<u>1,096,539</u>	<u>1,106,685</u>
<b>Total Long-Term Liabilities</b>	<u>1,096,539</u>	<u>1,106,685</u>
<b>Total Liabilities</b>	1,114,283	1,123,625
<b>Partners' (Deficit)</b>		
Partners' (Deficit)	<u>(171,575)</u>	<u>(175,072)</u>
<b>Total Liabilities And Partners' (Deficit)</b>	<u>\$ 942,708</u>	<u>\$ 948,553</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Gross potential rental income	\$ 184,377	\$ 176,910
Less: vacancy loss	<u>(6,360)</u>	<u>(4,450)</u>
Net rental income	178,017	172,460
Other income	<u>908</u>	<u>428</u>
<b>Total Revenues</b>	<u>178,925</u>	<u>172,888</u>
<b>Expenses</b>		
Operating and maintenance	43,508	55,164
Utilities	6,916	6,762
Administrative	47,064	45,532
Taxes and insurance	<u>18,940</u>	<u>26,115</u>
<b>Total Operating Expenses</b>	<u>116,428</u>	<u>133,573</u>
<b>Net Operating Income</b>	<u>62,497</u>	<u>39,315</u>
<b>Non-Operating (Income) Expenses</b>		
Interest subsidy income	(59,123)	(59,288)
Interest expense	80,609	81,267
Depreciation	<u>34,538</u>	<u>34,538</u>
<b>Total Non-Operating Expenses</b>	<u>56,024</u>	<u>56,517</u>
<b>Net Income (Loss)</b>	<u>\$ 6,473</u>	<u>\$ (17,202)</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF PARTNERS' (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Limited Partners' (Deficit)</b>		
Balance, January 1	\$ (148,019)	\$ (129,989)
Distributions	(1,000)	(1,000)
Net Income (Loss)	<u>6,408</u>	<u>(17,030)</u>
Balance, December 31	<u>\$ (142,611)</u>	<u>\$ (148,019)</u>
<b>General Partner's (Deficit)</b>		
Balance, January 1	\$ (27,053)	\$ (24,905)
Distributions	(1,976)	(1,976)
Net Income (Loss)	<u>65</u>	<u>(172)</u>
Balance, December 31	<u>\$ (28,964)</u>	<u>\$ (27,053)</u>
<b>Total Partners' (Deficit)</b>		
Balance, January 1	\$ (175,072)	\$ (154,894)
Distributions	(2,976)	(2,976)
Net Income (Loss)	<u>6,473</u>	<u>(17,202)</u>
Balance, December 31	<u>\$ (171,575)</u>	<u>\$ (175,072)</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities</b>		
Net Income (Loss)	\$ 6,473	\$ (17,202)
Adjustments To Reconcile Net Income (Loss) To Net Cash Provided By Operating Activities:		
Depreciation	34,538	34,538
Changes In Operating Assets And Liabilities:		
Accounts receivable	(465)	(146)
Security deposits	1	445
Replacement reserve	(6,913)	3,979
Tax reserve	(9,832)	3,533
Accounts payable	(3)	41
Tenants' security deposits	(1)	(445)
Unearned rents	99	-
Total Adjustments	<u>17,424</u>	<u>41,945</u>
Net Cash Provided By Operating Activities	<u>23,897</u>	<u>24,743</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(9,438)	(8,780)
Distributions	<u>(2,976)</u>	<u>(2,976)</u>
Net Cash (Used In) Financing Activities	<u>(12,414)</u>	<u>(11,756)</u>
Net Increase In Cash	11,483	12,987
Cash, Beginning Of Year	<u>82,166</u>	<u>69,179</u>
Cash, End Of Year	<u>\$ 93,649</u>	<u>\$ 82,166</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>Supplemental Disclosures Of Cash Flow Information:</b>		
<b>Cash Paid During The Year For:</b>		
Interest expense	\$ 80,609	\$ 81,267
Less: subsidized portion	(59,123)	(59,288)
Interest paid, net of subsidy	\$ 21,486	\$ 21,979

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Organization**

The partnership known as Dawson Elderly, L.P., was formed as a limited partnership under the laws of the State of Georgia on March 5, 1993, to develop, own and operate a 40-unit rental housing project for persons of low and moderate income in the community. The partnership agreement was amended and restated, effective November 1, 1993, to admit a new limited partner, Gateway Tax Credit Fund II, Ltd., (a Florida limited partnership), and retain as the general partner, Rural Housing Development. 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. The Partnership believes it is no longer subject to income tax examinations prior to 2010.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capitalization and Depreciation**

Land, buildings and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of income.

**Use of Estimates**

The presentation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Tenant Receivables**

Tenant receivables are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed.

The Partnership uses the allowance method to account for uncollectible tenant receivable balances. Under the allowance method, if needed, an estimate of uncollectible tenant balances is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include the credit quality of the tenant and whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended by contract. When an account balance is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and is written off. At December 31, 2013 and 2012, there was no allowance balance required. Tenant receivables had a balance in the amount of \$0 and \$282, at December 31, 2013 and 2012, 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, 2013 and 2012 were \$315 and \$281, respectively.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**NOTE 2 – RESTRICTED CASH AND ESCROW ACCOUNTS**

**Replacement Reserve**

	<u>2013</u>	<u>2012</u>
Annual funding required by loan agreement	<u>\$ 12,028</u>	<u>\$ 12,028</u>
Actual funding including interest income	<u>17,036</u>	<u>17,036</u>
Withdrawals approved by Rural Development Operating and maintenance expenses	<u>10,123</u>	<u>21,015</u>
Reserve balance at year end	<u>\$ 55,255</u>	<u>\$ 48,342</u>
Fully funded balance per loan agreement	<u>25,597</u>	<u>23,692</u>
Excess	<u>\$ 29,658</u>	<u>\$ 24,650</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>2013</u>	<u>2012</u>
Tenant security deposits cash	<u>\$ 6,859</u>	<u>\$ 6,860</u>
Tenant security deposits payable	<u>6,859</u>	<u>6,860</u>
Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**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>2013</u>	<u>2012</u>
Real estate tax and insurance escrow	\$ 25,014	\$ 15,182
Accrued or unpaid taxes and insurance	<u>-</u>	<u>-</u>
Excess	<u>\$ 25,014</u>	<u>\$ 15,182</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>2013</u>	<u>2012</u>
Land		40,000	\$ 40,000
Buildings	30 Years	1,381,511	1,381,511
Equipment	10 Years	<u>53,462</u>	<u>53,462</u>
Total		1,474,973	1,474,973
Less: Accumulated depreciation		<u>(721,193)</u>	<u>(686,655)</u>
Net Property, Plant and Equipment		<u>\$ 753,780</u>	<u>\$ 788,318</u>

Property, plant and equipment is pledged as collateral on long-term debt. Depreciation expense aggregated \$34,538 and \$34,538 for the years ended December 31, 2013 and 2012.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 4 - ACCOUNTS PAYABLE**

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

	<u>2013</u>	<u>2012</u>
Utilities and telephone	\$ 64	\$ 58
Repairs and maintenance	225	102
Office supplies	<u>351</u>	<u>482</u>
	<u>\$ 640</u>	<u>\$ 642</u>

**NOTE 5 - LONG-TERM INDEBTEDNESS**

Long-term indebtedness consists of the following at December 31:

	<u>2013</u>	<u>2012</u>
USDA, RD, made September 7, 1994, 7.25%, due in 599 monthly installments, secured by land, buildings and equipment with an original cost of \$1,473,622.	\$ 1,106,685	\$ 1,116,123
Less current maturities	<u>(10,146)</u>	<u>(9,438)</u>
Long-term portion	<u>\$ 1,096,539</u>	<u>\$ 1,106,685</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, 2013, for the succeeding five years are as follows:

<u>Year</u>	
2014	\$ 10,146
2015	10,906
2016	11,724
2017	12,603
2018	13,547

Dawson Elderly, L.P. incurred interest costs of \$80,609 and \$81,267 for the years ended December 31, 2013 and 2012, respectively, all of which was properly charged to expense.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**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>2013</u>	<u>2012</u>
Rental assistance payments	<u>\$ 131,082</u>	<u>\$ 124,587</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>2013</u>	<u>2012</u>
Net Income (Loss) per financial statement	\$ 6,473	\$ (17,202)
Book depreciation (less than) tax depreciation	<u>(1,058)</u>	<u>(1,058)</u>
Partnership Income (Loss) per tax return	<u>\$ 5,415</u>	<u>\$ (18,260)</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 Dawson Elderly, L.P. The partnership paid Investors Management Company, Inc. management fees of \$20,871 and \$21,004 for the years ended December 31, 2013 and 2012, respectively.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**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 \$2,976, which is 8% of the borrowers' initial capital investment required by USDA, RD.

**NOTE 10 - CONCENTRATION OF CREDIT RISK – CASH IN BANKS**

Dawson Elderly, 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:

	2013	2012
Total cash in all banks	\$ 180,677	\$ 152,450
Portion insured by FDIC	180,677	152,450
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, 2013, no impairment loss recognition has been required.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**NOTE 13 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Partnership's sole asset is Meadow Run II 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, 2014, which is the date the financial statements were available to be issued.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**1. Management Fee Calculation**

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

Total Qualified Units (40 * 12 months)	480
Less: Rent Free Units	-
Vacancies	<u>(11)</u>
Total Occupied Units	469
Fee Per Unit (Effective January, 2011)	<u>\$ 44.50</u>
 Management Fee Expense	 <u><u>\$ 20,871</u></u>

**2. Insurance Disclosure**

The Partnership maintains Insurance coverage as follows:

	<u>Deductible</u>	<u>Coverage</u>
Property Coverage on Buildings	\$ 1,000	\$ 2,900,000
Comprehensive Business Liability	-	2,000,000
Fidelity / Employee Dishonesty	5,000	500,000

**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>\$ 2,976</u>
 Budget Return to Owner	 <u>\$ 2,976</u>
 Return to Owner Paid:	
General Partner Distribution	\$ 1,976
Limited Partner Distribution	<u>1,000</u>
	<u><u>\$ 2,976</u></u>



# Henderson & Godbee, LLP

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Scott R. Simpson, CPA  
Billie L. Anderson, CPA  
Kerley T. Collins, CPA

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Partners of  
Dawson Elderly, L.P.  
Valdosta, Georgia

USDA Rural Development  
Area 3  
Fort Valley, 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 Dawson Elderly, L.P., which comprise the balance sheet as of December 31, 2013, 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, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dawson Elderly, 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 Dawson Elderly, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Dawson Elderly, 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.

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.

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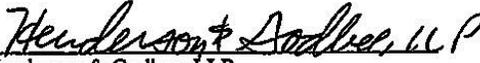
P.O. Box 2241  
Valdosta, GA 31604-2241

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dawson Elderly, 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 Dawson Elderly, 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 Dawson Elderly, 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, 2014

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**Current Year Findings**

There were no findings this year.

**Status Of Prior Year Findings**

There were no findings in the prior year.

**AUDITEE'S COMMENTS ON PRIOR AUDIT RESOLUTION MATTERS RELATED TO UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT PROGRAMS**

There are no significant unresolved findings from previous annual audits, physical inspections or management review reports during our audit of the 2013 financial statements. There were no compliance findings noted during our audit of the 2013 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  
Dawson Elderly, L.P.  
Valdosta, Georgia

And

United States Department of Agriculture  
Rural Development  
Area 3  
Fort Valley, Georgia

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development ("RD") and Dawson Elderly, L.P. ("Owner") the owner of Meadow Run II Apartments ("Project") located in Dawson, 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, 2013. 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

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with Attachment 4-A of HB-2-3560, and the shipping address agreed to the project address. In addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor's records.

**Findings:**

Total Number of Invoices in Population: Approximately: 300  
Total Dollar Amount of Invoices in Population: \$95,557  
Total Number of Invoices Reviewed: 15  
Total Dollar Amount of Invoices Reviewed: \$1,907  
Total Number of Invoices in Vendor Confirmation Sample: 1  
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$219  
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: 7  
Total Number of Withdrawals Authorized by RD: 7  
Total Dollar Amount of Reserve Account Withdrawals: \$10,123  
Total Dollar Amount of Withdrawals Authorized by RD: \$10,123  
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: \$20,871  
Total Number of Invoices in Population: 12

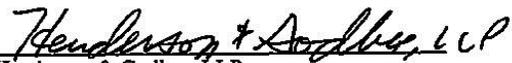
Total Dollar Amount of Invoices in Population: \$20,871  
Total Number of Invoices Reviewed: 12  
Total Dollar Amount of Invoices Reviewed: \$20,871

Company Name 2: Rural Housing Reinsurance Company International, Ltd.  
Total Dollar Amount for the Year: \$0  
Total Number of Invoices in Population: 0  
Total Dollar Amount of Invoices in Population: \$0  
Total Number of Invoices Reviewed: 0  
Total Dollar Amount of Invoices Reviewed: \$0

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 Dawson Elderly, 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 Dawson Elderly, 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, 2014

Position 3  
**MULTI-FAMILY HOUSING  
BORROWER BALANCE SHEET**  
PART 1 - BALANCE SHEET

<b>PROJECT NAME</b> Meadow Run II Apartments	<b>BORROWER NAME</b> Dawson Elderly, L.P.	<b>BORROWER ID AND PROJECT NO.</b> 11-035-636910757	
<b>BEGINNING DATES&gt;</b>	01-01-13	01-01-12	<b>COMMENTS</b>
<b>ENDING DATES&gt;</b>	12-31-13	12-31-12	

**ASSETS**

**CURRENT ASSETS**

1. GENERAL OPERATING ACCOUNT.....	93,649	82,166	
2. R.E. TAX & INSURANCE ACCOUNT.....	25,014	15,182	
3. RESERVE ACCOUNT.....	55,255	48,342	
4. SECURITY DEPOSIT ACCOUNT.....	6,859	6,860	
5. OTHER CASH (identify) .....			
6. OTHER (identify) .....			
7. TOTAL ACCOUNTS RECEIVABLE (Attach list) .....	8,151	7,685	
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)	188,928	160,235	

**FIXED ASSETS**

13. LAND.....	40,000	40,000	
14. BUILDINGS.....	1,381,511	1,381,511	
15. LESS: ACCUMULATED DEPRECIATION.....	(667,731)	(633,193)	
16. FURNITURE & EQUIPMENT.....	53,462	53,462	
17. LESS: ACCUMULATED DEPRECIATION.....	(53,462)	(53,462)	
18.			
19. TOTAL FIXED ASSETS (Add 13 thru 18) .....	753,780	788,318	

**OTHER ASSETS**

20.			
21. TOTAL ASSETS (Add 12, 19, and 20) .....	942,708	948,553	

**LIABILITIES AND OWNERS EQUITY**

**CURRENT LIABILITIES**

22. TOTAL ACCOUNTS PAYABLE (Attach list) .....	640	642	
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	99	-	
24. SECURITY DEPOSITS.....	6,859	6,860	
25. TOTAL CURRENT LIABILITIES (Add 22 thru 24) ...	7,598	7,502	

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	1,106,685	1,116,123	
27. OTHER (Identify) N/P General Partners	-	-	
28. TOTAL LONG-TERM LIABILITIES (Add 26 and 27)	1,106,685	1,116,123	
29. TOTAL LIABILITIES (Add 25 and 28) .....	1,114,283	1,123,625	
30. OWNER'S EQUITY (Net Worth) (21 minus 29) .....	(171,575)	(175,072)	
31. TOTAL LIABILITIES AND OWNER'S EQUITY (Add 29 and 30)	942,708	948,553	

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.

**DAWSON ELDERLY, L.P.**  
**ATTACHMENT TO FORM RD 3560-10**  
**DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b><u>Page 24, Line 7</u></b>		
Due from rural development	\$ 8,151	\$ 7,403
Due from tenants	-	282
	<b>\$ 8,151</b>	<b>\$ 7,685</b>
 <b><u>Page 24, Line 22</u></b>		
Utilities and telephone	\$ 64	\$ 58
Repairs and maintenance	225	102
Office supplies	351	482
	<b>\$ 640</b>	<b>\$ 642</b>
 <b><u>Page 24, Line 23</u></b>		
Tenant prepaid rent	\$ 99	\$ -
	<b>\$ 99</b>	<b>\$ -</b>

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

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

PROJECT NAME Meadow Run Apts PH II		BORROWER NAME Meadow Run II Apts/Dawson Eld		BORROWER ID AND PROJECT NO. 635B10757 014	
Loan/Transfer Amount \$ 1,202,800.00		Note Rate Payment \$ 7,503.97		IC Payment \$ 2,563.34	
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 checked="" type="checkbox"/> Family <input 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 type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other	
				I hereby request 0 units of RA. Current number of RA units 40 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 - 13) (12 - 31 - 13)	ACTUAL (01 - 01 - 13) (12 - 31 - 13)	PROPOSED BUDGET (01 - 01 - 14) (12 - 31 - 14)	COMMENTS or (YTD) (01 - 01 - 13) (12 - 31 - 13)
<b>OPERATIONAL CASH SOURCES</b>				
1. RENTAL INCOME .....	183,840.00	46,935.00	188,640.00	40 Rev Produc
2. RHS RENTAL ASSISTANCE RECEIVED .....		131,082.00		
3. APPLICATION FEES RECEIVED .....		225.00		
4. LAUNDRY AND VENDING .....	0.00	183.33	0.00	
5. INTEREST INCOME .....	0.00	0.00	0.00	
6. TENANT CHARGES .....	350.00	400.00	600.00	
7. OTHER - PROJECT SOURCES .....	0.00	100.00	0.00	
8. LESS (Vacancy and Contingency Allowance) .....	( 9,182.00)		( 9,432.00)	5%
9. LESS (Agency Approved Incentive Allowance) .....	( 0.00)		( 0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)] .....	174,998.00	178,925.33	179,808.00	
<b>NON-OPERATIONAL CASH SOURCES</b>				
11. CASH - NON PROJECT .....	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS) .....	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE .....	7,350.00	10,123.63	11,100.00	
14. SUB-TOTAL (11 thru 13) .....	7,350.00	10,123.63	11,100.00	
15. TOTAL CASH SOURCES (10+14) .....	182,348.00	189,048.96	190,908.00	
<b>OPERATIONAL CASH USES</b>				
16. TOTAL O&M EXPENSES (From Part II) .....	119,921.00	105,932.58	127,088.00	
17. RHS DEBT PAYMENT .....	30,760.00	30,760.08	30,760.00	
18. RHS PAYMENT (Overage) .....		165.00		
19. RHS PAYMENT (Late Fee) .....		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES .....		0.00		
21. TENANT UTILITY PAYMENTS .....		372.00		
22. TRANSFER TO RESERVE .....	17,028.00	17,036.00	17,028.00	
23. RETURN TO OWNER NP ASSET MANAGEMENT FEE .....	2,976.00	2,976.00	2,976.00	2012 RTO paid
24. SUB-TOTAL (16 thru 23) .....	170,685.00	157,241.66	177,852.00	
<b>NON-OPERATIONAL CASH USES</b>				
25. AUTHORIZED DEBT PAYMENT (Non-RHS) .....	0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6) .....	7,350.00	10,123.63	11,100.00	
27. MISCELLANEOUS .....	0.00	-0.88	0.00	Rounding
28. SUB-TOTAL (25 thru 27) .....	7,350.00	10,122.75	11,100.00	
29. TOTAL CASH USES (24+28) .....	178,035.00	167,364.41	188,952.00	
30. NET CASH (DEFICIT) (15-29) .....	4,313.00	21,684.55	1,956.00	
<b>CASH BALANCE</b>				
31. BEGINNING CASH BALANCE .....	37,302.00	97,347.40	41,615.00	
32. ACCRUAL TO CASH ADJUSTMENT .....		-388.76		Adjust to accru.
33. ENDING CASH BALANCE (30+31+32) .....	41,615.00	118,663.18	43,571.00	

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 .....	7,000.00	14,616.00	12,000.00	
2. MAINTENANCE AND REPAIRS SUPPLY .....	14,000.00	8,289.27	10,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT .....	0.00	0.00	0.00	
4. PAINTING .....	1,500.00	2,485.06	2,300.00	
5. SNOW REMOVAL .....	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT .....	0.00	0.00	0.00	
7. GROUNDS .....	7,564.00	7,083.91	7,124.00	427/M + 2000
8. SERVICES .....	2,435.00	2,651.35	2,746.00	106/M PestCorr
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	0.00	0.00	1,600.00	
10. OTHER OPERATING EXPENSES (Itemize) .....	250.00	100.78	250.00	UA calc fee
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10) .....	32,749.00	33,386.37	36,020.00	
12. ELECTRICITY <input type="checkbox"/> If master metered .....	4,500.00	4,313.77	4,400.00	
13. WATER <input type="checkbox"/> check box on .....	800.00	687.60	700.00	
14. SEWER <input type="checkbox"/> front .....	150.00	222.10	250.00	
15. FUEL (Oil/Coal/Gas) .....	200.00	178.00	200.00	
16. GARBAGE & TRASH REMOVAL .....	900.00	1,130.65	1,000.00	
17. OTHER UTILITIES .....	0.00	10.40	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17) .....	6,350.00	6,543.72	6,550.00	
19. SITE MANAGEMENT PAYROLL .....	12,382.00	13,087.50	14,698.00	1158/M (3% Inc)
20. MANAGEMENT FEE .....	21,360.00	20,870.50	21,360.00	\$44.50x40Ux1:
21. PROJECT AUDITING EXPENSE .....	4,000.00	3,680.00	4,000.00	
22. PROJECT BOOKKEEPING/ACCOUNTING .....	0.00	0.00	0.00	
23. LEGAL EXPENSES .....	300.00	141.00	300.00	
24. ADVERTISING .....	200.00	314.90	250.00	
25. TELEPHONE & ANSWERING SERVICE .....	1,000.00	1,252.17	1,200.00	
26. OFFICE SUPPLIES .....	1,900.00	1,182.96	1,700.00	
27. OFFICE FURNITURE & EQUIPMENT .....	450.00	685.40	677.00	33.71/MCompE
28. TRAINING EXPENSE .....	500.00	761.59	500.00	
29. HEALTH INS. & OTHER EMP. BENEFITS .....	200.00	583.79	650.00	
30. PAYROLL TAXES .....	1,500.00	2,854.84	2,700.00	
31. WORKER'S COMPENSATION .....	700.00	544.85	725.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize) .....	100.00	1,102.99	300.00	Prop tax consu
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32) .....	44,602.00	47,052.29	49,058.00	
34. REAL ESTATE TAXES .....	28,000.00	11,114.42	27,000.00	
35. SPECIAL ASSESSMENTS .....	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS .....	100.00	52.78	100.00	reg fee
37. PROPERTY & LIABILITY INSURANCE .....	7,920.00	7,773.00	8,160.00	204/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) .....	36,220.00	18,940.20	35,460.00	
41. TOTAL O&M EXPENSES (11+18+33+40) .....	119,921.00	105,932.58	127,088.00	

**PART III—ACCOUNT BUDGETING/STATUS**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
<b>RESERVE ACCOUNT:</b>				
1. BEGINNING BALANCE .....	75,784.02	48,342.34	85,472.02	
2. TRANSFER TO RESERVE .....	17,028.00	17,036.00	17,028.00	\$1003/M + \$5k
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT .....	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve) .....	7,360.00	10,123.63	11,100.00	
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) .....	( 7,360.00)	( 10,123.63)	( 11,100.00)	
8. ENDING BALANCE [(1+2)-7] .....	85,472.02	55,254.71	91,400.02	

**GENERAL OPERATING ACCOUNT:\***

BEGINNING BALANCE .....	82,165.89	
ENDING BALANCE .....	93,649.00	

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

BEGINNING BALANCE .....	15,181.51	
ENDING BALANCE .....	25,014.18	

**TENANT SECURITY DEPOSIT ACCOUNT:\***

BEGINNING BALANCE .....	6,860.00	
ENDING BALANCE .....	6,859.00	

(\*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST		RESERVE ACCT. REQ. BALANCE...	0.00
NUMBER OF APPLICANTS NEEDING RA.....		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	38	382.00	547.00	0.00	174,192.00	249,432.00	0.00	133.00
2	N	2	402.00	567.00	0.00	9,648.00	13,808.00	0.00	145.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>CURRENT RENT TOTALS:</b>						<b>183,840.00</b>	<b>263,040.00</b>	<b>0.00</b>	
						BASIC	NOTE	HUD	

**B. PROPOSED RENTS - Effective Date: 12 / 31 /13**

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	38	382.00	557.00	0.00	178,752.00	253,992.00	0.00	
2	N	2	412.00	577.00	0.00	9,888.00	13,848.00	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	
<b>PROPOSED RENT TOTALS:</b>						<b>188,640.00</b>	<b>267,840.00</b>	<b>0.00</b>	
						BASIC	NOTE	HUD	

**C. PROPOSED UTILITY ALLOWANCE - Effective Date: 12 / 31 / 13**

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	N	38	78.00	0.00	12.00	13.00	27.00	3.00	133.00
2	N	2	92.00	0.00	11.00	12.00	27.00	3.00	145.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**PART V - ANNUAL CAPITAL BUDGET**

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
<b>Appliances:</b>							
Range .....	2	800.00	0.00	0.00	0.00	0.00	0
Refrigerator .....	2	1,100.00	698.27	0.00	0.00	698.27	1
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	2	2,800.00	2,985.36	0.00	0.00	2,985.36	2
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	2	2,900.00	2,900.00	0.00	0.00	2,900.00	1
Air Conditioning .....	2	2,900.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	2	600.00	0.00	0.00	0.00	0.00	0
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	1,300.00	0.00	0.00	1,300.00	2
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	1,650.00	0.00	0.00	1,650.00	
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	690.00	0.00	0.00	690.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	1,600.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>12</b>	<b>11,100.00</b>	<b>10,123.63</b>	<b>1,600.00</b>	<b>0.00</b>	<b>10,123.63</b>	<b>6</b>

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

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

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

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

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

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

AGENCY APPROVAL (*Rural Development Approval Official*):

DATE:

**COMMENTS:**

Page 1

Line 13. Actual transfers from 1% reserve were more than budget because of tub repairs and roofing repairs that were not budgeted.

Line 23. The RTO paid in 2013 was the 2012 RTO.

Page 2

Line 11. Actual Maintenance and Operating Expenses were 2% over budget.

Line 18. Actual Utilities were 3% over budget.

Line 33. Actual Administrative Expenses were 6% over budget.

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

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

	Current Number of Units/Items	Current from Reserved	YTD from Reserve	Current from Operating	YTD from Operating	YTD Total Cost	Total YTD Units/Items
<b>Appliances:</b>							
Range .....	1	250.00	0.00	0.00	0.00	0.00	0
Refrigerator .....	1	600.00	598.27	0.00	0.00	598.27	1
Range Hood .....	1	100.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	2	4,400.00	2,985.36	0.00	0.00	2,985.36	2
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	2,900.00	0.00	0.00	2,900.00	1
Air Conditioning .....	1	2,000.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	4	0.00	0.00	0.00	0.00	0.00	0
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	1,300.00	0.00	0.00	1,300.00	2
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	1,650.00	0.00	0.00	1,650.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Pointing .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	690.00	0.00	0.00	690.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>10</b>	<b>7,350.00</b>	<b>10,123.63</b>	<b>0.00</b>	<b>0.00</b>	<b>10,123.63</b>	<b>6</b>

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**DAWSON, GEORGIA**

**FINANCIAL AND COMPLIANCE REPORTS**

**AS OF DECEMBER 31, 2014 AND 2013**

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**

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## INDEPENDENT AUDITOR'S REPORT

To the Partners  
Dawson Elderly, L.P.  
(A Limited Partnership)  
Valdosta, Georgia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Dawson Elderly, L.P. (a Limited Partnership), USDA, RD No: 11-035-636910757 which comprises the balance sheets as of December 31, 2014 and 2013, 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

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 Dawson Elderly, L.P. as of December 31, 2014 and 2013, 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 and 24-33 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, 2015 on our consideration of Dawson Elderly, 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 Dawson Elderly, L.P.'s internal control over financial reporting and compliance.

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Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 11, 2015

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 128,498	\$ 93,649
Accounts receivable - RD	9,055	8,151
Total Current Assets	137,553	101,800
<b>Restricted Deposits and Funded Reserves</b>		
Escrow-tenants' security deposits	6,780	6,859
Escrow-replacement reserve	57,926	55,255
Escrow-tax reserve	26,765	25,014
Total Restricted Deposits and Funded Reserves	91,471	87,128
<b>Property, Plant and Equipment</b>		
Property, plant and equipment, at cost	1,474,973	1,474,973
Accumulated depreciation	(755,731)	(721,193)
Net Property, Plant and Equipment	719,242	753,780
Total Assets	\$ 948,266	\$ 942,708

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>LIABILITIES AND PARTNERS' (DEFICIT)</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 10,906	\$ 10,146
Accounts payable	284	640
Accrued property taxes	10,391	-
	21,581	10,786
<b>Total Current Liabilities</b>		
<b>Deposits and Prepayment Liabilities</b>		
Tenants' security deposits	6,780	6,859
Unearned rents	189	99
	6,969	6,958
<b>Total Deposits and Prepayment Liabilities</b>		
<b>Long-Term Liabilities</b>		
Mortgage payable, less current maturities	1,085,632	1,096,539
	1,085,632	1,096,539
<b>Total Long-Term Liabilities</b>		
<b>Total Liabilities</b>	1,114,182	1,114,283
<b>Partners' (Deficit)</b>		
Partners' (Deficit)	(165,916)	(171,575)
	(165,916)	(171,575)
<b>Total Liabilities And Partners' (Deficit)</b>	<b>\$ 948,266</b>	<b>\$ 942,708</b>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Gross potential rental income	\$ 188,682	\$ 184,377
Less: vacancy loss	(1,024)	(6,360)
Net rental income	<u>187,658</u>	<u>178,017</u>
Other income	<u>439</u>	<u>908</u>
Total Revenues	<u>188,097</u>	<u>178,925</u>
<b>Expenses</b>		
Operating and maintenance	49,497	43,508
Utilities	7,462	6,916
Administrative	48,945	47,064
Taxes and insurance	<u>18,406</u>	<u>18,940</u>
Total Operating Expenses	<u>124,310</u>	<u>116,428</u>
Net Operating Income	<u>63,787</u>	<u>62,497</u>
<b>Non-Operating (Income) Expenses</b>		
Interest subsidy income	(59,288)	(59,123)
Interest expense	79,902	80,609
Depreciation	<u>34,538</u>	<u>34,538</u>
Total Non-Operating Expenses	<u>55,152</u>	<u>56,024</u>
Net Income	<u>\$ 8,635</u>	<u>\$ 6,473</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF PARTNERS' (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Limited Partners' (Deficit)</b>		
Balance, January 1	\$ (142,611)	\$ (148,019)
Distributions	(1,000)	(1,000)
Net Income	<u>8,549</u>	<u>6,408</u>
Balance, December 31	<u>\$ (135,062)</u>	<u>\$ (142,611)</u>
<b>General Partner's (Deficit)</b>		
Balance, January 1	\$ (28,964)	\$ (27,053)
Distributions	(1,976)	(1,976)
Net Income	<u>86</u>	<u>65</u>
Balance, December 31	<u>\$ (30,854)</u>	<u>\$ (28,964)</u>
<b>Total Partners' (Deficit)</b>		
Balance, January 1	\$ (171,575)	\$ (175,072)
Distributions	(2,976)	(2,976)
Net Income	<u>8,635</u>	<u>6,473</u>
Balance, December 31	<u>\$ (165,916)</u>	<u>\$ (171,575)</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows From Operating Activities</b>		
Net Income	\$ 8,635	\$ 6,473
Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities:		
Depreciation	34,538	34,538
Changes In Operating Assets And Liabilities:		
Accounts receivable	(903)	(465)
Security deposits	79	1
Replacement reserve	(2,671)	(6,913)
Tax reserve	(1,751)	(9,832)
Accounts payable	(357)	(3)
Accrued property taxes	10,391	-
Tenants' security deposits	(79)	(1)
Unearned rents	90	99
Total Adjustments	<u>39,337</u>	<u>17,424</u>
Net Cash Provided By Operating Activities	<u>47,972</u>	<u>23,897</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(10,147)	(9,438)
Distributions	(2,976)	(2,976)
Net Cash (Used In) Financing Activities	<u>(13,123)</u>	<u>(12,414)</u>
Net Increase In Cash	34,849	11,483
Cash, Beginning Of Year	<u>93,649</u>	<u>82,166</u>
Cash, End Of Year	<u>\$ 128,498</u>	<u>\$ 93,649</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>Supplemental Disclosures Of Cash Flow Information:</b>		
<b>Cash Paid During The Year For:</b>		
Interest expense	\$ 79,902	\$ 80,609
Less: subsidized portion	(59,288)	(59,123)
Interest paid, net of subsidy	\$ 20,614	\$ 21,486

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Organization**

The partnership known as Dawson Elderly, L.P., was formed as a limited partnership under the laws of the State of Georgia on March 5, 1993, to develop, own and operate a 40-unit rental housing project for persons of low and moderate income in the community. The partnership agreement was amended and restated, effective November 1, 1993, to admit a new limited partner, Gateway Tax Credit Fund II, Ltd., (a Florida limited partnership), and retain as the general partner, Rural Housing Development. 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. The Partnership believes it is no longer subject to income tax examinations prior to 2011.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation

Land, buildings and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of income.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tenant Receivables

Tenant receivables are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed.

The Partnership uses the allowance method to account for uncollectible tenant receivable balances. Under the allowance method, if needed, an estimate of uncollectible tenant balances is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include the credit quality of the tenant and whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended by contract. When an account balance is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and is written off. At December 31, 2014 and 2013, there was no allowance balance required. Tenant receivables had a balance in the amount of \$0 and \$0, at December 31, 2014 and 2013, 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, 2014 and 2013 were \$96 and \$315, respectively.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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NOTE 2 –RESTRICTED CASH AND ESCROW ACCOUNTS

Replacement Reserve

	<u>2014</u>	<u>2013</u>
Annual funding required by loan agreement	<u>\$ 12,028</u>	<u>\$ 12,028</u>
Actual funding including interest income	<u>17,036</u>	<u>17,036</u>
Withdrawals approved by Rural Development Operating and maintenance expenses	<u>14,365</u>	<u>10,123</u>
Reserve balance at year end	<u>\$ 57,926</u>	<u>\$ 55,255</u>
Fully funded balance per loan agreement	<u>9,512</u>	<u>25,597</u>
Excess	<u>\$ 48,414</u>	<u>\$ 29,658</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>2014</u>	<u>2013</u>
Tenant security deposits cash	<u>\$ 6,780</u>	<u>\$ 6,859</u>
Tenant security deposits payable	<u>6,780</u>	<u>6,859</u>
Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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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>2014</u>	<u>2013</u>
Real estate tax and insurance escrow	\$ 26,765	\$ 25,014
Accrued or unpaid taxes and insurance	<u>10,391</u>	<u>-</u>
Excess	<u>\$ 16,374</u>	<u>\$ 25,014</u>

The property taxes accrued at December 31, 2014 were not due until February 9 and February 13, 2015, and thus were not delinquent at year end.

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>2014</u>	<u>2013</u>
Land		40,000	\$ 40,000
Buildings	30 Years	1,381,511	1,381,511
Equipment	10 Years	<u>53,462</u>	<u>53,462</u>
Total		1,474,973	1,474,973
Less: Accumulated depreciation		<u>(755,731)</u>	<u>(721,193)</u>
Net Property, Plant and Equipment		<u>\$ 719,242</u>	<u>\$ 753,780</u>

Property, plant and equipment is pledged as collateral on long-term debt. Depreciation expense aggregated \$34,538 and \$34,538 for the years ended December 31, 2014 and 2013.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**NOTE 4 - ACCOUNTS PAYABLE**

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

	<u>2014</u>	<u>2013</u>
Utilities and telephone	\$ -	\$ 64
Repairs and maintenance	263	225
Office supplies	<u>21</u>	<u>351</u>
	<u>\$ 284</u>	<u>\$ 640</u>

**NOTE 5 - LONG-TERM INDEBTEDNESS**

Long-term indebtedness consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
USDA, RD, made September 7, 1994, 7.25%, due in 599 monthly installments, secured by land, buildings and equipment with an original cost of \$1,473,622.	\$ 1,096,538	\$ 1,106,685
Less current maturities	<u>(10,906)</u>	<u>(10,146)</u>
Long-term portion	<u>\$ 1,085,632</u>	<u>\$ 1,096,539</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, 2014, for the succeeding five years are as follows:

<u>Year</u>	
2015	\$ 10,906
2016	11,724
2017	12,603
2018	13,547
2019	14,563

Dawson Elderly, L.P. incurred interest costs of \$79,902 and \$80,609 for the years ended December 31, 2014 and 2013, respectively, all of which was properly charged to expense.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**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>2014</u>	<u>2013</u>
Rental assistance payments	<u>\$ 138,740</u>	<u>\$ 131,082</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>2014</u>	<u>2013</u>
Net Income per financial statement	\$ 8,635	\$ 6,473
Book depreciation (less than) tax depreciation	<u>(1,058)</u>	<u>(1,058)</u>
Partnership Income per tax return	<u>\$ 7,577</u>	<u>\$ 5,415</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 Dawson Elderly, L.P. The partnership paid Investors Management Company, Inc. management fees of \$21,360 and \$20,871 for the years ended December 31, 2014 and 2013, respectively.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**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 \$2,976, which is 8% of the borrowers' initial capital investment required by USDA, RD.

**NOTE 10 - CONCENTRATION OF CREDIT RISK – CASH IN BANKS**

Dawson Elderly, 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:

	2014	2013
Total cash in all banks	\$ 219,869	\$ 180,677
Portion insured by FDIC	219,869	180,677
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, 2014, no impairment loss recognition has been required.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**NOTE 13 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Partnership's sole asset is Meadow Run II 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, 2015, which is the date the financial statements were available to be issued.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**1. Management Fee Calculation**

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

Total Qualified Units (40 * 12 months)	480
Less: Rent Free Units	-
Vacancies	-
Total Occupied Units	<u>480</u>
Fee Per Unit (Effective January, 2011)	<u>\$ 44.50</u>
Management Fee Expense	<u>\$ 21,360</u>

**2. Insurance Disclosure**

The Partnership maintains Insurance coverage as follows:

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

**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>\$ 2,976</u>
Budget Return to Owner	<u>\$ 2,976</u>
Return to Owner Paid:	
General Partner Distribution	\$ 1,976
Limited Partner Distribution	1,000
	<u>\$ 2,976</u>

**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  
Dawson Elderly, L.P.  
Valdosta, Georgia

USDA Rural Development  
Area 3  
Fort Valley, 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 Dawson Elderly, L.P., which comprise the balance sheet as of December 31, 2014, 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, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dawson Elderly, 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 Dawson Elderly, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Dawson Elderly, 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.

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 Dawson Elderly, 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 Dawson Elderly, 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 Dawson Elderly, L.P.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 11, 2015

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**Current Year Findings**

There were no findings this year.

**Status Of Prior Year Findings**

There were no findings in the prior year.

**AUDITEE'S COMMENTS ON PRIOR AUDIT RESOLUTION MATTERS RELATED TO UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT PROGRAMS**

There are no significant unresolved findings from previous annual audits, physical inspections or management review reports during our audit of the 2014 financial statements. There were no compliance findings noted during our audit of the 2014 financial statements relating to physical inspections or management reviews for which the Partnership has not taken corrective action .

**Independent Accountant's Report on  
Applying Agreed-Upon Procedures**

To the Partners of  
Dawson Elderly, L.P.  
Valdosta, Georgia

And

United States Department of Agriculture  
Rural Development  
Area 3  
Fort Valley, Georgia

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development ("RD") and Dawson Elderly, L.P. ("Owner") the owner of Meadow Run II Apartments ("Project") located in Dawson, 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, 2014. 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.

**Findings:**

Total Number of Invoices in Population: Approximately: 270  
Total Dollar Amount of Invoices in Population: \$105,900  
Total Number of Invoices Reviewed: 15  
Total Dollar Amount of Invoices Reviewed: \$1,218  
Total Number of Invoices in Vendor Confirmation Sample: 1  
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$124  
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: 9  
Total Number of Withdrawals Authorized by RD: 9  
Total Dollar Amount of Reserve Account Withdrawals: \$14,365  
Total Dollar Amount of Withdrawals Authorized by RD: \$14,365  
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: \$21,360  
Total Number of Invoices in Population: 12

Total Dollar Amount of Invoices in Population: \$21,360  
Total Number of Invoices Reviewed: 12  
Total Dollar Amount of Invoices Reviewed: \$21,360

Company Name 2: Rural Housing Reinsurance Company International, Ltd.  
Total Dollar Amount for the Year: \$0  
Total Number of Invoices in Population: 0  
Total Dollar Amount of Invoices in Population: \$0  
Total Number of Invoices Reviewed: 0  
Total Dollar Amount of Invoices Reviewed: \$0

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 Dawson Elderly, 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 Dawson Elderly, L.P., and Rural Development, and is not intended to be and should not be used by anyone other than these specified parties.

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Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 11, 2015

Position 3  
**MULTI-FAMILY HOUSING**  
**BORROWER BALANCE SHEET**  
PART I - BALANCE SHEET

<b>PROJECT NAME</b> Meadow Run II Apartments	<b>BORROWER NAME</b> Dawson Elderly, L.P.	<b>BORROWER ID AND PROJECT NO.</b> 11-035-636910757	
BEGINNING DATES>	CURRENT YEAR 01-01-14	PRIOR YEAR 01-01-13	COMMENTS
ENDING DATES>	12-31-14	12-31-13	

**ASSETS**

**CURRENT ASSETS**

1. GENERAL OPERATING ACCOUNT.....	128,498	93,649	
2. R.E. TAX & INSURANCE ACCOUNT.....	26,765	25,014	
3. RESERVE ACCOUNT.....	57,926	55,255	
4. SECURITY DEPOSIT ACCOUNT.....	6,780	6,859	
5. OTHER CASH (identify) .....			
6. OTHER (identify) .....			
7. TOTAL ACCOUNTS RECEIVABLE (Attach list) .....	9,055	8,151	
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. <b>TOTAL CURRENT ASSETS (Add 1 thru 11)</b> .....	<b>229,024</b>	<b>188,928</b>	

**FIXED ASSETS**

13. LAND.....	40,000	40,000	
14. BUILDINGS.....	1,381,511	1,381,511	
15. LESS: ACCUMULATED DEPRECIATION.....	(702,269)	(667,731)	
16. FURNITURE & EQUIPMENT.....	53,462	53,462	
17. LESS: ACCUMULATED DEPRECIATION.....	(53,462)	(53,462)	
18.			
19. <b>TOTAL FIXED ASSETS (Add 13 thru 18)</b> .....	<b>719,242</b>	<b>753,780</b>	

**OTHER ASSETS**

20.			
21. <b>TOTAL ASSETS (Add 12, 19, and 20)</b> .....	<b>948,266</b>	<b>942,708</b>	

**LIABILITIES AND OWNERS EQUITY**

**CURRENT LIABILITIES**

22. TOTAL ACCOUNTS PAYABLE (Attach list) .....	284	640	
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	189	99	
24. SECURITY DEPOSITS.....	6,780	6,859	
25. ACCRUED PROPERTY TAXES.....	10,391	-	
26. <b>TOTAL CURRENT LIABILITIES (Add 22 thru 25)</b> ...	<b>17,644</b>	<b>7,598</b>	

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**

27. NOTES PAYABLE RURAL DEVELOPMENT	1,096,538	1,106,685	
28. OTHER (Identify) N/P General Partners	-	-	
29. TOTAL LONG-TERM LIABILITIES (Add 27 and 28)	1,096,538	1,106,685	
30. TOTAL LIABILITIES (Add 26 and 29) .....	1,114,182	1,114,283	
30. OWNER'S EQUITY (Net Worth) (21 minus 30) .....	(165,916)	(171,575)	
31 TOTAL LIABILITIES AND OWNER'S EQUITY (Add 30 and 31)	948,266	942,708	

**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.

**DAWSON ELDERLY, L.P.**  
**ATTACHMENT TO FORM RD 3560-10**  
**DECEMBER 31, 2014 AND 2013**

	2014	2013
<b><u>Page 24, Line 7</u></b>		
Due from rural development	\$ 9,055	\$ 8,151
Due from tenants	-	-
	\$ 9,055	\$ 8,151
<b><u>Page 24, Line 22</u></b>		
Utilities and telephone	\$ -	\$ 64
Repairs and maintenance	263	225
Office supplies	21	351
	\$ 284	\$ 640
<b><u>Page 24, Line 23</u></b>		
Tenant prepaid rent	\$ 189	\$ 99
	\$ 189	\$ 99

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**DAWSON, GEORGIA**

**FINANCIAL AND COMPLIANCE REPORTS**

**AS OF DECEMBER 31, 2015 AND 2014**

**DAWSON ELDERLY, 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  
Dawson Elderly, L.P.  
(A Limited Partnership)  
Valdosta, Georgia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Dawson Elderly, L.P. (a Limited Partnership), USDA, RD No: 11-035-636910757 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 Dawson Elderly, 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 Dawson Elderly, 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 Dawson Elderly, L.P.'s internal control over financial reporting and compliance.

  
Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 11, 2016

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 150,907	\$ 128,498
Accounts receivable - RD	8,555	9,055
Accounts receivable - tenants	105	-
Total Current Assets	159,567	137,553
<b>Restricted Deposits and Funded Reserves</b>		
Escrow-tenants' security deposits	7,046	6,780
Escrow-replacement reserve	66,919	57,926
Escrow-tax reserve	17,770	26,765
Total Restricted Deposits and Funded Reserves	91,735	91,471
<b>Property, Plant and Equipment</b>		
Property, plant and equipment, at cost	1,474,973	1,474,973
Accumulated depreciation	(790,269)	(755,731)
Net Property, Plant and Equipment	684,704	719,242
Total Assets	\$ 936,006	\$ 948,266

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>LIABILITIES AND PARTNERS' (DEFICIT)</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 11,724	\$ 10,906
Accounts payable	982	284
Accrued property taxes	-	10,391
	<b>12,706</b>	<b>21,581</b>
<b>Deposits and Prepayment Liabilities</b>		
Tenants' security deposits	7,046	6,780
Unearned rents	-	189
	<b>7,046</b>	<b>6,969</b>
<b>Long-Term Liabilities</b>		
Mortgage payable, less current maturities	1,073,908	1,085,632
	<b>1,073,908</b>	<b>1,085,632</b>
<b>Total Liabilities</b>	<b>1,093,660</b>	<b>1,114,182</b>
<b>Partners' (Deficit)</b>		
Partners' (Deficit)	(157,654)	(165,916)
<b>Total Liabilities And Partners' (Deficit)</b>	<b>\$ 936,006</b>	<b>\$ 948,266</b>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Gross potential rental income	\$ 191,040	\$ 188,682
Less: vacancy loss	(2,157)	(1,024)
Net rental income	<u>188,883</u>	<u>187,658</u>
Other income	<u>276</u>	<u>439</u>
<b>Total Revenues</b>	<u>189,159</u>	<u>188,097</u>
<b>Expenses</b>		
Operating and maintenance	45,249	49,497
Utilities	6,392	7,462
Administrative	51,284	48,945
Taxes and insurance	<u>20,605</u>	<u>18,406</u>
<b>Total Operating Expenses</b>	<u>123,530</u>	<u>124,310</u>
<b>Net Operating Income</b>	<u>65,629</u>	<u>63,787</u>
<b>Non-Operating (Income) Expenses</b>		
Interest subsidy income	(59,288)	(59,288)
Interest expense	79,141	79,902
Depreciation	<u>34,538</u>	<u>34,538</u>
<b>Total Non-Operating Expenses</b>	<u>54,391</u>	<u>55,152</u>
<b>Net Income</b>	<u>\$ 11,238</u>	<u>\$ 8,635</u>

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

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

	<u>2015</u>	<u>2014</u>
<b>Limited Partners' (Deficit)</b>		
Balance, January 1	\$ (135,062)	\$ (142,611)
Distributions	(1,000)	(1,000)
Net Income	<u>11,126</u>	<u>8,549</u>
Balance, December 31	<u>\$ (124,936)</u>	<u>\$ (135,062)</u>
<b>General Partner's (Deficit)</b>		
Balance, January 1	\$ (30,854)	\$ (28,964)
Distributions	(1,976)	(1,976)
Net Income	<u>112</u>	<u>86</u>
Balance, December 31	<u>\$ (32,718)</u>	<u>\$ (30,854)</u>
<b>Total Partners' (Deficit)</b>		
Balance, January 1	\$ (165,916)	\$ (171,575)
Distributions	(2,976)	(2,976)
Net Income	<u>11,238</u>	<u>8,635</u>
Balance, December 31	<u>\$ (157,654)</u>	<u>\$ (165,916)</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
Net Income	\$ 11,238	\$ 8,635
 Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities:		
Depreciation	34,538	34,538
Changes In Operating Assets And Liabilities:		
Accounts receivable	395	(903)
Security deposits	(266)	79
Replacement reserve	(8,993)	(2,671)
Tax reserve	8,995	(1,751)
Accounts payable	698	(357)
Accrued property taxes	(10,391)	10,391
Tenants' security deposits	266	(79)
Unearned rents	(189)	90
 Total Adjustments	<u>25,053</u>	<u>39,337</u>
 Net Cash Provided By Operating Activities	<u>36,291</u>	<u>47,972</u>
 <b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(10,906)	(10,147)
Distributions	(2,976)	(2,976)
 Net Cash (Used In) Financing Activities	<u>(13,882)</u>	<u>(13,123)</u>
 Net Increase In Cash	22,409	34,849
 Cash, Beginning Of Year	<u>128,498</u>	<u>93,649</u>
 Cash, End Of Year	<u>\$ 150,907</u>	<u>\$ 128,498</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>Supplemental Disclosures Of Cash Flow Information:</b>		
<b>Cash Paid During The Year For:</b>		
Interest expense	\$ 79,141	\$ 79,902
Less: subsidized portion	(59,288)	(59,288)
Interest paid, net of subsidy	\$ 19,853	\$ 20,614

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Organization**

The partnership known as Dawson Elderly, L.P., was formed as a limited partnership under the laws of the State of Georgia on March 5, 1993, to develop, own and operate a 40-unit rental housing project for persons of low and moderate income in the community. The partnership agreement was amended and restated, effective November 1, 1993, to admit a new limited partner, Gateway Tax Credit Fund II, Ltd., (a Florida limited partnership), and retain as the general partner, Rural Housing Development. 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.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capitalization and Depreciation**

Land, buildings and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of income.

**Use of Estimates**

The presentation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Tenant Receivables**

Tenant receivables are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed.

The Partnership uses the allowance method to account for uncollectible tenant receivable balances. Under the allowance method, if needed, an estimate of uncollectible tenant balances is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include the credit quality of the tenant and whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended by contract. When an account balance is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and is written off. At December 31, 2015 and 2014, there was no allowance balance required. Tenant receivables had a balance in the amount of \$105 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 \$217 and \$96, respectively.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 2 –RESTRICTED CASH AND ESCROW ACCOUNTS**

**Replacement Reserve**

	<u>2015</u>	<u>2014</u>
Annual funding required by loan agreement	<u>\$ 12,028</u>	<u>\$ 12,028</u>
Actual funding including interest income	<u>17,036</u>	<u>17,036</u>
Withdrawals approved by Rural Development Operating and maintenance expenses	<u>8,043</u>	<u>14,365</u>
Reserve balance at year end	<u>\$ 66,919</u>	<u>\$ 57,926</u>
Fully funded balance per loan agreement	<u>13,497</u>	<u>9,512</u>
Excess	<u>\$ 53,422</u>	<u>\$ 48,414</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>\$ 7,046</u>	<u>\$ 6,780</u>
Tenant security deposits payable	<u>7,046</u>	<u>6,780</u>
Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>

**DAWSON ELDERLY, 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	\$ 17,770	\$ 26,765
Accrued or unpaid taxes and insurance	<u>-</u>	<u>10,391</u>
Excess	<u>\$ 17,770</u>	<u>\$ 16,374</u>

The property taxes accrued at December 31, 2014 were not due until February 9 and February 13, 2015, and thus were not delinquent at year end.

**NOTE 3 - PROPERTY, PLANT AND EQUIPMENT**

A summary of the property, plant and equipment is as follows at December 31:

	<u>Depreciable Life</u>	<u>2015</u>	<u>2014</u>
Land		40,000	\$ 40,000
Buildings	30 Years	1,381,511	1,381,511
Equipment	10 Years	<u>53,462</u>	<u>53,462</u>
Total		1,474,973	1,474,973
Less: Accumulated depreciation		<u>(790,269)</u>	<u>(755,731)</u>
Net Property, Plant and Equipment		<u>\$ 684,704</u>	<u>\$ 719,242</u>

Property, plant and equipment is pledged as collateral on long-term debt. Depreciation expense aggregated \$34,538 and \$34,538 for the years ended December 31, 2015 and 2014.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 4 - ACCOUNTS PAYABLE**

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

	<u>2015</u>	<u>2014</u>
Utilities and telephone	\$ 64	\$ -
Outside services	116	-
Repairs and maintenance	540	263
Office supplies	262	21
	<u>\$ 982</u>	<u>\$ 284</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 September 7, 1994, 7.25%, due in 599 monthly installments, secured by land, buildings and equipment with an original cost of \$1,473,622.	\$ 1,085,632	\$ 1,096,538
Less current maturities	<u>(11,724)</u>	<u>(10,906)</u>
Long-term portion	<u>\$ 1,073,908</u>	<u>\$ 1,085,632</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	\$ 11,724
2017	12,603
2018	13,547
2019	14,563
2020	15,654

Dawson Elderly, L.P. incurred interest costs of \$79,141 and \$79,902 for the years ended December 31, 2015 and 2014, respectively, all of which was properly charged to expense.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**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>\$ 133,274</u>	<u>\$ 138,740</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 per financial statement	\$ 11,238	\$ 8,635
Book depreciation (less than) tax depreciation	<u>(1,058)</u>	<u>(1,058)</u>
Partnership Income per tax return	<u>\$ 10,180</u>	<u>\$ 7,577</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 Dawson Elderly, L.P. The partnership paid Investors Management Company, Inc. management fees of \$21,882 and \$21,360 for the years ended December 31, 2015 and 2014, respectively.

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

An affiliate of the general partner is also an owner of CJ Thomas Company, Inc., which provides the property insurance to the project. The partnership paid CJ Thomas Company, Inc. insurance fees of \$8,019 and \$7,927 for the years ended December 31, 2015 and 2014, respectively.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**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 \$2,976, which is 8% of the borrowers' initial capital investment required by USDA, RD.

**NOTE 10 - CONCENTRATION OF CREDIT RISK – CASH IN BANKS**

Dawson Elderly, 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	\$ 242,542	\$ 219,869
Portion insured by FDIC	<u>242,542</u>	<u>219,869</u>
Uninsured cash balances	<u>\$ -</u>	<u>\$ -</u>

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

USDA, RD may terminate the interest subsidy agreement if it determines that no subsidy is necessary or if the Partnership is determined to be in violation of USDA, RD rules or regulations.

**NOTE 12 – IMPAIRMENT OF LONG-LIVED ASSETS**

FASB ASC 360-10 (formerly FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), requires long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. Through December 31, 2015, no impairment loss recognition has been required.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**NOTE 13 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Partnership's sole asset is Meadow Run II 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.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**1. Management Fee Calculation**

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

Total Qualified Units (40 * 1 month)	40
Less: Rent Free Units	-
Vacancies	-
Total Occupied Units	40
Fee Per Unit (Effective January, 2011)	\$ 44.50
 Management fees January 2015	 1,780
 Total Qualified Units (40 * 11 months)	 440
Less: Rent Free Units	-
Vacancies	(3)
Total Occupied Units	437
Fee Per Unit (Effective February, 2015)	\$ 46.00
 Management fees February through December 2015	 20,102
 Management Fee Expense	 \$ 21,882

**2. Insurance Disclosure**

The Partnership maintains Insurance coverage as follows:

	<u>Deductible</u>	<u>Coverage</u>
Property Coverage on Buildings	\$ 1,000	\$ 3,100,000
Comprehensive Business Liability	-	2,000,000
Fidelity / Employee Dishonesty	5,000	500,000

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**3. Return to Owner**

In accordance with the Loan Agreement, the annual return to owner is as follows:

Maximum Return to Owner (See Note 9)	<u>\$ 2,976</u>
Budget Return to Owner	<u>\$ 2,976</u>
Return to Owner Paid:	
General Partner Distribution	\$ 1,976
Limited Partner Distribution	<u>1,000</u>
	<u>\$ 2,976</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  
Dawson Elderly, L.P.  
Valdosta, Georgia

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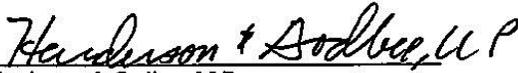
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

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

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**Current Year Findings**

There were no findings this year.

**Status Of Prior Year Findings**

There were no findings in the prior year.

**AUDITEE'S COMMENTS ON PRIOR AUDIT RESOLUTION MATTERS RELATED TO UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT PROGRAMS**

There are no significant unresolved findings from previous annual audits, physical inspections or management review reports during our audit of the 2015 financial statements. There were no compliance findings noted during our audit of the 2015 financial statements relating to physical inspections or management reviews for which the Partnership has not taken corrective action .



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## Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Partners of  
Dawson Elderly, L.P.  
Valdosta, Georgia

And

United States Department of Agriculture  
Rural Development  
Fort Valley, Georgia

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development ("RD") and Dawson Elderly, L.P. ("Owner") the owner of Meadow Run II Apartments ("Project") located in Dawson, 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.

**Findings:**

Total Number of Invoices in Population: Approximately: 285  
Total Dollar Amount of Invoices in Population: \$101,649  
Total Number of Invoices Reviewed: 15  
Total Dollar Amount of Invoices Reviewed: \$2,002  
Total Number of Invoices in Vendor Confirmation Sample: 1  
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$213  
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: 4  
Total Number of Withdrawals Authorized by RD: 4  
Total Dollar Amount of Reserve Account Withdrawals: \$8,043  
Total Dollar Amount of Withdrawals Authorized by RD: \$8,043  
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: \$21,882  
Total Number of Invoices in Population: 12

Total Dollar Amount of Invoices in Population: \$21,882  
Total Number of Invoices Reviewed: 12  
Total Dollar Amount of Invoices Reviewed: \$21,882

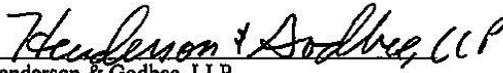
Company Name 2: Rural Housing Reinsurance Company International, Ltd. (CJ Thomas Company, Inc.)

Total Dollar Amount for the Year: \$8,019  
Total Number of Invoices in Population: 1  
Total Dollar Amount of Invoices in Population: \$8,019  
Total Number of Invoices Reviewed: 1  
Total Dollar Amount of Invoices Reviewed: \$8,019

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 Dawson Elderly, 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 Dawson Elderly, 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

<b>PROJECT NAME</b> Meadow Run II Apartments	<b>BORROWER NAME</b> Dawson Elderly, L.P.	<b>BORROWER ID AND PROJECT NO.</b> 11-035-636910757	
	<b>CURRENT YEAR</b>	<b>PRIOR YEAR</b>	<b>COMMENTS</b>
BEGINNING DATES>	01-01-15	01-01-14	
ENDING DATES>	12-31-15	12-31-14	

**ASSETS**

**CURRENT ASSETS**

1. GENERAL OPERATING ACCOUNT.....	150,907	128,498	
2. R.E. TAX & INSURANCE ACCOUNT.....	17,770	26,765	
3. RESERVE ACCOUNT.....	66,919	57,926	
4. SECURITY DEPOSIT ACCOUNT.....	7,046	6,780	
5. OTHER CASH (identify) .....			
6. OTHER (identify) .....			
7. TOTAL ACCOUNTS RECEIVABLE (Attach list) .....	8,660	9,055	
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)	251,302	229,024	

**FIXED ASSETS**

13. LAND.....	40,000	40,000	
14. BUILDINGS.....	1,381,511	1,381,511	
15. LESS: ACCUMULATED DEPRECIATION.....	(736,807)	(702,269)	
16. FURNITURE & EQUIPMENT.....	53,462	53,462	
17. LESS: ACCUMULATED DEPRECIATION.....	(53,462)	(53,462)	
18.			
19. TOTAL FIXED ASSETS (Add 13 thru 18) .....	684,704	719,242	

**OTHER ASSETS**

20.			
21. TOTAL ASSETS (Add 12, 19, and 20) .....	936,006	948,266	

**LIABILITIES AND OWNERS EQUITY**

**CURRENT LIABILITIES**

22. TOTAL ACCOUNTS PAYABLE (Attach list) .....	982	284	
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	-	189	
24. SECURITY DEPOSITS.....	7,046	6,780	
25. ACCRUED PROPERTY TAXES.....	-	10,391	
26. TOTAL CURRENT LIABILITIES (Add 22 thru 25) ...	8,028	17,644	

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**

27. NOTES PAYABLE RURAL DEVELOPMENT	1,085,632	1,096,538	
28. OTHER (Identify) N/P General Partners	-	-	
29. TOTAL LONG-TERM LIABILITIES (Add 27 and 28)	1,085,632	1,096,538	
30. TOTAL LIABILITIES (Add 26 and 29) .....	1,093,660	1,114,182	
30. OWNER'S EQUITY (Net Worth) (21 minus 30) .....	(157,654)	(165,916)	
31 TOTAL LIABILITIES AND OWNER'S EQUITY (Add 30 and 31)	936,006	948,266	

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.

DAWSON ELDERLY, 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	\$ 8,555	\$ 9,055
Due from tenants	105	-
	\$ 8,660	\$ 9,055
 <u>Page 25, Line 22</u>		
Utilities and telephone	\$ 64	\$ -
Outside services	116	-
Repairs and maintenance	540	263
Office supplies	262	21
	\$ 982	\$ 284
 <u>Page 25, Line 23</u>		
Tenant prepaid rent	\$ -	\$ 189
	\$ -	\$ 189

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

MULTIPLE FAMILY HOUSING PROJECT BUDGET/  
UTILITY ALLOWANCE

PROJECT NAME Meadow Run Apts PH II		BORROWER NAME Meadow Run II Apts/Dawson Eld		BORROWER ID AND PROJECT NO. 636910757 014	
Loan/Transfer Amount \$ 1,202,800.00		Note Rate Payment \$ 7,503.97		IC Payment \$ 2,563.34	
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 type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other	
				I hereby request _____ units of RA. Current number of RA units 40 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)
<b>OPERATIONAL CASH SOURCES</b>				
1. RENTAL INCOME .....	191,040.00	55,609.00	193,440.00	40 Rev Produc
2. RHS RENTAL ASSISTANCE RECEIVED .....		133,274.00		
3. APPLICATION FEES RECEIVED .....		135.00		
4. LAUNDRY AND VENDING .....	0.00	0.00	0.00	
5. INTEREST INCOME .....	0.00	0.00	0.00	
6. TENANT CHARGES .....	600.00	141.00	600.00	
7. OTHER - PROJECT SOURCES .....	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance) .....	( 9,552.00)		( 9,672.00)	5%
9. LESS (Agency Approved Incentive Allowance) .....	( 0.00)		( 0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)] .....	182,088.00	189,159.00	184,368.00	
<b>NON-OPERATIONAL CASH SOURCES</b>				
11. CASH - NON PROJECT .....	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS) .....	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE .....	13,100.00	8,042.68	10,900.00	
14. SUB-TOTAL (11 thru 13) .....	13,100.00	8,042.68	10,900.00	
15. TOTAL CASH SOURCES (10+14) .....	195,188.00	197,201.68	195,268.00	
<b>OPERATIONAL CASH USES</b>				
16. TOTAL O&M EXPENSES (From Part II) .....	131,011.00	125,877.39	134,049.00	
17. RHS DEBT PAYMENT .....	30,760.00	30,760.08	30,760.00	
18. RHS PAYMENT (Overage) .....		0.00		
19. RHS PAYMENT (Late Fee) .....		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES .....		0.00		
21. TENANT UTILITY PAYMENTS .....		0.00		
22. TRANSFER TO RESERVE .....	17,028.00	17,036.00	16,028.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	2,976.00	2,976.00	2,976.00	2014 RTO paid
24. SUB-TOTAL (16 thru 23) .....	181,775.00	176,649.47	183,813.00	
<b>NON-OPERATIONAL CASH USES</b>				
25. AUTHORIZED DEBT PAYMENT (Non-RHS) .....	0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	13,100.00	8,042.68	10,900.00	
27. MISCELLANEOUS .....	0.00	-0.51	0.00	Rounding
28. SUB-TOTAL (25 thru 27) .....	13,100.00	8,042.17	10,900.00	
29. TOTAL CASH USES (24+28) .....	194,875.00	184,691.64	194,713.00	
30. NET CASH (DEFICIT) (15-29) .....	313.00	12,510.04	555.00	
<b>CASH BALANCE</b>				
31. BEGINNING CASH BALANCE .....	43,571.00	155,263.03	43,884.00	
32. ACCRUAL TO CASH ADJUSTMENT .....		904.11		Adjust to accru
33. ENDING CASH BALANCE (30+31+32) .....	43,884.00	168,677.18	44,439.00	

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 0375-0189. 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 .....	14,500.00	15,413.88	16,400.00	
2. MAINTENANCE AND REPAIRS SUPPLY .....	8,000.00	10,176.74	11,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT .....	0.00	0.00	0.00	
4. PAINTING .....	3,000.00	2,719.39	2,500.00	
5. SNOW REMOVAL .....	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT .....	0.00	0.00	0.00	
7. GROUNDS .....	7,124.00	6,289.78	7,124.00	427/M + 2000
8. SERVICES .....	2,859.00	2,358.50	2,859.00	106/M/PeslCorr
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	2,200.00	0.00	600.00	
10. OTHER OPERATING EXPENSES (Itemize) .....	250.00	247.91	250.00	UA calc fee
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10) .....	37,933.00	37,206.00	40,733.00	
12. ELECTRICITY <input type="checkbox"/> If master metered .....	5,000.00	4,710.74	5,000.00	
13. WATER <input type="checkbox"/> check box on .....	700.00	616.18	600.00	
14. SEWER <input type="checkbox"/> front .....	250.00	21.00	250.00	
15. FUEL (Oil/Coal/Gas) .....	300.00	157.86	300.00	
16. GARBAGE & TRASH REMOVAL .....	900.00	874.29	900.00	
17. OTHER UTILITIES .....	0.00	12.16	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17) .....	7,150.00	6,392.23	7,050.00	
19. SITE MANAGEMENT PAYROLL .....	15,304.00	14,763.80	15,736.00	1228/M (3% Incr)
20. MANAGEMENT FEE .....	22,080.00	21,882.00	22,560.00	\$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 .....	300.00	192.81	300.00	
24. ADVERTISING .....	200.00	217.34	200.00	
25. TELEPHONE & ANSWERING SERVICE .....	1,250.00	1,222.59	1,250.00	
26. OFFICE SUPPLIES .....	1,600.00	993.65	1,600.00	
27. OFFICE FURNITURE & EQUIPMENT .....	696.00	1,480.66	724.00	35.71/M/CompE
28. TRAINING EXPENSE .....	673.00	1,346.60	506.00	
29. HEALTH INS. & OTHER EMP. BENEFITS .....	900.00	1,167.80	1,200.00	
30. PAYROLL TAXES .....	3,200.00	2,883.68	3,200.00	
31. WORKER'S COMPENSATION .....	725.00	703.93	750.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize) .....	300.00	558.02	300.00	Prop tax consu
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32) .....	51,226.00	51,282.88	52,326.00	
34. REAL ESTATE TAXES .....	26,000.00	22,923.95	25,000.00	2014 prop tax f
35. SPECIAL ASSESSMENTS .....	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS .....	100.00	53.33	100.00	reg fee
37. PROPERTY & LIABILITY INSURANCE .....	8,400.00	8,019.00	8,640.00	216/U (3% Incl)
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) .....	34,700.00	30,996.28	33,940.00	
41. TOTAL O&M EXPENSES (11+18+33+40) .....	131,011.00	125,877.38	134,049.00	

**PART III—ACCOUNT BUDGETING/STATUS**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
<b>RESERVE ACCOUNT:</b>				
1. BEGINNING BALANCE .....	91,400.02	57,826.13	95,328.02	
2. TRANSFER TO RESERVE .....	17,028.00	17,036.00	16,028.00	\$1003/M + \$4k
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT .....	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve) .....	13,100.00	8,042.68	10,800.00	
5. BUILDING & EQUIPMENT REPAIR .....	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES .....	0.00	0.00	0.00	
7. TOTAL (3 thru 6) .....	( 13,100.00)	( 8,042.68)	( 10,900.00)	
8. ENDING BALANCE [(1+2)-7] .....	95,328.02	66,818.45	100,456.02	

<b>GENERAL OPERATING ACCOUNT:*</b>			
BEGINNING BALANCE .....		128,497.64	
ENDING BALANCE .....		150,906.94	

<b>REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*</b>			
BEGINNING BALANCE .....		26,765.19	
ENDING BALANCE .....		17,770.24	

<b>TENANT SECURITY DEPOSIT ACCOUNT:*</b>			
BEGINNING BALANCE .....		6,780.00	
ENDING BALANCE .....		7,046.09	

(\*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	38	397.00	562.00	0.00	181,032.00	256,272.00	0.00	125.00
2	N	2	417.00	582.00	0.00	10,008.00	13,968.00	0.00	144.00
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:						181,040.00	270,240.00	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	38	402.00	567.00	0.00	183,312.00	256,552.00	0.00
2	N	2	422.00	587.00	0.00	10,128.00	14,088.00	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:						193,440.00	272,640.00	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	38	72.00	0.00	11.00	12.00	27.00	3.00	125.00
2	N	2	89.00	0.00	12.00	13.00	27.00	3.00	144.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**PART V - ANNUAL CAPITAL BUDGET**

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
<b>Appliances:</b>							
Range .....	2	800.00	0.00	0.00	0.00	0.00	0
Refrigerator .....	2	1,100.00	0.00	0.00	0.00	0.00	0
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	2	3,000.00	1,492.68	0.00	0.00	1,492.68	1
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List .....	0	0.00	0.00	0.00	0.00	0.00	0
Other .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	5,900.00	0.00	0.00	5,900.00	2
Air Conditioning .....	2	6,000.00	0.00	0.00	0.00	0.00	0
Other .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	2	0.00	0.00	600.00	0.00	0.00	0
Both Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>							
List .....		0.00	0.00	0.00	0.00	0.00	
Other .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List .....		0.00	650.00	0.00	0.00	650.00	
Other .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List .....		0.00	0.00	0.00	0.00	0.00	
List .....		0.00	0.00	0.00	0.00	0.00	
List .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>10</b>	<b>10,900.00</b>	<b>8,042.68</b>	<b>600.00</b>	<b>0.00</b>	<b>8,042.68</b>	<b>3</b>

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

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

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

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

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

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

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

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

**COMMENTS:**

**Page 1**

Line 13. Actual transfers from 1% reserve were 39% less than budget because less flooring replacements were required than budgeted.

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

**Page 2**

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

Line 18. Actual Utilities were 11% under budget because of lower electricity costs than budgeted.

Line 33. Actual Administrative Expenses were within budget.

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

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

	Current Number of Units/Items	Current from Reservd	YTD from Reserve	Current from Operating	YTD from Operating	YTD Total Cost	Total YTD Units/Items
<b>Appliances:</b>							
Range .....	2	800.00	0.00	0.00	0.00	0.00	0
Refrigerator .....	2	1,100.00	0.00	0.00	0.00	0.00	0
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	4	5,400.00	1,482.68	0.00	0.00	1,482.68	1
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	2	2,900.00	5,900.00	0.00	0.00	5,900.00	2
Air Conditioning .....	2	2,900.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	2	0.00	0.00	600.00	0.00	0.00	0
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	1,600.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	650.00	0.00	0.00	650.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>14</b>	<b>13,100.00</b>	<b>8,042.68</b>	<b>2,200.00</b>	<b>0.00</b>	<b>8,042.68</b>	<b>3</b>

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**DAWSON, GEORGIA**

**FINANCIAL AND COMPLIANCE REPORTS**

**AS OF DECEMBER 31, 2016 AND 2015**

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**

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# 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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## INDEPENDENT AUDITOR'S REPORT

To the Partners  
Dawson Elderly, L.P.  
(A Limited Partnership)  
Valdosta, Georgia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Dawson Elderly, L.P. (a Limited Partnership), USDA, RD No: 11-035-636910757 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**

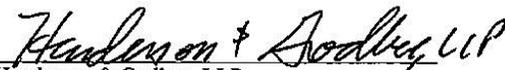
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dawson Elderly, L.P. as of December 31, 2016 and 2015, and the results of its operations, partners' (deficit), and its cash flows for the years then ended in conformity with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

  
Henderson & Godbee, LLP  
Certified Public Accountants  
Valdosta, Georgia

February 10, 2017

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 181,201	\$ 150,907
Accounts receivable - RD	7,889	8,555
Accounts receivable - tenants	3	105
<b>Total Current Assets</b>	<b>189,093</b>	<b>159,567</b>
<b>Restricted Deposits and Funded Reserves</b>		
Escrow-tenants' security deposits	6,551	7,046
Escrow-replacement reserve	75,427	66,919
Escrow-tax reserve	15,879	17,770
<b>Total Restricted Deposits and Funded Reserves</b>	<b>97,857</b>	<b>91,735</b>
<b>Property, Plant and Equipment</b>		
Property, plant and equipment, at cost	1,474,973	1,474,973
Accumulated depreciation	(824,807)	(790,269)
<b>Net Property, Plant and Equipment</b>	<b>650,166</b>	<b>684,704</b>
<b>Total Assets</b>	<b>\$ 937,116</b>	<b>\$ 936,006</b>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES AND PARTNERS' (DEFICIT)</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 12,603	\$ 11,724
Accounts payable	1,479	982
<b>Total Current Liabilities</b>	<b>14,082</b>	<b>12,706</b>
<b>Deposits and Prepayment Liabilities</b>		
Tenants' security deposits	6,551	7,046
<b>Total Deposits and Prepayment Liabilities</b>	<b>6,551</b>	<b>7,046</b>
<b>Long-Term Liabilities</b>		
Mortgage payable, less current maturities	1,061,305	1,073,908
<b>Total Long-Term Liabilities</b>	<b>1,061,305</b>	<b>1,073,908</b>
<b>Total Liabilities</b>	<b>1,081,938</b>	<b>1,093,660</b>
<b>Partners' (Deficit)</b>		
Partners' (Deficit)	(144,822)	(157,654)
<b>Total Liabilities And Partners' (Deficit)</b>	<b>\$ 937,116</b>	<b>\$ 936,006</b>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Gross potential rental income	\$ 193,440	\$ 191,040
Less: vacancy loss	(4,391)	(2,157)
Net rental income	<u>189,049</u>	<u>188,883</u>
Other income	<u>687</u>	<u>276</u>
<b>Total Revenues</b>	<u>189,736</u>	<u>189,159</u>
<b>Expenses</b>		
Operating and maintenance	42,283	45,249
Utilities	7,942	6,392
Administrative	50,472	51,284
Taxes and insurance	<u>19,657</u>	<u>20,605</u>
<b>Total Operating Expenses</b>	<u>120,354</u>	<u>123,530</u>
<b>Net Operating Income</b>	<u>69,382</u>	<u>65,629</u>
<b>Non-Operating (Income) Expenses</b>		
Interest subsidy income	(59,288)	(59,288)
Interest expense	78,324	79,141
Depreciation	<u>34,538</u>	<u>34,538</u>
<b>Total Non-Operating Expenses</b>	<u>53,574</u>	<u>54,391</u>
<b>Net Income</b>	<u>\$ 15,808</u>	<u>\$ 11,238</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF PARTNERS' (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Limited Partners' (Deficit)</b>		
Balance, January 1	\$ (124,936)	\$ (135,062)
Distributions	(1,000)	(1,000)
Net Income	<u>15,650</u>	<u>11,126</u>
Balance, December 31	<u>\$ (110,286)</u>	<u>\$ (124,936)</u>
 <b>General Partner's (Deficit)</b>		
Balance, January 1	\$ (32,718)	\$ (30,854)
Distributions	(1,976)	(1,976)
Net Income	<u>158</u>	<u>112</u>
Balance, December 31	<u>\$ (34,536)</u>	<u>\$ (32,718)</u>
 <b>Total Partners' (Deficit)</b>		
Balance, January 1	\$ (157,654)	\$ (165,916)
Distributions	(2,976)	(2,976)
Net Income	<u>15,808</u>	<u>11,238</u>
Balance, December 31	<u>\$ (144,822)</u>	<u>\$ (157,654)</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities</b>		
Net Income	\$ 15,808	\$ 11,238
Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities:		
Depreciation	34,538	34,538
Changes In Operating Assets And Liabilities:		
Accounts receivable	768	395
Security deposits	495	(266)
Replacement reserve	(8,508)	(8,993)
Tax reserve	1,891	8,995
Accounts payable	497	698
Accrued property taxes	-	(10,391)
Tenants' security deposits	(495)	266
Unearned rents	-	(189)
Total Adjustments	<u>29,186</u>	<u>25,053</u>
Net Cash Provided By Operating Activities	<u>44,994</u>	<u>36,291</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(11,724)	(10,906)
Distributions	<u>(2,976)</u>	<u>(2,976)</u>
Net Cash (Used In) Financing Activities	<u>(14,700)</u>	<u>(13,882)</u>
Net Increase In Cash	30,294	22,409
Cash, Beginning Of Year	<u>150,907</u>	<u>128,498</u>
Cash, End Of Year	<u>\$ 181,201</u>	<u>\$ 150,907</u>

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>Supplemental Disclosures Of Cash Flow Information:</b>		
<b>Cash Paid During The Year For:</b>		
Interest expense	\$ 78,324	\$ 79,141
Less: subsidized portion	(59,288)	(59,288)
Interest paid, net of subsidy	\$ 19,036	\$ 19,853

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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Organization**

The partnership known as Dawson Elderly, L.P., was formed as a limited partnership under the laws of the State of Georgia on March 5, 1993, to develop, own and operate a 40-unit rental housing project for persons of low and moderate income in the community. The partnership agreement was amended and restated, effective November 1, 1993, to admit a new limited partner, Gateway Tax Credit Fund II, Ltd., (a Florida limited partnership), and retain as the general partner, Rural Housing Development. 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.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation

Land, buildings and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of income.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tenant Receivables

Tenant receivables are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed.

The Partnership uses the allowance method to account for uncollectible tenant receivable balances. Under the allowance method, if needed, an estimate of uncollectible tenant balances is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include the credit quality of the tenant and whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended by contract. When an account balance is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and is written off. At December 31, 2016 and 2015, there was no allowance balance required. Tenant receivables had a balance in the amount of \$3 and \$105, 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 \$307 and \$217, respectively.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 2 –RESTRICTED CASH AND ESCROW ACCOUNTS**

**Replacement Reserve**

	<u>2016</u>	<u>2015</u>
Annual funding required by loan agreement	<u>\$ 12,028</u>	<u>\$ 12,028</u>
Actual funding including interest income	<u>16,036</u>	<u>17,036</u>
Withdrawals approved by Rural Development Operating and maintenance expenses	<u>7,528</u>	<u>8,043</u>
Reserve balance at year end	\$ 75,427	\$ 66,919
Fully funded balance per loan agreement	<u>17,996</u>	<u>13,497</u>
Excess	<u>\$ 57,431</u>	<u>\$ 53,422</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	\$ 6,551	\$ 7,046
Tenant security deposits payable	<u>6,551</u>	<u>7,046</u>
Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 2 – RESTRICTED CASH AND ESCROW ACCOUNTS (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	\$ 15,879	\$ 17,770
Accrued or unpaid taxes and insurance	<u>-</u>	<u>-</u>
Excess	<u>\$ 15,879</u>	<u>\$ 17,770</u>

**NOTE 3 - PROPERTY, PLANT AND EQUIPMENT**

A summary of the property, plant and equipment is as follows at December 31:

	<u>Depreciable Life</u>	<u>2016</u>	<u>2015</u>
Land		40,000	\$ 40,000
Buildings	30 Years	1,381,511	1,381,511
Equipment	10 Years	<u>53,462</u>	<u>53,462</u>
Total		1,474,973	1,474,973
Less: Accumulated depreciation		<u>(824,807)</u>	<u>(790,269)</u>
Net Property, Plant and Equipment		<u>\$ 650,166</u>	<u>\$ 684,704</u>

Property, plant and equipment is pledged as collateral on long-term debt. Depreciation expense aggregated \$34,538 and \$34,538 for the years ended December 31, 2016 and 2015.

**DAWSON ELDERLY, 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>
Repairs and maintenance	\$ 1,346	\$ 540
Pest control	106	-
Office supplies	27	262
Utilities and telephone	-	64
Outside services	-	116
	<u>\$ 1,479</u>	<u>\$ 982</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 September 7, 1994, 7.25%, due in 599 monthly installments, secured by land, buildings and equipment with an original cost of \$1,473,622.	\$ 1,073,908	\$ 1,085,632
Less current maturities	<u>(12,603)</u>	<u>(11,724)</u>
Long-term portion	<u>\$ 1,061,305</u>	<u>\$ 1,073,908</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	\$ 12,603
2018	13,547
2019	14,563
2020	15,654
2021	16,828

Dawson Elderly, L.P. incurred interest costs of \$78,324 and \$79,141 for the years ended December 31, 2016 and 2015, respectively, all of which was properly charged to expense.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**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>\$ 131,133</u>	<u>\$ 133,274</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 per financial statement	\$ 15,808	\$ 11,238
Book depreciation (less than) tax depreciation	<u>(1,058)</u>	<u>(1,058)</u>
Partnership Income per tax return	<u>\$ 14,750</u>	<u>\$ 10,180</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 Dawson Elderly, L.P. The partnership paid Investors Management Company, Inc. management fees of \$22,285 and \$21,882 for the years ended December 31, 2016 and 2015, respectively.

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

An affiliate of the general partner is also an owner of CJ Thomas Company, Inc., which provides the property insurance to the project. The partnership paid CJ Thomas Company, Inc. insurance fees of \$8,025 and \$8,019 for the years ended December 31, 2016 and 2015, respectively.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**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 \$2,976, which is 8% of the borrowers' initial capital investment required by USDA, RD.

**NOTE 10 - CONCENTRATION OF CREDIT RISK - CASH IN BANKS**

Dawson Elderly, L.P. maintains its cash accounts at two banks 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:

	2016	2015
Total cash in all banks	\$ 278,958	\$ 242,542
Portion insured by FDIC	278,958	242,542
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.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 13 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Partnership's sole asset is Meadow Run II 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.

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**1. Management Fee Calculation**

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

Total Qualified Units (40 * 1 month)	40
Less: Rent Free Units	-
Vacancies	-
Total Occupied Units	<u>40</u>
Fee Per Unit (Effective February, 2015)	<u>\$ 46</u>
 Management fees January 2016	 <u>\$ 1,840</u>
 Total Qualified Units (40 * 11 months)	 440
Less: Rent Free Units	-
Vacancies	(5)
Total Occupied Units	<u>435</u>
Fee Per Unit (Effective February, 2016)	<u>\$ 47</u>
 Management fees February through December 2016	 <u>\$ 20,445</u>
 Management Fee Expense	 <u><u>\$ 22,285</u></u>

**2. Insurance Disclosure**

The Partnership maintains Insurance coverage as follows:

	<u>Deductible</u>	<u>Coverage</u>
Property Coverage on Buildings	\$ 1,000	\$ 3,200,000
Comprehensive Business Liability	-	2,000,000
Fidelity / Employee Dishonesty	5,000	500,000

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**3. Return to Owner**

In accordance with the Loan Agreement, the annual return to owner is as follows:

Maximum Return to Owner (See Note 9)	<u>\$ 2,976</u>
Budget Return to Owner	<u>\$ 2,976</u>
Return to Owner Paid:	
General Partner Distribution	\$ 1,976
Limited Partner Distribution	<u>1,000</u>
	<u>\$ 2,976</u>



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Jacey B. Pittman, CPA  
M. Allison Hutchins, CPA

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Partners of  
Dawson Elderly, L.P.  
Valdosta, Georgia

USDA Rural Development  
Fort Valley, 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 Dawson Elderly, 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 Dawson Elderly, 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 Dawson Elderly, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Dawson Elderly, 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 Dawson Elderly, 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 Dawson Elderly, 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 Dawson Elderly, 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

**DAWSON ELDERLY, L.P.**  
**(A LIMITED PARTNERSHIP)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Current Year Findings**

There were no findings this year.

**Status of Prior Year Findings**

There were no findings in the prior year.

**AUDITEE'S COMMENTS ON PRIOR AUDIT RESOLUTION MATTERS RELATED TO UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT PROGRAMS**

There are no significant unresolved findings from previous annual audits, physical inspections or management review reports during our audit of the 2016 financial statements. There were no compliance findings noted during our audit of the 2016 financial statements relating to physical inspections or management reviews for which the Partnership has not taken corrective action .



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## Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Partners of  
Dawson Elderly, L.P.  
Valdosta, Georgia

And

United States Department of Agriculture  
Rural Development  
Fort Valley, Georgia

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development ("RD") and Dawson Elderly, L.P. ("Owner") the owner of Meadow Run II Apartments ("Project") located in Dawson, 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

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addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor's records.

Findings:

Total Number of Invoices in Population: Approximately: 290  
Total Dollar Amount of Invoices in Population: \$98,069  
Total Number of Invoices Reviewed: 15  
Total Dollar Amount of Invoices Reviewed: \$2,894  
Total Number of Invoices in Vendor Confirmation Sample: 1  
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$600  
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: 3  
Total Number of Withdrawals Authorized by RD: 3  
Total Dollar Amount of Reserve Account Withdrawals: \$7,528  
Total Dollar Amount of Withdrawals Authorized by RD: \$7,528  
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: \$22,285  
Total Number of Invoices in Population: 12

Total Dollar Amount of Invoices in Population: \$22,285  
Total Number of Invoices Reviewed: 12  
Total Dollar Amount of Invoices Reviewed: \$22,285

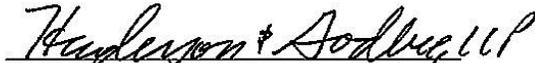
Company Name 2: Rural Housing Reinsurance Company International, Ltd. (CJ Thomas Company, Inc.)

Total Dollar Amount for the Year: \$8,025  
Total Number of Invoices in Population: 1  
Total Dollar Amount of Invoices in Population: \$8,025  
Total Number of Invoices Reviewed: 1  
Total Dollar Amount of Invoices Reviewed: \$8,025

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 Dawson Elderly, 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 Dawson Elderly, 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

<b>PROJECT NAME</b> Meadow Run II Apartments	<b>BORROWER NAME</b> Dawson Elderly, L.P.	<b>BORROWER ID AND PROJECT NO.</b> 11-035-636910757	
	<b>CURRENT YEAR</b>	<b>PRIOR YEAR</b>	<b>COMMENTS</b>
BEGINNING DATES>	01-01-16	01-01-15	
ENDING DATES>	12-31-16	12-31-15	

**ASSETS**

**CURRENT ASSETS**

1. GENERAL OPERATING ACCOUNT.....	181,201	150,907	
2. R.E. TAX & INSURANCE ACCOUNT.....	15,879	17,770	
3. RESERVE ACCOUNT.....	75,427	66,919	
4. SECURITY DEPOSIT ACCOUNT.....	6,551	7,046	
5. OTHER CASH (identify) .....			
6. OTHER (identify) .....			
7. TOTAL ACCOUNTS RECEIVABLE (Attach list) .....	7,892	8,660	
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)	286,950	251,302	

**FIXED ASSETS**

13. LAND.....	40,000	40,000	
14. BUILDINGS.....	1,381,511	1,381,511	
15. LESS: ACCUMULATED DEPRECIATION.....	(771,345)	(736,807)	
16. FURNITURE & EQUIPMENT.....	53,462	53,462	
17. LESS: ACCUMULATED DEPRECIATION.....	(53,462)	(53,462)	
18.			
19. TOTAL FIXED ASSETS (Add 13 thru 18) .....	650,166	684,704	

**OTHER ASSETS**

20.			
21. TOTAL ASSETS (Add 12, 19, and 20) .....	937,116	936,006	

**LIABILITIES AND OWNERS EQUITY**

**CURRENT LIABILITIES**

22. TOTAL ACCOUNTS PAYABLE (Attach list) .....	1,479	982	
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	-	-	
24. SECURITY DEPOSITS.....	6,551	7,046	
25. ACCRUED PROPERTY TAXES.....	-	-	
26. TOTAL CURRENT LIABILITIES (Add 22 thru 25) ...	8,030	8,028	

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

**LONG-TERM LIABILITIES**

27. NOTES PAYABLE RURAL DEVELOPMENT	1,073,908	1,085,632	
28. OTHER (Identify) N/P General Partners	-	-	
29. TOTAL LONG-TERM LIABILITIES (Add 27 and 28)	1,073,908	1,085,632	
30. TOTAL LIABILITIES (Add 26 and 29) .....	1,081,938	1,093,660	
30. OWNER'S EQUITY (Net Worth) (21 minus 30) .....	(144,822)	(157,654)	
31 TOTAL LIABILITIES AND OWNER'S EQUITY (Add 30 and 31)	937,116	936,006	

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.

**DAWSON ELDERLY, L.P.**  
**ATTACHMENT TO FORM RD 3560-10**  
**DECEMBER 31, 2016 AND 2015**

	2016	2015
<b><u>Page 25, Line 7</u></b>		
Due from rural development	\$ 7,889	\$ 8,555
Due from tenants	3	105
	\$ 7,892	\$ 8,660
 <b><u>Page 25, Line 22</u></b>		
Repairs and maintenance	\$ 1,346	\$ 540
Pest control	106	-
Office supplies	27	262
Utilities and telephone	-	64
Outside services	-	116
	\$ 1,479	\$ 982

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

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

PROJECT NAME Meadow Run Apts PH II		BORROWER NAME Meadow Run II Apts/Dawson Eld		BORROWER ID AND PROJECT NO. 636910757 014	
Loan/Transfer Amount \$ 1,202,800.00		Note Rate Payment \$ 7,503.97		IC Payment \$ 2,563.34	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input type="checkbox"/> Regular Report <input checked="" type="checkbox"/> Rent Change <input type="checkbox"/> SNR <input type="checkbox"/> Other Servicing	Project Rental Type <input type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input checked="" type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other	
				I hereby request <u>0</u> units of RA. Current number of RA units <u>40</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 - 16 ) (12 - 31 - 16 )	ACTUAL (01 - 01 - 16 ) (12 - 31 - 16 )	PROPOSED BUDGET (01 - 01 - 17 ) (12 - 31 - 17 )	COMMENTS or (YTD ) (01 - 01 - 16 ) (12 - 31 - 16 )
<b>OPERATIONAL CASH SOURCES</b>				
1. RENTAL INCOME .....	193,440.00	57,916.00	195,840.00	40 Rev Produc
2. RHS RENTAL ASSISTANCE RECEIVED .....		131,133.00		
3. APPLICATION FEES RECEIVED .....		165.00		
4. LAUNDRY AND VENDING .....	0.00	11.00	0.00	
5. INTEREST INCOME .....	0.00	0.00	0.00	
6. TENANT CHARGES .....	600.00	511.00	600.00	
7. OTHER - PROJECT SOURCES .....	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance) .....	( 9,672.00)		( 9,792.00)	5%
9. LESS (Agency Approved Incentive Allowance) .....	( 0.00)		( 0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)] .....	184,368.00	189,736.00	186,648.00	
<b>NON-OPERATIONAL CASH SOURCES</b>				
11. CASH - NON PROJECT .....	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS) .....	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE .....	10,900.00	7,528.78	21,200.00	
14. SUB-TOTAL (11 thru 13) .....	10,900.00	7,528.78	21,200.00	
15. TOTAL CASH SOURCES (10+14) .....	195,268.00	197,264.78	207,848.00	
<b>OPERATIONAL CASH USES</b>				
16. TOTAL O&M EXPENSES (From Part II) .....	134,048.00	112,825.42	135,788.00	
17. RHS DEBT PAYMENT .....	30,760.00	30,760.00	30,760.00	
18. RHS PAYMENT (Overage) .....		0.00		
19. RHS PAYMENT (Late Fee) .....		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES .....		0.00		
21. TENANT UTILITY PAYMENTS .....		0.00		
22. TRANSFER TO RESERVE .....	16,028.00	16,036.00	16,028.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	2,976.00	2,976.00	2,976.00	2015 RTO paid
24. SUB-TOTAL (16 thru 23) .....	183,813.00	162,697.50	185,552.00	
<b>NON-OPERATIONAL CASH USES</b>				
25. AUTHORIZED DEBT PAYMENT (Non-RHS) .....	0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	10,900.00	7,528.78	21,200.00	
27. MISCELLANEOUS .....	0.00	0.60	0.00	Rounding
28. SUB-TOTAL (25 thru 27) .....	10,900.00	7,529.38	21,200.00	
29. TOTAL CASH USES (24+28) .....	194,713.00	170,126.88	206,752.00	
30. NET CASH (DEFICIT) (15-29) .....	555.00	27,137.90	1,096.00	
<b>CASH BALANCE</b>				
31. BEGINNING CASH BALANCE .....	43,864.00	166,677.16	44,439.00	
32. ACCRUAL TO CASH ADJUSTMENT .....		1,264.91		Adjust to accru.
33. ENDING CASH BALANCE (30+31+32) .....	44,439.00	197,079.99	45,535.00	

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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 .....	16,400.00	15,577.00	16,400.00	
2. MAINTENANCE AND REPAIRS SUPPLY .....	11,000.00	7,003.42	11,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT .....	0.00	0.00	0.00	
4. PAINTING .....	2,500.00	1,538.39	2,500.00	
5. SNOW REMOVAL .....	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT .....	0.00	0.00	0.00	
7. GROUNDS .....	7,124.00	7,510.00	9,200.00	600/M + 2000
8. SERVICES .....	2,859.00	3,009.00	2,859.00	106/M Past Con
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	600.00	0.00	0.00	
10. OTHER OPERATING EXPENSES (Itemize) .....	250.00	116.40	250.00	UA calc fee
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10) .....	40,733.00	34,753.21	42,209.00	
12. ELECTRICITY <input type="checkbox"/> If master metered .....	5,000.00	5,257.43	5,300.00	
13. WATER <input type="checkbox"/> check box on front .....	600.00	642.65	650.00	
14. SEWER .....	250.00	261.95	300.00	
15. FUEL (Oil/Coal/Gas) .....	300.00	151.47	200.00	
16. GARBAGE & TRASH REMOVAL .....	900.00	1,598.63	1,300.00	
17. OTHER UTILITIES .....	0.00	30.47	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17) .....	7,050.00	7,942.60	7,750.00	
19. SITE MANAGEMENT PAYROLL .....	15,736.00	14,869.40	15,736.00	1228/M (3% inc)
20. MANAGEMENT FEE .....	22,560.00	22,285.00	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 .....	300.00	-364.00	300.00	
24. ADVERTISING .....	200.00	306.96	200.00	
25. TELEPHONE & ANSWERING SERVICE .....	1,250.00	1,053.26	1,500.00	
26. OFFICE SUPPLIES .....	1,600.00	1,347.76	1,600.00	
27. OFFICE FURNITURE & EQUIPMENT .....	724.00	1,090.18	722.00	35.71/M Compf
28. TRAINING EXPENSE .....	506.00	531.04	511.00	
29. HEALTH INS. & OTHER EMP. BENEFITS .....	1,200.00	2,082.19	1,800.00	
30. PAYROLL TAXES .....	3,200.00	2,426.79	2,700.00	
31. WORKER'S COMPENSATION .....	750.00	646.45	760.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize) .....	300.00	318.00	300.00	Prop tax consu
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32) .....	52,326.00	60,473.03	53,649.00	
34. REAL ESTATE TAXES .....	25,000.00	11,428.80	23,000.00	
35. SPECIAL ASSESSMENTS .....	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS .....	100.00	202.78	100.00	reg fee
37. PROPERTY & LIABILITY INSURANCE .....	8,640.00	8,025.00	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) .....	33,940.00	19,656.58	32,180.00	
41. TOTAL O&M EXPENSES (11+18+33+40) .....	134,049.00	112,825.42	135,788.00	

**PART III—ACCOUNT BUDGETING/STATUS**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
<b>RESERVE ACCOUNT:</b>				
1. BEGINNING BALANCE .....	95,328.02	86,919.45	100,466.02	
2. TRANSFER TO RESERVE .....	16,028.00	16,036.00	16,028.00	\$1003/M + \$4k
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT .....	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve) .....	10,900.00	7,528.78	21,200.00	
5. BUILDING & EQUIPMENT REPAIR .....	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES .....	0.00	0.00	0.00	
7. TOTAL (3 thru 6) .....	( 10,900.00)	( 7,528.78)	( 21,200.00)	
8. ENDING BALANCE [(1+2)-7] .....	100,466.02	75,426.67	95,284.02	

**GENERAL OPERATING ACCOUNT:\***

BEGINNING BALANCE .....	150,906.94	
ENDING BALANCE .....	181,200.55	

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

BEGINNING BALANCE .....	17,770.24	
ENDING BALANCE .....	15,879.44	

**TENANT SECURITY DEPOSIT ACCOUNT:\***

BEGINNING BALANCE .....	7,046.00	
ENDING BALANCE .....	6,551.00	

(\*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	38	402.00	567.00	0.00	183,312.00	258,552.00	0.00	125.00
2	N	2	422.00	587.00	0.00	10,128.00	14,068.00	0.00	144.00
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:						193,440.00	272,640.00	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	38	407.00	572.00	0.00	185,592.00	260,832.00	0.00
2	N	2	427.00	592.00	0.00	10,248.00	14,208.00	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:						195,840.00	275,040.00	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	38	92.00	0.00	7.00	7.00	18.00	0.00	124.00
2	N	2	131.00	0.00	8.00	8.00	18.00	0.00	165.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**PART V - ANNUAL CAPITAL BUDGET**

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
<b>Appliances:</b>							
Range .....	2	1,200.00	478.78	0.00	0.00	478.78	1
Refrigerator .....	2	1,200.00	0.00	0.00	0.00	0.00	0
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	2	4,000.00	0.00	0.00	0.00	0.00	0
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	7,050.00	0.00	0.00	7,050.00	2
Air Conditioning .....	4	14,000.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	2	800.00	0.00	0.00	0.00	0.00	0
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>12</b>	<b>21,200.00</b>	<b>7,528.78</b>	<b>0.00</b>	<b>0.00</b>	<b>7,528.78</b>	<b>3</b>

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

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

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

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

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

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

AGENCY APPROVAL *(Rural Development Approval Official):*

DATE:

**COMMENTS:**

**Page 1**

- Line 13. Actual transfers from 1% reserve were 31% less than budget because no flooring replacements were required in 2016.
- Line 23. The RTO paid in 2016 was the 2015 RTO.

**Page 2**

- Line 11. Actual Maintenance and Operating Expenses were 15% less than budget primarily because maintenance supplies costs were less than budgeted.
- Line 18. Actual Utilities were 13% over budget primarily due to higher sanitation costs than budgeted.
- Line 33. Actual Administrative Expenses were 4% less than budget.
- Line 40. Actual Tax & Insurance Expense was 42% less than budgeted due to a lower property tax bill than budgeted.

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

	Current Number of Units/Items	Current from Reserved	YTD from Reserve	Current from Operating	YTD from Operating	YTD Total Cost	Total YTD Units/Items
<b>Appliances:</b>							
Range .....	2	800.00	478.78	0.00	0.00	478.78	1
Refrigerator .....	2	1,100.00	0.00	0.00	0.00	0.00	0
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	2	3,000.00	0.00	0.00	0.00	0.00	0
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	7,050.00	0.00	0.00	7,050.00	2
Air Conditioning .....	2	6,000.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	2	0.00	0.00	600.00	0.00	0.00	0
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscap &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>10</b>	<b>10,900.00</b>	<b>7,528.78</b>	<b>600.00</b>	<b>0.00</b>	<b>7,528.78</b>	<b>3</b>



United States Department of Agriculture  
Rural Development

NOTICE OF APPROVED RENT AND UTILITY ALLOWANCE

November 1, 2016

Libby Flemming  
Investors Management Company  
3548 North Crossing Circle  
Valdosta, GA 31602

Dear Ms. Flemming:

You are hereby notified that Rural Development has reviewed the request for a change in shelter costs for MEADOW RUN II APARTMENTS, and considered all justifications provided by project management [and comments provided by tenants]. The Rural Development has approved the following rent and utility 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 maintenance and operating expenses

The approved changes are as follows:

Unit Size	Present Rent (Occupancy Charge)		Approved Rent (Occupancy Charge)	
	Basic	Note Rate	Basic	Note Rate
1-Bedroom	\$402	\$567	\$407	\$572
2-Bedroom	\$422	\$587	\$427	\$592

The approved utility allowance changes are as follows:

Unit Size	Present Utility Allowance	Approved Utility Allowance
1-Bedroom	\$125	\$124
2-Bedroom	\$144	\$165

955 Forrester Drive SE, Dawson, GA 39842 Phone: 229-995-5811, FAX 229-995-8414  
<http://www.rurdev.usda.gov/ga/>

*Committed to the future of rural communities*

Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to USDA, Director, Office of Civil Rights, Washington, D. C. 20250-9410

Should you have any question or concerns, you may contact Rural Development. The Rural Development Servicing Office address is USDA Rural Development, 955 Forrester Dr SE, Dawson, GA 39842.

You must notify the tenants of Rural Development's approval of the rent (occupancy charge) and utility allowance charges by posting this letter in the same manner as the "NOTICE TO TENANTS (MEMBERS) OR PROPOSED RENT (OCCUPANCY CHARGE) AND UTILITY ALLOWANCE CHANGE". This notification must be posted in a conspicuous place and cannot be substituted for the usual written notice to each individual tenant.

This approval does not authorize you to violate the terms of any lease (occupancy agreement) you currently have with your tenants.

For those tenants 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 charge 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 appeal request should be sent to the agency.

You must inform the tenants 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 State Director, USDA Rural Development, 355 East Hancock Avenue, Athens, Georgia 30601. All tenants 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 effective date of the changed rent.

Sincerely,

*Jocia Williams*  
for Jeanmarie DeLoach  
Area Director

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

PROJECT NAME Meadow Run Apts PH II		BORROWER NAME Meadow Run II Apts/Dawson Eld		BORROWER ID AND PROJECT NO. 636910757 014	
Loan/Transfer Amount \$ 1,202,800.00		Note Rate Payment \$ 7,503.97		IC Payment \$ 2,563.34	
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 checked="" type="checkbox"/> Family <input 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 type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other	
				I hereby request _____ units of RA. Current number of RA units <u>40</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 - 16 ) (12 - 31 - 16 )	ACTUAL (01 - 01 - 16 ) (06 - 30 - 16 )	PROPOSED BUDGET (01 - 01 - 17 ) (12 - 31 - 17 )	COMMENTS or (YTD) (01 - 01 - 16 ) (06 - 30 - 16 )
<b>OPERATIONAL CASH SOURCES</b>					
1. RENTAL INCOME .....		193,440.00	28,003.10	195,840.00	40 Rev Produc
2. RHS RENTAL ASSISTANCE RECEIVED .....			74,654.66		
3. APPLICATION FEES RECEIVED .....			75.00		
4. LAUNDRY AND VENDING .....		0.00	11.00	0.00	
5. INTEREST INCOME .....		0.00	0.00	0.00	
6. TENANT CHARGES .....		600.00	177.00	600.00	
7. OTHER - PROJECT SOURCES .....		0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance) .....		( 9,672.00 )		( 9,792.00 )	5%
9. LESS (Agency Approved Incentive Allowance) .....		( 0.00 )		( 0.00 )	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)] .....		184,368.00	102,920.76	186,648.00	
<b>NON-OPERATIONAL CASH SOURCES</b>					
11. CASH - NON PROJECT .....		0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS) .....		0.00	0.00	0.00	
13. TRANSFER FROM RESERVE .....		10,900.00	0.00	21,200.00	
14. SUB-TOTAL (11 thru 13) .....		10,900.00	0.00	21,200.00	
15. <b>TOTAL CASH SOURCES (10+14)</b> .....		195,268.00	102,920.76	207,848.00	
<b>OPERATIONAL CASH USES</b>					
16. TOTAL O&M EXPENSES (From Part II) .....		134,049.00	55,977.78	135,788.00	
17. RHS DEBT PAYMENT .....		30,760.00	15,380.04	30,760.00	
18. RHS PAYMENT (Overage) .....			0.00		
19. RHS PAYMENT (Late Fee) .....			0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES .....			0.00		
21. TENANT UTILITY PAYMENTS .....			0.00		
22. TRANSFER TO RESERVE .....		16,028.00	10,018.00	16,028.00	
23. RETURN TO OWNER NP ASSET MANAGEMENT FEE .....		2,976.00	2,976.00	2,976.00	2016 RTO to b
24. SUB-TOTAL (16 thru 23) .....		183,813.00	84,351.82	185,552.00	
<b>NON-OPERATIONAL CASH USES</b>					
25. AUTHORIZED DEBT PAYMENT (Non-RHS) .....		0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6) .....		10,900.00	0.00	21,200.00	
27. MISCELLANEOUS .....		0.00	0.00	0.00	
28. SUB-TOTAL (25 thru 27) .....		10,900.00	0.00	21,200.00	
29. <b>TOTAL CASH USES (24+28)</b> .....		194,713.00	84,351.82	206,752.00	
30. <b>NET CASH (DEFICIT) (15-29)</b> .....		555.00	18,568.94	1,096.00	
<b>CASH BALANCE</b>					
31. BEGINNING CASH BALANCE .....		43,684.00	168,677.16	44,439.00	
32. ACCRUAL TO CASH ADJUSTMENT .....			0.00		
33. ENDING CASH BALANCE (30+31+32) .....		44,439.00	187,246.12	45,535.00	

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 .....	16,400.00	7,740.00	16,400.00	
2. MAINTENANCE AND REPAIRS SUPPLY .....	11,000.00	2,902.29	11,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT .....	0.00	0.00	0.00	
4. PAINTING .....	2,500.00	682.76	2,500.00	
5. SNOW REMOVAL .....	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT .....	0.00	0.00	0.00	
7. GROUNDS .....	7,124.00	3,600.00	9,200.00	800/M + 2000
8. SERVICES .....	2,859.00	1,336.00	2,859.00	106/MPestContr
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	600.00	0.00	0.00	
10. OTHER OPERATING EXPENSES (Itemize) .....	250.00	116.00	250.00	UA calc fee
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10) .....	40,733.00	16,377.04	42,209.00	
12. ELECTRICITY <input type="checkbox"/> If master metered .....	5,000.00	2,654.60	5,300.00	
13. WATER <input type="checkbox"/> check box on .....	600.00	317.15	650.00	
14. SEWER <input type="checkbox"/> front .....	250.00	133.15	300.00	
15. FUEL (Oil/Coal/Gas) .....	300.00	76.04	200.00	
16. GARBAGE & TRASH REMOVAL .....	900.00	768.29	1,300.00	
17. OTHER UTILITIES .....	0.00	30.47	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17) .....	7,050.00	3,979.70	7,750.00	
19. SITE MANAGEMENT PAYROLL .....	15,736.00	7,154.70	15,736.00	1228/M (3% int
20. MANAGEMENT FEE .....	22,560.00	11,099.00	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 .....	300.00	91.00	300.00	
24. ADVERTISING .....	200.00	126.78	200.00	
25. TELEPHONE & ANSWERING SERVICE .....	1,250.00	582.06	1,500.00	
26. OFFICE SUPPLIES .....	1,600.00	697.85	1,600.00	
27. OFFICE FURNITURE & EQUIPMENT .....	724.00	503.37	722.00	35.71/MComp\$
28. TRAINING EXPENSE .....	506.00	234.16	511.00	
29. HEALTH INS. & OTHER EMP. BENEFITS .....	1,200.00	966.07	1,800.00	
30. PAYROLL TAXES .....	3,200.00	1,268.48	2,700.00	
31. WORKER'S COMPENSATION .....	750.00	630.79	760.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize) .....	300.00	309.00	300.00	Prop tax consu
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32) .....	52,326.00	27,543.26	53,649.00	
34. REAL ESTATE TAXES .....	25,000.00	0.00	23,000.00	
35. SPECIAL ASSESSMENTS .....	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS .....	100.00	52.78	100.00	reg fee
37. PROPERTY & LIABILITY INSURANCE .....	8,640.00	8,025.00	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) .....	33,940.00	8,077.78	32,180.00	
41. TOTAL O&M EXPENSES (11+18+33+40) .....	134,049.00	55,977.78	135,788.00	

**PART III—ACCOUNT BUDGETING/STATUS**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
<b>RESERVE ACCOUNT:</b>				
1. BEGINNING BALANCE .....	95,328.02	66,919.45	100,456.02	
2. TRANSFER TO RESERVE .....	16,028.00	10,018.00	16,028.00	\$1003/M + \$4K
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT .....	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET ( <i>Part V - Reserve</i> ) .....	10,900.00	0.00	21,200.00	
5. BUILDING & EQUIPMENT REPAIR .....	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES .....	0.00	0.00	0.00	
7. TOTAL (3 thru 6) .....	( 10,900.00)	( 0.00)	( 21,200.00)	
8. ENDING BALANCE: [(1+2)-7] .....	100,456.02	76,937.45	95,284.02	

**GENERAL OPERATING ACCOUNT:\***

BEGINNING BALANCE .....	150,906.94	
ENDING BALANCE .....	168,014.88	

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

BEGINNING BALANCE .....	17,770.24	
ENDING BALANCE .....	19,231.24	

**TENANT SECURITY DEPOSIT ACCOUNT:\***

BEGINNING BALANCE .....	7,046.00	
ENDING BALANCE .....	6,692.00	

(\*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	<input type="text"/>	RESERVE ACCT. REQ. BALANCE.....	<input type="text"/> 0.00
NUMBER OF APPLICANTS NEEDING RA.....	<input type="text"/>	AMOUNT AHEAD/BEHIND .....	<input type="text"/> 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	38	402.00	567.00	0.00	183,312.00	253,552.00	0.00	125.00
2	N	2	422.00	587.00	0.00	10,128.00	14,088.00	0.00	144.00
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:						193,440.00	272,640.00	0.00	
						BASIC	NOTE	HUD	

**B. PROPOSED RENTS - Effective Date: 01 / 01 / 17**

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	38	407.00	572.00	0.00	185,592.00	260,832.00	0.00
2	N	2	427.00	592.00	0.00	10,248.00	14,208.00	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:						195,840.00	275,040.00	0.00
						BASIC	NOTE	HUD

**C. PROPOSED UTILITY ALLOWANCE - Effective Date: 01 / 01 / 17**

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	N	38	92.00	0.00	7.00	7.00	18.00	0.00	124.00
2	N	2	131.00	0.00	8.00	8.00	18.00	0.00	165.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**PART V - ANNUAL CAPITAL BUDGET**

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
<b>Appliances:</b>							
Range .....	2	1,200.00	0.00	0.00	0.00	0.00	0
Refrigerator .....	2	1,200.00	0.00	0.00	0.00	0.00	0
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	2	4,000.00	0.00	0.00	0.00	0.00	0
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	0.00	0.00	0.00	0.00	0
Air Conditioning .....	4	14,000.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	2	800.00	0.00	0.00	0.00	0.00	0
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	<b>12</b>	<b>21,200.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>

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

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

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

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

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

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

AGENCY APPROVAL (*Rural Development Approval Official*):

DATE:

**COMMENTS:**

- A) Meadow Run Apartments Phase II is a 40 unit elderly complex in Dawson, GA. It has 38 1-br units, and 2 2-br units. The property has 40 RA units. The property has good occupancy.
- B) The property is in compliance with its loan agreement and RD regulations. The property is in compliance with its 504 accessibility plan.
- C) The property's financial status is stable. The 1% reserve is at or ahead of its required balance, however, the actual balance is lower than desired for a property this age. We plan to add additional deposits to the 1% reserve beginning with an additional deposit of \$4000 in 2017.
- D) There are no expense category subtotals that exceed the 10% tolerance threshold. Administrative Expenses are 27% of Gross Potential and are within the 27% threshold used by the state of Georgia.
- E) 2017 projected capital expenditures and reserve withdrawal
  - Replacement of appliances
  - Carpet and vinyl
  - HVAC units
  - Water Heaters
  - 1% Estimate \$21,200
- Projected capital needs 2018-2020
  - Replacement of appliances
  - Carpet and vinyl
  - HVAC units
  - Under-slab water leaks
  - Estimate \$48,000
- F) The 2017 proposed budget includes a rent increase of \$5 per unit. The rent increase is needed because of projected increases in operating and maintenance expenses. We are requesting a decrease in the 1-BR utility allowance from \$125 to \$124 and an increase in the 2-BR utility allowance from \$144 to \$165. 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 financially stable. The proposed rates are reasonable for the market area. The 1% reserve is at or ahead of its required balance and the property is in compliance with its loan agreement and RD regulations.

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

	Current Number of Units/Items	Current from Reserved	YTD from Reserve	Current from Operating	YTD from Operating	YTD Total Cost	Total YTD Units/Items
<b>Appliances:</b>							
Range .....	2	800.00	0.00	0.00	0.00	0.00	0
Refrigerator .....	2	1,100.00	0.00	0.00	0.00	0.00	0
Range Hood .....	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Carpet &amp; Vinyl:</b>							
1BR .....	2	3,000.00	0.00	0.00	0.00	0.00	0
2BR .....	0	0.00	0.00	0.00	0.00	0.00	0
3BR .....	0	0.00	0.00	0.00	0.00	0.00	0
4BR .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Cabinets:</b>							
Kitchens .....	0	0.00	0.00	0.00	0.00	0.00	0
Bathrooms .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Doors:</b>							
Exterior .....	0	0.00	0.00	0.00	0.00	0.00	0
Interior .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Window Coverings:</b>							
List: .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Heating &amp; Air Conditioning:</b>							
Heating .....	0	0.00	0.00	0.00	0.00	0.00	0
Air Conditioning .....	2	6,000.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Plumbing:</b>							
Water Heater .....	2	0.00	0.00	600.00	0.00	0.00	0
Bath Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks .....	0	0.00	0.00	0.00	0.00	0.00	0
Faucets .....	0	0.00	0.00	0.00	0.00	0.00	0
Toilets .....	0	0.00	0.00	0.00	0.00	0.00	0
Other: .....	0	0.00	0.00	0.00	0.00	0.00	0
<b>Major Electrical:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Structures:</b>							
Windows .....	0	0.00	0.00	0.00	0.00	0.00	0
Screens .....	0	0.00	0.00	0.00	0.00	0.00	0
Walls .....		0.00	0.00	0.00	0.00	0.00	
Roofing .....		0.00	0.00	0.00	0.00	0.00	
Siding .....		0.00	0.00	0.00	0.00	0.00	
Exterior Painting .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Paving:</b>							
Asphalt .....		0.00	0.00	0.00	0.00	0.00	
Concrete .....		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Landscape &amp; Grounds:</b>							
Landscaping .....		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment .....		0.00	0.00	0.00	0.00	0.00	
Fencing .....		0.00	0.00	0.00	0.00	0.00	
Recreation Area .....		0.00	0.00	0.00	0.00	0.00	
Signs .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Accessibility Features:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Automation Equipment:</b>							
Site Management .....		0.00	0.00	0.00	0.00	0.00	
Common Area .....		0.00	0.00	0.00	0.00	0.00	
Other: .....		0.00	0.00	0.00	0.00	0.00	
<b>Other:</b>							
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
List: .....		0.00	0.00	0.00	0.00	0.00	
<b>TOTAL CAPITAL EXPENSES:</b>	10	10,800.00	0.00	600.00	0.00	0.00	0

Report: FIN1000

Multi-Family Information System (MFIS)  
Proposed Budget

Date: 11/1/2016  
Page: 8 of 9

Project Name: MEADOW RUN II APTS	State: 11	Servicing Office: 603	County: 35
Borrower Name: DANSON ELDERLY LP	Borr ID: 636910757	Prj Nbr: 01-4	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 FORGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

09/20/2016  
(Date Submitted)

INVESTORS MANAGEMENT COMPANY  
(Management Agency)

MA734114  
(MA#)

(Date)

(Signature of Borrower or Borrower's Representative)

(Title)

*Janita Williams*  
Agency Approval (Rural Development Approval Official):

10-21-16  
(Date)

**Warnings:**

There are fines and imprisonment for anyone who makes false, fictitious, or fraudulent statements or entries in any matter within the jurisdiction of the Federal Government (18 U.S.C. 1001).

There are fines and imprisonment for anyone who misuses rents and proceeds in violation of Rural Development regulations relative to this project. (Section 543 of the Housing Act of 1949).

Rural Development may seek a "double damages" civil money damages remedy for the use of assets or income in violation of any Loan Agreement/Resolution or any applicable Rural Development regulations.

Rural Development may seek additional civil money penalties to be paid by the mortgagor through personal funds pursuant to 7 C.F.R. §3360.461(b). The penalties could be as much as \$50,000 per violation (Section 543 (b) of the Housing Act of 1949).

<b>By Project Borrower:</b> Meadow Run Apartments, LP		
<b>Name/Title:</b> David A. Brown		<b>Date:</b> 09-01-2016
<b>Signature:</b>		

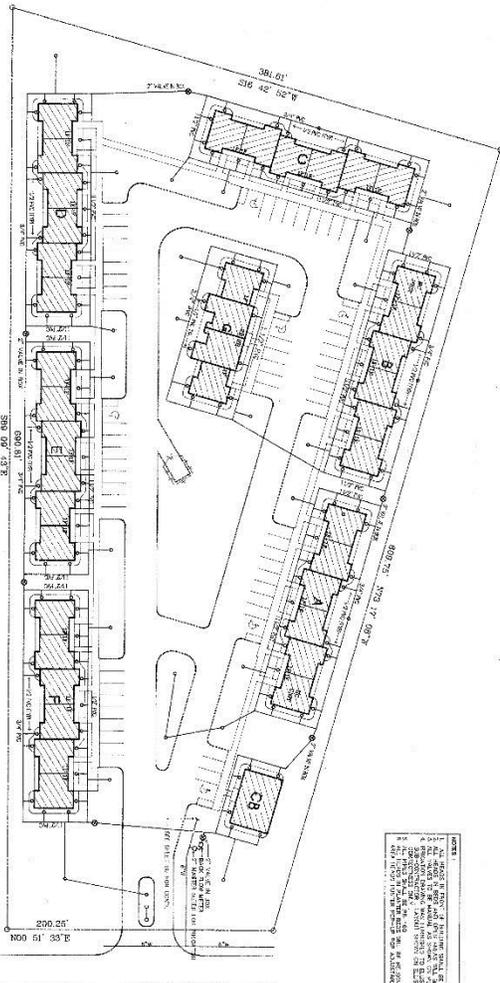
<b>By Management Agent:</b> Investors Management Company		
<b>Name/Title:</b> Becky Watson		<b>Date:</b> 09-01-2016
<b>Signature:</b>		

<b>By Servicing Official:</b>		
<b>Name/Title:</b> Tricia Williams, Area Specialist		<b>Date:</b> 10-21-16
<b>Signature:</b>		





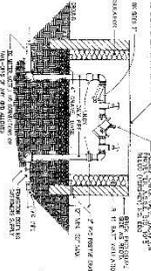
**SITE IRRIGATION PLAN**



**NOTES**

1. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.
2. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.
3. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.
4. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.
5. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.
6. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.
7. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.
8. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.
9. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.
10. ALL IRRIGATION SYSTEMS SHALL BE DESIGNED TO OPERATE AT 100 PSI.

**DOUBLE CHECK VALVE ASSEMBLY**

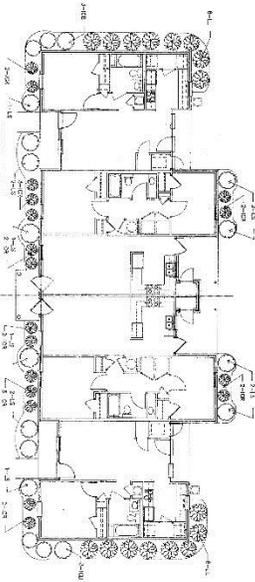
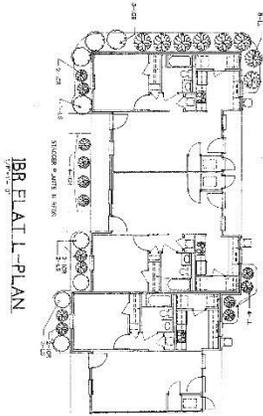


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ELLIS, RICKET & ASSOCIATES

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

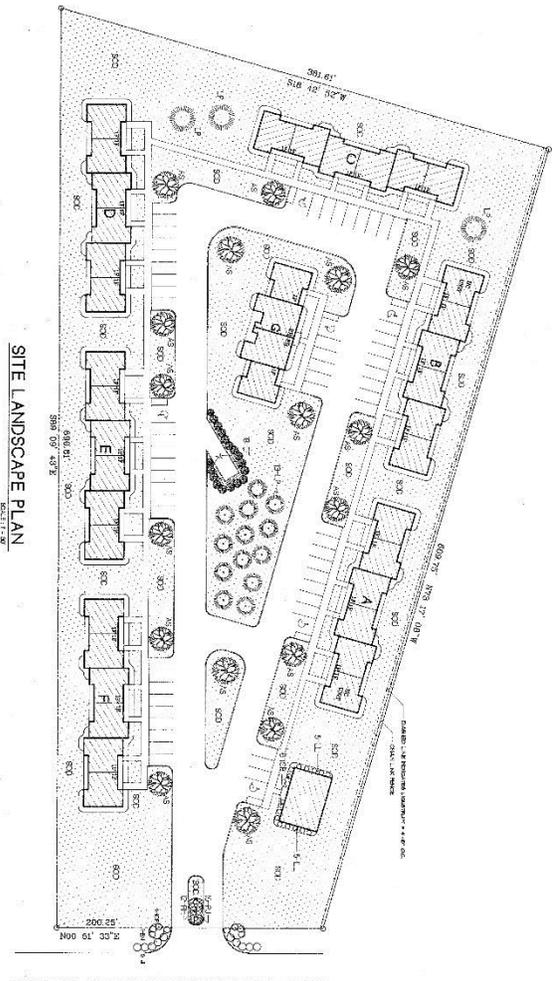
IRRIGATION PLAN

DATE	11/11/75
BY	ELLIS, RICKET & ASSOCIATES
FOR	VALDOSTA COLLEGE
PROJECT	VALDOSTA COLLEGE
SHEET NO.	1
TOTAL SHEETS	1
SCALE	AS SHOWN
APP. BY	
CHECKED BY	
DESIGNED BY	
PLANNED BY	
REVISIONS	



**PLANT MATERIAL SCHEDULE**

NO.	SYMBOL	PLANT MATERIAL	QUANTITY	REMARKS
1	(Symbol)	PLANT MATERIAL		
2	(Symbol)	PLANT MATERIAL		
3	(Symbol)	PLANT MATERIAL		
4	(Symbol)	PLANT MATERIAL		
5	(Symbol)	PLANT MATERIAL		
6	(Symbol)	PLANT MATERIAL		
7	(Symbol)	PLANT MATERIAL		
8	(Symbol)	PLANT MATERIAL		
9	(Symbol)	PLANT MATERIAL		
10	(Symbol)	PLANT MATERIAL		
11	(Symbol)	PLANT MATERIAL		
12	(Symbol)	PLANT MATERIAL		
13	(Symbol)	PLANT MATERIAL		
14	(Symbol)	PLANT MATERIAL		
15	(Symbol)	PLANT MATERIAL		
16	(Symbol)	PLANT MATERIAL		
17	(Symbol)	PLANT MATERIAL		
18	(Symbol)	PLANT MATERIAL		
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24	(Symbol)	PLANT MATERIAL		
25	(Symbol)	PLANT MATERIAL		
26	(Symbol)	PLANT MATERIAL		
27	(Symbol)	PLANT MATERIAL		
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29	(Symbol)	PLANT MATERIAL		
30	(Symbol)	PLANT MATERIAL		



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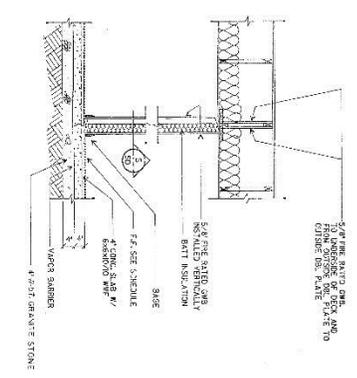


**ELLIS, RICKET & ASSOCIATES**  
**ARCHITECTS**  
Post Office Box 2877 Valdosta, Georgia 31601 Telephone (912) 242-3556

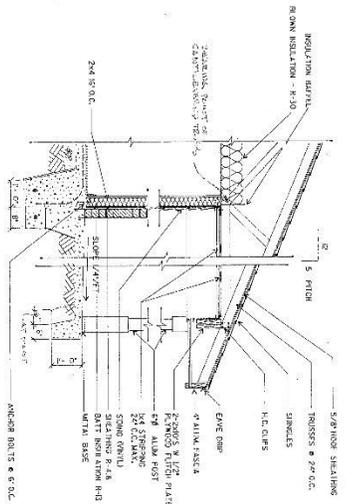
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Client	City of Valdosta
Address	2877 Post Office Box
Scale	1/8" = 1'-0"
Date	11-1-71
Drawn by	J.R.S.
Checked by	J.R.S.
Approved by	J.R.S.



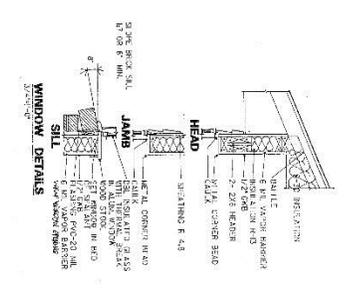
LANDSCAPE PLAN



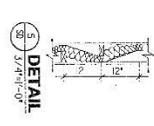
1 TYPICAL 1 STORY PARTY WALL  
3/4\"/>



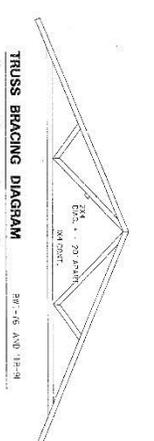
2 SECTION PORCH  
3/4\"/>



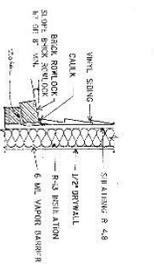
3 WINDOW DETAILS  
3/4\"/>



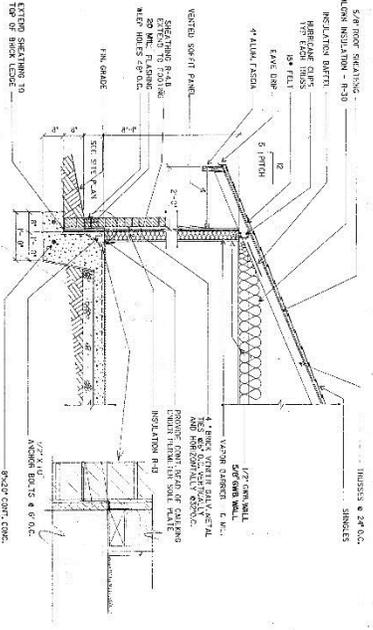
4 DETAIL  
3/4\"/>



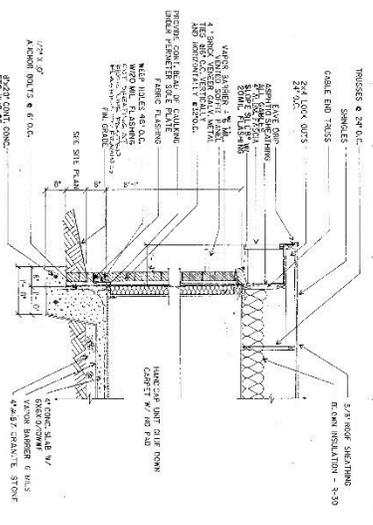
5 TRUSS BRACING DIAGRAM  
3/4\"/>



6 DETAIL  
3/4\"/>



7 TYPICAL 1 STORY SIDE WALL  
3/4\"/>



8 TYPICAL 1 STORY END WALL  
3/4\"/>

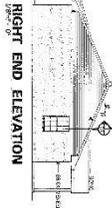
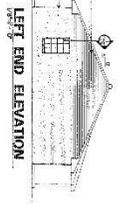
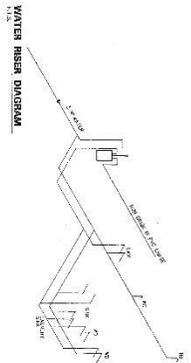
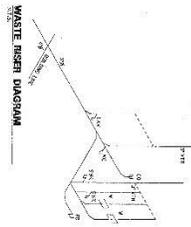
- WALL W/ VINYL SIDING**
- 1 - 1/2\"/>
- BRICK VENEER**
- 1 - 1/2\"/>

COMPILED BY  
ELLIS, RICKET & ASSOCIATES

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

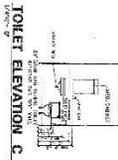
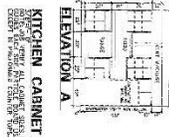
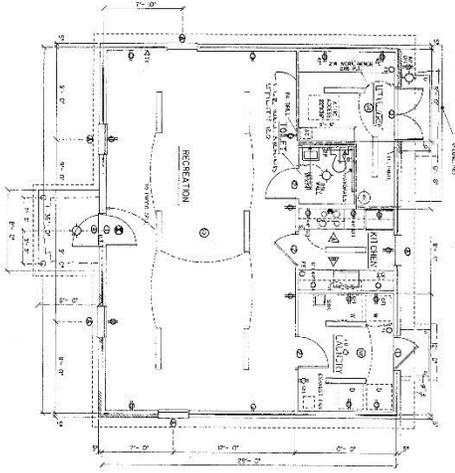
NO.	DATE	DESCRIPTION
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2	11/11/77	ISSUED FOR PERMITS
3	11/11/77	ISSUED FOR PERMITS
4	11/11/77	ISSUED FOR PERMITS
5	11/11/77	ISSUED FOR PERMITS
6	11/11/77	ISSUED FOR PERMITS
7	11/11/77	ISSUED FOR PERMITS
8	11/11/77	ISSUED FOR PERMITS
9	11/11/77	ISSUED FOR PERMITS
10	11/11/77	ISSUED FOR PERMITS





NO.	DESCRIPTION	DATE
1	ISSUED FOR PERMITS	10/1/78
2	ISSUED FOR PERMITS	10/1/78
3	ISSUED FOR PERMITS	10/1/78
4	ISSUED FOR PERMITS	10/1/78
5	ISSUED FOR PERMITS	10/1/78
6	ISSUED FOR PERMITS	10/1/78
7	ISSUED FOR PERMITS	10/1/78
8	ISSUED FOR PERMITS	10/1/78
9	ISSUED FOR PERMITS	10/1/78
10	ISSUED FOR PERMITS	10/1/78

**FLOOR PLAN-REC./KIT./STOR.**  
 ARCHITECT: ELLIS, RICKET & ASSOCIATES  
 2150 W. 10TH STREET, SUITE 101  
 ATLANTA, GEORGIA 30331  
 PROJECT NO. 78-011  
 DRAWING NO. 101-1  
 DATE: 10/1/78



**FINISH SCHEDULE**

NO.	DESCRIPTION	UNIT	QTY.	PRICE	TOTAL
1	PAINT	SQ. FT.			
2	CEILING	SQ. FT.			
3	FLOOR	SQ. FT.			
4	WALL	SQ. FT.			
5	DOOR	EA.			
6	WINDOW	EA.			
7	TOILET	EA.			
8	KITCHEN	EA.			
9	STORAGE	EA.			
10	RECEPTION	EA.			

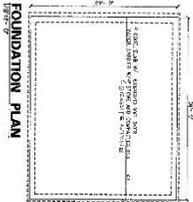
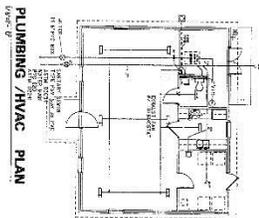
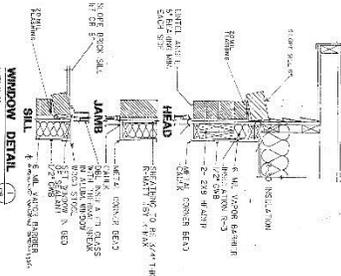
**DOOR SCHEDULE**

NO.	DESCRIPTION	UNIT	QTY.	PRICE	TOTAL
1	DOOR	EA.			
2	DOOR	EA.			
3	DOOR	EA.			
4	DOOR	EA.			
5	DOOR	EA.			
6	DOOR	EA.			
7	DOOR	EA.			
8	DOOR	EA.			
9	DOOR	EA.			
10	DOOR	EA.			

**WINDOW SCHEDULE**

NO.	DESCRIPTION	UNIT	QTY.	PRICE	TOTAL
1	WINDOW	EA.			
2	WINDOW	EA.			
3	WINDOW	EA.			
4	WINDOW	EA.			
5	WINDOW	EA.			
6	WINDOW	EA.			
7	WINDOW	EA.			
8	WINDOW	EA.			
9	WINDOW	EA.			
10	WINDOW	EA.			

**WINDOW DETAIL**



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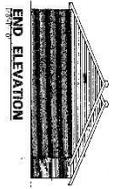
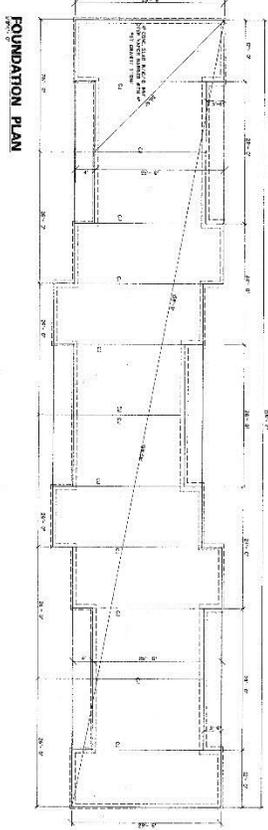
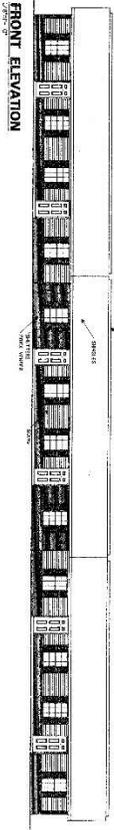
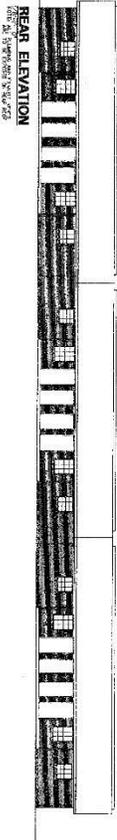
**ELLIS, RICKET & ASSOCIATES**  
 ARCHITECTS  
 Post Office Box 2977  
 Valdosta, Georgia 31601  
 Telephone (912) 242-3656



NO.	DESCRIPTION	UNIT	QTY.	PRICE	TOTAL
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					







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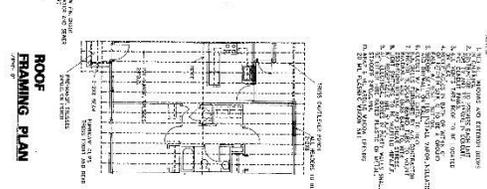
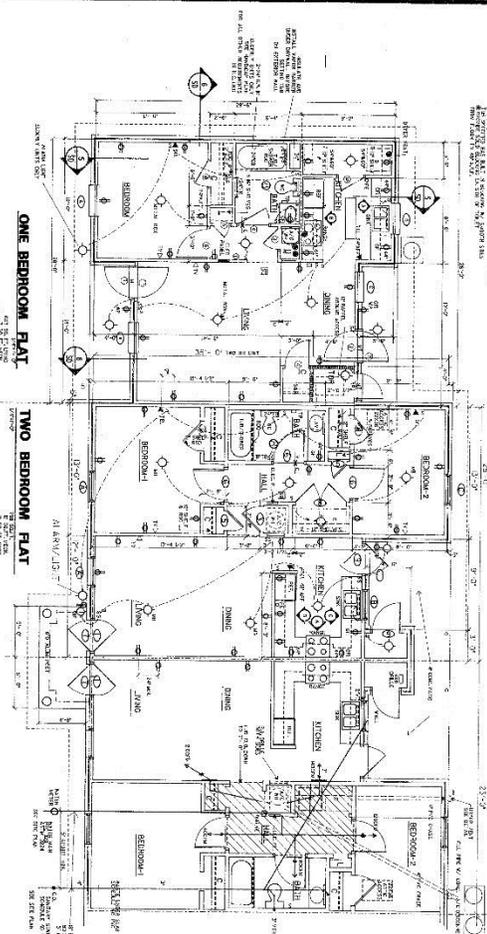


**ELLIS, RICKET & ASSOCIATES**  
**ARCHITECTS**  
 Real Office Box 2977 Valdosta, Georgia 31601 Telephone (912) 242-3556

ELEVATIONS AND FOUNDATION PLAN  
 6- ONEBEDROOM UNITS

DATE	NOV 7 1977
BY	ELLIS
CHECKED BY	
SCALE	
PROJECT NO.	
CLIENT	
LOCATION	
DESCRIPTION	
REVISIONS	





**DOOR SCHEDULE ONE FLAT**

NO.	TYPE	FINISH	REMARKS
1	6'0" x 2'0"	WOOD	ENTRY
2	6'0" x 2'0"	WOOD	BEDROOM
3	6'0" x 2'0"	WOOD	BATH
4	6'0" x 2'0"	WOOD	KITCHEN
5	6'0" x 2'0"	WOOD	LIVING
6	6'0" x 2'0"	WOOD	CL. ENTRY
7	6'0" x 2'0"	WOOD	CL. BED
8	6'0" x 2'0"	WOOD	CL. BATH
9	6'0" x 2'0"	WOOD	CL. KITCHEN
10	6'0" x 2'0"	WOOD	CL. LIVING

**WINDOW SCHEDULE**

NO.	TYPE	FINISH	REMARKS
1	3'0" x 4'0"	WOOD	LIVING
2	3'0" x 4'0"	WOOD	BEDROOM
3	3'0" x 4'0"	WOOD	BATH
4	3'0" x 4'0"	WOOD	KITCHEN
5	3'0" x 4'0"	WOOD	LIVING
6	3'0" x 4'0"	WOOD	CL. ENTRY
7	3'0" x 4'0"	WOOD	CL. BED
8	3'0" x 4'0"	WOOD	CL. BATH
9	3'0" x 4'0"	WOOD	CL. KITCHEN
10	3'0" x 4'0"	WOOD	CL. LIVING

**LIGHT FIXTURE SCHEDULE**

NO.	TYPE	FINISH	REMARKS
1	RECESSED	WOOD	LIVING
2	RECESSED	WOOD	BEDROOM
3	RECESSED	WOOD	BATH
4	RECESSED	WOOD	KITCHEN
5	RECESSED	WOOD	LIVING
6	RECESSED	WOOD	CL. ENTRY
7	RECESSED	WOOD	CL. BED
8	RECESSED	WOOD	CL. BATH
9	RECESSED	WOOD	CL. KITCHEN
10	RECESSED	WOOD	CL. LIVING

**BATHROOM ELEVATIONS**



**WASTE DIAGRAM**



**CONTROL MOUNTING HEIGHTS**



**KITCHEN CABINET ELEVATIONS**



**WATER DIAGRAM**



**SECTION 1-1**



**SECTION 2-2**



**FOUNDATION PLAN**



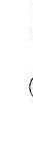
**ELEVATION A**



**ELEVATION B**



**ELEVATION C**



**SECTION 3-3**



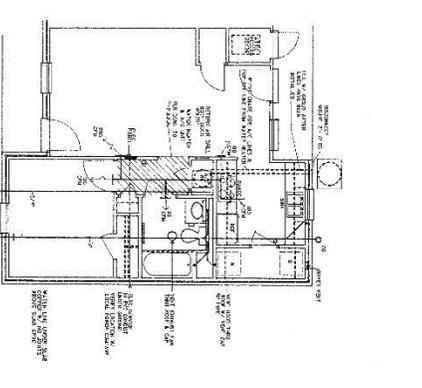
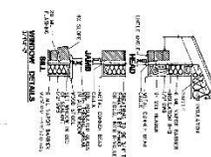
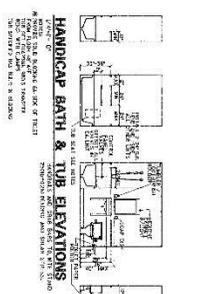
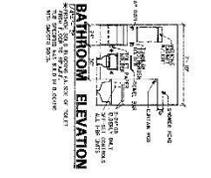
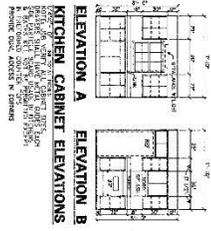
**ELLIS, RICKET & ASSOCIATES**  
**ARCHITECTS**  
 Post Office Box 2677 Valdosta, Georgia 31601 Telephone (912) 242-3566

**PERMIT SCHEDULE**

NO.	DATE	DESCRIPTION
1	11-15-61	FOUNDATION
2	11-15-61	WALLS
3	11-15-61	ROOF
4	11-15-61	MECHANICAL
5	11-15-61	ELECTRICAL
6	11-15-61	PLUMBING
7	11-15-61	INTERIOR FINISH
8	11-15-61	EXTERIOR FINISH
9	11-15-61	LANDSCAPE
10	11-15-61	FINAL



TWO BEDROOM FLAT WITH ONE BEDROOM FLAT



**FINISH SCHEDULE**

NO.	FINISH	AREA	REMARKS
1	PAINT	INTERIOR	SEE FINISH SPECIFICATIONS
2	PAINT	EXTERIOR	SEE FINISH SPECIFICATIONS
3	WOOD	FLOORING	SEE FINISH SPECIFICATIONS
4	WOOD	CABINETS	SEE FINISH SPECIFICATIONS
5	WOOD	TRIM	SEE FINISH SPECIFICATIONS
6	WOOD	CEILING	SEE FINISH SPECIFICATIONS
7	WOOD	WALLS	SEE FINISH SPECIFICATIONS
8	WOOD	ROOF	SEE FINISH SPECIFICATIONS
9	WOOD	FOUNDATION	SEE FINISH SPECIFICATIONS
10	WOOD	MECHANICAL	SEE FINISH SPECIFICATIONS

**ROOM SCHEDULE**

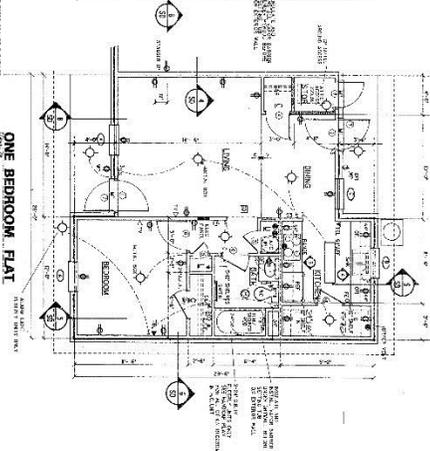
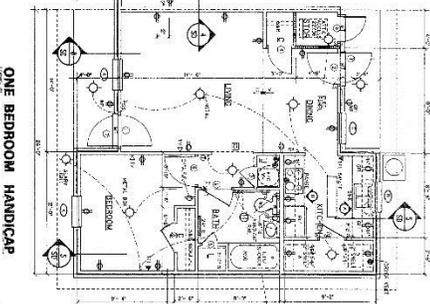
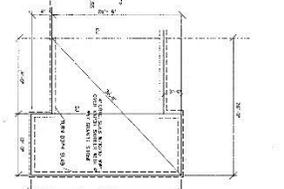
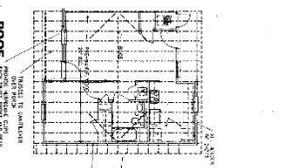
NO.	ROOM	FINISH	REMARKS
1	LIVING	WOOD	SEE FINISH SPECIFICATIONS
2	DINING	WOOD	SEE FINISH SPECIFICATIONS
3	KITCHEN	WOOD	SEE FINISH SPECIFICATIONS
4	BATH	WOOD	SEE FINISH SPECIFICATIONS
5	BEDROOM	WOOD	SEE FINISH SPECIFICATIONS
6	HALL	WOOD	SEE FINISH SPECIFICATIONS
7	CL. (CLOSET)	WOOD	SEE FINISH SPECIFICATIONS
8	CL. (CLOSET)	WOOD	SEE FINISH SPECIFICATIONS
9	CL. (CLOSET)	WOOD	SEE FINISH SPECIFICATIONS
10	CL. (CLOSET)	WOOD	SEE FINISH SPECIFICATIONS

**WINDOW SCHEDULE**

NO.	TYPE	FINISH	REMARKS
1	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS
2	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS
3	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS
4	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS
5	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS
6	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS
7	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS
8	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS
9	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS
10	DOUBLE HUNG	WOOD	SEE FINISH SPECIFICATIONS

**LIGHT FIXTURE SCHEDULE**

NO.	TYPE	FINISH	REMARKS
1	RECESSED	WOOD	SEE FINISH SPECIFICATIONS
2	RECESSED	WOOD	SEE FINISH SPECIFICATIONS
3	RECESSED	WOOD	SEE FINISH SPECIFICATIONS
4	RECESSED	WOOD	SEE FINISH SPECIFICATIONS
5	RECESSED	WOOD	SEE FINISH SPECIFICATIONS
6	RECESSED	WOOD	SEE FINISH SPECIFICATIONS
7	RECESSED	WOOD	SEE FINISH SPECIFICATIONS
8	RECESSED	WOOD	SEE FINISH SPECIFICATIONS
9	RECESSED	WOOD	SEE FINISH SPECIFICATIONS
10	RECESSED	WOOD	SEE FINISH SPECIFICATIONS









**DIRECTIONS FOR COMPLETING THIS FORM**  
 (1) For this form, the minimum detail of scope that must be reported; additional line items may be added. Quantities and the approximate percentage of demolition or replacement are of utmost importance. These must clearly demonstrate the extent of the proposed work within the context of the entire existing property.

(2) Contractor Services shall not be included on this form.

(4) The total costs should tie back to the 'Uses' statement in the Application.

**2015 REHABILITATION WORK SCOPE**

PROJECT NAME: Meadow Run II	YEAR BUILT: 1993
PROJECT LOCATION: 875 Meadow Run Lane	UNIT COUNT: 40
	GROSS SQUARE FOOTAGE: 25,460

CSI DIVISION	TRADE ITEM	Describe scope: materials, performance specifications	Percentage of total existing to be demoed or replaced	QUANTITY	UNIT (sf, lf, ea, cy, sq, etc.)	UNIT COST	TOTAL (quantity * unit cost)
24	n/a						\$0
24	Accessibility	Two - 1 Bedroom accessible Units. Demo existing kitchen, bathroom, HVAC, and part of bedroom walls. Demo bathroom concrete floor to relocate plumbing. Relocate laundry room and HVAC closet. Frame new walls, install new plumbing lines, new electrical lines in walls that were moved. Install new drywall, paint and floor covering. Provide one sight and hearing impaired kit to be left in office for the manager.	65	2	Apts.	17540	\$35,080
24	convert existing units to UFAS-complaint units	Blocking missing in bathrooms for Grabbars	100	25	units	265	\$6,625
24	retrofit existing units for Fair Housing compliance	Laundry sink not accessible, Kitchen cabinets not accessible.	100	1	each	6780	\$6,780
24	retrofit existing clubhouse to meet UFAS, Fair Housing	6% of the Main Sidewalks cross slope exceeds 2% and must be redone to have a 2% or less cross slope. 9 of the Entrance walks have sunk, causing a tripping hazard going to the front porch of the units. several main sidewalks have raised concrete causing tripping hazards. . 3 Handicap parking spaces have a slope greater than 2% slope and cross slope and need to be redone.		4840	SF	5.5	\$26,620
37	Total (Accessibility)						\$75,105
37	2	Demolition					\$0
37	site						\$0
37	bidg interiors: ceilings, walls, floor, plumbing, HVAC, elec						\$0
37	bidg 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







## **ADDENDUM C**

**ARTICLE VI**  
**R-2, ONE, TWO-FAMILY AND MULTIPLE-FAMILY RESIDENTIAL DISTRICT**

**SECTION 6.01. STATEMENT OF PURPOSE.** The intent of the R-2 Residential District is to provide for medium to high density residential development; to provide for variety in the City's housing stock, to encourage neighborhood maintenance and preservation by allowing the conversion of large and older single-family homes to two-family and apartment use; and to provide suitable areas for new multi-family development.

**SECTION 6.02. PERMITTED USES.**

- a. Any use permitted in the R-1 and residential districts.
- b. Two-family (Duplex) residential dwellings.
- c. Multi-family (apartments and condominiums)\*
- d. Townhouses (See Article VIII).
- e. Manufactured homes (See Article XVI).

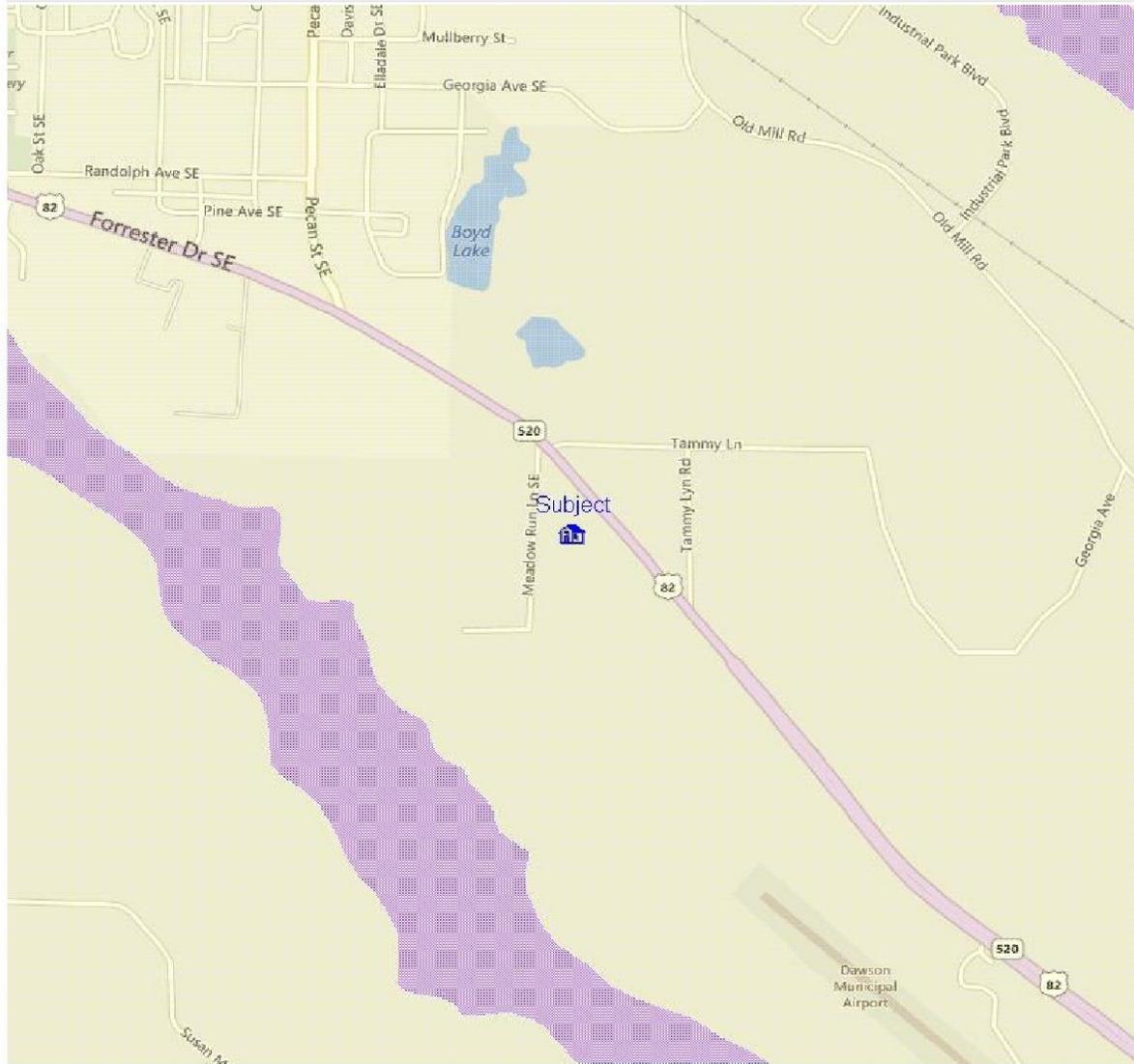
**SECTION 6.03. CONDITIONAL USES.**

- a. Any use listed under Section 5.03 of the R-1 zoning district.
- b. Nursing homes.
- c. Boarding homes.
- d. Group homes.
- e. Professional offices.
- f. Public building, structures and other public land uses.
- g. Group Day Care Homes (group day care homes as limited and defined in Article II) provided that no play equipment be located in the front yard and that signage be compatible to the neighborhood and not larger than regulated for home occupations. All state licensing requirements and regulations shall also apply.
- h. Group Personal Care Homes--as limited and defined in Article II.
- i. Manufactured home and travel trailer parks (See Article XVI).
- j. Halfway homes--as limited and defined in Article II.
- k. Convalescent homes--as limited and defined in Article II.

## **ADDENDUM D**

# STDB

Jun 9, 2017  
875 Meadow Run Lane, Dawson, GA, 39842  
Lat 31.753166 Long -84.427406



## MAP DATA

Panel Date	September 2, 2009	FIPS Code	13273
Map Number	13273C0120A	Census Tract	1204.00
Geocoding Accuracy	S4 - single close match, point located at the center of shape point path		

Flood	
	X or C Zone
	X500 or B Zone
	A Zone
	V Zone
	D Zone
	Area Not Mapped

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## **ADDENDUM E**

**STATE OF GEORGIA  
REAL ESTATE APPRAISERS BOARD**

**SAMUEL TODD GILL**

**258907**

IS AUTHORIZED TO TRANSACT BUSINESS IN GEORGIA AS A  
**CERTIFIED GENERAL REAL PROPERTY APPRAISER**

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

D. SCOTT MURPHY  
Chairperson

RONALD M. HECKMAN  
JEANMARIE HOLMES  
KEITH STONE

JEFF A. LAWSON  
Vice Chairperson

46665602

SAMUEL TODD GILL

# 258907  
Status ACTIVE

ORIGINALLY LICENSED

02/06/2003

END OF RENEWAL  
09/30/2017

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



WILLIAM L. ROGERS, JR.  
Real Estate Commissioner

46665602

SAMUEL TODD GILL

# 258907  
Status ACTIVE

ORIGINALLY LICENSED

02/06/2003

END OF RENEWAL  
09/30/2017

CERTIFIED GENERAL REAL PROPERTY  
APPRAISER

THIS LICENSE EXPIRES IF YOU FAIL TO PAY  
RENEWAL FEES OR IF YOU FAIL TO COMPLETE ANY  
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State of Georgia  
Real Estate Commission  
Suite 1000 - International Tower  
229 Peachtree Street, N.E.  
Atlanta, GA 30303-1605



WILLIAM L. ROGERS, JR.  
Real Estate Commissioner

46665602

## **ADDENDUM F**

Samuel T. Gill  
512 North One Mile Road  
P.O. Box 784  
Dexter, Missouri 63841  
573-624-6614 (phone)  
573-624-2942 (fax)  
todd.gill@gillgroup.com

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**OVERVIEW**

Extensive multifamily experience over the past 25 years specializing in work for the Department of Housing and Urban Development (HUD), United States Department of Agriculture/Rural Development (USDA/RD) as well as lenders and developers through the Low-Income Housing Tax Credit (LIHTC) program including but not limited to, Section 8, Section 202, Section 236, Section 515 and Section 538 Programs. Additionally, extensive experience since inception of the Multifamily Accelerated Processing (MAP) Program of Sections 202/223(f), 232/223(f), 221(d)3, 221(d)4 and 223(f). Also, more than 20 years of experience with nursing homes, hotels and complicated commercial appraisal assignments.

**ACCREDITATIONS**

**State Certified General Real Estate Appraiser**

Alabama State License Number: G00548  
Arizona State License Number: 31453  
Colorado State License Number: CG40024048  
Connecticut State License Number: RCG.0001276  
District of Columbia License Number: GA11630  
Georgia State License Number: 258907  
Hawaii State License Number: CGA1096  
Idaho State License Number: CGA-3101  
Illinois State License Number: 153.0001384  
Indiana State License Number: CG40200270  
Iowa State License Number: CG02426  
Kansas State License Number: G-1783  
Louisiana State License Number: G1126  
Maine State License Number: CG3635  
Maryland State License Number: 32017  
Michigan State License Number: 1201068069  
Minnesota State License Number: 40186198  
Mississippi State License Number: GA-624  
Missouri State License Number: RA002563  
Montana State License Number: REA-RAG-LIC-8530  
Nebraska State License Number: CG2000046R  
New York State License Number: 46000039864  
North Carolina State License Number: A5519  
North Dakota State License Number: CG-2601  
Ohio State License Number: 448306  
Oklahoma State License Number: 12524CGA  
Oregon State License Number: C000793  
Pennsylvania State License Number: GA001813R  
South Carolina State License Number: 3976  
Tennessee State License Number: 00003478  
Texas State License Number: 1329698-G  
Utah State License Number: 5510040-CG00  
Virginia State License Number: 4001 015446  
Washington State License Number: 1101018  
West Virginia State License Number: CG358  
Wisconsin State License Number: 1078-10  
Wyoming State License Number: 479

Also received temporary licenses in the following states: Arkansas, California, Delaware, Florida, Kentucky, Massachusetts, Nevada, New Hampshire, New Jersey, New Mexico, Puerto Rico, Rhode Island, South Dakota, the U.S. Virgin Islands and Vermont.

**EXPERIENCE  
(1991 TO PRESENT)**

Primary provider of HUD Mark-to-Market Full Appraisals for mortgage restructuring and Mark-to-Market Lites for rent restructuring and has worked with HUD in this capacity since inception. Completed approximately 350 appraisals assignments under this program.

Provider of HUD MAP and TAP appraisals and market studies for multiple lenders since its inception. Completed approximately 350 appraisal assignments under this program.

Contract MAP quality control reviewer and field inspector for CohnReznick and HUD. Have completed approximately 350 reviews under this program. Have completed approximately 100 field inspections under this program.

Currently approved state reviewer for HUD Rent Comparability Studies for Section 8 Renewals in Alabama, California, Connecticut, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Nebraska, New Mexico, North Carolina, Oregon, Utah, Virgin Islands, Virginia, Washington, West Virginia and Wisconsin. Completed approximately 500 reviews under this program.

Provider of HUD Rent Comparability Studies for contract renewal purposes nationwide. Completed approximately 400 rent comparability studies.

Provider of tax credit financing analysis and value of financing analysis. Completed approximately 300 appraisal assignments and market studies under this program.

Provider of multifamily appraisals under the RD 515 and 538 programs. Completed approximately 200 appraisal assignments under these programs.

Partial list of clients include: Colorado Housing Finance Agency, CreditVest, Inc., Foley & Judell, LLP, Kentucky Housing Corporation, Kitsap County Consolidated Housing Authority, Louisiana Housing Finance Agency, Missouri Housing Development Agency, New Mexico Mortgage Finance Authority, Ontra, Inc., Quadel Consulting Corporation, CohnReznick, L.L.P., Group, Siegel Group, Signet Partners and Wachovia Securities.

**DEVELOPMENT/OWNERSHIP/  
MANAGEMENT EXPERIENCE  
(2006 TO PRESENT)**

For the past 10 years, he has owned three separate companies that develop, own and manage commercial, multifamily, residential, agricultural and vacant land properties.

In his portfolio are over 100,000 square feet of commercial space, over 1,000 units of multifamily, 200 acres of farmland, and 10 parcels of developable commercial and multifamily lots, all in the Midwest.

**EDUCATION**

**Bachelor of Arts Degree**  
*Southeast Missouri State University*  
**Associate of Arts Degree**  
*Three Rivers Community College*

**HUD/FHA Appraiser Training**

*Arkansas State Office*

**Multifamily Accelerated Processing Valuation (MAP)**

*U.S. Department of Housing and Urban Development*

**2<sup>nd</sup> Annual Multifamily Accelerated Processing Basic and Advanced Valuation (MAP)**

*U.S. Department of Housing and Urban Development*

**FHA Appraising Today**

*McKissock, Inc.*

**Texas USDA Rural Development Multifamily Housing Appraiser Training**

*Texas Rural Development*

**Kentucky USDA Rural Development Multifamily Housing Appraiser Training**

*Kentucky Rural Development*

**Financial Analysis of Income Properties**

*National Association of Independent Fee Appraisers*

**Income Capitalization**

*McKissock, Inc.*

**Introduction to Income Property Appraising**

*National Association of Independent Fee Appraisers*

**Concepts, Terminology & Techniques**

*National Association of Independent Fee Appraisers*

**Uniform Standards of Professional Appraisal Practice**

*Central Missouri State University*

**Appraisal of Scenic, Recreational and Forest Properties**

*University of Missouri-Columbia*

**Appraiser Liability**

*McKissock, Inc.*

**Appraisal Trends**

*McKissock, Inc.*

**Sales Comparison Approach**

*Hondros College*

**Even Odder: More Oddball Appraisals**

*McKissock, Inc.*

**Mortgage Fraud: A Dangerous Business**

*Hondros College*

**Private Appraisal Assignments**

*McKissock, Inc.*

**Construction Details & Trends**

*McKissock, Inc.*

**Condemnation Appraising: Principles & Applications**

*Appraisal Institute*

**Michigan Law**

*McKissock, Inc.*

**Pennsylvania State Mandated Law**

*McKissock, Inc.*

**Valuing Real Estate in a Changing Market**

*National Association of Independent Fee Appraisers*

**Principles of Residential Real Estate Appraising**

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