

**SUMMARY REPORT  
REAL ESTATE APPRAISAL**

**Of  
Woodlawn Apartments**



32 Woodlawn Drive, Chattanooga,  
Hamilton County, Tennessee, 37411

**As of**  
April 11, 2012

**Prepared For**  
Ms. Vickie Pope  
FNB Bank of Scottsboro  
402 South Broad Street  
Scottsboro, Alabama  
35768

**Prepared by**  
ED BLAKE COMPANY  
E. Wells Blake, Jr., Certified General, Tennessee-CG-1688

File Number: F12APART132

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**EDWARD W. BLAKE, SRA, SRPA**

**E. WELLS BLAKE, JR.**

April 18, 2012

Ms. Vickie Pope  
FNB Bank of Scottsboro  
402 South Broad Street  
Scottsboro, Alabama 35768

To Whom It May Concern:

In accordance with your request, I have appraised the properties at 32 Woodlawn Drive, Chattanooga, Hamilton County, Tennessee, 37411 for the purpose of estimating the market value of the property. It is owned by CANI LLC. The date of the inspection is April 11, 2012. This is a summary appraisal report performed under Standards Rule 2-2(a).

Submitted is my report containing the analysis and conclusions developed during my investigation. Based upon my analysis, it is my judgment that the market value of the fee simple interest of the subject property, as of April 11, 2012, subject to the Basic Assumptions and Limiting Conditions herein, is:

The estimated value of the subject as of April 11, 2012, is:

**TWO HUNDRED FIFTY THOUSAND DOLLARS**  
**\$250,000**

The appraiser has not previously appraised this property in the past three years.

It has been a pleasure serving you in this assignment. If you have any questions, please do not hesitate to call me.

Sincerely,



E. Wells Blake, Jr.  
Certified General Tennessee-CG-1688  
EWBjr/tdo  
File No. F12APART132.word

## ***Executive Summary***

Owner:	CANI LLC
Location:	32 Woodlawn Drive, Chattanooga, Tennessee, 37411
Existing Use:	Apartment Complex
Property Rights Appraised:	Fee Simple
Site:	0.46 acres; 20,038 sq. ft.
Zoning:	R-3
Improvements:	5,868 square feet
Year Built:	1920
Tax Assessment:	\$75,600
Annual Property Taxes:	\$3,836
Estimated Potential Gross Income:	\$68,676
Estimated Net Operating Income:	\$35,360
Estimated Land Value:	\$35,000
Value Indicated by Cost Approach:	\$250,000
Value Indicated by Direct Sales Comparison Approach:	\$205,000
Value Indicated by Income Approach:	\$350,000
Estimated Market Value:	\$250,000
Date of Appraisal:	April 11, 2012

***Summary of Important Facts and Conclusions***

GENERAL	
<b>Subject:</b>	Woodlawn Apartments32 Woodlawn Drive, Chattanooga, Hamilton County, Tennessee, 37411  9 Unit Apartment Complex
<b>Owner:</b>	CANI LLC
<b>Legal Description:</b>	Lot 14 Wildwood Addn
<b>Tax Identification:</b>	47P D 032.01
<b>Date of Report:</b>	April 18, 2012
<b>Intended Use:</b>	The intended use is for mortgage financing.
<b>Intended User(s):</b>	The client and property owner.
<b>Assessed Value:</b>	\$75,600 at 100.00% Implied Market Value: \$75,600
<b>Taxes:</b>	\$3,836
<b>Sale History:</b>	The subject has sold in the last three years, according to public records.
<b>Current Listing/Contract(s):</b>	The subject is not currently listed for sale or under contract.

PROPERTY	
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**Land Area:** Total: 20,038 square feet; 0.46 acres

Usable: 20,038 square feet; 0.46 acres

**Improvements:**

**Building 1**

Building ID: Woodlawn

Apartments

Year Built: 1920

Renovations: None

Condition: Average

Number of Stories: 3.00

Gross Building Area (GBA): 5,868

Number of Units: 9

Property Totals: **GBA\*** **Units**

5,868

9

\*See area definitions, page 84.

**Zoning:** R-3

**Highest and Best Use of the Site:** The highest and best use of the site is as vacant land with plans for commercial improvements.

**Highest and Best Use as Improved:** The highest and best use as improved is as the current use, an apartment complex.

VALUE INDICATIONS	
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**Land Value:** \$35,000

**Cost Approach:** \$250,000

**Sales Comparison** \$205,000

**Approach:**

**Income Approach:**

**Direct Capitalization** \$350,000

**Reconciled Value(s):** **As Is**

Value Conclusion(s) \$250,000

Effective Date(s) April 11, 2012

Property Rights Fee Simple

## ***Table of Contents***

Executive Summary .....	3
Summary of Important Facts and Conclusions .....	4
<i>Table of Contents</i> .....	6
<i>Purpose of Appraisal</i> .....	7
<i>Limiting Conditions and Assumptions</i> .....	9
<i>Certification</i> .....	11
<i>Competency Statement</i> .....	12
<i>Appraisal Procedures</i> .....	13
Scope of Work .....	14
<i>Ownership and Legal</i> .....	16
Assessment and Taxes .....	16
<i>Highest and Best Use</i> .....	17
<i>Regional Analysis</i> .....	18
<i>Location</i> .....	26
Location Map .....	27
<i>Site</i> .....	28
Site Description .....	29
Zoning .....	30
Plat Map .....	31
FEMA Map .....	34
<i>Improvements</i> .....	35
<i>Subject Pictures</i> .....	36
<i>Sketch of Subject</i> .....	49
<i>Valuation Methodology</i> .....	50
Analyses Applied .....	50
<i>Cost Approach</i> .....	51
<i>Direct Sales Comparison Approach</i> .....	53
Sales Comparison Approach – Land Valuation .....	54
Sales Comparison Approach- Improved Sales .....	61
<i>Market Rents</i> .....	70
Market Rent Comparables .....	70
<i>Income Approach</i> .....	74
Direct Capitalization Analysis .....	74
Vacancy and Collection Loss .....	74
Expenses .....	75
Capitalization Rate .....	76
Capitalization to Value .....	80
Direct Capitalization Analysis Conclusion .....	80
<i>Reconciliation and Final Value Estimate</i> .....	81
<i>Definitions</i> .....	83
<i>Property Observation Checklist</i> .....	86
<i>Qualifications of the Appraiser</i> .....	91

## ***Purpose of Appraisal***

The purpose of the appraisal is to estimate the market value of the fee simple interest of the land and improvements at 32 Woodlawn Drive, Chattanooga, Hamilton County, Tennessee, 37411.

For the purpose of this appraisal, Market Value is defined as, "the most probable price that 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, knowledgeably and assuming the price is not affected by undue stimulus."

Implicit in this definition are the consummation of a sale as of a specific date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed, or well advised, and each acting in what he considers to be his own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars, or in terms of financial arrangements comparable thereto.
5. 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.

## INTENDED USE OF THE REPORT

The intended use of the report is for the sole purpose of assisting the client, *FNB Bank of Scottsboro*, in estimating the value of the property.

## DEFINITION OF MARKET VALUE

The most probable price that 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, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions by which: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he considers his own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) 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.

\*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs that are normally paid by sellers because of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.



## ***Limiting Conditions and Assumptions***

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of Ed Blake Company. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless otherwise state in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.

It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.

The appraiser(s) are not required to give testimony in Court in connection with this appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) Ed Blake Company's regular per diem rate plus expenses.

Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

**Americans with Disabilities Act (ADA) of 1990**

A civil rights act passed by Congress guaranteeing individuals with disabilities equal opportunity in public accommodations, employment, transportation, government services, and telecommunications. Statutory deadlines become effective on various dates between 1990 and 1997. Ed Blake Company has not made a determination regarding the subject's ADA compliance or non-compliance. Non-compliance could have a negative impact on value; however this has not been considered or analyzed in this appraisal.

## *Certification*

The Appraiser certifies and agrees that:

1. FIRREA Standards: This appraisal conforms to the Uniform Standards of Professional Practice adopted by the Appraisal standards Board of the Appraisal Foundation, except that the Departure Provision of the USPAP shall not apply.

2. This addendum serves as the signed certification as required by the USPAP that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan, nor does the appraiser have any present or contemplated future interest in the property.

3. The appraiser has no personal interest in or bias with respect to the subject matter of the appraisal report or the participants to the sale. 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 prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

4. The Appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales listed in the report. To the best of the Appraiser's knowledge and belief, all statements and information in this report are true and correct, and the Appraiser has not knowingly withheld any significant information.

5. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions contained in the report).

6. The Appraiser's opinions and conclusions were developed, and this report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics, Standards of Professional Conduct of the Appraisal Institute, with which the appraiser is affiliated, and the Uniform Standards of Professional Appraisal Practices.

7. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report, unless indicated as "Review Appraiser." No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

8. No one provided significant professional assistance to the Appraiser signing this report.

The date of the inspection and the effective date, as shown in the appraisal, is the same, unless noted in the report.



E. Wells Blake, Jr.  
Certified General Tennessee-CG-1688  
April 18, 2012  
EWBjr/tdo

File No. F12APART132.word

## *Competency Statement*

The Office of the Comptroller of the Currency has issued a ruling which requires lenders to evaluate appraiser's competency for each specific appraisal assignment:

“Not all appraisers are competent to perform every type of appraisal that will be needed in connection with federally related transactions. For instance, an appraiser who is experienced in appraising shopping centers may not possess sufficient expertise to appraise a golf course. A financial institution should look beyond an individual's title to determine if he or she has the experience and training needed to perform the appraisal. This provision is not intended to prohibit, in every instance, an individual from appraising a type of property with which he or she is not familiar. However, in such instances, an appraiser may perform the appraisal only in accordance with the Competency Provision in the USPAP.”

E. Wells Blake Jr. has appraised numerous offices and commercial buildings in the Chattanooga and surrounding market areas. Therefore, E. Wells Blake Jr. has met the requirements of USPAP's Competency Provision.

Ed Blake Company and the signatories have experience in the appraisal of properties similar to the subject in this market and are deemed qualified by education, training and experience in the preparation of such reports sufficient to comply with the Competency Provisions of USPAP. The professional qualifications of individuals who prepared this report are included for specific reference.

## *Appraisal Procedures*

Three approaches to value are generally accepted as standard in the appraisal of real estate, namely the Cost, Direct Sales Comparison and Income Approaches. These techniques are explained below.

The Cost Approach is based upon the principle of substitution, which states an informed buyer will pay no more than the cost of producing a substitute property with the same utility as the subject property. The value by this approach is estimated by adding land value (as if vacant) to the cost to replace the existing improvements less depreciation. It is useful with new facilities and with properties that constitute the highest and best use of the land.

The Direct Sales Comparison Approach is also based upon the principle of substitution that implies a prudent person will not pay more to buy or rent a property than it would cost to buy or rent a comparable substitute property. It reflects the actions and reactions of sellers, users and investors in the marketplace. To obtain an indication of value by this technique, similar property sales have been selected and adjusted for dissimilarities. This is reliable for properties purchased for owner occupancy and for special use buildings that are purchased regularly.

The Income Approach is an appraisal technique designed to estimate Market Value by deriving the income potential of the property and subtracting vacancy and collection losses, operating and fixed expenses, and reserves for periodic replacement. The remaining income is referred to as net income and is generally capitalized by means of an overall rate to arrive at value. This process is excellent for investment properties that are regularly purchased as income properties, but is not reliable for special-purpose or owner-occupied facilities.

### ***Scope of Work***

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

<b>SCOPE OF WORK</b>	
Report Type:	This is a Summary Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(B). This format provides a summary of the appraisal process, subject and market data and valuation analyses.
Property Identification:	The subject has been identified by the legal description and the assessors' parcel number.
Inspection:	A complete interior and exterior inspection of the subject property has been made, and photographs taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions has been made. The appraiser maintains and has access to comprehensive databases for this market area and has reviewed the market for sales and listings relevant to this analysis.
Highest and Best Use Analysis:	A complete as vacant and as improved highest and best use analysis for the subject has been made. Physically possible, legally permissible and financially feasible uses were considered, and the maximally productive use was concluded.
<u>Valuation Analyses</u>	
Cost Approach:	A cost approach was applied as there is adequate data to develop a land value and the depreciation accrued to the improvements can be reasonably measured.

Sales Comparison Approach: A sales approach was applied as there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.

Income Approach: An income approach was applied as the subject is an income producing property and there is adequate data to develop a value estimate with this approach.

Hypothetical Conditions: There are no hypothetical conditions for this appraisal.

Extraordinary Assumptions: There are no Extraordinary Assumptions for this appraisal.

## ***Ownership and Legal***

The subject property was purchased by CANI LLC on June 24, 2011 for \$20,000. The deed is recorded in Book 9423, Page 830 with the Register's Office of Chattanooga/ Hamilton County.

The tax map number is 47P D 032.01. In the State of Tennessee, properties are appraised for tax purposes by the Assessor of Property of the county in which the property is found. On commercial properties, the tax assessment is 40 percent of the appraised value of the property. The land is appraised for \$23,400 and the improvements for \$165,600, giving a total of \$189,000. The assessment is \$75,600, and the 2010 property taxes were \$3,836.

### ***Assessment and Taxes***

<b>REAL ESTATE ASSESSMENT AND TAXES</b>	
Taxing Authority	Chattanooga/ Hamilton
Assessment Year	2010
<b>ASSESSED VALUES</b>	
Tax Identification Number	47P D 032.01
Land Assessed Value	\$23,400
Building Assessed Value	\$165,600
Total Tax Assessment	<u>\$189,000</u>
Total Assessed Value	\$75,600
<b>Totals</b>	
Total Land Assessed Value	\$23,400
Total Building Assessed Value	\$165,600
Total Tax Assessment	\$189,000
Total Assessment	\$75,600
Total Assessment per GBA	\$12.88
Total Assessment per Land Acre	\$164,348
<b>Rates, Taxes, More</b>	
City Tax Rate	\$2.31
County Tax Rate	\$2.77
Other Property Tax Rate	<u>\$0.00</u>
Combined Tax Rate	\$5.07
Total Tax Amount	\$3,836
Assessment Ratio	100.00%
Implied Value	\$75,600



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

Highest and best use is defined 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 results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability." (The Dictionary of Real Estate Appraisal, Third Addition, [Chicago: Appraisal Institute, 1993] p. 171.)

Highest and best use of a property is an economic concept that measures the interaction of the four criteria. The determination of a property's highest and best use is a critical appraisal component that provides the valuation framework upon which comparable market information is developed. Such comparable information includes cost, sales, and income and expense data pertaining to the property's concluded best use.

To render a reliable use and value estimate, the highest and best use of the property, as if vacant, must be considered separately from the highest and best use of the property, as improved. This is because the site must be valued as though vacant and available for development to its highest and best use whether or not the property's existing improvements represent the highest and best use of the site. The following discussions separately address highest and best use considerations of the subject, as though vacant and as improved, including supporting analyses and conclusions. The highest and best use of the subject as vacant is with plans for commercial improvements. The highest and best use of the subject as improved is as the current use, an apartment complex.

## ***Regional Analysis***

Chattanooga is in the southeast corner of Tennessee, and the southern limits of the city extend to the Georgia State Line. The metropolitan area, which includes areas of North Georgia and several adjoining counties, has a population of, approximately, 435,000.

There is a wide employment base in the area, as manufacturing provides about 44,000 jobs, with 1,100 manufacturers. There are more than 1,500 classified products manufactured in the area, which include textiles, steam boilers, electric buses, auto parts, castings, stoves, plumbing supplies, electronics, machinery, structural steel, bakery products, chemicals, yarn, carpet, furniture and paper. Dupont has a large yarn plant that is undergoing an expansion of over \$100-million. About 19,000 people are employed in insurance, financial institutions and real estate, and about 11,000 people are employed in construction. About 22,000 people are employed in transportation, communication and public utilities, and about 12,000 people are employed in textile and printing industries.

The economy is also supported by, approximately, 33,000 employees in various government agencies, including the Tennessee Valley Authority (TVA). Wholesaling, warehousing, and distributing are also important sectors of the economy. In addition, banking and insurance have become major employers in the area, with Provident Life and Accident Insurance Company employing over 2,000 persons and being one of the largest insurance companies in the country. It was announced on November 23, 1998 that they were being purchased by UNUM Insurance Company of Portland, Maine, and the new name of the company would be UNUM Provident, with the headquarters in Chattanooga. Blue Cross-Blue Shield of Tennessee has their main offices here, and employs a large number of people. Cigna Insurance moved to the TVA complex in the downtown area. Overall, there are, approximately, 202,000 non-agricultural workers in the area. Local unemployment is slightly less than 10 percent.



## CHATTANOOGA TENNESSEE Unemployment Rate Comparison

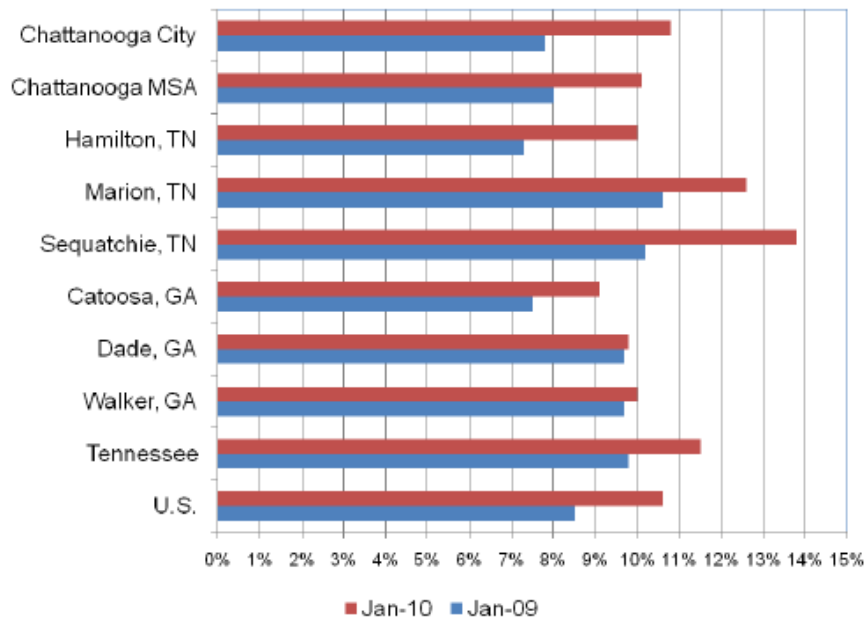
	Jan 2009	Jan 2010*	% change
Chattanooga City	7.8%	10.8%	38.5%
Chattanooga MSA	8.0%	10.1%	26.3%
Chattanooga MSA counties:			
Hamilton, TN	7.3%	10.0%	37.0%
Marion, TN	10.6%	12.6%	18.9%
Sequatchie, TN	10.2%	13.8%	35.3%
Catoosa, GA	7.5%	9.1%	21.3%
Dade, GA	9.7%	9.8%	1.0%
Walker, GA	9.7%	10.0%	3.1%
Tennessee	9.8%	11.5%	17.3%
U.S.	8.5%	10.6%	24.7%

\* Preliminary

+++ Change of more than 100%

Source: U.S. Department of Labor, Bureau of Labor Statistics

### Unemployment Rate Comparisons - January 2009 - January 2010



COMPILED BY: Chattanooga Area Chamber of Commerce Business Information Center, Economic Development Department



# CHATTANOOGA TENNESSEE

## Major Employers List - 2010

Employers with 100+ employees in descending order by largest number of full-time employees.

Company	Product/Service	Full-Time Emps.	Part-Time Emps.
First Tennessee	National Bank	325	20
Regions Bank	National Bank	322	19
*Lawson Electric Company	Electrical Contractors & Engineers	320	
TN State Department of Transportation	Government, Transportation	309	
Volkswagen Group of America Chattanooga	Mfr. Automobiles	300	
The Baylor School	Secondary School	290	
Komatsu America Corp.	Mfr. Heavy Construction Equip.	289	
Comcast Communications	Cable TV	287	3
Blue Bird North Georgia	Mfr. School Buses	275	
Siskin Steel & Supply Company, Inc.	Steel Wholesaler	275	
Farley's and Sathers Candy Co.	Candy Manufacturing & Distribution	271	5
*CBL and Associates Properties, Inc.	Shopping Center Developer, Owner & Manager	264	2
AT&T	Telephone Communications	250	
*National Posters	Mfr. Lithographic Digital/Screen Printer Displays	250	
*Siskin Hospital	Physical Rehabilitation Hospital	246	
Alexian Village of Tennessee, Inc.	Retirement Community & Skilled Care Nursing	240	
TN State Department of Human Services	Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps	240	
*Jake Marshall, LLC	Mechanical Contractor	235	
WNA American Plastic Industries	Mfr. Plastic Cups, Containers & Lids	232	1
Farley's and Sathers	Mfr. Candy	230	
RockTenn Sequatchie Valley	Folding Cartons	225	
*Gold Bond, Inc.	Specialty Advertising Products	220	
Grandview Medical Center	General Hospital	220	21
*Arcade Marketing, Inc.	Printing & Sampling	212	1
*Burner Systems International, Inc.	Mfr. Gas Burners	212	
*Covenant College	College	210	8
*Lodge Manufacturing Company	Mfr. Cast Iron Cookware & Other OEM Gray Iron	206	
*Tennessee Valley Federal Credit Union	Federal Credit Union	205	31
United Parcel Service	Parcel Delivery	201	197
Healthsouth Chattanooga Rehabilitation	Inpatient & Outpatient Physical Rehab Hospital	199	
Johnson Mental Health Center	Behavioral Health Services	192	44
*Lectrus Corporation	Mfr. Prefabricated Metal Buildings	190	3
*McCallie School	High School	188	
KORDSA	Mfr. Industrial Nylon	187	
*Miller & Martin LLP	Attorneys	187	3
NHC HealthCare Chattanooga	Long Term Health Care	185	40
*Tuftco Corporation	Mfr. Tufting Machinery	175	
Variform, Inc.	Vinyl Siding	175	
*Joseph Decosimo and Company, PLLC, CPAs	Accounting, Tax & Corporate Finance Services	170	5
*Capital Toyota/Lexus of Chattanooga	Automobile Dealership	168	2
Unitrin Direct Preferred Insurance	Auto & Homeowner Insurance	167	

\*Locally owned and/or headquartered

COMPILED BY: **Chattanooga Area Chamber of Commerce** Business Information Center, Economic Development Department



# CHATTANOOGA TENNESSEE

## Major Employers List - 2010

Employers with 100+ employees in descending order by largest number of full-time employees.

Company	Product/Service	Full-Time Emps.	Part-Time Emps.
*Chattanooga Choo Choo	Hotel & Tourist Attraction	166	46
Pyramid Mouldings	Mfr. Appliance Parts	165	
*Chattanooga Area Reg. Trans. Authority	Local & Suburban Transit	163	34
CMCO Forge Operations	Steel Forgings	162	
*Yates Bleachery Company	Textile Dyeing & Finishing	161	
Life Care of East Ridge	Skilled Nursing Facility/Rehabilitation Ctr	159	104
*United Enertech Corporation	Mfr. Air Control Products	155	
*Partnership for Families, Children and Adults	Family Service Agency	154	36
Rock-Tenn Company, Inc.	Mfr. Paperboard	154	
*Top Flight, Inc.	Mfr. School Supplies & Commercial Envelopes	150	2
*The Tennessee Aquarium	Fresh & Salt Water Aquarium	148	68
Hawker Powersource Inc.	Mfr. Industrial Lead Acid Batteries	147	
Alstom Power Turbomachines LLC	Heavy Industrial Mfr.	145	
Sam's Wholesale Club	Membership General Merchandise Store	140	98
Accellent Inc.	Mfr. Polyimide Tubing/Medical Devices	132	
*Girls Preparatory School	Independent School Grades 6-12	132	5
*MIG Wire and Tube, LLC	Mfr. Wire Forms, Bent Tube Products, Springs	131	
Saint Barnabas Senior Living Services	Skilled Care Nursing Home	131	54
Chattanooga Marriott Hotel	Hotel	128	9
*City of East Ridge	Government	125	
*Hamilton Plastics Inc.	Mfr. Plastic Film	125	
Smurfit Stone Container Corp	Mfr. Corrugated Shipping Containers	122	
*Chattanooga Bakery, Inc.	Mfr. Marshmallow Sandwiches	120	
Syntec Industries - LaFayette Division	Mfr. Processed Yarn	120	
The Bridge at South Pittsburg	Intermediate Care Nursing/Skilled Care Nursing	120	38
Southern Cellulose Products, Inc.	Mfr. Cotton Linter Pulp	118	
*Ace Hardware of Chattanooga, Inc.	Hardware Store	115	113
AkzoNobel Surface Chemistry Division	Specialty Chemicals Mfr.	115	
*Card-Monroe Corp.	Mfr. Tufting Machinery	114	2
Tennessee American Water	Water Utility	114	
*Fillauer Inc.	Mfr. Prosthetic Devices	112	
Gill Mfg-Georgia Inc	Mfr. Metal Stampings	112	
*Crystal Springs Print Works, Inc.	Fabric Finishing & Dyeing	110	
Pepsi Bottling Group	Bottled Soft Drinks	110	
*Textile Printing Company	Printing & Packaging	106	
*Vincent Printing Company	Printing	106	3
*Tennessee Rand Co Inc	Designs & Mfr. Custom Machinery, Fixtures	105	
Bunge Oils	Mfr. Shortenings & Cooking Oil	103	1
Buzzi Unicem USA	Mfr. Portland & Masonry Cement	103	1
Greenlife Grocery	Grocers-Retail	103	32
SIAG Aerisyn, LLC	Mfr. Wind Towers	102	
Woodbridge Foam Fabricating, Inc.	Mfr. Polyurethane Foam	100	

\*Locally owned and/or headquartered

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According to the 2000 Census figures, the population of the City of Chattanooga has decreased from 152,828 in 1990 to 147,110 in 2000. This is a 3.7 percent decrease. It appears that the population has not actually declined, as a majority of these people have moved into the county and unincorporated areas. In 1990, the population of Hamilton County was 285,536, but the 2000 Census shows 307,896.



Population Estimates					
Year	Chattanooga	Hamilton County	Chattanooga MSA*	50 mile radius	100 mile radius
2004	164,025	319,463	496,817	1,024,994	5,565,649
2005	165,883	323,162	502,295	1,034,187	5,713,540
2006	168,293	327,620	509,196	1,034,025	5,816,469
2007	169,885	330,077	514,209	1,047,177	5,949,769
2008	170,880	332,848	518,441	1,060,581	6,126,730

Source: U.S. Census Bureau and DemographicsNow

Employment Growth	
Non-Agricultural Employment Chattanooga MSA* Annual Averages	
Year	Employment
2004	237,900
2005	240,800
2006	245,500
2007	247,500
2008	245,800

\*Metropolitan Statistical Area (MSA) includes Hamilton, Marion and Sequatchie counties in Tennessee and Catoosa, Dade and Walker counties in Georgia.

Source: U.S. Department of Labor, Bureau of Labor Statistics

COMPILED BY: Chattanooga Area Chamber of Commerce Business Information Center, Economic Development Department

Tourism is a major industry in Chattanooga, with over \$8-million tourists visiting the area annually, making it nearly a \$700-million industry. The Chattanooga area ranks fifth in the state in capturing tourist dollars, and its strategic location on the interstate highway network makes it a fine tourist location. Interstate 24 and Interstate 75 are main interstates from the North and Midwest to the South and Florida. These highways pass directly through Chattanooga. Interstate 124 connects with Interstate 24 and Interstate 75, with Interstate 24 going north to Nashville and Interstate 75 going south to Atlanta. It is a day's drive from such large cities as Cincinnati, Indianapolis and St. Louis. As a result, there are, approximately, 4,000 motel and hotel rooms in this area.

The Tennessee Aquarium opened May 1, 1992 on the Chattanooga river front at a cost of, approximately, \$45-million. This is the only freshwater aquarium in the United States and may be the only one in the world. The Aquarium is attracting, approximately, 1-million visitors per year. A saltwater aquarium opened in 2007 and it is adjacent to the original aquarium. There is other development going on in this area, with the new \$15-million area known as Southside is under redevelopment, which is south of downtown and in an area that is just north of the junction of Interstate 24 and U.S. Highway 27. A new 20,000-seat stadium opened in this area in the Fall of 1997, and the cost was, approximately, \$28-million. A new 6,000- seat minor league baseball park opened downtown in 2000, and the team is affiliated with the Los Angeles Dodgers.

Overall, the economy in the metropolitan area has been stable. There have been some layoffs and cutbacks, with several small textile mills closing, but overall, there have not been any recent large layoffs. AT&T has opened a phone center in the Eastgate Center, which services Citibank, catalog companies and others. It was the largest new employer in Tennessee during 1997 and currently employs 1,000 people. Part of the old Volunteer Ordinance property, off Bonny Oaks Drive, west of Interstate 75 and containing over 6,000 acres, has been turned over to the city and county for future commercial and industrial development known as Enterprise South.

The newest addition to the metropolitan area is the Volkswagen Automotive Plant currently under construction in Ooltewah, approximately fifteen miles north of downtown Chattanooga. This plant is located in Enterprise South, a recognized mega site. It is scheduled for completion in 2010. The cost to complete this plant will be \$1 billion dollars and it will employ 2,000 people. It is also anticipated this plant will bring additional parts suppliers to the area.

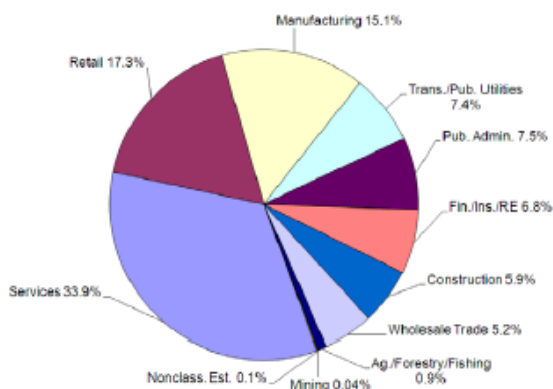
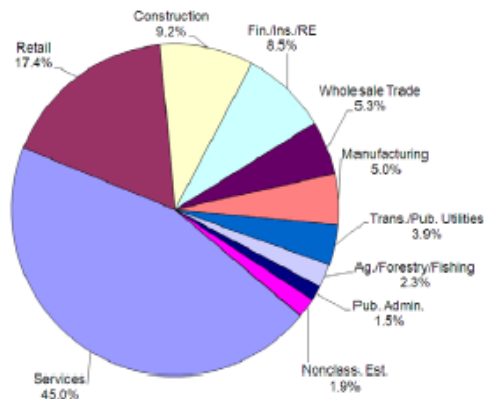
The June 8, 1998 issue of U.S. News & World Report listed six "smart cities" around the world that are delivering services at a reasonable price. This includes improving services, making themselves suitable for children, maintaining green space, picking up garbage on time, and delivering clean water and clean air. Chattanooga was one city listed, with the others being Vancouver, British Columbia, Minneapolis, Minnesota, Curitiba, Brazil, Tilburg, The Netherlands and Melbourne, Australia. The future prospects for Chattanooga appear to be slightly better than nationally, and the low unemployment rate is an indication of the stability of the area.



## CHATTANOOGA TENNESSEE Business Demographics (Chattanooga MSA\*)

Chattanooga MSA* Businesses	
Business Type	Number
Services .....	10,365
Retail Trade .....	4,015
Construction .....	2,123
Finance/Insurance/Real Estate .....	1,954
Wholesale Trade .....	1,216
Manufacturing .....	1,143
Transportation/Public Utilities .....	905
Agriculture/Forestry/Fishing .....	524
Nonclassified Establishments .....	437
Public Administration .....	340
Mining .....	11
<b>TOTAL .....</b>	<b>23,033</b>

Source: Dun & Bradstreet ZapData, August 2009



Chattanooga MSA* Employment	
Business Type	Employment %
Services .....	73,479 .....33.9
Retail Trade .....	37,492 .....17.3
Manufacturing .....	32,744 .....15.1
Public Administration .....	16,159 .....7.5
Transportation/Public Utilities .....	16,068 .....7.4
Finance/Insurance/Real Estate .....	14,787 .....6.8
Construction .....	12,816 .....5.9
Wholesale Trade .....	11,229 .....5.2
Agriculture/Forestry/Fishing .....	1,891 .....0.9
Nonclassified Establishments .....	111 .....0.1
Mining .....	94 .....0.04
<b>TOTAL .....</b>	<b>216,870 .....100.0</b>

Source: Dun & Bradstreet ZapData, August 2009

\*Metropolitan Statistical Area (MSA) includes Hamilton, Marion and Sequatchie counties in Tennessee and Caloosa, Dade and Walker counties in Georgia.

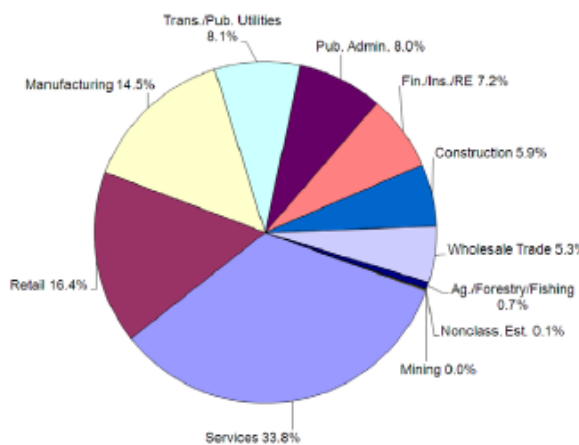
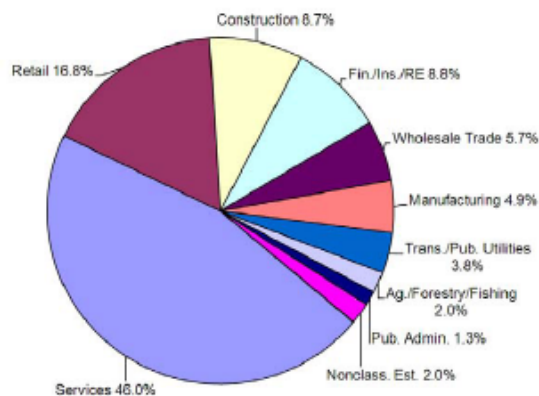
COMPILED BY: **Chattanooga Area Chamber of Commerce** Business Information Center, Economic Development Department





Hamilton County Businesses	
Business Type	Number
Services .....	8,230
Retail Trade .....	3,011
Finance/Insurance/Real Estate.....	1,574
Construction.....	1,552
Wholesale Trade.....	1,013
Manufacturing .....	871
Transportation/Public Utilities .....	673
Nonclassified Establishments .....	355
Agriculture/Forestry/Fishing .....	351
Public Administration .....	238
Mining .....	7
<b>TOTAL .....</b>	<b>17,875</b>

Source: Dun & Bradstreet ZapData, August 2009



Hamilton County Employment		
Business Type	Employment	%
Services .....	61,097	33.8
Retail Trade .....	29,716	16.4
Manufacturing .....	26,263	14.5
Transportation/Public Utilities .....	14,596	8.1
Public Administration .....	14,478	8.0
Finance/Insurance/Real Estate .....	13,023	7.2
Construction .....	10,679	5.9
Wholesale Trade .....	9,518	5.3
Agriculture/Forestry/Fishing .....	1,349	0.7
Nonclassified Establishments .....	99	0.1
Mining .....	65	0.0
<b>TOTAL .....</b>	<b>180,883</b>	<b>100.00</b>

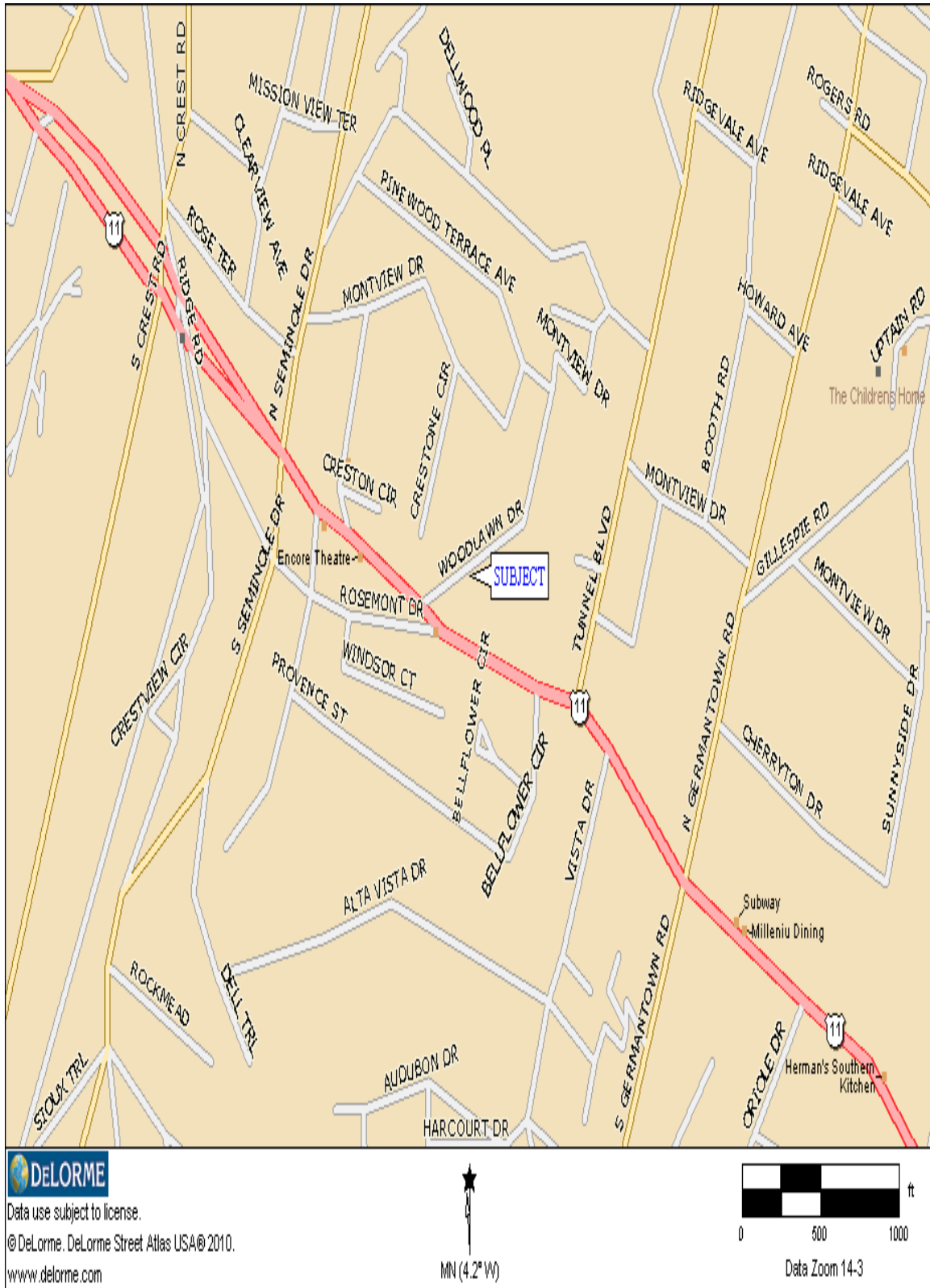
Source: Dun & Bradstreet ZapData, August 2009

COMPILED BY: **Chattanooga Area Chamber of Commerce** Business Information Center, Economic Development Department

## ***Location***

The subject is located approximately five miles east of downtown Chattanooga in an established area known as Brainerd. The subject is located just west of the intersection of Tunnel Boulevard and Brainerd Road, on Woodlawn Drive. Brainerd Road, which runs west to downtown Chattanooga and east to Apison, is located just to the south. Brainerd Road is a fully developed commercial area with various banks, restaurants, shopping centers, and offices. Nearby commercial improvements consist of The Comedy Catch, Playoffs, Walgreens, SunTrust Bank, and a Bi-Lo grocery store. Residential uses are to the north of the subject property. The area boundaries are Missionary Ridge to the west, Wilcox Boulevard to the north, Interstate 75 to the east, and Interstate 24 to the south. Past demand has been average.

## Location Map



## *Site*

The subject site contains 0.46 acres; 20,038 square feet. The site is irregular in shape and is level to sloping.

The site is served by gas, electricity, sewer, telephone and water.  
The street is asphalt with street lights.

The subject is zoned R-3 and conforms with zoning. It is found in Census Tract No. 29.00/2. According to FEMA Map Number 47065C 0344F, dated November 7, 2002, the subject is in Zone X, which does not appear to be in a flood zone.

### ***Site Description***

<b>SITE</b>	
Location:	The subject is located on Woodlawn Road in the Brainerd area of Chattanooga, Tennessee.
Current Use of the Property:	Improved as an apartment complex
Site Size:	Total: 0.46 acres; 20,038 square feet  Usable: 0.46 acres; 20,038 square feet
Shape:	The site is irregularly shaped
Frontage/Access:	The subject property has Average access with frontage as follows: <ul style="list-style-type: none"><li>• Woodlawn Drive: 92 feet</li></ul> The site has an average depth of 135 feet. It is not a corner lot.
Visibility:	Average
Topography:	The subject has level to sloping topography at grade and no areas of wetlands.
Soil Conditions:	The soil conditions observed at the subject appear to be typical of the region and adequate to support development.
Utilities:	Electricity: The site is served by public electricity. Sewer: City sewer Water: City water Natural Gas: City gas Underground Utilities: None Adequacy: The subject's utilities are typical and adequate for the market area.
Site Improvements:	<ul style="list-style-type: none"><li>• Street Lights</li><li>• Sidewalk</li><li>• Curb Gutter</li><li>• Typical landscaping</li></ul>

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone X, which is not classified as a flood hazard area.

FEMA Map Number: 47065C 0344F  
FEMA Map Date: November 7, 2002

The subject is not in a flood zone.

Environmental Issues: There are no known adverse environmental conditions on the subject site. Please reference Limiting Conditions and Assumptions.

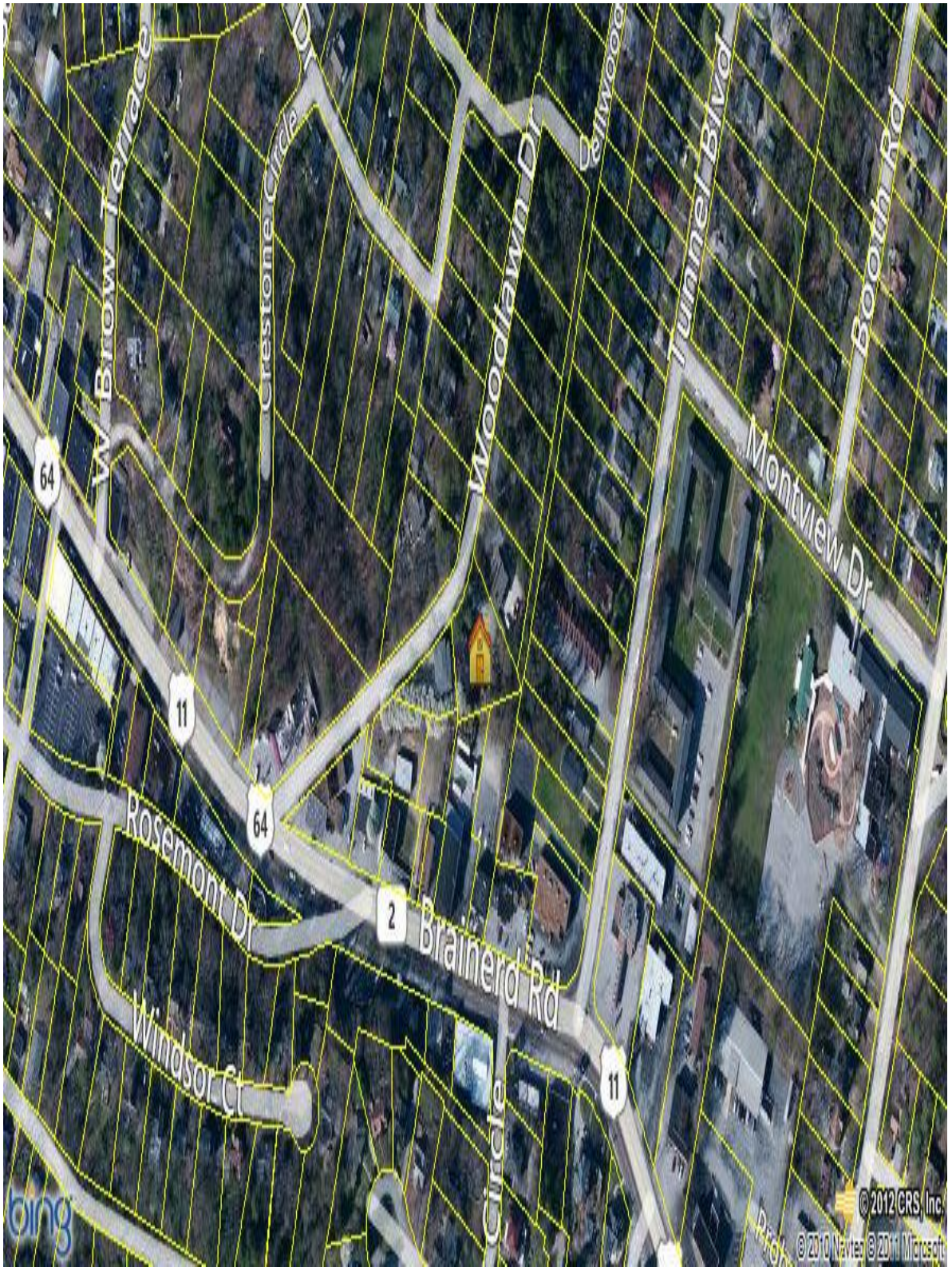
Encumbrance /  
Easements: There no known adverse encumbrances or easements. Please reference Limiting Conditions and Assumptions.

### ***Zoning***

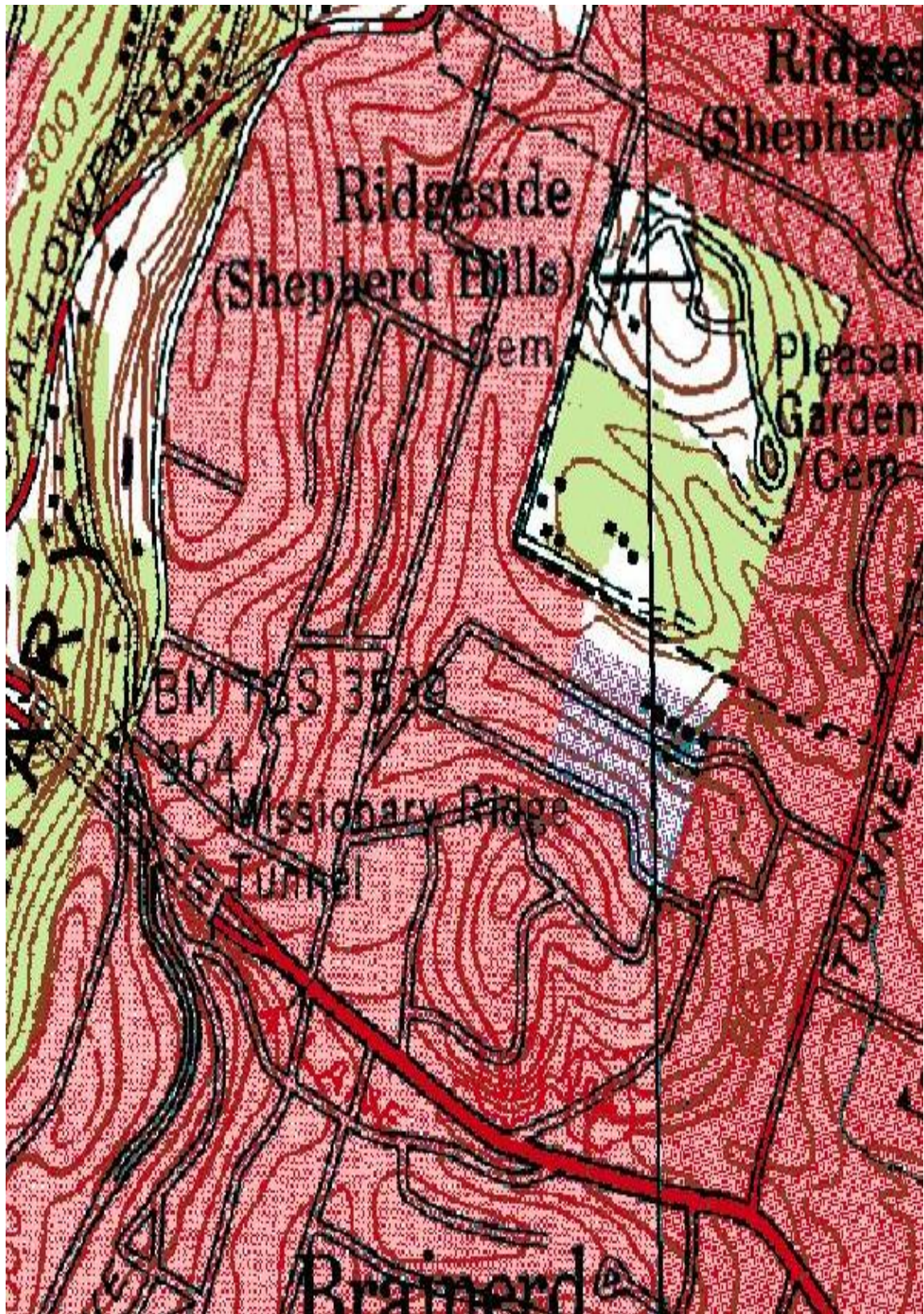
LAND USE CONTROLS	
Zoning Code	R-3
Zoning Description	Zoned for multi-family residential improvements
Actual Density of Use	Apartments
Current Use Legally Conforming	The subject is legal and conforming use.
Zoning Change Likely	A zoning change is unlikely.





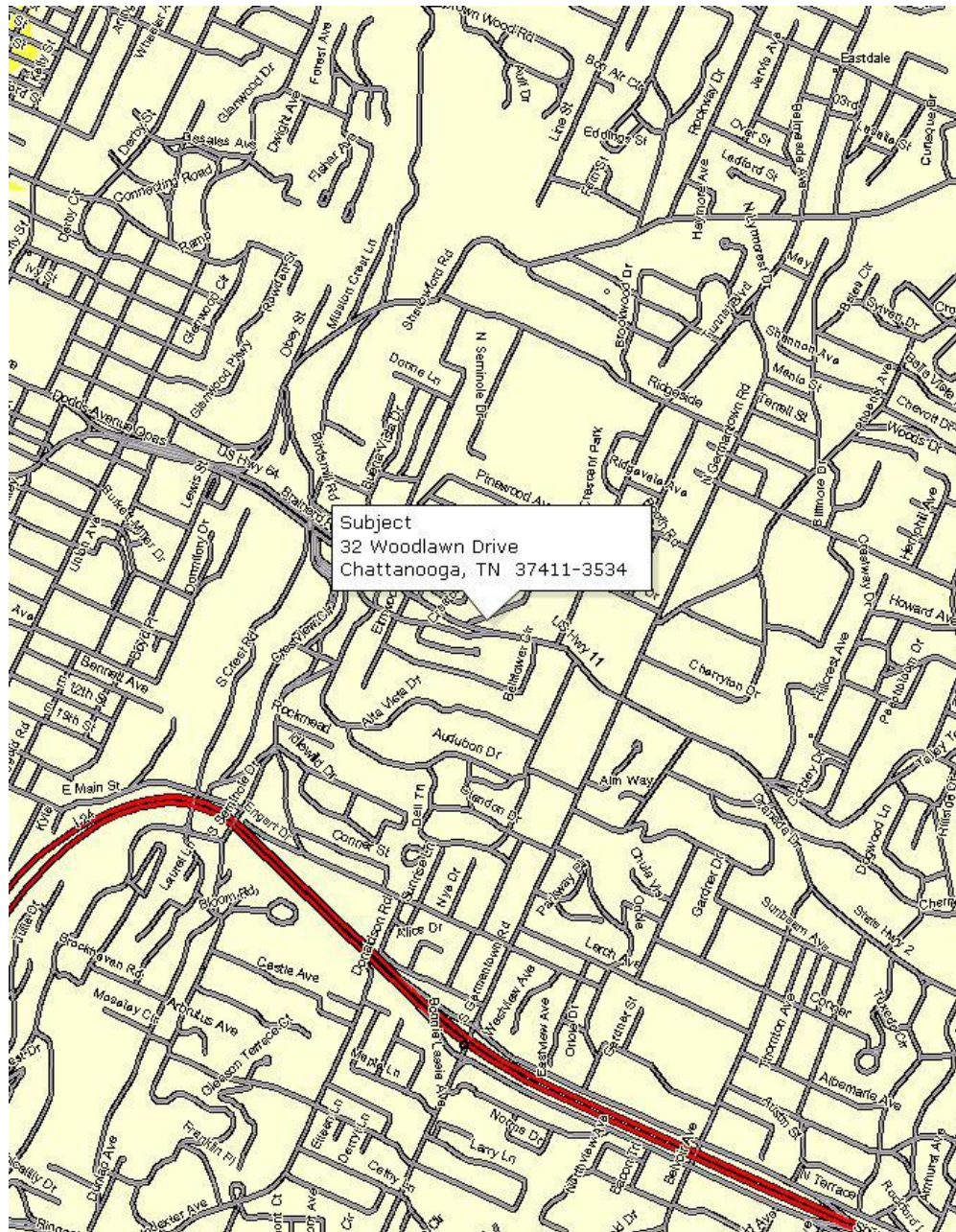








## FEMA Map



### FloodMap Legend

#### Flood Zones

- Areas inundated by 500-year flooding
- Areas outside of the 100- and 500-year floodplains
- Areas inundated by 100-year flooding
- Areas inundated by 100-year flooding with velocity hazard
- Floodway areas
- Floodway areas with velocity hazard
- Areas of undetermined but possible flood hazards
- Areas not mapped on any published FIRM

### Flood Information

Community: 470072 - CHATTANOOGA,CTY/HAMILTON CO

Property is not in a FEMA special flood hazard area.

Map Number: 47065C0344F

Map Date: 11/07/2002

Panel: 0344F

FIPS: 47065

Zone: X

Neither Transamerica Flood Hazard Certification (TFHC) nor ACI make any representations or warranties to any party concerning the content, accuracy or completeness of this flood report, including any warranty of merchantability or fitness for a particular purpose. Neither TFHC nor ACI nor the seller of this flood report shall have any liability to any third party for any use or misuse of this flood report.

## *Improvements*

The current improvements consist of a nine unit apartment complex known as Woodlawn Apartments. The subject is a three story stucco building that was constructed in 1920 and contains 5,868 square feet. Each unit has Sheetrock walls and ceilings, carpet and hardwood flooring, and ceramic tile flooring in the bathrooms. Each unit also has a window heat and air unit and several units have additional space wall heat. Each unit comes equipped with a range/oven and refrigerator. The roof is composition shingle, and the parking lot is asphalt. The overall quality and condition is average.



*Subject Pictures*



EXTERIOR FRONT VIEW



EXTERIOR REAR VIEW



STREET SCENE TO THE SOUTH



STREET SCENE TO THE NORTH





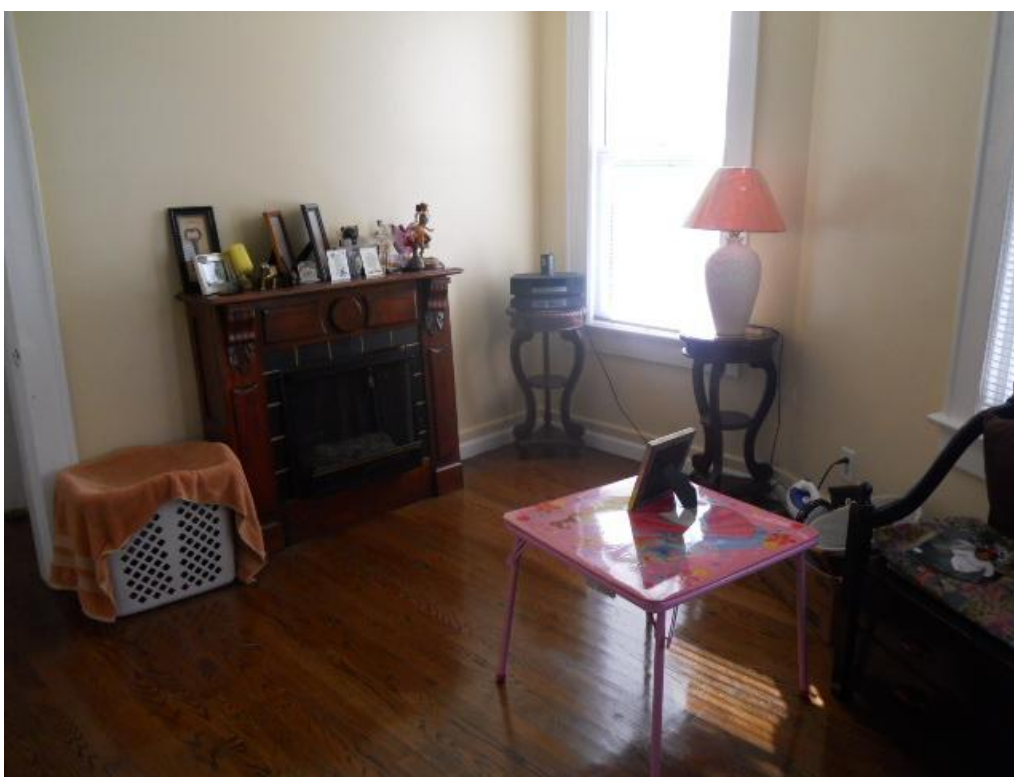
INTERIOR VIEW



INTERIOR VIEW



INTERIOR VIEW



INTERIOR VIEW



INTERIOR VIEW



INTERIOR VIEW





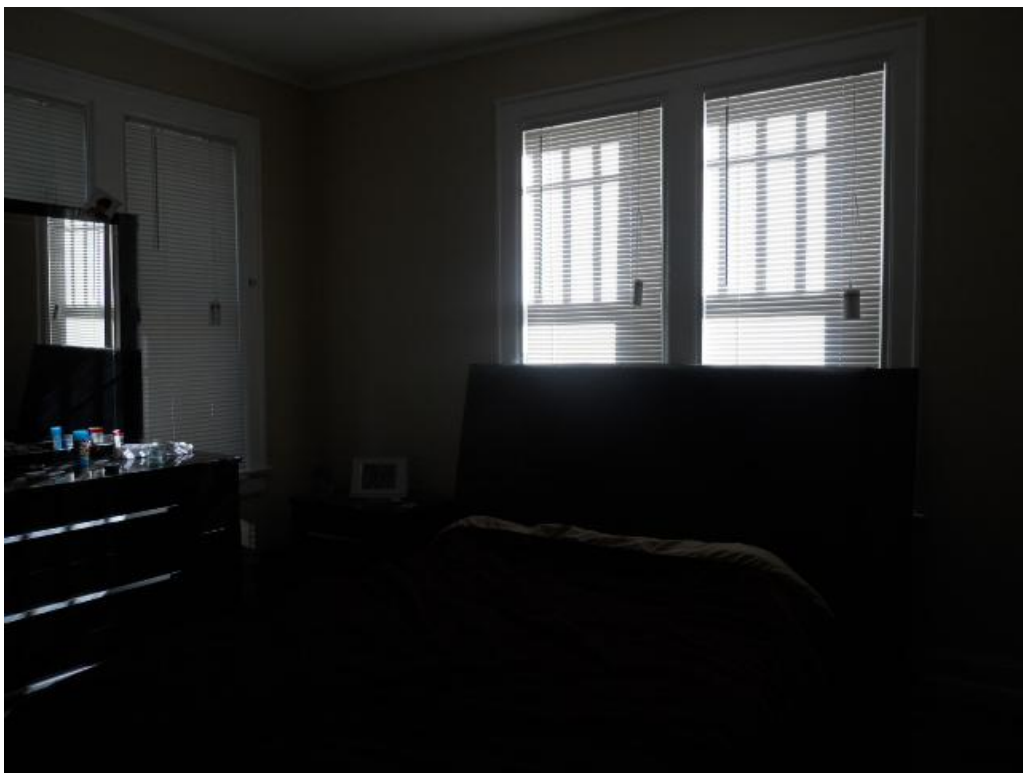
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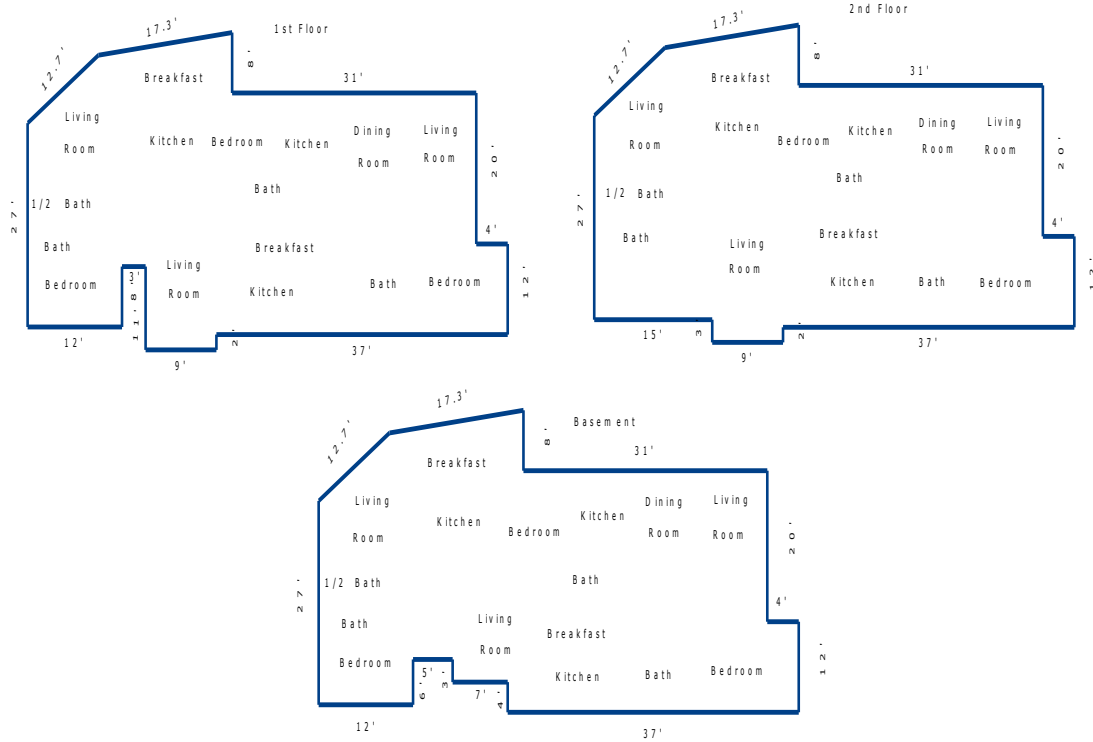
INTERIOR VIEW



INTERIOR VIEW



## Sketch of Subject



Sketch by Apex Medina™

Comments:

AREA CALCULATIONS SUMMARY			
Code	Description	Net Size	Net Totals
GLA1	First Floor	1966.0	3878.0
	Basement	1912.0	
GLA2	Second Floor	1990.0	1990.0
Net LIVABLE Area		(rounded)	5868

LIVING AREA BREAKDOWN			
Breakdown			Subtotals
<b>First Floor</b>			
	17.0	x 5.0	85.0
0.5 x	4.0	x 4.0	8.0
0.5 x	17.0	x 3.0	25.5
0.5 x	5.0	x 5.0	12.5
	61.0	x 3.0	183.0
	16.0	x 57.0	912.0
	53.0	x 4.0	212.0
	2.0	x 9.0	18.0
	9.0	x 46.0	414.0
	8.0	x 12.0	96.0
<b>Basement</b>			
0.5 x	17.0	x 3.0	25.5
0.5 x	4.0	x 4.0	8.0
	5.0	x 17.0	85.0
	61.0	x 5.0	305.0
	16.0	x 57.0	912.0
	53.0	x 4.0	212.0
0.5 x	5.0	x 5.0	12.5
	4.0	x 37.0	148.0
	3.0	x 44.0	132.0
	6.0	x 12.0	72.0
<b>Second Floor</b>			
0.5 x	17.0	x 3.0	25.5
Items Not Listed	(rounded)		1990.0

## ***Valuation Methodology***

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

### ***Cost Approach***

The Cost Approach is summarized as follows:

$$\begin{array}{r} \text{Cost New} \\ - \text{Depreciation} \\ + \text{Land Value} \\ = \text{Value} \end{array}$$

### ***Income Approach***

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and or a discounting process.

### ***Sales Comparison Approach***

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

### ***Final Reconciliation***

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied for a single estimate of market value. Different properties require different means of analysis and lend themselves to one approach over the others.

### ***Analyses Applied***

A **cost analysis** was considered and was developed because there is adequate data to develop a land value and the depreciation accrued to the improvements can be reasonably measured.

A **sales comparison analysis** was considered and was developed because there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.

An **income analysis** was considered and was developed because the subject is an income producing property and there is adequate data to develop a value estimate with this approach.

## ***Personal Property***

Personal property, such as furniture, appliances, televisions, fixtures and equipment, is not included in the estimate of value in this report.

## ***Cost Approach***

The Cost Approach is based on the principle of substitution - that a prudent and rational person would pay no more for a property than the cost to construct a similar and competitive property, assuming no undue delay in the process. The Cost Approach tends to set the upper limit of value before depreciation is considered. The applied process is as follows:

- Estimate the land value according to its Highest and Best Use. I have used the Sales Comparison Approach; the process is as follows:
  - Comparable sales, contracts for sale and current offerings are researched and documented.
  - Each comparable is analyzed and adjusted to equate with the subject property.
  - The value indication of each comparable is analyzed and the data reconciled for a land value indication.
- Estimate the replacement cost of the building and site improvements.
- Estimate the physical, functional and/or external depreciation accrued to the improvements.
- Sum the depreciated value of the improvements with the value of the land for an indication of value.

Cost information was obtained from Marshall Valuation Service, a national cost estimating service, with adjustments made for local conditions. The cost estimates are updated periodically by Marshall and Swift. The cost estimates were obtained from Section 12, Page 16, Multiple Residences and reads: *Class – D; Type - Average; Exterior Walls –Stucco/siding, some ornamentation, average code construction; Interior Finish – Plaster or drywall, hardwood, vinyl composition, carpet; Lighting, plumbing and mechanical – Adequate lighting/ plumbing, phone and TV jacks; Heat – Forced air.*

Marshall & Swift						
<b>Cost Source:</b> Marshall & Swift		# 12: Dwellings, Multiples, Motels				
<b>No. of Stories Multiplier:</b> 1.000		<b>Local Multiplier:</b> 0.910				
<b>Height/Story Multiplier:</b> 1.000		<b>Current Cost Multiplier:</b> 1.000				
<b>Perimeter Multiplier:</b> 1.000		<b>Combined Multipliers:</b> 0.910				
Building Improvements						
Item	Unit Type	Cost	Quantity	Multiplier	Total	
Building	Sq. Ft.	\$61.37	5,868	0.910	\$327,708	
<b>Total Building Improvement Costs</b>					<b>\$327,708</b>	
Price per SF Gross Building Area					\$55.85	
Site Improvements						
Item	Unit Type	Cost	Quantity	Total		
Site Preparation & Improvements	Lump Sum		1	\$0		
<b>Total Site Improvement Costs</b>					<b>\$0</b>	
<b>Subtotal: Building &amp; Site Costs</b>					<b>\$327,708</b>	
Price per SF Gross Building Area					\$55.85	
Total Costs						
Subtotal: Building, Site & Soft Costs					\$327,708	
Developer's Profit 0.0%					\$0	
<b>Total Cost</b>					<b>\$327,708</b>	
Price per SF Gross Building Area					\$55.85	
Depreciation: Section 1 of 1						
Component	Eff. Age	Life	Percent	Amount		
Physical Depreciation: Building	20	60	33%	\$109,236		
Physical Depreciation: Site		100	0%	\$0		
Functional Obsolescence Building	.....			0%		
External Obsolescence Building	.....			0%		
<b>Total Depreciation</b>					<b>\$109,236</b>	
<b>Depreciated Value of Improvements</b>					<b>\$218,472</b>	
Cost Per Square Foot Gross Building Area					\$37.23	
Additional Cost Sections						
Cost Section 2 .....					\$0	
Cost Section 3 .....					\$0	
Land Value						
Land Value .....					\$35,000	
Other .....					\$0	
<b>Cost Approach Value Indication</b>					<b>\$253,472</b>	
<b>Rounded</b>					<b>\$250,000</b>	
<b>Price per SF Gross Building Area</b>					<b>\$42.60</b>	

## ***Direct Sales Comparison Approach***

The Direct Sales Comparison Approach, as defined by the Appraisal Institute, is “Traditionally, an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit in any market. It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) the verification of the sales data, © the degree of comparability of extent of adjustments necessary for time differences, and (d) the absence of nontypical conditions affecting the sales price.”

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market data approaches, since the data inputs are presumably market-derived.

### ***Land Value***

The subject's land value has been developed via the sales comparison approach.

## ***Sales Comparison Approach – Land Valuation***

### ***Land Comparables***

I have researched three comparables for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.

#### **Land Comparable 1**



#### **Transaction**

<b>ID</b>	7577	<b>Date</b>	2/29/08
<b>Address</b>	3333 Brainerd Road	<b>Price</b>	\$65,000
<b>City</b>	Chattanooga	<b>Acre Unit Price</b>	\$151,162.79
<b>State</b>	Tennessee	<b>Property Rights</b>	Fee Simple
<b>Tax ID</b>	147P C 010	<b>Verification Source</b>	Tax Records
<b>Grantee</b>	Louis Beaber		

#### **Site**

<b>Acres</b>	0.4	<b>Topography</b>	Similar
<b>Land SF</b>	18,854	<b>Zoning</b>	Similar
<b>Shape</b>	Similar	<b>Flood Zone</b>	Similar
<b>Utilities</b>	Similar		

#### **Notes**

## Land Comparable 2



Transaction			
<b>ID</b>	8227	<b>Date</b>	9/7/10
<b>Address</b>	6026 East Brainerd Road	<b>Price</b>	\$30,000
<b>City</b>	Chattanooga	<b>Acre Unit Price</b>	\$49,180.33
<b>State</b>	Tennessee	<b>Property Rights</b>	Fee Simple
<b>Tax ID</b>	157L D 014	<b>Verification Source</b>	Tax Records
<b>Grantee</b>	Gerald Sinkfield		
Site			
<b>Acres</b>	0.6	<b>Topography</b>	Similar
<b>Land SF</b>	26,602	<b>Zoning</b>	Similar
<b>Shape</b>	Similar	<b>Flood Zone</b>	Similar
<b>Utilities</b>	Similar		
Notes			

### Land Comparable 3



Transaction			
<b>ID</b>	8229	<b>Date</b>	1/19/10
<b>Address</b>	1404 Shaw han Terrace	<b>Price</b>	\$18,000
<b>City</b>	Chattanooga	<b>Acre Unit Price</b>	\$60,000.00
<b>State</b>	Tennessee	<b>Property Rights</b>	Fee Simple
<b>Tax ID</b>	147F D 001	<b>Verification Source</b>	Tax Records
<b>Grantee</b>	TL Wood		
Site			
<b>Acres</b>	0.3	<b>Topography</b>	Similar
<b>Land SF</b>	12,955	<b>Zoning</b>	Similar
<b>Shape</b>	Similar	<b>Flood Zone</b>	Similar
<b>Utilities</b>	Similar		
Notes			



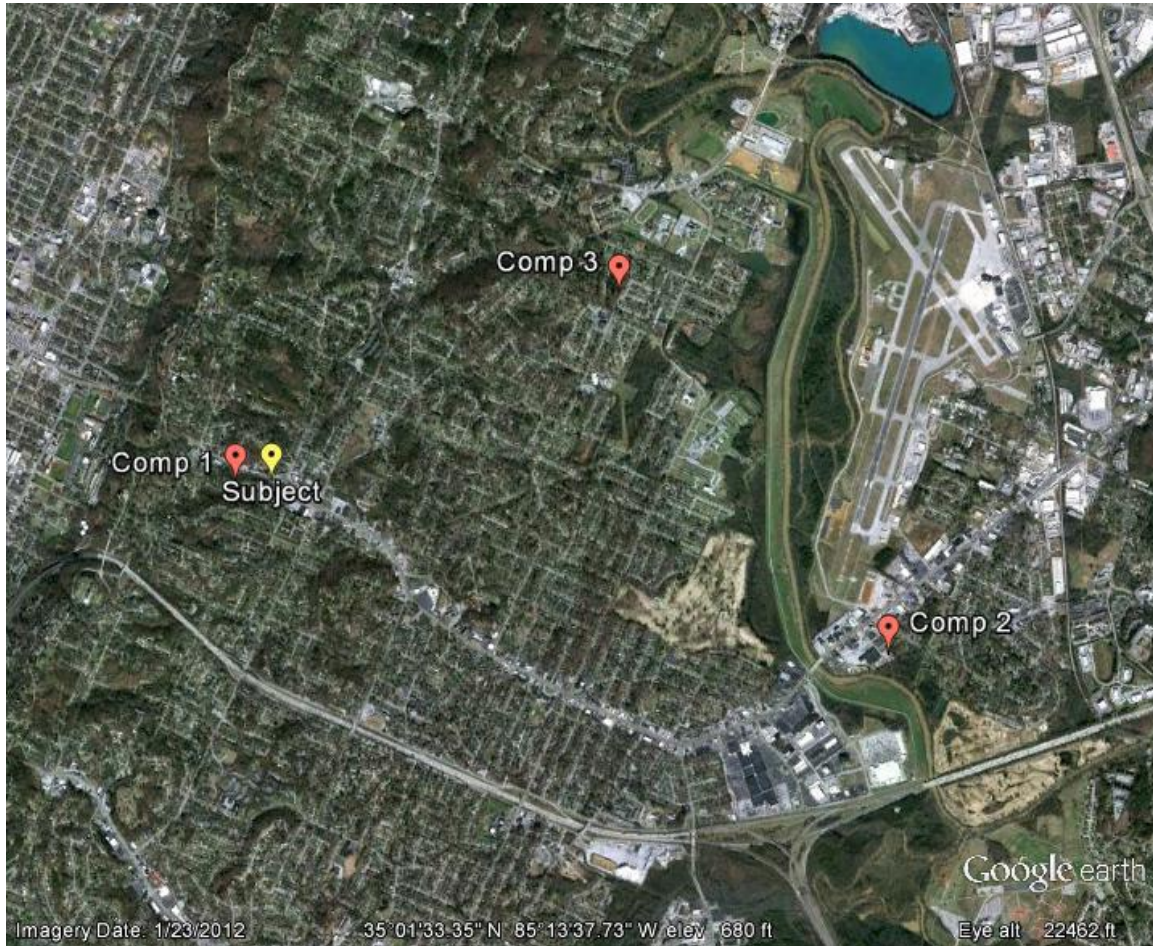
### ***Land Comparables Description and Adjustments***

**Land Sale #1** is a vacant land sale located on Brainerd Road in the Brainerd area of Chattanooga. It has a total of 0.43 acres. A negative 10% time adjustment was made, as the real estate market was stronger at the time of sale. A negative 10% location adjustment was made, as it is of superior location with a high traffic count and good visibility.

**Land Sale #2** is a vacant land sale located on Brainerd Road in the Brainerd area of Chattanooga. It has a total of 0.61 acres, and is similar to the subject. No adjustments were made.

**Land Sale #3** is a vacant land sale located on Shawhan Terrace in the Brainerd area of Chattanooga. It has a total of 0.30 acres, and is similar to the subject. No adjustments were made.

## *Land Comparables Map*



### *Analysis Grid*

The above sales have been analyzed and compared with the subject property. I have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Market Trends
- Location
- Physical Characteristics

On the following page is a sales comparison grid displaying the subject property, the comparables and the adjustments applied.

Land Analysis Grid		Comp 1		Comp 2		Comp 3	
Address	32 Woodlawn Drive	3333 Brainerd Road		6026 East Brainerd Road		1404 Shawhan Terrace	
City	Chattanooga	Chattanooga		Chattanooga		Chattanooga	
State	Tennessee	Tennessee		Tennessee		Tennessee	
Date		2/29/2008		9/7/2010		1/19/2010	
Price		\$65,000		\$30,000		\$18,000	
Acres	0.46	0.43		0.61		0.30	
Acre Unit Price	\$0.00	\$151,162.79		\$49,180.33		\$60,000.00	
<b>Transaction Adjustments</b>							
Property Rights	Fee Simple	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%
Financing	Conventional	0	0.0%	0	0.0%	0	0.0%
Conditions of Sale	Cash	Normal	0.0%	Normal	0.0%	Normal	0.0%
Expenditures After Sale		\$0.00		\$0.00		\$0.00	
<b>Adjusted Acre Unit Price</b>		<b>\$151,162.79</b>		<b>\$49,180.33</b>		<b>\$60,000.00</b>	
Market Trends Through	1/0/00	0.0%	-10.0%	0.0%		0.0%	
<b>Adjusted Acre Unit Price</b>		<b>\$136,046.51</b>		<b>\$49,180.33</b>		<b>\$60,000.00</b>	
Location	Chattanooga	Chattanooga		Chattanooga		Chattanooga	
% Adjustment		-10%		0%		0%	
\$ Adjustment		-\$13,604.65		\$0.00		\$0.00	
Acres	0.46	0.43		0.61		0.30	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0.00		\$0.00		\$0.00	
Topography	Level to Sloping	Similar		Similar		Similar	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0.00		\$0.00		\$0.00	
Shape	Irregular	Similar		Similar		Similar	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0.00		\$0.00		\$0.00	
Utilities	Average	Average		Average		Average	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0.00		\$0.00		\$0.00	
Zoning	R-3	Similar		Similar		Similar	
% Adjustment		0%		0%		0%	
\$ Adjustment		\$0.00		\$0.00		\$0.00	
<b>Adjusted Acre Unit Price</b>		<b>\$122,441.86</b>		<b>\$49,180.33</b>		<b>\$60,000.00</b>	
<b>Net Adjustments</b>		<b>-19.0%</b>		<b>0.0%</b>		<b>0.0%</b>	
<b>Gross Adjustments</b>		<b>19.0%</b>		<b>0.0%</b>		<b>0.0%</b>	

### ***Sales Comparison Approach Conclusion – Land Valuation***

The sales comparison approach has been applied as indicated above to estimate the market value of the subject property as of the date of inspection. The comps used are the best available. The comparative process provided a range of value indications between \$49,180.33 and \$122,441.86 per acre of gross site area with the mean value indication being \$77,207.40. Following adjustments, all of the sales were considered to be good indicators of value for the subject in that all were properties located in the surrounding area that would be expected to appeal to basically the same buyer's market. Applying the unit value of \$75,000.00, rounded, estimate to the (0.46) acres included in the subject property results in a value estimate for the subject, effective (April 11, 2012) of \$34,500, say \$35,000.

<b>As Is Market Value</b>	
<b>Indicated Value per Acre:</b>	\$75,000.00
<b>Subject Size:</b>	0.46
<b>Indicated Value:</b>	\$34,500
<b>Rounded:</b>	\$35,000
<b>Thirty Five Thousand Dollars</b>	

## ***Sales Comparison Approach- Improved Sales***

### ***Improved Comparables***

I have researched five comparables for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.

**Comparable 1**



Transaction			
<b>ID</b>	7449	<b>Date</b>	9/3/09
<b>Address</b>	2833 Dayton Boulevard	<b>Price</b>	\$1,100,000
<b>City</b>	Chattanooga	<b>GBA Unit Price</b>	\$44.74
<b>State</b>	Tennessee	<b>Transaction Type</b>	Closed
<b>Tax ID</b>	117L K 014	<b>Property Rights</b>	Fee Simple
<b>Grantee</b>	Value Invesmetn Properties	<b>Verification Source</b>	Tax Records
Site			
<b>Acres</b>	1.4	<b>Topography</b>	Similar
<b>Land SF</b>	100,188	<b>Zoning</b>	Similar
<b>Shape</b>	Similar	<b>Flood Zone</b>	Similar
<b>Utilities</b>	Similar		
Improvements & Financial Data			
<b>GBA</b>	24,584	<b>Construction</b>	Average
<b>No. of Units</b>	36	<b>Condition</b>	Average
<b>Year Built</b>	1978		
Notes			

### Comparable 2



Transaction			
<b>ID</b>	7779	<b>Date</b>	7/14/10
<b>Address</b>	110 O Neal Street	<b>Price</b>	\$275,000
<b>City</b>	Chattanooga	<b>GBA Unit Price</b>	\$26.75
<b>State</b>	Tennessee	<b>Transaction Type</b>	Closed
<b>Tax ID</b>	146B B 017	<b>Property Rights</b>	Fee Simple
<b>Grantee</b>	110 Oneal LLC	<b>Verification Source</b>	Tax Records
Site			
<b>Acres</b>	0.6	<b>Topography</b>	Similar
<b>Land SF</b>	326,700	<b>Zoning</b>	Similar
<b>Shape</b>	Similar	<b>Flood Zone</b>	Similar
<b>Utilities</b>	Similar		
Improvements & Financial Data			
<b>GBA</b>	10,282	<b>Construction</b>	Average
<b>No. of Units</b>	16	<b>Condition</b>	Average
<b>Year Built</b>	1921		
Notes			



### Comparable 3



Transaction			
<b>ID</b>	7160	<b>Date</b>	10/30/09
<b>Address</b>	208 Valley View Drive	<b>Price</b>	\$280,000
<b>City</b>	Chattanooga	<b>GBA Unit Price</b>	\$40.51
<b>State</b>	Tennessee	<b>Transaction Type</b>	Closed
<b>Tax ID</b>	109G H 014	<b>Property Rights</b>	Fee Simple
<b>Grantee</b>	Posey Investment Group LLC	<b>Verification Source</b>	Tax Records
Site			
<b>Acres</b>	0.8	<b>Topography</b>	Similar
<b>Land SF</b>	104,544	<b>Zoning</b>	Similar
<b>Shape</b>	Similar	<b>Flood Zone</b>	Similar
<b>Utilities</b>	Similar		
Improvements & Financial Data			
<b>GBA</b>	6,912	<b>Construction</b>	Average
<b>No. of Units</b>	12	<b>Condition</b>	Average
<b>Year Built</b>	1961		
Notes			

### Comparable 4



Transaction			
<b>ID</b>	8224	<b>Date</b>	1/9/12
<b>Address</b>	949 Fortwood Street	<b>Price</b>	\$390,000
<b>City</b>	Chattanooga	<b>GBA Unit Price</b>	\$28.88
<b>State</b>	Tennessee	<b>Transaction Type</b>	Closed
<b>Tax ID</b>	146A N 039	<b>Property Rights</b>	Fee Simple
<b>Grantee</b>	Fort Wood Properties LLC	<b>Verification Source</b>	Tax Records
Site			
<b>Acres</b>	0.4	<b>Topography</b>	Similar
<b>Land SF</b>	100,188	<b>Zoning</b>	Similar
<b>Shape</b>	Similar	<b>Flood Zone</b>	Similar
<b>Utilities</b>	Similar		
Improvements & Financial Data			
<b>GBA</b>	13,502	<b>Construction</b>	Average
<b>No. of Units</b>	20	<b>Condition</b>	Average
<b>Year Built</b>	1940		
Notes			



### Comparable 5



Transaction			
<b>ID</b>	8225	<b>Date</b>	3/26/10
<b>Address</b>	106 Goodson Avenue	<b>Price</b>	\$212,000
<b>City</b>	Chattanooga	<b>GBA Unit Price</b>	\$37.25
<b>State</b>	Tennessee	<b>Transaction Type</b>	Closed
<b>Tax ID</b>	126C E 016	<b>Property Rights</b>	Fee Simple
<b>Grantee</b>	Barry Pannabecker	<b>Verification Source</b>	Tax Records
Site			
<b>Acres</b>	0.9	<b>Topography</b>	Similar
<b>Land SF</b>	52,272	<b>Zoning</b>	Similar
<b>Shape</b>	Similar	<b>Flood Zone</b>	Similar
<b>Utilities</b>	Similar		
Improvements & Financial Data			
<b>GBA</b>	5,692	<b>Construction</b>	Average
<b>No. of Units</b>	10	<b>Condition</b>	Average
<b>Year Built</b>	1970		
Notes			

### ***Improved Comparables Description and Adjustments***

**Comparable Sale #1** is a 36 unit apartment complex located north of the subject on Dayton Boulevard in Chattanooga. It was built in 1978 and has a total of 24,584 square feet. A negative 5% time adjustment was made, as the real estate market was stronger at the time of sale. A negative 15% age adjustment was made, as the sale is of newer construction.

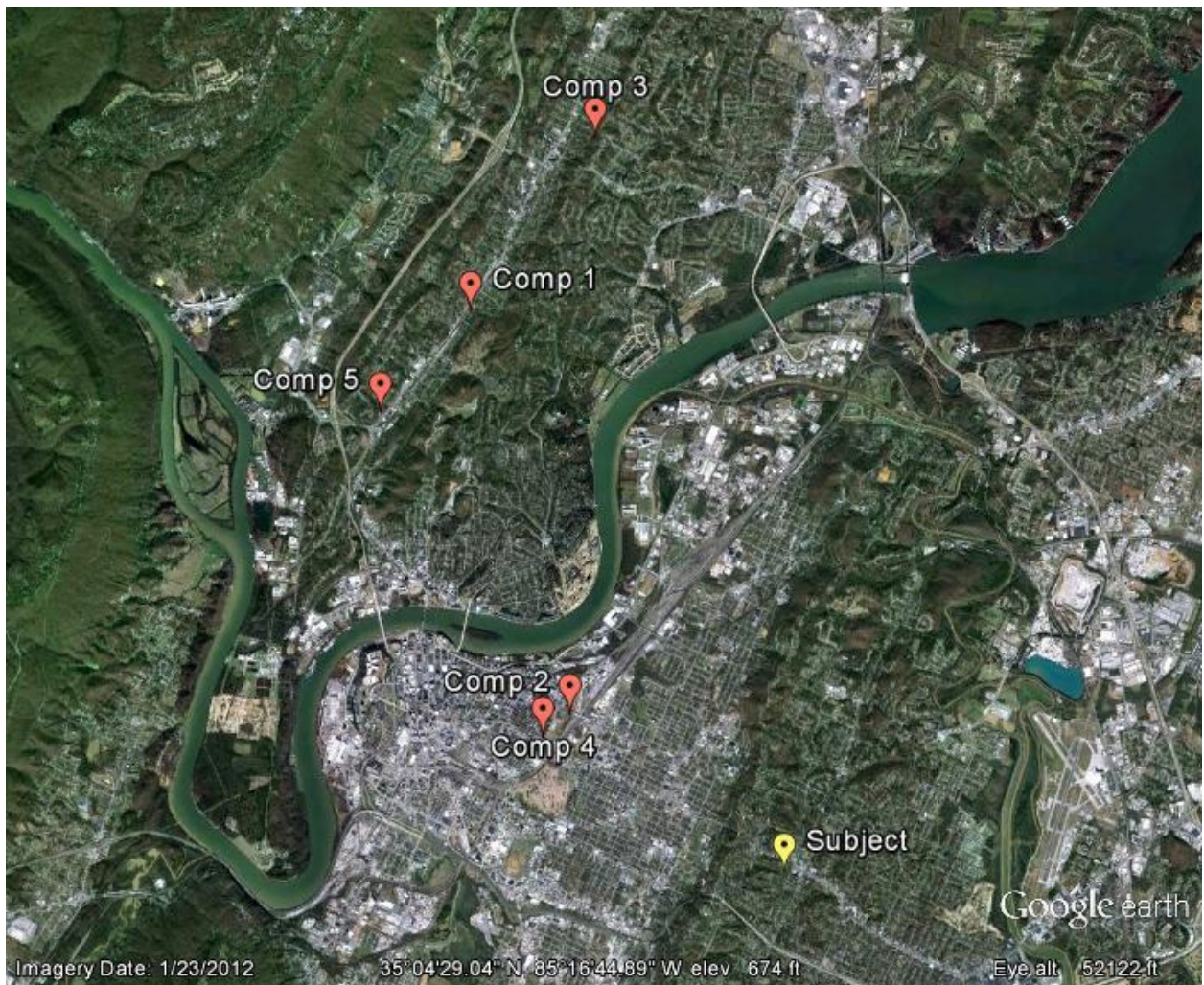
**Comparable Sale #2** is a 16 unit apartment complex located west of the subject on O'Neal Street in Chattanooga. It was built in 1921 and has a total of 10,282 square feet. No adjustments were made, as the sale is similar to the subject.

**Comparable Sale #3** is a 12 unit apartment complex located north of the subject on Valley View Drive in Chattanooga. It was built in 1961 and has a total of 6,912 square feet. A negative 5% time adjustment was made, as the real estate market was stronger at the time of sale. A negative 10% age adjustment was made, as the sale is of newer construction.

**Comparable Sale #4** is a 20 unit apartment complex located west of the subject on Fortwood Street in Chattanooga. It was built in 1940 and has a total of 13,502 square feet. No adjustments were made, as the sale is similar to the subject.

**Comparable Sale #5** is a 10 unit apartment complex located north of the subject on Goodson Avenue in Chattanooga. It was built in 1970 and has a total of 5,692 square feet. A negative 15% age adjustment was made, as the sale is of newer construction.

### *Improved Comparables Map*



### *Analysis Grid*

The above sales have been analyzed and compared with the subject property. I have considered adjustments in the areas of:

- |                        |                            |
|------------------------|----------------------------|
| • Property Rights Sold | • Market Trends            |
| • Financing            | • Location                 |
| • Conditions of Sale   | • Physical Characteristics |

On the following page is a sales comparison grid displaying the subject property, the comparables and the adjustments applied.

Analysis Grid			Comp 1		Comp 2		Comp 3		Comp 4		Comp 5	
Address	32 Woodlawn Drive		2833 Dayton Boulevard		110 O Neal Street		208 Valley View Drive		949 Fortwood Street		106 Goodson Avenue	
City	Chattanooga		Chattanooga		Chattanooga		Chattanooga		Chattanooga		Chattanooga	
State	Tennessee		Tennessee		Tennessee		Tennessee		Tennessee		Tennessee	
Date			9/3/2009		7/14/2010		10/30/2009		1/9/2012		3/26/2010	
Price			\$1,100,000		\$275,000		\$280,000		\$390,000		\$212,000	
GBA	5,868.00		24,584.00		10,282.00		6,912.00		13,502.00		5,692.00	
GBA Unit Price	\$0.00		\$44.74		\$26.75		\$40.51		\$28.88		\$37.25	
<b>Transaction Adjustments</b>												
Property Rights	Fee Simple	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%	
Financing	Conventional	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Conditions of Sale	Cash	Normal	0.0%	Normal	0.0%	Normal	0.0%	Normal	0.0%	Normal	0.0%	
Expenditures After Sale			\$0		\$0		\$0		\$0		\$0	
<b>Adjusted GBA Unit Price</b>			<b>\$44.74</b>		<b>\$26.75</b>		<b>\$40.51</b>		<b>\$28.88</b>		<b>\$37.25</b>	
Market Trends Through	1/0/00	0.0%	-5.0%		0.0%		-5.0%		0.0%		0.0%	
<b>Adjusted GBA Unit Price</b>			<b>\$42.51</b>		<b>\$26.75</b>		<b>\$38.48</b>		<b>\$28.88</b>		<b>\$37.25</b>	
Location	Chattanooga	Chattanooga	Chattanooga	Chattanooga	Chattanooga	Chattanooga	Chattanooga	Chattanooga	Chattanooga	Chattanooga	Chattanooga	
% Adjustment			0%		0%		0%		0%		0%	
\$ Adjustment			\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
GBA	5,868	24,584	10,282	6,912	13,502	5,692						
% Adjustment			0%		0%		0%		0%		0%	
\$ Adjustment			\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
Year Built	1920	1978	1921	1961	1940	1970						
% Adjustment			-15%		0%		-10%		0%		-15%	
\$ Adjustment			-\$6.38		\$0.00		-\$3.85		\$0.00		-\$5.59	
Utilities	Average	Similar	Similar	Similar	Similar	Similar						
% Adjustment			0%		0%		0%		0%		0%	
\$ Adjustment			\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
Condition	Average	Average	Average	Average	Average	Average						
% Adjustment			0%		0%		0%		0%		0%	
\$ Adjustment			\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
Quality	Average	Average	Average	Average	Average	Average						
% Adjustment			0%		0%		0%		0%		0%	
\$ Adjustment			\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
No. of Units	9	36	16	12	20	10						
% Adjustment			0%		0%		0%		0%		0%	
\$ Adjustment			\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
<b>Adjusted GBA Unit Price</b>			<b>\$36.13</b>		<b>\$26.75</b>		<b>\$34.64</b>		<b>\$28.88</b>		<b>\$31.66</b>	
<b>Net Adjustments</b>			-19.3%		0.0%		-14.5%		0.0%		-15.0%	
<b>Gross Adjustments</b>			19.3%		0.0%		14.5%		0.0%		15.0%	

### ***Sales Comparison Approach Conclusion***

The sales comparison approach has been applied as indicated above to estimate the market value of the subject property as of the date of inspection. The comparative process provided a range of value indications between \$26.75 and \$36.13 per square foot of gross building area with the mean value indication being \$31.61. Following adjustments, all of the sales were considered to be good indicators of value for the subject in that all were properties located in the Chattanooga area that would be expected to appeal to basically the same buyer's market. Applying the unit value of \$35.00, rounded, estimate to the (5,868) square feet included in the subject property results in a value estimate for the subject, effective (April 11, 2012) of \$205,380, say \$205,000.

<b>As Is Market Value</b>	
<b>Indicated Value per Square Foot:</b>	\$35.00
<b>Subject Size:</b>	5,868.00
<b>Indicated Value:</b>	\$205,380
<b>Rounded:</b>	\$205,000
<b>Two Hundred Five Thousand Dollars</b>	



## ***Market Rents***

### ***Market Rent Comparables***

I have researched four comparables for this analysis; these are documented on the following pages. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.



#### **Comparable Rent # 1**

Name:	Ashley Place
Address:	220 Culver Street Red Bank, TN
Total Square Feet	11,353
# of Units:	20
Bedrooms	1 Bedroom
Unit Sq. Ft.:	600 square feet
Rent:	\$335 month
Price/Sq. Ft.:	\$.56
Occupancy:	100%

Comparable rent # 1 is a 40 unit apartment complex located to the north in Red Bank, Tennessee.



#### Comparable Rent # 2

Name:	Sweetland View
Address:	210 Hendricks Boulevard Red Bank, TN
Total Square Feet	4,013
# of Units:	6
Bedrooms	1 Bedroom
Unit Sq. Ft.:	600 square feet
Rent:	\$345 month
Price/Sq. Ft.:	\$.58
Occupancy:	100%

Comparable rent # 2 is a 33 unit apartment complex located to the north in Red Bank, Tennessee.





#### Comparable Rent # 3

Name:	Normandy Apartments
Address:	3901 Dayton Boulevard Red Bank, TN
Total Square Feet	17,664
# of Units:	46
Bedrooms	1 Bedroom
Unit Sq. Ft.:	600 square feet
Rent:	\$465 month
Price/Sq. Ft.:	\$.78
Occupancy:	93%

Comparable rent # 3 is a 109 unit apartment complex located to the north in Red Bank, Tennessee.



#### Comparable Rent # 4

Name:	Green Gable
Address:	2833 Dayton Boulevard Red Bank, TN
Total Square Feet	6,633
# of Units:	20
Bedrooms	1 Bedroom
Unit Sq. Ft.:	600 square feet
Rent:	\$395 month
Price/Sq. Ft.:	\$.66
Occupancy:	90%

Comparable rent # 4 is a 30 unit apartment complex located to the north in Red Bank, Tennessee.

The comparable rents are in line with the subject rents.

## ***Income Approach***

The Income Approach to value is a procedure whereby economic rental is estimated, as are expenses, from the gross potential rent developed, and allowances for vacancies and the expenses are deducted leaving net income before recapture. This net income is capitalized into an indication of value.

The Income Approach to value is based on the present worth of the future rights to income. This type of analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

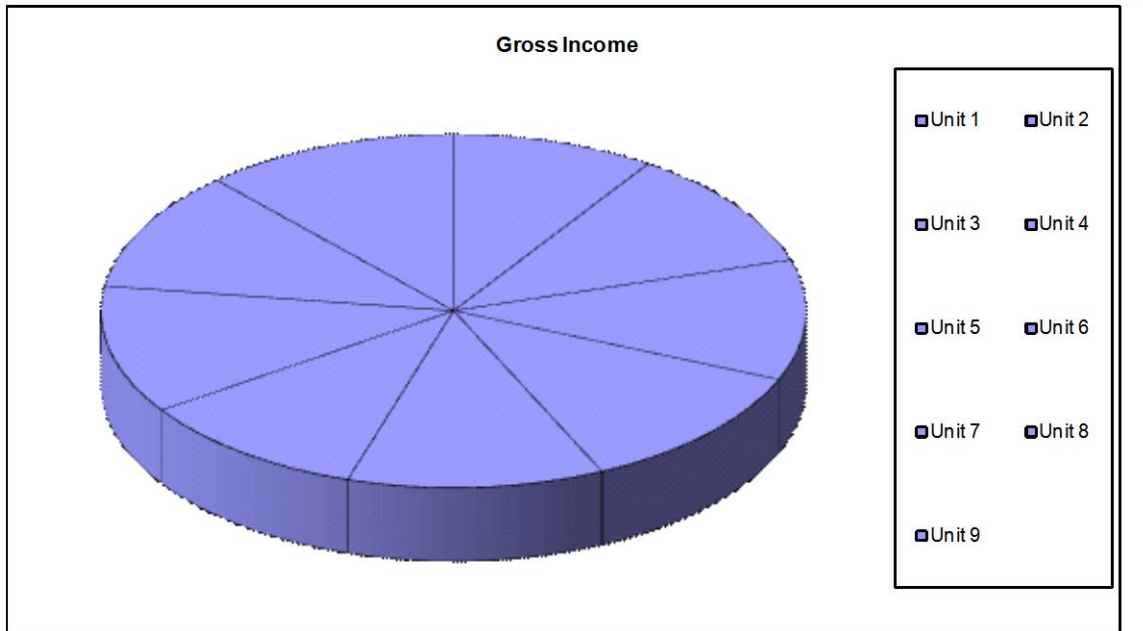
### ***Direct Capitalization Analysis***

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.
- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).
- Develop and subtract operating expenses to derive the Net Operating Income (NOI).
- Develop the appropriate capitalization rate ( $R_o$ ).
- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

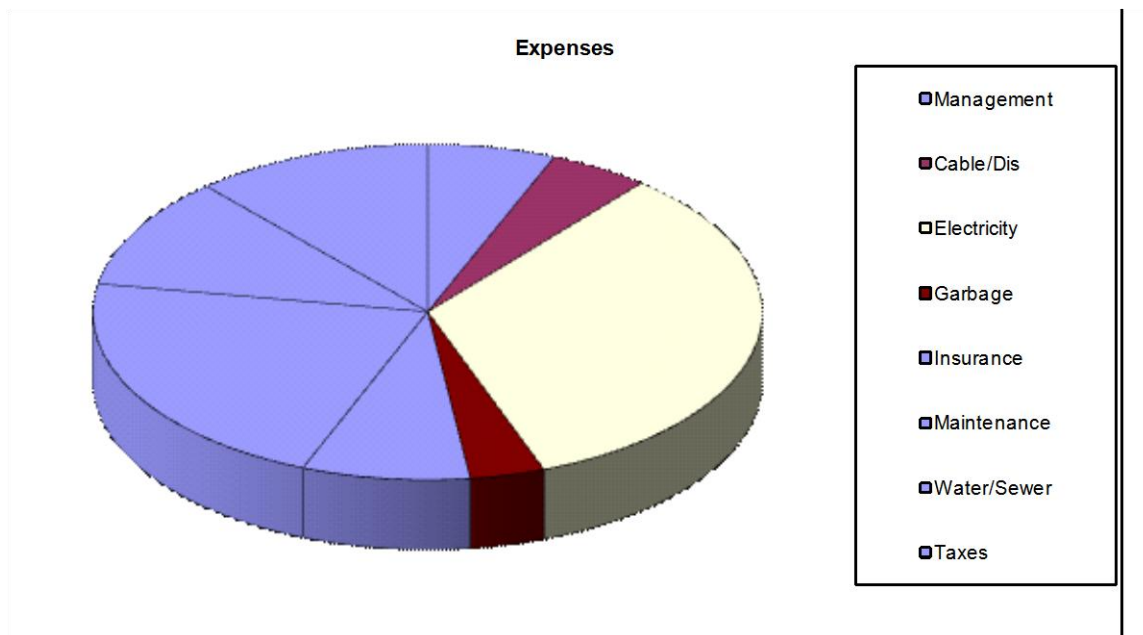
### ***Vacancy and Collection Loss***

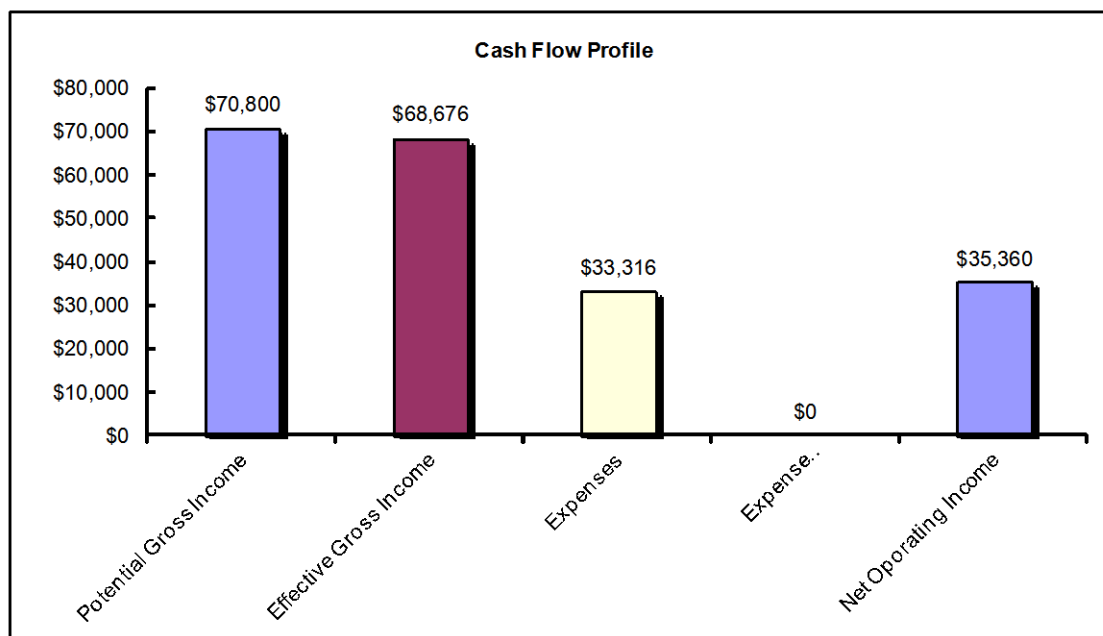
The subject currently has 100% of the 9 units leased with the expenses such as utilities included in the rent. From this a pro forma operating statement was prepared to give an indicated value from the Income Approach. The stabilized vacancy was estimated at 3%, as the units have been steadily leased over the last several years. The current number of units that are rented is high; it appears that the leasing company has been marketing the units aggressively.



### ***Expenses***

The table below details the subject's current expenses and recent history.





Cash Flow	Potential Gross Income	Effective Gross Income	Expenses	Exp. Reimbursements	NOI
Amount	\$70,800	\$68,676	\$33,316	\$0	\$35,360

### ***Capitalization Rate***

The capitalization rate is the factor that converts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

$$\text{NOI} \div \text{Sale Price} = \text{Capitalization Rate}$$

For example, if a property sells for \$500,000, and has a stabilized NOI of \$50,000, the indicated capitalization rate is 10%.

### ***Market Extracted Rates***

The table below details capitalization rates extracted from the market.

Comparable Sale Cap Rates				
Comparable	Address	Price	NOI	Cap Rate
1	1701 N. Concord Road	\$6,050,000	\$477,962	7.90%
2	1521 Hickory Villa Road	\$4,800,000	\$544,566	11.35%
3	3623 Fountain Avenue	\$3,150,000	\$325,230	10.32%
4	918 Donaldson Road	\$850,000	\$71,410	8.40%

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2010*						
APARTMENTS - GARDEN/SUBURBAN TOWNHOUSE						
Item	Input					OAR
<b>Minimum</b>						
Spread Over 10-Year Treasury	0.71%	DCR Technique	1.03	0.045841	0.90	<b>4.25</b>
Debt Coverage Ratio	1.03	<b>Band of Investment Technique</b>				
Interest Rate	3.41%	Mortgage	90%	0.045841	0.041257	
Amortization	40	Equity	10%	0.068840	0.006884	
Mortgage Constant	0.045841	OAR				<b>4.81</b>
Loan-to-Value Ratio	90%	<b>Surveyed Rates</b>				<b>4.57</b>
Equity Dividend Rate	6.88%					
<b>Maximum</b>						
Spread Over 10-Year Treasury	4.97%	DCR Technique	1.70	0.112404	0.60	<b>11.47</b>
Debt Coverage Ratio	1.70	<b>Band of Investment Technique</b>				
Interest Rate	7.67%	Mortgage	60%	0.112404	0.067442	
Amortization	15	Equity	40%	0.152050	0.060820	
Mortgage Constant	0.112404	OAR				<b>12.83</b>
Loan-to-Value Ratio	60%	<b>Surveyed Rates</b>				<b>12.18</b>
Equity Dividend Rate	15.21%					
<b>Average</b>						
Spread Over 10-Year Treasury	2.84%	DCR Technique	1.37	0.070909	0.75	<b>7.26</b>
Debt Coverage Ratio	1.37	<b>Band of Investment Technique</b>				
Interest Rate	5.54%	Mortgage	75%	0.070909	0.053181	
Amortization	28	Equity	25%	0.106285	0.026571	
Mortgage Constant	0.070909	OAR				<b>7.98</b>
Loan-to-Value Ratio	75%	<b>Surveyed Rates</b>				<b>8.26</b>
Equity Dividend Rate	10.63%					

\*3rd Quarter 2010 Data

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### ***Band of Investment***

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate ( $R_E$ )

The mortgage variables are used to build the mortgage constant ( $R_M$ ), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

$$\text{Payments} \times 12 / \text{Original Loan Amount} = \text{Mortgage Constant } (R_M)$$

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

$$\text{After Debt Service Profit} / \text{Equity Investment} = \text{Equity Cap Rate } (R_E)$$

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this



return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

**Formula:**

$$\begin{aligned} R_M \times M &= \text{rate} \\ R_E \times (1-M) &= \text{rate} \\ &= \text{Cap Rate } (R_o) \end{aligned}$$

***Debt Coverage Ratio Analysis***

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant ( $R_M$ ). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

**Formula:**

$$\begin{aligned} \text{Debt Coverage Ratio} \times \text{Loan to Value Ratio} \times \text{Mortgage Constant} &= R_o \\ \text{or: } \text{DCR} \times M \times R_M &= R_o \\ \text{or: } \text{DCR} \times M \times R_M &= R_o \end{aligned}$$

<b>Capitalization Rate Calculations</b>
---

**Capitalization Rate Variables**

Mortgage Interest Rate	5.54%
Loan Term (Years)	28
Loan To Value Ratio	75.%
Debt Coverage Ratio	1.37
Equity Dividend Rate	10.63%

**Band of Investment Analysis**

Mortgage Constant		Loan Ratio	Contributions
0.070371684	x	75.%	= 5.28%
Equity Dividend Rate		Equity Ratio	
10.63%	x	25.%	= 2.66%
<b>Band of Investment Capitalization Rate</b>			<b>7.94%</b>

**Debt Coverage Ratio Analysis**

Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant	
1.37 x 0.75 x 0.0703716837473812	= 7.23%
<b>Debt Coverage Ratio Capitalization Rate</b>	<b>7.23%</b>

A 10% capitalization rate was reconciled for the subject property.

## Capitalization to Value

Income Capitalization Analysis					
Unit/Space Type	Income	Method	Units/SF	Annual	% of PGI
Unit 1	\$550.00	\$/Month	1	\$6,600	9.3%
Unit 2	\$650.00	\$/Month	1	\$7,800	11.0%
Unit 3	\$650.00	\$/Month	1	\$7,800	11.0%
Unit 4	\$693.00	\$/Month	1	\$8,316	11.7%
Unit 5	\$693.00	\$/Month	1	\$8,316	11.7%
Unit 6	\$628.00	\$/Month	1	\$7,536	10.6%
Unit 7	\$693.00	\$/Month	1	\$8,316	11.7%
Unit 8	\$650.00	\$/Month	1	\$7,800	11.0%
Unit 9	\$693.00	\$/Month	1	\$8,316	11.7%
Potential Gross Income:				\$70,800	100.0%
Vacancy & Collection Loss 3.00%				\$2,124	
Other Income:				\$0	
Effective Gross Income (EGI):				\$68,676	97.0%
Expense	Amount (% or \$)	Method	Annual	\$/\$F	
Management	3%	% of EGI	\$2,060	\$0.35	
Cable/Dis	\$1,620	\$/Year	\$1,620	\$0.28	
Electricity	\$11,100	\$/Year	\$11,100	\$1.89	
Garbage	\$1,200	\$/Year	\$1,200	\$0.20	
Insurance	\$2,700	\$/Year	\$2,700	\$0.46	
Maintenance	\$7,200	\$/Year	\$7,200	\$1.23	
Water/Sewer	\$3,600	\$/Year	\$3,600	\$0.61	
Taxes	\$3,836	\$/Year	\$3,836	\$0.65	
Total Expenses:				\$33,316	\$5.68
Expense Ratio (Expenses/EGI):				48.51%	
Expense Reimbursements:				\$0	
Net Expense Ratio				48.51%	
Net Operating Income (NOI):				\$35,360	\$6.03
Capitalization Rate:				10.00%	
Value (NOI/Cap Rate):				\$353,597	\$60.26
Rounded:				\$350,000	\$59.65

## Direct Capitalization Analysis Conclusion

Based on the above analysis detailed above, as of April 11, 2012 I have reconciled to a direct capitalization approach value of:

**\$350,000**

**Three Hundred Fifty Thousand Dollars**

## ***Reconciliation and Final Value Estimate***

When appraising real estate, the appraiser normally considers three approaches to value, being the Cost, Direct Sales Comparison and Income approaches. The three approaches to value's indicated total value of the subject are as follows:

<b>The Cost Approach:</b>	<b>\$250,000</b>
<b>The Direct Sales Comparison Approach:</b>	<b>\$205,000</b>
<b>The Income Approach:</b>	<b>\$350,000</b>

The Cost Approach often sets the upper limit of value, and in this report this is not the case, as it is below the Income Approach. Depreciation was deducted on the subject, as the buildings are in average condition. Therefore, a 33 percent depreciation deduction was made on the building.

Sales of properties were found in the area and were compared to the subject to give an estimated value from the Direct Sales Comparison Approach. All of the sales were considered to be good indicators of value for the subject in that all were properties located in the Chattanooga area that would be expected to appeal to basically the same buyer's market. The improved sales used are the best available, as there have been few recent sales in the immediate area in the last several years.

The subject currently has 100% of the nine units leased with the tenant paying expenses such as utilities and from this a pro forma operating statement was prepared to give an indicated value from the Income Approach. The stabilized vacancy was estimated at 3%, as the units have been steadily leased over the last several years. The current number of units that are rented is high; it appears that the leasing company has been marketing the units aggressively.

There is a narrow range of value between the three approaches. The Income Approach is the highest, and it is believed that the property would not sell near this amount. It is estimated that the value is probably between the Sales Comparison Approach and the Income Approach.

Having personally inspected the property located at 32 Woodlawn Drive and the surrounding neighborhood on April 11, 2012, I hereby certify that, to the best of my knowledge and belief, the inspection revealed no indications of moderate to significant physical damage to the property or neighborhood as a result of the recent disaster. No repairs other than those noted in the appraisal report are needed, and there is no adverse effect on the marketability and value of the property.

The estimated value of the subject as of April 11, 2012, is:

**TWO HUNDRED FIFTY THOUSAND DOLLARS**  
**\$250,000**

If the subject were placed on the market for sale, it is estimated that it would take from twelve to twenty four months to sell the property. The estimated exposure time is twelve to twenty four months.

The digitized signatures used are true representations of the appraiser's signature and are password protected.

A handwritten signature in black ink, appearing to read "E. Wells Blake, Jr.", written in a cursive style.

E. Wells Blake, Jr.  
Certified General Tennessee-CG-1688  
April 18, 2012  
EWBjr/tdo

## ***Definitions***

**Market Value:** As defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

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

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. 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.

**A Fee Simple** interest is defined<sup>1</sup> as:

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

**A Leased Fee** interest is defined<sup>1</sup> as:

An ownership interest held by a landlord with the rights of use and occupancy conveyed by a 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.

**Marketing Time** is defined<sup>1</sup> as:

---

<sup>1</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. (Chicago: Appraisal Institute, 2002).



1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)

**Exposure Time** is defined<sup>1</sup> as:

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions. (Appraisal Standards Board of The Appraisal Foundation, Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions")

Market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal. In the case of disposition value, the time frame allowed for marketing the property rights is somewhat limited, but the marketing effort is orderly and adequate. With liquidation value, the time frame for marketing the property rights is so severely limited that an adequate marketing program cannot be implemented. (The Report of the Appraisal Institute Special Task Force on Value Definitions qualifies exposure time in terms of the three above-mentioned values.) See also marketing time.

**Gross Building Area (GBA)** is the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished

surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded.<sup>1</sup>

**Rentable Area (RA)** is the amount of space on which the rent is based; calculated according to local practice.<sup>1</sup>

**Gross Leasable Area (GLA)** the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines, and measured from the center of interior partitioning to outside wall surfaces; the standard measure for determining the size of shopping centers where rent is calculated based on the GLA occupied. The area for which tenants pay rent.<sup>1</sup>

### **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>1</sup>

### **Stabilized Value**

1. A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods, when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value.
2. A value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a bonus or premium for material, the abnormal inefficiency of labor, the cost of delay or an excessive sale price, e.g., a premium paid due to a temporary shortage of supply.<sup>1</sup>

In layman's terms, stabilized value is the prospective value of a property after construction has been completed and market occupancy and cash flow have been achieved.<sup>2</sup>

### **As Complete Value**

The prospective value of a property after all construction has been completed. This value reflects all expenditures for lease-up and occupancy that may be expected to have occurred at that point in time, which may or may not put the property at stabilized value.<sup>1</sup>

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<sup>2</sup> Narrative1.com. Thomas W. Armstrong, MAI

# ***Property Observation Checklist***

## **LIMITED SCOPE ANALYSIS**

The property Observation Checklist is a limited scope analysis voluntarily prepared by the appraiser during the normal course of his/her inspection of the subject property in the preparation of a real estate appraisal. In completing the checklist, only visual observations are recorded. The intent of the checklist is to identify possible environmental factors that could be observable by a non-environmental professional. The appraiser did not search title, interview the current or prior owners, or do any research beyond that normally associated with the appraisal process, unless otherwise stated.

The user of this checklist is reminded that all responses to the questions are provided by an appraiser who is not an environmental professional and is not specifically trained or qualified to identify potential environmental problems; therefore, it should be used only to assist the appraiser's client in determining whether an environmental professional is required. The checklist was not developed for use with single-family residential or agricultural properties.

The appraiser is not liable for the lack of detection or identification of possible environmental factors. The appraisal report and/or the Property Observation Checklist must not be considered under any circumstances to be an environmental site assessment of the property as would be performed by an environmental professional.

## **GENERAL INSTRUCTIONS**

The appraiser should distinguish, as appropriate, between the physical presence of possible environmental factors and the economic effect such factors may have in the marketplace or on the value estimate. In completing the checklist, the appraiser should attach reports, photographs, interview records, notes, public records, etc., as documentation for specific observations. The instructions for each section of the checklist specify the kinds of documentation required.

If, for any reason this checklist is prepared as a stand – alone document, it must be accompanied by an attached statement of limiting conditions and certification of the appraiser's qualifications.

## **TERMINOLOGY AND APPRAISAL STANDARDS**

The following checklist terms appear in *The Dictionary of Real Estate Appraisal*, third edition (Chicago: Appraisal Institute, 1993) and are specifically referenced in the Property Observation Checklist: *adjoining properties; environmental professional; environmental site assessment; and pits, ponds or lagoons*. Please refer to *The Dictionary of Real Estate Appraisal*, third edition, for discussions of these terms.

Please refer to Guide Note 8, "The Consideration of Hazardous Substances in the Appraisal Process," *Guide Notes to the Standards of Professional Appraisal Practice* (Chicago, Appraisal Institute, 1995); Advisory Opinion G-9, "Responsibility of Appraisers Concerning Toxic or Hazardous Substance Contamination." *Uniform Standards of Professional Practice* (Washington, D.C.: The Appraisal Foundation, 1995 ed.); and other appropriate statements in the professional standards documents for additional information.

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<b>SECTION 1</b>	<b>Extent of Appraiser's Inspection of the Property</b>
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Describe the appraiser's on – site inspection of the subject property and, as applicable, the adjoining properties:

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<b>SECTION 2</b>	<b>Possible Environmental Factors Observed by the Appraiser</b>
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Indicate below if any of the following possible environmental factors were observed during the appraiser's visual inspection (s) of the subject property and, as applicable, the adjoining properties. A written description of possible environmental factors should be provided for all questions where "Yes" is checked.

1. Did the appraiser observe an indication of current or past industrial/manufacturing use on the subject property or adjoining properties?

◦ Yes   · No   If observed, describe below:

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2. Did the appraiser observe any containers, storage drums, or disposal devices not labeled or identified as to contents or use on the subject property?

◦ Yes   · No   If observed, describe below:

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3. Did the appraiser observe any stained soil or distressed vegetation on the subject property?

◦ Yes   · No   If observed, describe below:

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4. Did the appraiser observe any pits, ponds, or lagoons on the subject property?

◦ Yes   · No   If observed, describe below:

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5. Did the appraiser observe any evidence of above – ground or under ground storage tanks (e.g., tanks, vent pipes, etc.) on the subject property?

◦ Yes · No If observed, describe below:

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6. Did the appraiser observe any flooring, drains, or walls associated with the subject property that are stained or that emit unusual odors?

◦ Yes · No If observed, describe below:

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7. Did the appraiser observe any water being discharged on or from the subject property?

◦ Yes · No If observed, describe below:

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8. Did the appraiser observe any indication of dumping, burying, or burning on the subject property?

◦ Yes · No If observed, describe below:

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9. Did the appraiser observe any chipped, blistered, or peeled paint on the subject property?

◦ Yes · No If observed, describe below:

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10. Did the appraiser observe any sprayed – on insulation, pipe wrapping, duct wrapping, etc., on the subject property?

◦ Yes · No If observed, describe below:

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11. Did the appraiser observe any transmission towers (electrical, microwave etc.) on the subject property or adjoining properties?

◦ Yes · No If observed, describe below:

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12. Did the appraiser observe any coastal area, rivers, streams, springs, lakes, swamps, marshes, or water – courses on the subject property or adjoining properties?

◦ Yes · No If observed, describe below:

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13. Did the appraiser observe any other factors that might indicate the need for investigation (s) by an environmental professional?

◦ Yes · No If observed, describe below:

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<b>SECTION 3 Possible Environmental Factors Reported by Others</b>
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Indicate below if in completing this assignment the appraiser was in – verbally or in writing – of any information concerning possible environmental factors reported by others. “Others” may include the client, the property owner, the property owner’s agent, or any other person conveying such information. Documentation should be provided for all instances where “Yes” is checked. If the information was presented verbally, then a written description of the source and circumstance of the communication should be attached to this checklist and/or the appraisal report. Copies of printed reports provided to the appraiser should be attached to this checklist and/or the appraisal report.

14. Has the appraiser been informed about federal – or state – maintained records indicating that environmentally sensitive sites are located on the subject property or adjoining properties?

◦ Yes · No If observed, describe below:

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15. Has the appraiser been informed about past or current violations (e.g., liens, government notifications, etc.) of environmental laws concerning the subject property?

◦ Yes · No If observed, describe below:

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16. Has the appraiser been informed about past or current environmental lawsuits or administrative proceedings concerning the subject property?

◦ Yes · No If observed, describe below:

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17. Has the appraiser been informed about past or current tests for lead – based paint or other lead hazards on the subject property?

◦ Yes · No If observed, describe below:

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18. Has the appraiser been informed about past or current tests for asbestos – containing materials on the subject property?

◦ Yes · No If observed, describe below:

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19. Has the appraiser been informed about past or current tests for radon on the subject property?

◦ Yes · No If observed, describe below:

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20. Has the appraiser been informed about past or current tests soil or groundwater contamination on the subject property?

◦ Yes · No If observed, describe below:

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21. Has the appraiser been informed about other professional environment site assessment (s) of the subject property?

◦ Yes · No If observed, describe below:

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Signature

E. Wells Blake, Jr.

Name

April 18, 2012

Date Checklist Signed

Certified General Tennessee-CG-1688

State Certification or

State

State Licenses #

# QUALIFICATIONS OF APPRAISER

## E. Wells Blake, Jr.

**Office Address:** 240 Forrest Avenue, Suite 601, P.O. Box 4277, Chattanooga, TN 37405  
**Office Phone/Fax:** (423) 265-2777 / Fax (423) 266-4414  
**E-mail Address:** appraisals@edblakeco.com  
**Web Site Address:** www.edblakeco.com  
**Residence Address:** 119 River Point Road, Signal Mountain, TN 37377  
**Residence Phone:** (423) 886-3689  
**Date of Birth:** April 13, 1959  
**Tax ID No.:** 62-1591504

From June 1, 1993 to present, employed by Ed Blake Company, as a real estate appraiser.

From October 1981 to May 1993, worked for Southern Cross Corporation, in Birmingham, Alabama, as Regional Manager of a seven-state territory. Conducted natural gas leak surveys and sold safety equipment to natural gas companies in the Southeast.

### **EDUCATION**

1981: Auburn University, Bachelor in Business Administration, with a Major in Marketing.

#### **Courses completed and examinations passed, sponsored by the Appraisal Institute:**

Course No. 430 - Standards of Professional Practice, Part C (USPAP), September 1998  
Course No. 310 - Basic Income Capitalization, March, 1995  
Course No. 420 - Standards of Professional Practice, Part B (USPAP), November 1994  
Course No. 120 - Appraisal Procedures, September 1994  
Course No. 110 - Appraisal Principles, May 1994  
Course No. 410 - Standards of Professional Practice, Part A (USPAP), November 1993

#### **Courses completed and examinations passed, sponsored by the Tennessee Real Estate Education System, Inc.:**

Uniform Standards of Professional Appraisal Practice, September 2002  
Valuation of Partial Interests, July 2002  
Uniform Residential Appraisal Report Forms, September 1997  
HP12C Calculator Class, February 1994  
Course 100 – Foundations of Real Estate Appraisal, June 1993

#### **Courses completed and examinations passed, sponsored by the Tennessee Real Estate Commission:**

Pre-Licensing Class for Real Estate Profession, July 1993

**Courses completed and exam passed, sponsored by the Continual Learning Institute:**

Communicating the Appraisal, November 1997

**Courses completed and exam passed, sponsored by the Georgia MLS Training Institute:**

7 hour National USPAP Update Course – February 2007

7 hour National USPAP Update Course – February 2005

**Courses completed and exam passed, sponsored by the McKissock Real Estate & Appraisal School:**

Even Odder – More Oddball Appraisals – March 2009

7 hour National USPAP Update Course – January 2009

7 hour National USPAP Update Course – February 2007

**Courses and seminars attended, with no examination required, sponsored by the Appraisal Institute:**

Appraisal Curriculum Overview - May 2010

7 hour National USPAP Update Course - April 2010

REO Appraisal – Appraisal of Residential Property for Foreclosure & Preforeclosure - May 2009

An Introduction to Valuing Green Buildings – February 2009

Appraisal Challenges: Declining Markets & Sales Concessions – January 2009

Appraisal of Local Retail Properties, February 2007

Appraising High – Value and Historic Homes, February 2006

Professional's Guide to the Uniform Residential Appraisal Report, August 2005

Evaluating Residential Construction, March 2004

Appraising Manufactured Housing, September 2004

Loss Prevention, July 2003

Analyzing Commercial Lease Clauses, July 2003

Real Estate Disclosure, June 2002

The Application and Use of the Streamlined Appraisal Process, February 2001

State of the Profession, December 2000

Residential Demonstration Appraisal Report Writing, April 2000

Appraisal Office Management, August 1999

Alternative Residential Reporting Forms, August 1997

Challenge of New Technology, April 1997

Fair Lending and The Appraiser, August 1996

Appraisal of Retail Properties, November 1995

Electronic Data Seminar, October 1995

FNMA REO Seminar, October 1993

Uniform Residential Appraisal Report, September 1993

**LICENSES**

State of Tennessee Real Estate Affiliate Broker No. 252167  
State of Tennessee Certified General Real Estate Appraiser No. 1688  
State of Georgia Certified General Real Estate Appraiser No. 5421  
State of Alabama Certified General Real Estate Appraiser No. G00753

**PROFESSIONAL ORGANIZATIONS AND MEMBERSHIPS**

Chattanooga Association of REALTORS®  
Appraisal Institute - SRA Candidate  
Chattanooga Mortgage Bankers Association

**CLIENTS**

Clients include banks, savings and loans, mortgage companies, credit unions, various corporations, attorneys, governmental agencies and individuals. References will be furnished upon request.

NEW



*Stewart  
Person  
600 9080*

Date: 03/30/2012

ED BLAKE

Appraiser

ED BLAKE COMPANY

Firm

24 FORREST AVE

Address

CHATTANOOGA, TN 37405

City, State, Zip

Re: 32 WOODLAWN DR CHATTANOOGA, TN 37411

(Subject Property Address and/or Brief Description of the Subject Property)

Dear MR. BLAKE:

FNB Bank of Scottsboro (the "Bank") solicits your services to perform an appraisal of the captioned property. The subject property, and the terms and scope of this appraisal and engagement, are more fully described in the attachment(s). The following guidelines and criteria are provided for acceptable appraisals for FNB Bank of Scottsboro:

1. You are requested to provide a Market Value appraisal, meaning the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale (including assuming that (a) the buyer and seller are each acting prudently and knowledgeably, and (b) the price is not affected by undue stimulus). Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
  - a. Buyer and seller are typically motivated;
  - b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
  - c. A reasonable time is allowed for exposure in the open market;
  - d. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
  - e. 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.
- 1a. The appraisal report should state that the purpose of the appraisal is to estimate Market Value, and recite the definition of Market Value.
2. The appraisal is to be completed in accordance with (a) all Federal banking regulations (primarily OCC Regulation 12 CFR Part 34, FDIC Regulation 12 CFR Part 323 and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ["FIRREA"]), and (b) the Uniform Standards of Professional Appraisal Practice and Conduct ("USPAP") as promulgated by the Appraisals Standards Board of the Appraisal Foundation.
3. The appraisal shall be written and contain sufficient information and analysis to support the Bank's analysis and underwriting of the proposed loan transaction. The analysis and report should provide sufficient information regarding any discounts or deductions for areas of concern such as proposed construction or renovation, partially leased buildings, non-market lease terms, tract developments with unsold units, and similar issues. Appraisal reports are to be full narrative reports unless otherwise noted. Upon completion, please submit three original copies of the appraisal report to the undersigned together with submission of an electronic version either in Microsoft WORD or as a PDF document to the e-mail address of the undersigned (a CD is also

acceptable). **The appraisal must include a copy of this letter and the attached exhibit.** The appraisal must be prepared by and signed by a state certified appraiser.

4. The invoice for the cost of the appraisal should be submitted to the undersigned, along with the Federal Tax Identification number for your firm.
5. Your report is intended for the confidential and exclusive use of the Bank. You are to take all reasonable steps to ensure that you and your organization divulge no information regarding the appraisal report to any person other than Bank officers. You can assume that once the Bank has accepted the appraisal report and the Bank's client has reimbursed the Bank for the cost of the appraisal that the Bank will provide a copy of the appraisal report to the Bank's client.
6. We understand that your firm carries and will continue to carry insurance for errors and omissions.
7. The report must describe the property rights being appraised.
8. The report must describe all salient features of the property being appraised, including but not limited to:
  - a. All positive and negative characteristics of the region and neighborhood and their impact on the value of the subject property. A discussion of the supply, demand, absorption rates, trends of vacant space, and market trends is essential.
  - b. Factors relating to the utility of the land, such as location (for example, corner lots), size, shape, slope, drainage, exposure to sun and weather, view, setting, natural environmental features, availability of utilities, off site improvements (special assessments, accessibility, roads, and sidewalks), deed restrictions, easements, rights-of-way, availability of public transportation, etc.
  - c. Zoning and private restriction (if any) and their effect on the utility and value of the property.
  - d. The subject property's location in relation to flood plains, earthquake faults, hazardous waste sites, etc.
  - e. Easements, encroachments, or other items that may have a material impact on the value of the subject property.
  - f. Detailed description of the improvements, including actual age, effective age, remaining economic life, quality, condition, type of construction, construction details, gross building area, net building area (net rentable and net usable), and a discussion of the functional utility.
  - g. Photographs of the subject property and street views are required. Photographs of deferred maintenance and / or any other circumstance of material nature associated with the subject property should also be included in the appraisal report.
  - h. A building (floor) plan is required. Office, warehouse, and assembly areas should be shown for industrial buildings.
9. The appraisal report should contain an evaluation and supported estimate for the highest and best use of the subject property. This estimate of use should be consistent with the definition of Market Value described above. This estimate of use must consider the effect on use and value of the following factors: existing land use regulations, reasonable probable modifications of such land use regulations, economic demands, the physical adaptability of the property neighborhood trends, and the optimal usage of the property. In addition, the appraisal report must consider the effect on the property being appraised of anticipated public or private improvements, located on or offsite, to the extent that market actions reflect such anticipated movements as of the appraisal date.

In all appraisals, including those involving proposed construction, development or changes in use, the appraiser must specifically address and consider the anticipated economic feasibility, as well as cite all significant market data utilized in developing his conclusions. Such analysis must be presented in sufficient detail to support the appraiser's forecast of the probable success and conclusion of the highest and best use of the subject.

In all cases where the appraiser relies on feasibility / marketability studies prepared by a third party to support his estimate of the highest and best use, he must:

- a. Attest that such study has been thoroughly examined and that he fully concurs with its findings and conclusions;



- b. Specifically identify both the study examined, as well as set forth within the body of the appraisal, a summary of the significant data, analysis, and conclusions, presented in the study. Such summary must be presented with sufficient detail that further reference to the study is unnecessary by a third party reader of the appraisal report; and
  - c. Have available for future examination by users of the appraisal a complete copy of the feasibility / marketability study prepared by the third party.
10. The appraisal should correctly employ all recognized appraisal methods and techniques that are necessary to produce credible analysis, opinion or conclusion. Exclusion or omission of any recognized method for cause must be fully justified.
11. The appraisal report should consider, analyze and disclose in reasonable detail:
- a. Any current agreement of sale, option, or listing of the property being appraised, provided such information is available to the appraiser in the normal course of his research or if such information is provided to him by FNB Bank of Scottsboro and / or its client.
  - b. A sales history of the comparables, if the subject property is located in a speculative market which has experienced dramatic price fluctuations relative to regional norms, covering the speculative time period involving the comparable sales.
  - c. Any prior sales of the subject property that occurred within the following time periods:
    - i. One year preceding the date when the appraisal was prepared for one to four family residential property; and
    - ii. Three years proceeding the date when the appraisal was prepared for all other property types.
12. The appraisal report should contain the following information where an analysis, opinion, or conclusion of a proposed project, improvement, or change in use is involved:
- a. Plans, specifications, or other documentation in sufficient detail to identify the scope and character of the proposed improvements;
  - b. Evidence indicating the probable time of completion of the proposed improvements;
  - c. Clear and appropriate evidence supporting development costs;
  - d. Review of anticipated competing real estate offerings in the area at the time of completion; and / or stabilized occupancy should be set forth in sufficient detail so that the continuum of present value estimates over the life of the credit arrangement can be reconciled with values reported in the appraisal. Included as documentation should be an explanation of how discount and capitalization rates used in generating present value estimates were deduced.
13. For properties under construction or renovation, the appraisal report should identify the market value of the subject property as of the date of completion. Where anticipated market conditions indicate stabilized occupancy is not likely as of the completion date, valuations should fully reflect the impact upon the "as if completed" value of all pertinent operating expenses as well as the anticipated pattern of income during the absorption period. In addition, the value estimate must reflect the impact of rental and other concessions including the costs associated with preparing the improvements for occupancy by tenants.
14. The report should contain a summary of actual income and expenses experienced by the subject property where it is an existing income or revenue producing property. In addition, all such appraisals must contain a complete reconciliation of all deviations projected by the appraiser in his forecast of future financial performance from those historically realized by the property.
15. The report should advise the "as is" value of the subject property as of the date when either the appraisal was prepared or when the property was last inspected.
16. The report should set forth all assumptions and limiting conditions that affected the analysis, opinions, and conclusions in the report; however, such assumptions and limiting conditions must not result in either a non-market value estimate or one so limited in scope that the final product will not represent a complete appraisal. A summary of all such assumptions and limiting conditions must be presented in one physical location within the appraisal report.

17. The appraisal report should contain a manually signed certification by the appraiser that is similar in content to the following form:

- To the best of my knowledge and belief, the statements of fact contained in this report are true and correct.
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent on an action or event resulting from the analysis, opinions, or conclusions in, or the use of this report.
- My analysis, opinions and conclusions were developed, and this report has been prepared in accordance with, the appraisal requirements in the engagement letter (this subject letter).
- I have made personal inspection of the property that is the subject of this report. (If more than one person signs the report, this certification must clearly specify which individual did and which individuals did not make a personal inspection of the appraised property.)
- No one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)
- The employment of the appraiser was not conditioned upon the appraisal producing a specific value, a value within a given range, or the approval of a loan.

18. The appraisal must identify and separately value any personal property, fixtures, and intangible property that is attached to or located on the real property if such property affects the Market Value of the subject property.

19. Summary appraisals and / or opinion letters are not acceptable.

For any appraisals submitted to FNB Bank of Scottsboro which do not conform to the guidelines herein described, the Bank will generally provide the appraiser an opportunity to revise the submitted appraisal to conform to these guidelines. However, the Bank reserves the right to reject the appraisal report and any pre-agreed compensation for professional services will be forfeited.

Please sign and return the enclosed copy of this letter to evidence your agreement with the terms and conditions herein.

Respectfully yours,

Ullrich Pope  
Name  
Vice President  
Officer Title

Phone: 256-259-6000  
Fax: 256-574-7310

My (Our) fee for this appraisal is \$1,500

Anticipated completion date 4/20/12

Accepted and agreed to:

Company Name: ED BLAKE COMPANY

By: E. Wells Blake Jr.

Title: Appraiser

Name: E. Wells Blake Jr.

Date: 4/2/12

# Exhibit A

Appraiser Name

Property Address / Location:	32 WOODLAWN DR CHATTANOOGA, TN 37411	
Legal Description: You may attach the description with this letter.	TAX CARD ATTACHED	
Builder:		
Type of Property: <input type="checkbox"/> Acquisition & Development <input type="checkbox"/> Commercial Construction <input type="checkbox"/> Residential Construction	<input type="checkbox"/> Commercial-Owner Occupied <input type="checkbox"/> Commercial-Non Owner Occupied <input type="checkbox"/> Commercial-Land/lots only <input type="checkbox"/> Residential land/lots only <input type="checkbox"/> Residential home <input type="checkbox"/> Retail Strip <small>APT COMPLEX</small>	<input type="checkbox"/> Retail/Office <input type="checkbox"/> Multi-Family <input type="checkbox"/> Commercial Land <input type="checkbox"/> Undeveloped Land <input type="checkbox"/> Residential Lots <input checked="" type="checkbox"/> Other (Please Describe):
Development / Improvements:	<input checked="" type="checkbox"/> Existing Buildings/Improvements <input type="checkbox"/> Proposed Construction <input type="checkbox"/> Proposed Development <input type="checkbox"/> Other (Please Describe):	
Assignment Purpose:	<input checked="" type="checkbox"/> Market Value "as is" <input type="checkbox"/> Market Value on a to-be-built basis <input type="checkbox"/> Other (Please Describe):	
Scope of Appraisal Report: Please Check the appropriate box.	<input checked="" type="checkbox"/> Self-Contained Commercial Appraisal (full narrative on each topic) Can be used for secondary market residential loans. <input type="checkbox"/> Summary Commercial Appraisal (abbreviated report format relative to 'Self-Contained') Can be the equivalent to an "in-house" residential appraisal. <input type="checkbox"/> Limited Scope Commercial Appraisal (some approaches to value are not applicable) Can be the equivalent to a "drive by" appraisal.	
Property Rights: Please check appropriate Box.	<input type="checkbox"/> Fee Simple <input type="checkbox"/> PUD <input type="checkbox"/> Other:	
Approaches to Value:	<input type="checkbox"/> Cost <input type="checkbox"/> Sales Comparison <input type="checkbox"/> Income Plus Correlation and Conclusion (please provide the assigned value for each approach)	
Property Contact / Phone:	Name: STEWART PHILLIPS Phone: 423-544-0002	
Special Requirements: Check the appropriate category.	<input type="checkbox"/> Investigate and report the property's zip code in your report. <input type="checkbox"/> Investigate and report whether property taxes are current. <input type="checkbox"/> Provide a summary survey of active investors in the subject market's area to provide support for your discount and capitalization rate conclusions, market rent appreciation, expense inflation, and comments on the general interest level for acquiring such properties. <input type="checkbox"/> Other	

Revised 12/23/08

Tuesday, March 13, 2012

# Property Report

32 Woodlawn Dr, Chattanooga, TN 37411-3534  
Hamilton County, TN parcel# 147P D 032.01

## Property Report

### Location

**Property Address** 32 Woodlawn Dr  
Chattanooga, TN 37411-3534  
**Subdivision** Wildwood Addn  
**County** Hamilton County, TN

### Current Owner

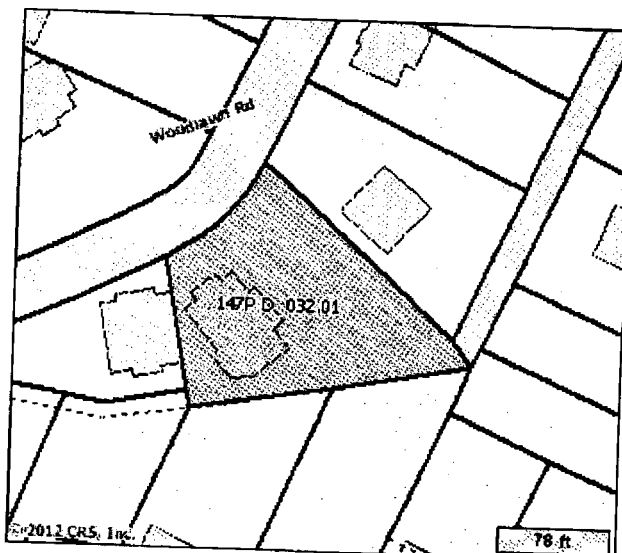
**Name** Cani Llc  
**Mailing Address** Po Box 22793  
Chattanooga, TN 37422-2793

### Property Summary

**Property Type** Residential  
**Land Use** Multi-Family (Apartment)  
**Improvement Type** Multi-Family  
**Square Feet** 5297 sf

### General Parcel Information

**Parcel/Tax ID** 147P D 032.01  
**Alternate Parcel ID**  
**Account Number**  
**District/Ward** 1  
**Census Tract/Block** 29.00/2



### Sales History through 02/22/2012

Date	Amount	Buyer/Owners	Buyer/Owners 2	Instrument	Quality	Book/Page or Document#
06/24/2011	\$20,000	Cani Llc		Warranty Deed		9423/830
11/16/2010	\$72,993	Bayview Loan Servicing Llc		Substitute Trustee's Deed		2011062400100 9293/540 2010111900010
02/23/2009		Coppage Enterprises Li Inc				8861/956
10/17/2006		Coppage Oceleia L				8117/638
11/18/1994	\$95,000					4434/207
09/09/1994						4404/545
07/21/1989	\$108,275					3635/255
12/10/1987	\$124,000					3432/722

### Tax Assessment

Appraisals	Amount	Taxes	Amount	Jurisdiction	Rate
<b>Tax Year</b>	2010	<b>City Taxes</b>	\$1,745.60	Chattanooga	2.3090
<b>Appraised Land</b>	\$23,400	<b>County Taxes</b>	\$2,090.49	Hamilton	2.7652
<b>Appraised Improvements</b>	\$165,600	<b>Total Taxes</b>	\$3,836.09		
<b>Total Tax Appraisal</b>	\$189,000	<b>Exempt Amount</b>			
<b>Total Assessment</b>	\$75,600	<b>Exempt Reason</b>			

### Mortgage History

Date	Loan Amount	Borrower	Lender	Book/Page or Document#
12/8/2006	\$135,200	Coppage L L	American Acceptance	8180/805

32 Woodlawn Dr. Chattanooga, TN 37411-3534 - Hamilton County, TN parcel# 147P D 032.01. cont.

12/13/1994	\$94,000	Coppage Grady	Capital Bank	2006121300173
11/21/1994	\$6,789	Coppage Grady	Pioneer Title Agency	4442/420
11/21/1994	\$3,029	Coppage Grady	Pioneer Title Agency	4434/210
				4434/213

#### Property Characteristics: Building

Characteristics: Building										
Building #	Type	Condition	Sq Feet	Year Built	Effective Year	BRs	Baths	Rooms	Stories	Units
1	Multi-Family		5297	1920	1955					
Building Square Feet (Living Space)			Building Square Feet (Other)							
First Story (Base)			2010							
Construction										
Quality										
Shape										
Partitions										
Common Wall										
Foundation										
Floor System										
Exterior Wall										
Structural Framing										
Fireplace										
Other										
Occupancy			Building Data Source							

#### Property Characteristics: Extra Features

Feature	Size or Description	Year Built	Condition
Asphalt Paving	2500	1960	

#### Property Characteristics: Lot

Land Use	Multi-Family (Apartment)	Lot Dimensions	92X181.44IRR
Block/Lot		Lot Square Feet	123
Latitude/Longitude	35.026769°/-85.249697°	Acreage	

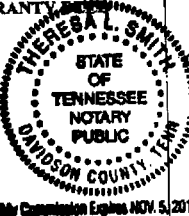
#### Property Characteristics: Utilities/Area

Gas Source		Road Type	
Electric Source		Topography	
Water Source		District Trend	
Sewer Source		Special School District 1	
Zoning Code		Special School District 2	
Owner Type			

#### Legal Description

Subdivision	Wildwood Addn	Plat Book/Page	30/313
Block/Lot		Description	Lot 14 Wildwood Addn Pb30 Pg313
District/Ward	1		Out Of 147P-D-32 For 1983

Instrument: 2011062400100  
Book and Page: GI 9423 830  
DEED RECORDING FEE \$10.00  
DATA PROCESSING FEE \$2.00  
CONVEYANCE TAX \$74.00  
PROBATE FEE \$1.00  
Total Fees: \$87.00  
User: KST  
Date: 6/24/2011  
Time: 1:39:19 PM  
Contact: Pam Hurst, Register  
Hamilton County, Tennessee

<b>SPECIAL WARRANTY DEED</b>		STATE OF <b>Tennessee</b> COUNTY OF <b>Davidson</b> THE ACTUAL CONSIDERATION OR VALUE, WHICHEVER IS GREATER, FOR THIS TRANSFER IS \$20,000.00
		SUBSCRIBED AND SWORN TO BEFORE ME, THIS 24TH DAY OF JUNE, 2011. <i>[Signature]</i> Notary Public MY COMMISSION EXPIRES: 11/5/2014 (AUTOMATIC)
THIS INSTRUMENT WAS PREPARED BY Esquire Title & Escrow, Inc., 30 Barton Hills Blvd., Suite 200, Nashville, TN 37215		
ADDRESS NEW OWNER(S) AS FOLLOWS: <b>Cani, LLC.</b> (NAME) <b>32 Woodlawn Drive</b> (ADDRESS) <b>Chattanooga, TN 37411</b> (CITY) (STATE) (ZIP)	SEND TAX BILLS TO: <b>Cani, LLC.</b> (NAME) <b>P.O. Box 22793</b> (ADDRESS) <b>Chattanooga, TN 37422</b> (CITY) (STATE) (ZIP)	MAP-PARCEL NUMBERS <b>147P-D-052.01</b>

FOR AND CONSIDERATION OF THE SUM OF TEN DOLLARS, CASH IN HAND PAID BY THE HEREINAFTER NAMED GRANTEEES, AND OTHER GOOD AND VALUABLE CONSIDERATIONS, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, WE, Bayview Loan Servicing, LLC, HEREINAFTER CALLED THE GRANTORS, HAVE BARGAINED AND SOLD, AND BY THESE PRESENTS DO TRANSFER AND CONVEY UNTO Cani, LLC, HEREINAFTER CALLED THE GRANTEEES, THEIR HEIRS AND ASSIGNS, A CERTAIN TRACT OR PARCEL OF LAND IN HAMILTON COUNTY, STATE OF TENNESSEE, DESCRIBED AS FOLLOWS, TO-WIT:

Property located in the County of Hamilton, Tennessee:

Lot 14, Wildwood Addition, of record in Plat Book 30, page 346, in the Register's Office of Hamilton County, Tennessee.

Being the same property conveyed to Bayview Loan Servicing, LLC, by deed dated November 16, 2010 from J. Phillip Jones, Substitute Trustee of record in Book GI 9293, Page 540, Register's Office for Hamilton County, Tennessee.

unimproved ☐

This is improved ☒ property, known as

**32 Woodlawn Drive, Chattanooga, TN 37411**

(House Number) (Street) (P.O. Address) (City or Town) (Postal Zip)

TO HAVE AND TO HOLD said tract or parcel of land together with the appurtenances, estate, title and interest thereto belonging, unto the said, Cani, LLC., forever. SAID Grantor warrants the title to said property against the claims of all persons claiming or to claim the same or any part thereof by, through or under the said Grantor, but not otherwise.

WITNESS the execution hereby by Bayview Loan Servicing, LLC., Wherever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

Witness my hand this 24th day of June, 2011.

\_\_\_\_\_

Bayview Loan Servicing, LLC.  
By: Sonia Asencio  
Assistant Secretary

STATE OF FLORIDA  
COUNTY OF MIAMI-DADE

Before me, the undersigned, a Notary Public within and for the State and County aforesaid, personally appeared Sonia Asencio with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who upon oath acknowledged themselves to be the Assistant Secretary of Bayview Loan Servicing, LLC, the within named bargainer, and that as such officer and agent being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing on behalf of the said Limited Liability Company.

Witness my hand and official seal at Office this 24th day of June, 2011.  
Commission expires:

Rosa Brito  
Notary Public





File No. 11-canillc

Order No.: 11-canillc

County: Hamilton

Policy No.: OX8421450

Amount: \$20,000.00

### SCHEDULE A

1. Policy Date: June 24, 2011 at 1:39 PM
2. The Insured hereunder, in whom title to the fee simple estate is vested at the date hereof, is:  
Cani, LLC.
3. The land referred to in this policy is situated in the County of Hamilton, State of Tennessee, and is described as follows:  
Property located in the County of Hamilton, Tennessee:  
  
Lot 14, Wildwood Addition, of record in Plat Book 30, page 346, in the Register's Office of Hamilton County, Tennessee.  
  
Being the same property conveyed to Cani, LLC. by Special Warranty Deed from Bayview Loan Servicing, LLC of record in Book GI 9423, Page 830, Register's Office for Hamilton County, Tennessee.