APPRAISAL OF REAL PROPERTY

KROGER SHOPPING CENTER ALCOA

244 S. Hall Road
Alcoa, Tennessee 37701

A 68,650 SF Shopping Center

AS OF
January 29, 2009

PREPARED FOR

SUSAN KING, TRUSTEE
603 Regal Towers
Maryville, TN 37804

PREPARED BY

MERIDIAN REALTY ADVISORS
213 Fox Road, Suite 110
Knoxville, Tennessee 37922

MERIDIAN REALTY ADVISORS, LLC

Real Estate Appraisal & Consulting

213 Fox Road, Suite 110, Knoxville, Tennessee 37922
TEL (865) 522-2424 • FAX (865) 522-0030
WWW.MERIDIANVALUES.COM

...When Values Matter

Chad Benton, MAI
Principal
cbenton@meridianvalues.com

Craig Huber, MAI
Principal
chuber@meridianvalues.com

Richard Green
Appraiser | Analyst
rgreen@meridianvalues.com

David Stanley
Appraiser | Analyst
dstanley@meridianvalues.com

Matthew Fleenor
Appraiser | Analyst
mfleenor@meridianvalues.com

February 5, 2009

Ms. Susan King
603 Regal Towers
Maryville, TN 37804

RE: Kroger Shopping Center Alcoa
An existing neighborhood shopping center
244 S. Hall Road
Alcoa, Blount County, Tennessee

Dear Ms. King:

In accordance with your request, we have personally inspected and prepared an appraisal of the leased fee interest to the above referenced property. The report is prepared in a summary format, which sets forth our value conclusions, along with supporting data and reasoning that form the basis of our opinion. The opinion of market value contained herein reflects physical, legal, and economic conditions prevailing as of January 29, 2009.

The subject of this appraisal consists of a neighborhood shopping center containing 71,321 sq. ft. (Gross) and 69,529 sq. ft. of net rentable area (NRA) situated on a 4.746-acre commercial site located along the west side of S. Hall Road and bounded to the south by Gill Street and to the west by S. Rankin Road. The location of the site is approximately 3.5 miles south of McGhee Tyson Airport within the city limits of Alcoa. The improvements consist of a neighborhood shopping center with a 59,460 sq. ft. big box retail space currently occupied by Kroger (store #862) and one retail space totaling 10,069 sq. ft. (Net) that is leased to CVS Pharmacy. The property was constructed in 1981 and is considered to be in average overall condition. Note that CVS no longer occupies its space but is thought to be paying rent.

In forming our opinion of value, no personal property or furniture, fixtures, or equipment (FF&E) have been included unless specifically described within. We have made a personal inspection of the site and improvements and investigated and analyzed all necessary data for the purpose of forming a supportable opinion of the requested value(s). The supporting data, analyses, and conclusions used to form an opinion of the market values(s) of the subject property are contained in the accompanying report and addenda. This letter by itself should not be construed as an adequate substitute for the attached report.

The value opinion reported is qualified by certain definitions, certification, assumptions, and limiting conditions, which are considered usual for this type of assignment and have been included at the end of the report. To the best of our knowledge, this report conforms to the current requirements prescribed by the Uniform Standards of Professional Appraisal Practice of the Appraisal Standards Board of the Appraisal Foundation (as required by the Financial Institutions Reform, Recovery, and Enforcement, Act - FIRREA).

MERIDIAN
REALTY ADVISORS

Ms. Susan King
February 5, 2009
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The persons signing this report have the knowledge and experience to complete the assignment competently and are duly licensed by the appropriate state agency.

Based on the research and analyses performed herein, we have formed an opinion that the market value of the property, subject to the definitions set forth in the report and the certification, assumptions, and limiting conditions; and as of the date of inspection was:

MARKET VALUE CONCLUSION

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Leased Fee	January 29, 2009	$3,600,000

We appreciate this opportunity to be of service. I f additional information or explanation is necessary, please advise.

Respectfully submitted,

MERIDIAN REALTY ADVISORS, LLC
Real Estate Appraisers & Consultants

Craig Huber, MAI
Principal / Senior Appraiser
Certified General Real Estate Appraiser
TN License No. CG-1307

Matthew J. Fleenor
Appraiser / Analyst
Certified General Real Estate Appraiser
TN License No. CG-2981

CERTIFICATION OF THE APPRAISAL

WE CERTIFY THAT, TO THE BEST OF OUR KNOWLEDGE AND BELIEF...

1. The statements of fact contained in this report are true and correct;
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and assumptions and are our personal, impartial, unbiased professional analyses, opinions, and conclusions;
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved;
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. Our engagement in this assignment was not contingent upon the development of reporting predetermined results;
6. Our compensation for completing this assignment is not contingent upon the development of reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation;
8. The use of this report is subject to the requirements of The Appraisal Institute relating to review by its duly authorized representatives;
9. As of the date of this report, Craig Huber, MAI has completed the continuing education program of The Appraisal Institute;
10. Craig Huber, MAI, and Matthew J. Fleenor made a personal inspection of the property that is the subject of this report.
11. No one provided significant professional assistance to the person(s) signing this report; and
12. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or The Appraisal Institute or the MAI or SRA designations) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the undersigned.
13. We are fully qualified and competent by training, knowledge and experience to perform this appraisal, and we are properly certified by the appropriate state agency.

Matthew J. Fleenor

Craig Huber, MAI

State Certified General Real Estate Appraiser (TN CG-1307)

Matthew J. Fleenor

State Certified General Real Estate Appraiser (TN CG-2981)

SUBJECT PROPERTY PHOTOGRAPHS

VIEW OF FRONT ELEVATION FROM S. HALL ROAD

VIEW OF FRONT AND NORTH ELEVATION

VIEW OF NORTH AND WEST ELEVATION OF FORMER CVS SPACE

VIEW OF KROGER LOADING DOCK ALONG WEST ELEVATION

VIEW OF WEST ELEVATION OF KROGER ALONG RANKIN ROAD

GAS PUMP AREA IN SOUTHEASTERN PORTION OF PARKING LOT

SUBJECT PROPERTY PHOTOGRAPHS

S. HALL ROAD FACING NORTH

S. HALL ROAD FACING SOUTH

S. RANKIN ROAD FACING NORTH

S. RANKIN ROAD FACING SOUTH

GILL STREET FACING WEST

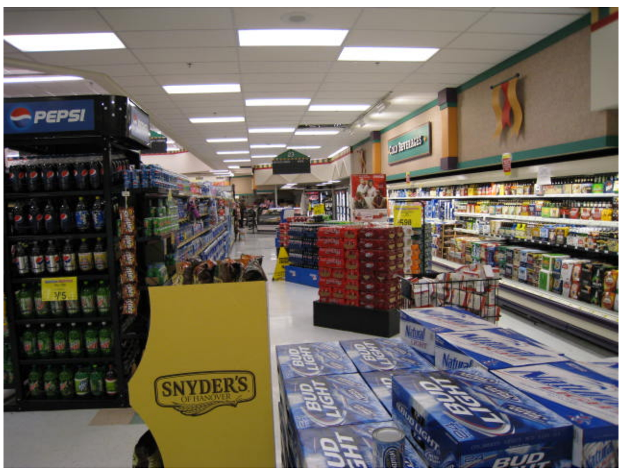
GILL STREET FACING EAST

MERIDIAN REALTY ADVISORS

SUBJECT PROPERTY PHOTOGRAPHS


INTERIOR SHOPPING AREA


INTERIOR SHOPPING AREA


INTERIOR SHOPPING AREA


INTERIOR SHOPPING AREA


GILL STREET FACING WEST


GILL STREET FACING EAST

SUMMARY OF SALIENT FACTS

PROPERTY IDENTIFICATION	
Property Name:	Kroger Shopping Center
Property Address:	244 S. Hall Road, Alcoa, TN
Owner of Record:	Susan King, Trustee
Assessor's Map / Parcel Number(s):	Map 047P Group A Parcel 026.00
APPRAISAL REPORT INFORMATION	
Purpose of the Appraisal:	Estimate Market Value of the subject property "As Is"
Scope of Work:	Scope of work included an inspection of the subject property and subject neighborhood, and the collection and analysis of appropriate data necessary to achieve the purpose of the appraisal via execution of the Sales Comparison and Income Capitalization Approaches to value.
Appraisal Report Type:	Summary Report
Property Rights Appraised:	Leased Fee
Intended User of the Appraisal:	Susan King
Intended Use of the Appraisal:	Asset monitoring and/or assessment
APPRAISAL DATES AND VALIDATIONS	
Date of Inspection:	January 29, 2009
Date of Report:	February 5, 2009
Effective date of the "As-Is" value estimate:	January 29, 2009
PROPERTY DESCRIPTION	
Property Type:	Neighborhood shopping center
Improvements:	One-story, CMU – EIFS – Brick veneer – Masonry block exterior walls, steel frame, neighborhood shopping center
Gross Building Area (GBA):	71,321 sq. ft.
Net Rentable Area (NRA:	69,529 sq. ft.
Number of Buildings:	1
Number of Stories:	1
Year Built:	1981
Subject Site Area:	4.746 acres or 206,736 sq. ft.
Property Zoning:	E / General Business District
Topography:	The topography of the site is level.
Utilities:	All municipal utilities available
FLOOD HAZARD DATA	
Zone Code(s):	X
FEMA Panel #:	47009C-0138C
Effective Date:	09/19/07

HIGHEST AND BEST USE	
Site as Vacant:	Neighborhood retail
Site as Improved:	Continued use as is
SUMMARY OF ECONOMIC INDICATORS	
Estimated PGI:	$367,560
Projected Occupancy:	99%
Estimated EGI:	$363,884
Estimated Expenses:	$21,346
Estimated NOI:	$342,539
Overall Cap Rate:	9.50%
VALUE INDICATIONS	
Cost Approach:	N/A
Sales Comparison Approach:	$3,890,000
Income Capitalization Approach:	$3,600,000
Final Value Estimate "As Is":	$3,600,000
ESTIMATED EXPOSURE TIME	6 to 12 months
EXTRAORDINARY ASSUMPTIONS:	None
HYPOTHETICAL CONDITIONS:	None

TABLE OF CONTENTS

SECTION 1 – INTRODUCTION

PROPERTY IDENTIFICATION

PROPERTY IDENTIFICATION

The subject of this appraisal consists of a Neighborhood Shopping Center containing 71,321 sq. ft. (Gross) and 69,529 sq. ft. of net rentable area (NRA) situated on a 4.746-acre site located along S. Hall Road approximately 3.5 miles south of McGhee Tyson Airport within the city limits of Alcoa. The subject shopping center contains two retail spaces that include a big box space of 59,460 sq. ft. currently occupied by Kroger and a vacant retail space formerly occupied by CVS containing 10,069 sq. ft. The building is of CMU and steel frame construction with masonry block, brick veneer and EIFS exterior walls.

The following identifiers are referenced for the property:

PROPERTY IDENTIFICATION SUMMARY	
Property Name:	Kroger Shopping Center
Property Type:	Two-Tenant Neighborhood Shopping Center
General Location:	244 S. Hall Road
City	Alcoa
County	Blount
State	Tennessee
Legal Description:	Tract 1-R of the Kroger Center Re-Subdivision
Map-Group-Parcel:	047P-A-026.00

STREET ADDRESS

The property and building are located along S. Hall Road bearing a street address of 244 S. Hall Road, Alcoa, Tennessee 37701.

PROPERTY TAX PARCEL INDENTIFICATION

The subject is located on Blount County tax parcel identified as Map 047P, Group A, Parcel 026.00

PROPERTY INSPECTION

The subject and neighborhood were inspected by Craig Huber, MAI and Matthew J. Fleenor on January 29, 2009 and this is the “as is” value date. The report date is February 5, 2009.

PROPERTY OWNERSHIP & SALES HISTORY

Appraisal standards require the analysis of any prior sales of the property within a three year period from the date of appraisal. In addition, any current agreement of sale, option, or listing of the property must also be disclosed. The following summarizes the ownership, most recent sales transaction, and sales history of the subject property.

Current Owner of Record

According to the Blount County Property Assessor’s Office, the subject property is currently owned by **Susan King, Trustee.**

Sale History

Public records do not show any sales of the subject in the past 36 months, and we are not aware of any transactions, options, or contracts for the subject other than what has been identified herein.

Current Listing / Contracts

The vacated CVS Pharmacy space containing 10,069 sq. ft. is currently listed for sublease by Kelly Baker Properties at a rate of $15.00/sq. ft. on a triple net basis.

THE APPRAISAL PROCESS

The term appraisal refers to the process of developing an opinion of value. More specifically it is defined as:

> *"An analysis, opinion, or conclusion relating to the nature, quality, value, or utility of specified interest in, or aspects of, identified real estate"*

Real estate appraisal involves selective research into appropriate market areas; the assemblage of pertinent data; the application of appropriate analytical techniques; and the application of knowledge, experience, and professional judgment to develop an opinion of value or appropriate solution to a real estate problem. The valuation process is a systematic procedure employed to provide the answer to a question of real property value.

The first step in the valuation process is the development of a clear statement of the appraisal problem, which sets the limits of the appraisal and eliminates any ambiguity about the nature of the assignment. The statement of the problem includes the following:

- Identification of the real estate
- Identification of the property rights to be valued.
- Use of the appraisal.
- Definition of value.
- Date of the value estimate.
- Description of the scope of the appraisal.
- Identification of other limiting conditions.

Once the appraisal problem is defined, other steps in the valuation process may be carried out. The preliminary analysis is an overview of the character and scope of the assignment. In the selection and collection of data, the appraiser gathers general data on value influences and trends; specific data pertaining to the subject and comparable properties, and competitive supply and demand data that indicate the position of the property in its market.

Once the preliminary analysis and data selection and collection has been accomplished, the appraiser must form an opinion as to the highest and best use of the property. Highest and best use of the land as though vacant helps the appraisers identify comparable properties and to derive an estimate of land value. Highest and best use of the property as improved is used to identify comparable properties and to determine whether the existing improvements should be retained, renovated, or demolished.

The valuation process is applied to develop a well-supported estimate of a defined value based on the analysis of pertinent general and specific data. There are three approaches that can be applied to the analysis of data to derive a well-supported value conclusion - cost, sales comparison, and income capitalization. One or more of these approaches is used in all estimations of value; the approaches employed depend on the type of property, the use of the appraisal, and the quality and quantity of data available for analysis.

The cost approach is a method in which a separate land value estimate is added to an estimate of the current cost to construct a reproduction or replacement of the improvements. Entrepreneurial profit is added and appropriate deductions for physical depreciation and functional and economic obsolescence are applied.

The sales comparison approach is the process of estimating a value by comparing the subject property with similar properties, called comparable sales. The sale prices of the properties that area judged to be most comparable tend to indicate a range in which the value indication of the subject property will fall.

The income capitalization approach is used to value income producing properties. In this approach, the present value of the future benefits of ownership is measured, and the property's anticipated income stream and resale value are capitalized into a present value indication.

Once the three approaches have been developed, the reconciliation of the value indications provides a single value indication or range of most probable values. In this process the reliability of the value indications and the applicability of the approaches are weighed and explained. Reconciliation also provides and opportunity to resolve any variations or inconsistencies among the value indications and the methods in which they were derived.

The final step in the valuation process in the report of defined value, which provides the client with a single figure or range of values and which summarizes the data analyzed, the methods used, and the reasoning that led to the value conclusion.

PREMISES OF THE APPRAISAL

SCOPE OF WORK

For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

The term scope of work is defined as:

> *"The type and extent or research and analyses in an assignment." Scope of work includes, but is not limited to:*
> - *The extent to which a property is identified;*
> - *The extent to which tangible property is inspected;*
> - *The type and extent of data researched; and*
> - *The type and extent of analysis applied to arrive at opinions or conclusions.*

The term scope of work refers to the type and extent or research and analyses in an assignment. The subject of the appraisal is a neighborhood shopping center. The objective of this assignment is to develop an estimate of the market value of the fee simple interest in the property to assist the client in making a lending decision.

The following describes the scope of the work performed in the appraisal of the subject property:

- I (we) identified the subject property's location and general characteristics. In this case, I (we) used information from the Blount County assessor's records, plat maps filed in the Blount County Clerk's Office, and information provided by the client to identify the characteristics of the subject property that are relevant to the valuation problem.

- I (we) analyzed the appraisal problem giving consideration to the client's requirements. All three customary approaches were considered. However, only the Sales Comparison and Income Approaches will be utilized.
- The subject and neighborhood were inspected by Craig Huber, MAI and Matthew J. Fleenor on January 29, 2009. The inspection involved a visual survey of the site and surrounding development to ascertain the physical characteristics of the site and the general characteristics of the neighborhood. The CVS Pharmacy space was closed and not accessible during the inspection; the space was observed through the front plate glass windows.
- I (we) viewed the interior and exterior of the improvements on January 29, 2009. The inspection of the subject property involved interior and exterior inspections of the improvements on a walk-through basis. For purposes of this appraisal, the scope of the inspection compiled with our review of the building floor plans, descriptive material, and our interview process, is adequate to satisfy USPAP requirements and address the valuation issues of this engagement.
- I (we) analyzed regional, city, market area, site and improvement data. In addition I (we) reviewed data regarding taxes, zoning, utilities, easements, and city services.
- The appraisal problem did not warrant an intensive highest and best use study. Given the nature of the subject real estate, my conclusion of highest and best use was based on logic and observed evidence.
- In order to arrive at an opinion of the market value of the subject property via the Sales Comparison Approach, I (we) researched the market for sales of similar neighborhood shopping centers within the Southeast United States market area. The sales selected were considered competitive with the subject property. After selecting the most comparable sales, a comparative analysis of relevant factors that influence value was undertaken to adjust the sales to the subject property based upon the actions and preferences demonstrated by the participants in the marketplace. I (we) reconciled the results of this analysis into a probable range of market data, and finally an estimate of market value for the subject.
- In order to arrive at an opinion of the market value for the subject property via the Income Capitalization Approach, I (we) researched the market for comparable lease data, expense data, and return requirements for competitive neighborhood shopping centers. These data were used to develop an estimate of market value via the Income Capitalization Approach.
- I (we) have considered the applicable approaches to value and then reconciled them to arrive at a final opinion of value for the subject. In the reconciliation, I (we) considered the quality and quantity of the date available under each approach, the advantages and/or disadvantages of each approach, and the relevance of each to the subject property and the appraisal problem.
- I (we) then organized and prepared the appraisal in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Foundation and the Code of Professional Ethics and Certification Standard of the Appraisal Institute.
- I (we) prepared a Self-Contained Appraisal Report, as defined by USPAP.

The analyses performed should lead a knowledgeable and prudent person to a similar value conclusion.

APPRAISAL REPORTING

Appraisal standards allow three types of appraisal reporting: a self-contained appraisal report, summary appraisal report, and restricted use appraisal report. This report was developed as a summary appraisal report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of USPAP.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

This appraisal is not subject to any extraordinary assumptions or hypothetical conditions that would have a material impact on the property value.

PURPOSE & USE OF THE APPRAISAL REPORT

Purpose of the Report:	The purpose of this appraisal is to estimate the market value of the **leased fee** interest in the subject property as of the date of appraisal.
Intended User:	This appraisal has been requested by Ms. Susan King, who is the property owner.
Client's Intended Use of Report:	The intended use of this appraisal report is to aid the client in asset monitoring and assessment of the subject property.

This report has been prepared for the sole use of the client (or its successors-in-interest) and the intended user (or users) of the report. Other than to the client, the appraisers disclaim any responsibility for the contents of this report.

PROPERTY RIGHTS APPRAISED

The property rights appraised herein are those of the **Leased Fee Estate.** The leased fee estate is an ownership interest held by a landlord with the rights of use and occupancy conveyed to others by lease. The rights of the lessor (the leased fee owner / landlord) and the lessee are specified by contract terms contained within the lease.

EFFECTIVE AND REPORTING DATES

The effective date of the appraisal is the date at which the value estimate applies and establishes the market conditions that provide the context for the value opinion. The date of the report reflects the issuance date of the appraisal report and indicates the perspective of the appraiser on the market or property use conditions as of the effective date.

The subject and neighborhood were inspected on **January 29, 2009** which represents the "as is" market value date. The date of the appraisal report is **February 5, 2009**.

EXPOSURE / MARKETING TIME

Current appraisal guidelines require an estimate of a reasonable time period in which the subject could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historical analysis, this is referred to as exposure time. On a prospective basis, the term marketing time is most often used.

Exposure time is 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 upon an analysis of past events assuming a competitive and open market.

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. The anticipated marketing time is essentially a measure of perceived risk associated with the marketability, or liquidity, of the subject property. The marketing time estimate is based on the data used in estimating the reasonable exposure time, in addition to analysis of the anticipated changes in market conditions following the appraisal.

The concept of reasonable exposure/marketing time encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. A reasonable exposure/marketing period is a function of price, time, and use. Exposure/marketing time is different for various types of real estate and value ranges and under various market conditions.

In consideration of these factors, we have analyzed the following:

- statistical information about days on the market
- exposure periods for comparable sales
- knowledgeable real estate professionals
- surveys of local and national investors

Based on these analyses, we have concluded an exposure / marketing time of 6 to 12 months would be considered reasonable for the subject.

COMPETENCY STATEMENT

USPAP cites the Competency Rule which states that before agreeing to perform an assignment, an appraiser must have the experience to complete the engagement competently; or the appraiser must take steps necessary to complete the assignment by personal study, association with experienced appraiser, or other measures.

Meridian Realty Advisors and the signatories hereto, have extensive expertise in the appraisal of properties similar to the subject in the East Tennessee area. The appraisers are deemed qualified by education, training, and experience in the preparation of such reports to comply with the competency rule as required by USPAP.

The appraisers have conducted this appraisal under USPAP guidelines and have taken the steps necessary to familiarize themselves with the local market conditions to produce a reliable estimate of value for the subject.

The professional qualifications of the individuals who prepared this analysis are included in the Addenda for specific reference.

DEFINITIONS[§]

MARKET VALUE [**]

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, assuming that 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 interests;
3. A reasonable time is allowed for exposure in the open market;

[§] The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute, Chicago IL
[**] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989("FIRREA"), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals: Paragraph 225.62(f).
Uniform Standards of Professional Appraisal Practice, Page 3-4 (2005)
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the comptroller of the currency, 12 CFR part 34, Sec. 34.42
FDIC, 12 CFR Part 323, Sec .323.2
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12CFR Part 722, Sec. 722.2

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.”

“AS IS” MARKET 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.

“AS COMPLETE” MARKET VALUE

An estimate of market value for a property upon completion of proposed improvements, or the hypothetical conditions, assumptions, or qualifications as of the date of completion of certain improvements.

PROSPECTIVE VALUE

A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

FEE SIMPLE ESTATE

Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

LEASED FEE ESTATE

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

LEASEHOLD ESTATE

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

REAL PROPERTY

All interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of real estate is endowed.

PERSONAL PROPERTY

Identifiable tangible objects that are considered by the general public as being "personal," for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. (USPAP, 2002 ed.) Consists of every kind of property that is not real property; movable without damage to itself or the real estate; subdivided into tangible and intangible.

EXCESS LAND

In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. See also surplus land.

SURPLUS LAND

Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement.

GLOSSARY OF TERMS AND DEFINITIONS

The *Glossary of Terms* in the Addenda provides additional definitions for terms that are, and may be used in this appraisal.

SECTION 2 – MARKET ANALYSIS

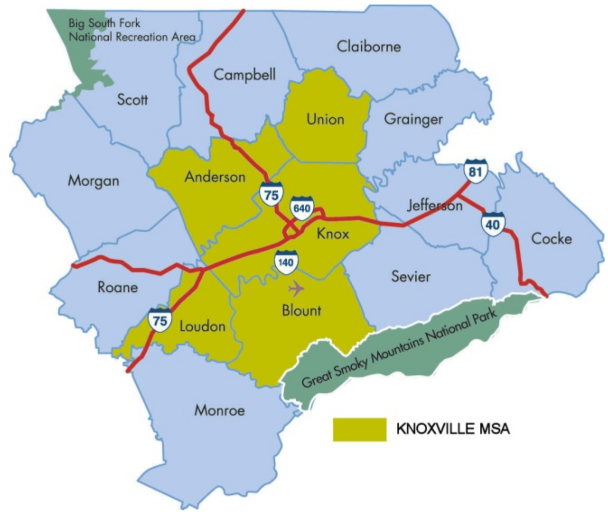
KNOXVILLE AREA ANALYSIS

The Knoxville MSA is comprised of Knox, Anderson, Blount, Loudon, and Union Counties and ranks as the 75th largest MSA in the United States. The Knoxville MSA is similar in size to the Akron, OH, Greensboro-Highpoint, NC, Little Rock, AR, and Columbia SC MSA's. Figure 1 shows a map of the Knoxville MSA.

The Knoxville MSA is situated in the eastern portion of the state and is the cultural and business center for a trade area of some two million persons in East Tennessee, Southeast Kentucky, Southwest Virginia, and Western North Carolina.

Figure 1

THE KNOXVILLE MSA



RECENT PERFORMANCE[3]

Knoxville's economy is expanding, although the pace of growth is weakly positive. Weaker retail trade and construction activity is weighing on the economy. However, in defiance of national employment trends, local financial and business services industries are expanding.

Table1 summarizes key demographic and economic indicators for the Knoxville MSA.

Table 1

2001	2002	2003	2004	2005	2006	2007	Indicators	2008	2009	2010	2011	2012
19.8	21.0	22.1	23.0	23.4	24.2	24.6	**Gross Metro Product, C$B**	24.7	24.9	25.5	26.0	26.4
3.9	*5.9*	*5.3*	*3.9*	*1.7*	*3.5*	*1.8*	*% Change*	*0.2*	*1.0*	*2.4*	*1.9*	*1.7*
307.4	313.2	316.4	322.7	326.4	332.6	337.3	**Total Employment (000)**	334.5	331.1	334.9	338.3	339.8
1.5	*1.9*	*1.0*	*2.0*	*1.1*	*1.9*	*1.4*	*% Change*	*-0.8*	*-1.0*	*1.1*	*1.0*	*0.5*
3.8	4.0	4.3	4.2	4.5	4.1	3.6	**Unemployment Rate**	4.8	5.0	4.8	4.4	4.4
3.4	3.0	3.5	5.2	5.6	6.4	5.1	**Personal Income Growth**	0.6	0.7	3.6	3.6	2.9
625.8	633.6	642.2	649.6	659.6	671.4	682.9	**Population (000)**	692.7	701.3	708.9	715.9	722.2
3,094	3,373	4,458	4,970	5,243	5,301	4,183	**Single-Family Permits**	1,818	2,807	3,456	3,428	3,439
594	810	180	995	514	1,152	1,001	**Multifamily Permits**	235	371	611	634	655
116.8	118.6	130.1	131.5	143.4	150.7	155.8	**Existing Home Price ($Ths)**	153.9	156.0	159.8	163.4	166.9
3,670	4,062	6,197	4,182	4,288	4,303	4,474	**Mortgage Originations ($Mil)**	3,938	4,206	4,405	4,423	4,465
5.4	5.2	6.0	6.1	8.4	9.8	10.4	**Net Migration (000)**	8.6	7.6	6.5	6.0	5.4
4,073	4,289	4,536	4,344	5,470	1,965	1,354	**Personal Bankruptcies**	2,491	2,641	2,786	3,046	3,199

Source: Moody's Economy.com – March 2008

The housing market is a drag on growth, although it remains a relatively minor one. Construction starts are sliding but house prices continue to climb. The jobless rate remains below that of the nation, but has risen by over one percentage point since the middle of last year.

Workforce reductions underway at the Oak Ridge Y-12 nuclear weapons facility will reduce an important conduit of government funds—employee salaries. Recently, several hundred employees have been offered severance packages. More job reductions are likely, as the area continues to grapple with the reorganization of U.S. nuclear weapons programs.

Long term, Knoxville's ties to the Oak Ridge laboratory will remain an important comparative advantage. Besides sustaining an educated workforce, Oak Ridge is a major driver of regional productivity. Government spending at the facility pays local dividends through contracting work, demand for local goods and services, and national recognition as a research center. In addition, the recently announced investment in a $65 million supercomputer at the lab will provide local access to high-tech services.

[3] *Moody's Economy.com – March 2008*

Although Knoxville is not historically prone to cyclical weakness, the local economy will contract along with the nation over the next few months. Weakness in the housing market will push Knoxville's vulnerable economy into a shallow recession. While building activity has yet to reach a trough, modest overbuilding in the past will make the current downturn mild. Nonetheless, the slump in building activity will weigh on housing-related industries through the end of 2008.

Likewise, housing-related woes will obstruct consumer spending. Market-wide house-price declines are not expected, but ongoing deceleration in price growth will limit growth in household wealth and weigh on consumer confidence. As a result, industries such as retail trade and leisure/hospitality will be a drag on the economy. In contrast with 2001, Knoxville now holds more of its employment in these industries and less in countercyclical government positions, making the overall area much more sensitive to changes in consumption trends.

The outlook for the local manufacturing industry differs from the previous forecast; the catalyst of change is the employment benchmark revision, which revealed substantial declines in 2007. Nationwide, a glut of housing inventory and weak consumer confidence will make 2008 a poor year for both residential construction and automobile sales. Both conditions will weigh heavily on Knoxville's transportation equipment and prefabricated home manufacturers. Already, several of the area's larger automobile suppliers have commenced workforce reductions. The recent announcement that Volkswagen will build a $1 billion manufacturing plant in Chattanooga to open in 2011 should go a long way in reversing workforce reductions for automotive suppliers in the MSA.

Knoxville's manufacturing industry retains some upside potential, despite the nation's weakening consumer base. Several of the area's largest manufacturers produce medical and diagnostic equipment. The fast pace of growth in the nation's healthcare industry should prop up demand for these products through the medium term.

Knoxville's economy will contract as its cyclical drivers and housing-related industries weaken in step with the national economy. Manufacturing will remain a drag on growth in the near term. Additional staff reductions at Oak Ridge are a key risk to the employment outlook. Knoxville's advanced age structure and slowing birth rate will cause slower rates of population growth to persist in coming years. Knoxville is expected underperform the national economy over the long run.

ECONOMIC CONDITIONS

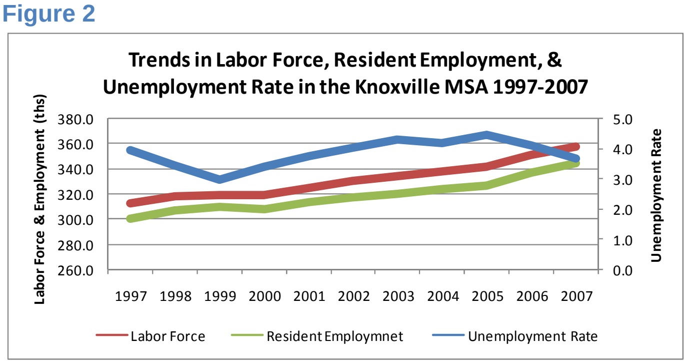
The economy of the Knoxville MSA is relatively diversified with no one sector accounting for more than 20 percent of total employment. The area's primary employment forces include a mixture of executive and professional jobs, health services, wholesale and retail trade, durable goods manufacture, scientific and technological research and development, banking and insurance, education, and government.

EMPLOYMENT TRENDS

Since 2002, the average annual rate of nonfarm employment growth has been 1.5 percent. During the 12 months ending June 2008, the number of jobs increased to 338,000, a 0.6-percent increase compared with the number of jobs recorded during the previous 12 months ending June 2007. See Figure 2 for labor force, resident employment, and unemployment trends in the MSA since 1997.

Since 2002, employment growth in the goods-producing sectors has been led by the natural resources, mining, and construction sector which increased by 4.4 percent. For the period ending 2Q-08, employment in the construction, mining, and natural resources sector fell by 2.5-percent as a result of the slowdown in new residential construction. Although residential construction decreased employment in the sector remains relatively stable due to commercial

Figure 2



Source: Moody's Economy.com

development of new retail, lodging, and office space. Manufacturing employment decreased 0.6-percent for the 12 months ending June 2008. This is a continuation of a general decrease in manufacturing jobs within the MSA which have decreased by 16% since 1997.

Table 2

Average Employment in the Knoxville MSA, 12-mth. & 5-yr. Averages	2Q-07 (ths.)	2Q-08 (ths.)	Yr./Yr. % Δ	5 yr. Avg. annual % Δ
Total Employment	336.2	338.0	0.6%	1.5%
Goods-producing	55.9	55.2	-1.2%	0.0%
Construction & Natural Res. & Mining	18.9	18.4	-2.5%	4.4%
Manufacturing	37.0	36.8	-0.6%	-1.9%
Service-producing	280.2	282.8	0.9%	1.8%
Trade, Transportation, & Utilities	73.1	73.2	0.1%	2.1%
Information Services	5.7	5.8	1.8%	-0.7%
Financial Services	17.4	17.5	0.6%	3.2%
Professional & Business Services	40.4	40.2	-0.3%	1.2%
Education & Health Services	41.3	42.3	2.4%	3.4%
Leisure & Hospitality Services	35.7	36.3	1.7%	2.9%
Other Services	14.2	14.6	2.4%	1.9%
Government	52.4	52.9	0.9%	0.0%

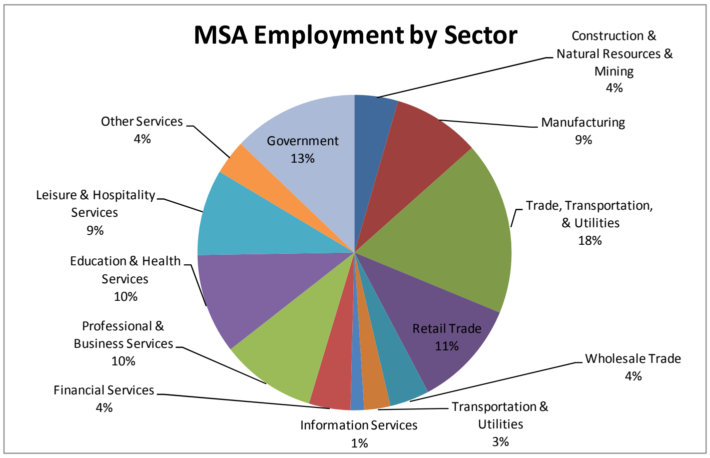
Source: Moody's Economy.com

Between 2002 and 2007 employment in the service-providing sectors increased by 24,100 jobs to a total of 281,400. The largest percentage increases occurred in the leisure and hospitality sector, transportation and utilities sector, and trade sector. Education & health services and professional & business services have also shown strong increases in job growth over the past decade. For the 12 months ending June 2008, the number of service sector jobs grew by 0.9-percent to 282,800. Table 2 summarizes 12-month and five year average employment in the Knoxville MSA by sector

EMPLOYMENT BY SECTOR

The economy of Knoxville and the surrounding MSA is diversified among the manufacturing, trade, service, and government sectors. The trade, transportation, & utilities sector is the largest employment sector with 18% of workforce followed closely by government at 10% and professional & business services at 10%. Other notable sectors include education & health service at 10%, leisure & hospitality services at 9%, and manufacturing at 9%. Figure 3 summarizes MSA employment by sector.

Figure 3



Source: Moody's Economy.com

Tourism is very important to the Knoxville area, which contributes to the high level of employment in the trade and leisure & hospitality sectors. In 2006, travel expenditures in the MSA were $2.6 billion resulting in travel-generated employment in excess of 32,000 people. Major tourist attractions in the area include The Great Smoky Mountains National Park and the surrounding resort towns of Gatlinburg and Pigeon Forge; the Dollywood Theme Park, the Big South Fork National River and Recreation Area, and the Cherokee National Forest.

Knoxville is an important education and health care center serving the entire East Tennessee area, which contributes, to the high level of employment in the education and health services sector.

The government sector is also very important to the region. The presence of the University of Tennessee, Pellissippi State Technical Community College, the Tennessee Valley Authority, and the Department of Energy's Oak Ridge facilities contribute to the high level of government employment.

The MSA has a strong manufacturing sector, which includes Alcoa Aluminum, Clayton Homes, Denso Manufacturing, Kimberly-Clark, and Sea Ray Boats. Manufacturing within the area is concentrated in durable and non-durable goods, and consumer products.

COMPARATIVE UNEMPLOYMENT

Like National averages, unemployment for both Knox County and the Knoxville MSA rose substantially in 2008 and finished the year significantly higher than the yearly average. Rates for both the Nation and the State of Tennessee averaged roughly 6% for 2008 while Knox County and the Knoxville MSA averaged roughly 5%. Each had an increase of over 1% in the yearly average, a sharp increase. Both Knox County and the MSA have maintained unemployment rates that are among the lowest in the state and are significantly lower than national averages. Table 3 summarizes historical unemployment rates for Knoxville and the Knoxville MSA as compared to the State of Tennessee and the United States. Figure 4 shows the comparative unemployment rates is graphical form.

Table 3

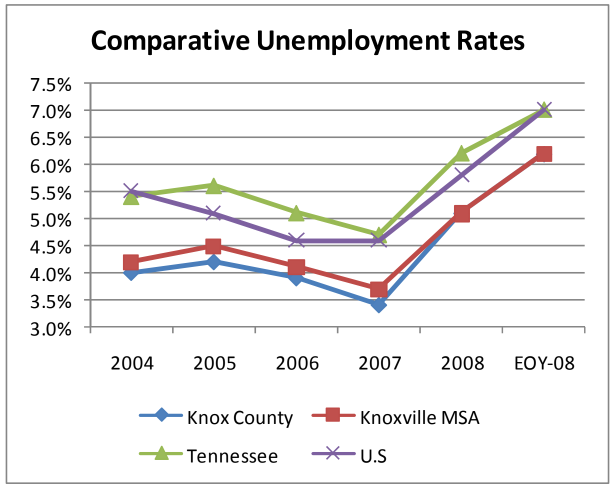
Annual Unemployment Rates

	2004	2005	2006	2007	2008	EOY-08
Knox County	**4.0%**	**4.2%**	**3.9%**	**3.4%**	**5.1%**	**6.2%**
Knoxville MSA	4.2%	4.5%	4.1%	3.7%	5.1%	6.2%
Tennessee	5.4%	5.6%	5.1%	4.7%	6.2%	7.0%
U.S	5.5%	5.1%	4.6%	4.6%	5.8%	7.0%

Source: Bureau of Labor Statistics, www.bls.gov

Please note that unemployment figures are changing at a very rapid pace. We have used the most recent information available from the Bureau of Labor Statistics. Knox County is now in recession along with the Nation. End of year figures for local unemployment appear to be approaching 6.0%. With recent layoffs at Goody's, Sea Ray, Image Pointe, and Alcoa, unemployment rates will likely increase even further.

Figure 4



Source: Bureau of Labor Statistics, www.bls.gov

MAJOR EMPLOYERS

The economy of the MSA is stable because of the presence of major employers such as the U.S. Department of Energy (DOE), Covenant Health, and the University of Tennessee (UT). The leading employer in the metropolitan area is DOE, which includes the Oak Ridge National Laboratories (ORNL) and the Y-12 National Security Complex. DOE provides a total of approximately 12,000 jobs in the MSA, including jobs for contractors. DOE was established during World War II for the Manhattan Project and has made the area a regional center for science and technology employment. The second leading employer is Covenant Health, which employs 8,650 people in 10 area hospitals and other medical facilities. The third leading employer is UT, with approximately 8,300 employees, a student enrollment of 26,560, and an annual budget of more than $1 billion. The university is a partner in UT-Battelle, which manages Oak Ridge National Laboratory (ORNL). Table 4 summarizes major employers in the MSA.

Table 4

MAJOR KNOXVILLE MSA EMPLOYERS		
Company	**Industry**	**Employees**
U.S. Department of Energy	Research Laboratory	11,943
Covenant Health System	Healthcare	8,664
University of Tennessee	Education	8,447
Knox County Schools	Government	7,860
Wal-mart Stores	Retail Trade	4,472
State of Tennessee	Government	3,733
St. Mary's Health System	Healthcare	3,529
K-V-A-T Food Stores	Retail Trade	3,416
UT Medical Center	Healthcare	3,367

Source: Knox Area Chamber Partnership

The Knoxville MSA is the third largest commercial center in Tennessee. It's geographic location and transportation linkages make the area readily accessible to a major share of the U.S. population and marketplace. As evidence, the Knoxville MSA is home to headquarters facilities for a significant number of regional and national corporations. Companies that have selected Knoxville as their headquarters include Clayton Homes, Home & Garden Television (HGTV), Pilot Corporation, Regal Cinemas, Ruby Tuesday, Inc., Sea Ray Boats, and the Tennessee Valley Authority (TVA).

PER CAPITA INCOME TRENDS

Between 2003 and 2007, per capita income in the MSA increased by 13.8 percent or an average annual rate of 3.0-percent compared to an average annual rate of 3.9-percent in Tennessee and 3.5-percent for the U.S. For 2007 the average per capita income in the MSA as $38,363 which is 1.8-percent below the state average and 26-percent greater than the U.S. Per capita income levels within the MSA are led by Anderson County due to the presence of the Department of Energy facilities and the corresponding high concentration of skilled technical and professional jobs. Table 5 summarizes per capita income levels for the MSA as compared to state and national levels.

Table 5

PER CAPITA INCOME LEVELS

	Year					% Change	
County	**2003**	**2004**	**2005**	**2006**	**2007**	**Gross**	**Per Year**
Anderson	$ 39,619	$ 41,032	$ 41,642	$ 43,625	$ 44,620	12.6%	3.0%
Blount	$ 35,298	$ 35,477	$ 35,730	$ 37,800	$ 38,630	9.4%	2.3%
Knox	$ 32,724	$ 33,806	$ 35,039	$ 36,312	$ 37,627	15.0%	3.6%
Loudon	$ 27,983	$ 30,716	$ 31,331	$ 33,460	$ 34,181	22.1%	5.1%
Union	$ 26,839	$ 27,307	$ 30,186	$ 32,843	$ 32,618	21.5%	5.0%
Knoxville MSA	$ 33,713	$ 34,718	$ 35,724	$ 37,216	$ 38,363	13.8%	3.3%
Regional Comparison							
Tennessee	$ 33,581	$ 34,925	$ 35,879	$ 37,564	$ 39,089	16.4%	3.9%
United States	$ 26,883	$ 27,939	$ 29,847	$ 30,527	$ 30,906	15.0%	3.5%

Source: U.S. Department of Labor / www.bls.gov

POPULATION AND HOUSEHOLDS

The Knoxville MSA is the third largest metropolitan area in Tennessee, with an estimated population of 685,914 as of June 2008. The population has increased at an average annual rate of 1.3 percent, or 8,478, since 2000 compared with an average gain of 8,116 a year during the 1990s. Most of the population growth since 2000 has occurred during the past 4 years, when the population grew by an average annual rate of 1.6 percent. Although the average annual net natural increase (resident births minus resident deaths) from 2000 to the current date was slower than it was in the 1990s, increases in net in-migration to the MSA have resulted in a greater level of population growth since 2000. Net in-migration has increased nearly every year since 2000 as job opportunities have grown and has averaged

8,775 people for the past 4 years. Table 6 illustrates the average annual population and household growth in the MSA from 2000 to the forecast date as well as projections for the next five years.

Table 6

SUMMARY OF POPULATION AND HOUSEHOLDS FOR THE MSA 2000-2008 AND PROJECTED 2013

	Population			Annual Growth Rate		Households	
	2000	2008	2013	2000-2008	2008-2013	2000	2008
Anderson	71,330	74,422	76,698	0.52%	0.60%	31,522	32,695
Blount	105,823	120,893	132,181	1.63%	1.80%	48,986	53,803
Knox	382,032	423,159	450,972	1.25%	1.28%	178,002	191,094
Loundon	39,086	45,864	50,399	1.96%	1.90%	19,191	21,289
Union	17,808	19,568	20,625	1.15%	1.06%	7,593	8,076
MSA	618,079	685,914	732,888	1.31%	1.33%	287,294	308,965

Source: U.S. Bureau of the Census, 2000 Census of Population and Housing. ESRI forecasts for 2008 and 2013.

The number of households increased by an average rate of 1.8 percent a year, or 4,125, during the 1990s, and the rate of increase slowed to 1.5 percent, or 4,036, annually from 2000 to the current date. Currently, an estimated 287,294 households are in the MSA

During the forecast period, employment growth will result in increased net in-migration to the MSA. The population and the number of households will grow at greater levels than they have from 2000 to the current date, increasing by an estimated 9,394 and 4,333 a year, respectively. By the end of the forecast period, the population is expected to reach 730,875 and the number of households is expected to total 306,957.

HOUSING MARKET TRENDS

The current state of the nation's housing market is in decline if not in crisis. The local Knoxville MSA is working through great difficulty but its predicament is not believed to be quite as dire as the nation's. The rate of sales is slower, the number of unit available for sale is increasing, and average prices are falling. These trends are believed to be due to tighter lending standards and reduced consumer confidence.

The following table summarizes Knoxville home sales between 1999 and 2008.

Table 7

	Single-Family Residential Bedrooms			Total Single-family	Condominium & PUD	Total All
Year	≤ 2	3	≥ 4			
1999	988	5,133	2,295	8,416	1,059	9,475
2000	1,012	4,880	2,371	8,263	1,107	9,370
2001	1,010	5,328	2,404	8,742	1,108	9,850
2002	1,105	5,554	2,619	9,278	1,209	10,487
2003	1,536	7,592	3,134	12,262	1,437	13,699
2004	1,678	8,198	3,300	13,176	1,628	14,804
2005	2,068	9,475	3,855	15,398	1,877	17,275
2006	2,228	9,420	3,660	15,308	2,103	17,411
2007	2,029	8,504	3,122	13,655	1,905	15,560
2008	1,560	6,578	2,427	10,565	1,285	11,850

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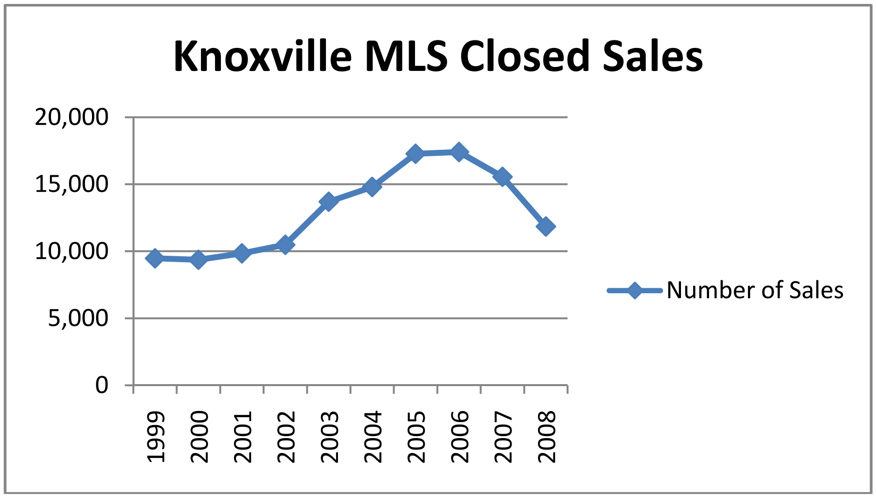
Figure 5

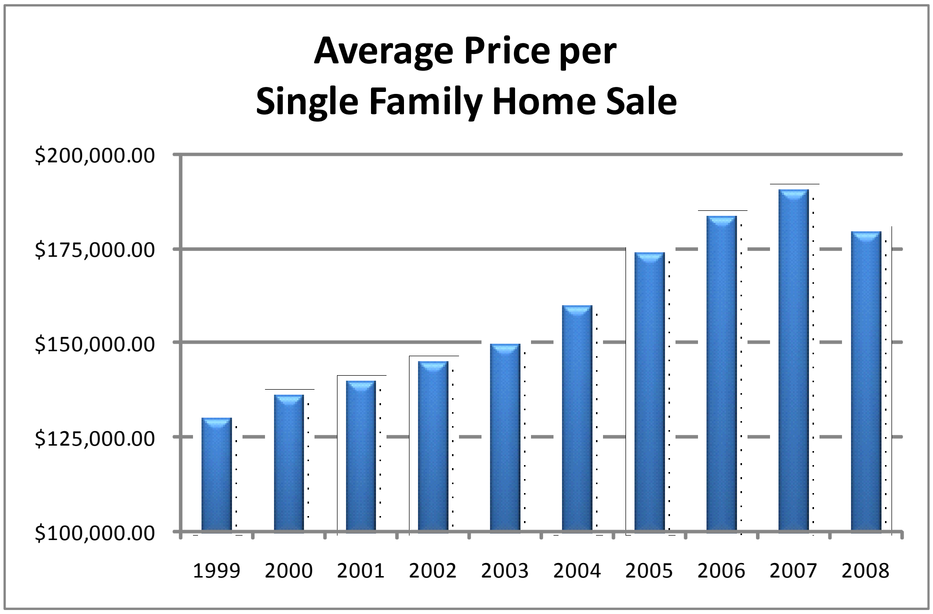


As shown, the number of single-family units sold increased rapidly between 2001 and 2005, leveled off in 2006 and has begun a rapid descent through 2007 and 2008. The rise in activity between 2002 and 2006 was fueled by low interest rates, very flexible (lax) lending practices, and very high buyer's confidence. For East Tennessee, market activity is considered to have peaked in late 2006. Beginning in 2007 and very clear in 2008 was a downturn in the residential market. Sales activity from these two years dropped off significantly from the 2006 peak. We expect for sales to continue to decline or at least stay at low levels into 2009 due low consumer confidence, uncertainty in the economy and limited amount of qualified buyers. This problem has been exasperated by the tightening of lending practices by banks, failure of banking institutions and the faltering stock market. Most economists, real estate experts and market participants anticipate that this decline should level or start to move upward in the 1st or 2nd quarter of 2010.

Condominium/PUD sales have followed the same trends with dramatic increases between 2000 and 2006 and then significant declines in activity for 2007 and 2008. The most recent information proved by the Knoxville Area Association of Realtors reported condominium/PUD sales at 1,285, which is a 32.5% decline from 2007 and a 32.8% decline from 2006 figures.

Unfortunately, all currently available methods of analyzing average property value are flawed in some way or other. The National Association of Realtors and their local affiliate, the Knoxville Association of Realtors publishes sales figures but these can be skewed by a variance in the size of the homes which have sold in a period. For purposes of the analysis, we have combined the total dollar sales reported by the Knoxville Association of Realtors and divided by the total number of single family home sales. The most current figures for 2008, report that the average price of a single family house in 2008 is $179,224, which is a 5.8% decline from 2007 at $190,235. The average price per single family home has steadily increased until 2007. This correlates to the number of closed home sales within the Knoxville MLS shown above. With difficult market conditions prevailing, another decline in value is expected into 2009. The graph below (Figure 6) displays the recent decrease in the average price for single family home sales.

Figure 6



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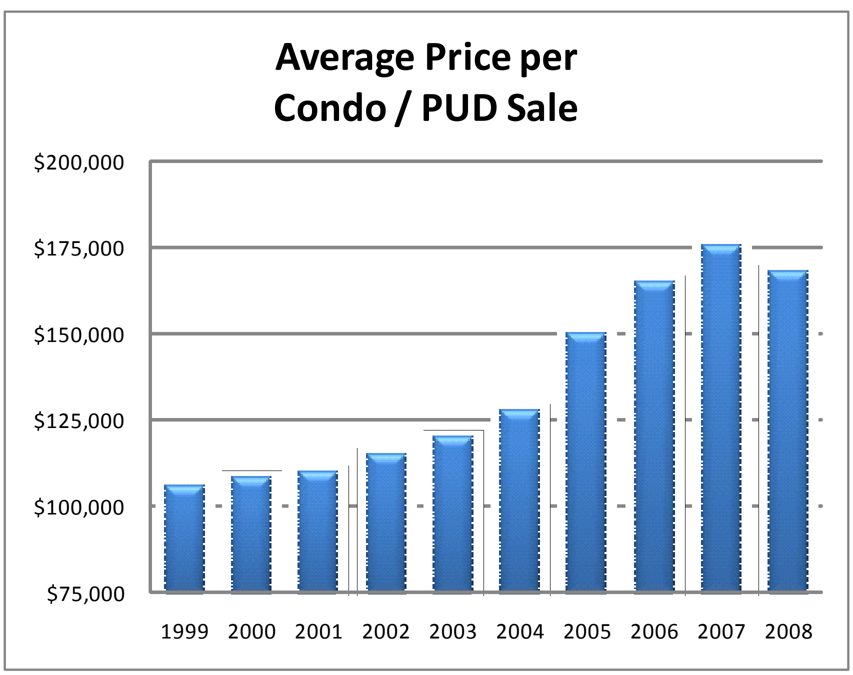
This exact trend of increasing average prices and a recent dip has been mirrored by the condominium and PUD sub-market in the Knoxville area. The average price per condominium / PUD had steadily increased each and every year since 1999 until 2008. In 2008, the average price per condominium / PUD was $168,332. This was a 4.3% decrease from 2007 average price of $175,942. Figure 7 below details this dip in pricing.

Figure 7



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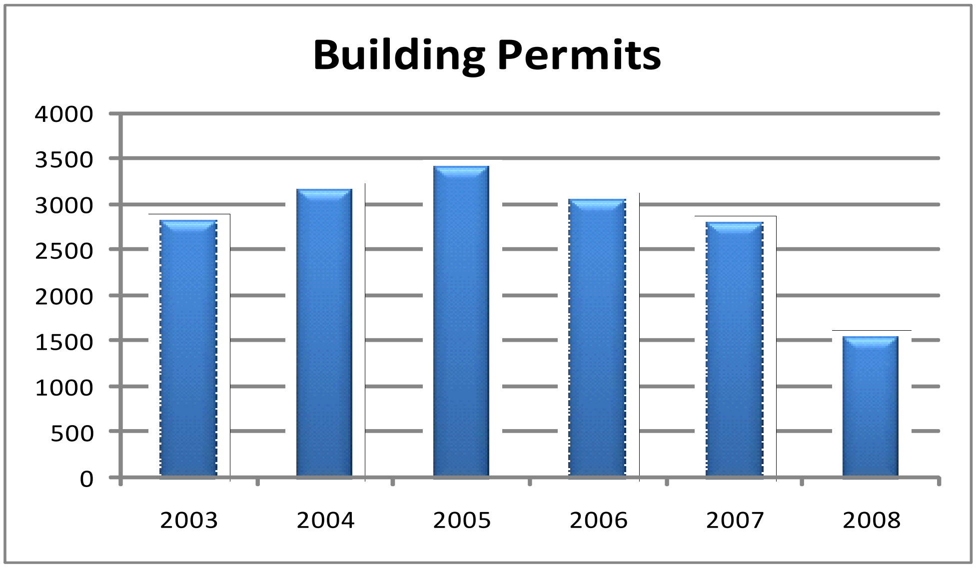
With the number of sales decreasing but the number of those available for sale increasing, an inventory problem has evolved. This problem has continued to exist despite significant decreases in single family permits in 2007 and 2008.

Figure 8



Source: The Market Edge

It is evident by the graph above that the highest number of permits was pulled during 2005 with a total of 3,406 residential permits. Since 2005, the number of permits has fallen to 1,534 as of the end of 2008. This trend is expected to persist into the 2009 and 2010. It is obvious, that builders and individuals are pulling fewer permits due to the current amount of supply within the market.

ENVIRONMENTAL FORCES

EDUCATION

Knox County operates 86 public schools, including 48 (primary, elementary or intermediate), 14 middle, and 13 high schools, two vocational schools, and several special/adult education centers. Total enrollment in 2007 was 52,915. The Knox County Board of Education's budget for 2009 is $370 million reflecting a per pupil expenditure of $6,992. Additional education resources include 52 private/parochial schools, serving 6,700 students.

Post-secondary education is available at several public and private institutions in the metropolitan area. The largest of these is the University of Tennessee, the fifteenth largest State University in the country. The main campus of the University of Tennessee, with an enrollment of approximately 26,000, is recognized as one of the nation's major research universities. The university offers 110 undergraduate and 146 graduate degree programs. The main campus of the University of Tennessee is located adjacent to downtown Knoxville and serves to anchor the CBD. The employment opportunities generated by the university are a major factor in the economy of Knox County, not only in direct employment but indirect employment in many related technical and service businesses that support the institution.

The Pellissippi State Technical Community College serves the Knoxville area. Pellissippi State is a fully accredited public two-year college. The college offers both career/technical degrees and college transfer programs. Pellissippi State operates four campuses throughout the Knoxville MSA and has a current enrollment in excess of 8,200 students.

Private post-secondary institutions in the metropolitan area include Carson-Newman College, Maryville College, Johnson Bible College, and Knoxville College. There are also several nursing, trade, and technical schools locally.

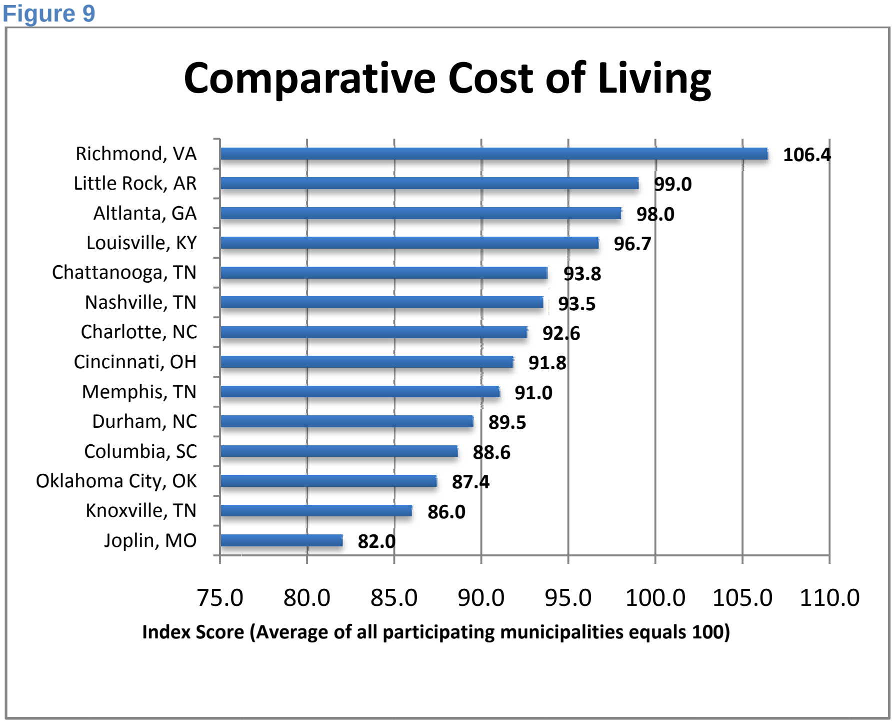
COST OF LIVING

The Cost of Living Index, published by the American Chamber of Commerce Researchers Association (ACCRA), measures relative price levels for consumer goods and services in participating areas. The average of all participating municipalities equals 100 with the comparative indexes read as a percentage of the national measure.

Knoxville's composite cost of living is 86.0%, which is lower than the national average and is the lowest of similarly sized southern cities. Similarly, the median home cost in Knoxville area is 20.6% lower than the U.S. and is also the lowest of the competitive metropolitan areas cited.

The low cost of housing is an attractive locational advantage. The median price of all homes sold in the Knoxville area was $155,800 compared to the national median of $196,300. The affordable cost of living in the area and competitive per capita income levels provide a good quality of life for area residents. The graph below shows the cost of living comparison for Knoxville and competitive metropolitan areas.

Figure 9



QUALITY OF LIFE

Knoxville placed tenth and remained among one of the best cities in the country to do business according to the 2008 Forbes magazine rankings of the top 10 metros for business and careers. Quality of life in the Knoxville area is also very attractive to both employers and employees. Knoxville has consistently been ranked as among the most livable cities in the US.

Cultural opportunities are numerous within the Knoxville Metro area. The Dogwood Arts Festival, hosted annually for three weeks in April, is the largest civic celebration in North America with over 350 events to include shows, concerts, and sporting events. Knoxville is also the home of the Knoxville Symphony Orchestra, Knoxville Opera Company, and the Appalachian Ballet Company. Other interests in the area to be noted are the Knoxville Zoological Park, the Knoxville Museum of Art, and a variety of historical and cultural exhibits and athletic events at the University of Tennessee.

The area offers a broad range of recreational opportunities for outdoor enthusiasts including camping, whitewater rafting, kayaking, canoeing, hiking, horseback riding, mountain biking, hunting and fishing. A variety of recreational opportunities are offered by the Great Smoky Mountains National Park, Big South Fork National River and Recreation Area, the TVA system of rivers and lakes. In addition, the area includes many other regional features to include two national forests, nine state parks, and three whitewater rafting rivers, including the Ocoee River, site of the 1996 Atlanta Olympic whitewater competition.

Overall, the area offers hundreds of thousands of acres of parks and recreational space that presents tremendous recreational opportunities to both local residents and visitors.

TRANSPORTATION

The Knoxville MSA has strong transportation systems, enhancing the areas overall economic position. The Knoxville MSA is intersected by three of the nation's busiest interstates: I-40, which extends from North Carolina to California, I-75, which stretches from the Canadian border to south Florida; and I-85, which starts in upper New York State and extends south to Knoxville. As a result of the area's proximity to the interstate highway system, just over two-thirds of the nation's population lives within a day's drive of the region. Figure 8 details the Knoxville MSA's proximity to the U.S.

In addition to excellent highway transportation, the area offers convenient rail networks. The Knoxville MSA is served by Norfolk Southern and CXS Railway System lines. Direct one-line service is available to most large and small cities in the Southeast.

The Knoxville metropolitan area lies at the headwaters of the Tennessee River system of waterways. The river is part of the Interconnected Inland Water System, which links Knoxville with 21 states, the Mississippi River, the Gulf of Mexico, and the Great Lakes. This system of year-round navigable water provides low-cost, efficient transportation.

Figure 10

KNOXVILLE AREA PROXIMITY

Commercial airline service is available at McGhee-Tyson Airport near Knoxville. The airport has two 9,000 feet parallel runways and services 11 commercial airlines. Passengers using McGhee Tyson Airport are linked to 12 non-stop destinations, totaling approximately 100 flights per day. Passenger traffic totaled almost 1.7 million in 2006.

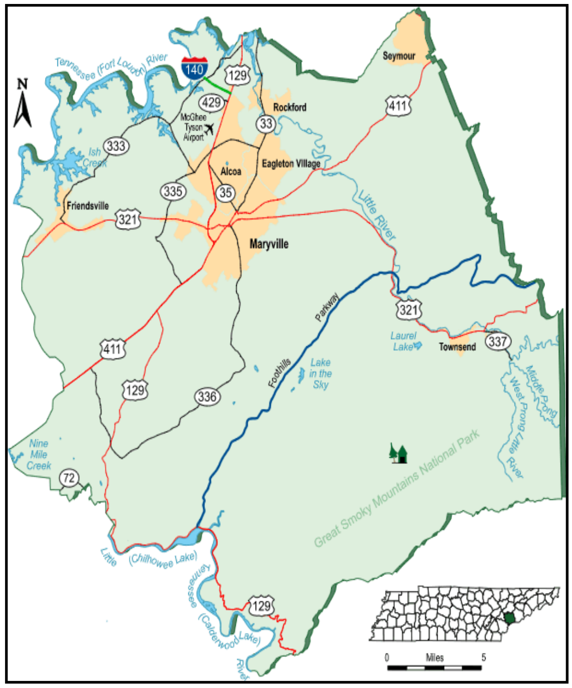
TOPOGRAPHY AND CLIMATE

Knoxville is centrally located within the Tennessee River Valley, varying from 30 to 60 miles wide, between the Cumberland Mountains to the northwest and the Appalachian Mountains to the south. This broad riverside environment contributes to a moderate, four-season climate, with an average annual temperature of 60° F. Annual precipitation is in the range from 45-50 inches of rainfall and an average of 12 inches of snow. Extended periods of extremely hot or cold weather are very rare. Winter is short, with cold weather throughout December and January, which usually breaks in February. The mean number of days between frost dates is 215.

BLOUNT COUNTY AREA ANALYSIS

Blount County is situated in the southeastern portion of the state and is bound by Knox County to the north, Sevier County to the east, Loudon and Monroe Counties to the west, and by the state of North Carolina to the south. Blount County is located south of Knox County and is classified within the Knoxville Metropolitan Statistical area (MSA). Land area of the county includes an area of 559 square miles, of which approximately one-third is within the Great Smoky Mountains National Park.

BLOUNT COUNTY MAP



The county includes five incorporated municipalities. The largest of these municipalities are Alcoa and Maryville. These two cities are located side by side in the northern central portion of the county and serve as the primary commercial center for the area. Maryville also serves as the county seat. Maryville and Alcoa are located approximately 15 miles south of Knoxville and share a strong bond with Knoxville and Knox County due to the location of the Knoxville Metropolitan Airport along the northern boundary of Alcoa. The remaining municipalities are Friendsville, Louisville, and Rockford. These communities are primarily residential and agricultural in nature with limited commercial or industrial development.

POPULATION

Blount County is located just south of Knoxville and Knox County, which is the most populous county in East Tennessee supporting a 2007 population of some 423,874 persons. Blount County combines with Knox and four surrounding counties to form the Knoxville Metropolitan Statistical Area (MSA), which currently ranks 76th in the top 100 largest markets in the United States with a 2000 population of 687,249. Growth in the county is primarily attributable to sustained growth in the retail and manufacturing sectors as well as increases in the number of retired persons who have relocated to the area. According to the U.S. Census Bureau, Blount County had a 2008 population estimated at 120,893 representing a 14.2% increase from the 2000 census. The extension of Pellissippi Parkway from Knox County to Blount County is expected to further promote increased growth. The Parkway now provides convenient access to west Knoxville and Interstate 40/75 and has drastically reduced travel time between the two counties. The cities of Alcoa and Maryville have also displayed strong growth trends with population increases as well. The table below summarizes population trends for Blount County.

EMPLOYMENT BY INDUSTRY GROUP

Blount County's labor force averaged 59,643 persons for 2008. While manufacturing has historically been one of Blount County's largest employers, in recent years employment in the wholesale and retail trade, and services sectors has begun to rise as a percentage of total employment as the majority of new jobs that are created are from these areas. Today, approximately 14% of the workforce is employed in manufacturing. Transportation, Trade & Utilities is the leading employment sector with 27.5% of the workforce. The service sector employs approximately 26% of the workforce, while government is responsible for 12.8% of employment.

Blount County Employment by Sector			
Sector	Persons Employed	% of Total	Average Annual Wage
Agriculture, Forestry, & Fishing	258	0.4%	$19,643
Manufacturing	8,805	14.8%	$51,818
Construction & Mining	6,030	10.1%	$35,570
Transportation, Trade, & Utilities	16,410	27.5%	$34,074
Finance, Insurance, & Real Estate	4,940	8.3%	$37,556
Services	15,580	26.1%	$42,180
Government	7,620	12.8%	$36,252
Total Employment	59,643	100.0%	$36,728

Source: Tennessee Department of Economic & Community Development

MAJOR EMPLOYERS

Major employers in Blount County include Denso Manufacturing and Clayton Homes. The table below displays the county's largest employers. Clayton Homes, one of the nation's largest manufactured homes companies is headquartered in Blount Count and maintains several manufacturing plants throughout the East Tennessee Area. Ruby Tuesday Corporation, which operates 416 casual dining restaurants nationwide was founded in Knoxville in 1972 and has located its corporate headquarters in Maryville, TN. The Blount County Chamber of Commerce and the Industrial Development Board cooperate in an aggressive joint campaign to attract new businesses to Blount County.

Population Estimates 1990-2008					
	Population			% Change	
	1990	2000	2008	1990-2000	2000-2008
Alcoa	6,400	7,734	8,463	20.8%	9.4%
Maryville	19,208	23,120	26,433	20.4%	14.3%
Blount County	85,969	105,823	118,186	23.1%	11.7%

Source: East Tennessee Development District

Major Employers in Blount County - 2007		
Name	**Product**	**# Employees**
Denso Mfg.	Motor Vehicle Parts	2,900
Clayton Homes	Manufactured Housing	2,267
Ruby Tuesdays	Service- full-service restaurants	2,300
Blount Co. Schools	Government- Public Schools	2,012
Blount Memorial	Health Services- Hospital	2,011
Alcoa Aluminum	Primary Aluminum	1,680
Sanford Brands	Manufacturing- Plastic	900
Blount Co. Gov't	Government- County Gov't	735
Rubbermaid	Manufacturing- Plastic	500
Ceramaspeed	Manufacturing- heat elements	400

While Blount County's per capita income levels are below Knox MSA, state and nation averages, the county continues to see increases which are comparable to both state and Knox MSA increases. Although the per capita income levels are lower than national levels, the lower cost of living in Blount County tends to mitigate the discrepancy somewhat.

The table below summarizes per capita income estimates for Blount County as compared to the Knoxville MSA, Tennessee, and the United States.

Per Capita Income Estimates						
	2001	2002	2003	2004	2005	% Change
Blount County	$ 24,401	$ 25,068	$ 26,066	$ 26,515	$ 27,331	12.0%
Knox MSA	$ 26,357	$ 27,326	$ 28,176	$ 29,342	$ 30,156	14.4%
Tennessee	$ 26,871	$ 27,499	$ 28,350	$ 29,641	$ 30,969	15.3%
Nation	$ 30,562	$ 30,795	$ 31,466	$ 33,090	$ 34,971	14.4%

Source: East Tennessee Development District

GOVERNMENT ORGANIZATION AND SERVICES

Government within Blount County is divided among the County Government and it's five municipalities. Blount County is governed by a County Commission-County Executive form of government in which laws are made by 21 County Commissioners. All Commissioners are elected by district and serve four-year terms. The County Executive is responsible for implementing the decisions of the County Commission as well as overseeing the day-to-day operations of the county. Alcoa and Maryville are both governed by a Council-City Manager form of government.

The Alcoa and Maryville police departments provide police protection. Alcoa maintains a force of 24 officers and twelve vehicles. Maryville maintains a force of 37 officers and 16 vehicles. The Blount County Sheriff provides police protection throughout the unincorporated areas of the county with 79 officers and 60 vehicles.

Alcoa maintains a fire department of 23 professional fire fighters and 11 volunteers giving the city an insurance rating of Class-5. The Maryville fire department consists of 33 professional firefighters and 10 volunteers. Maryville has an insurance rating of Class-3. 10 professional firefighters and 24 volunteers in five stations provide fire protection within the county. In addition, the county maintains an emergency medical service with 17 paramedics and 35 emergency medical technicians.

UTILITIES AND INFRASTRUCTURE

The cities of Alcoa and Maryville are served by all municipal utilities. The City of Alcoa Utilities provides electricity, water, and sewer service. Alcoa has a water treatment capacity of 24 million GPD with current usage of only 9 million GPD. Sewage treatment capacity is 10 million GPD with current usage of 7.2 million GPD.

Maryville Utilities provides electricity, water, and sewer service for residents of Maryville. The city has a treated water capacity of 6 million GPD with a current usage of only 3.5 million GPD. Sewer treatment capacity is 10 million GPD with current usage of 7.2 million GPD.

TOPOGRAPHY AND CLIMATE

Blount County is located along the southeast side of the Tennessee Valley, varying from 30 to 60 miles wide, between the Cumberland Mountains to the northwest and the Great Smoky Mountains to the south. Bordering the Great Smoky Mountains National Park, the immediate surrounding terrain is hilly and mountainous while much of the county is covered with rolling farmlands. The county has a median elevation of 989 feet above sea level. The area features a humid temperate climate with four distinct seasons and an average annual temperature of 60° Fahrenheit. Annual precipitation is in the range from 45-50 inches. Extended periods of extremely hot or cold weather are very rare, and there is little snow or ice to disrupt production. Winter is short, with cold weather throughout December and January, which usually breaks in February. The mean number of days between frost dates is 186.

TRANSPORTATION SYSTEMS

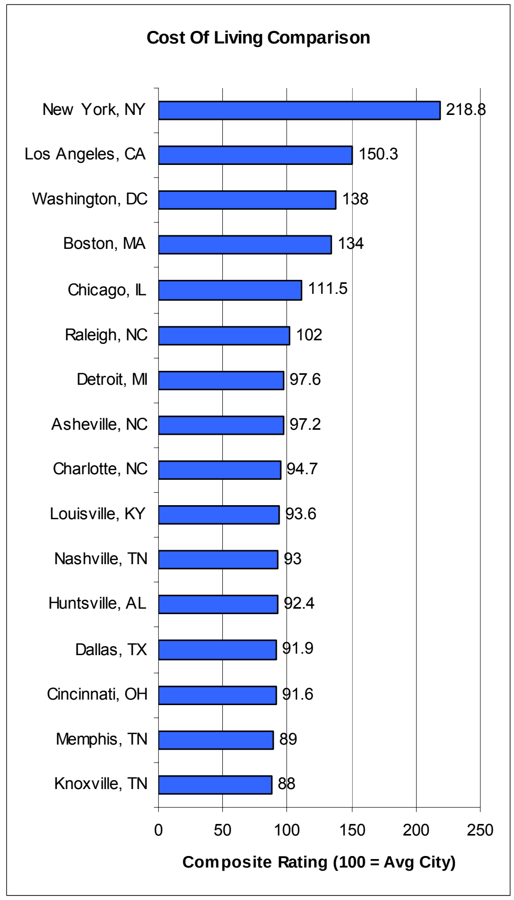
Good transportation facilities available locally play an important role in drawing new industries into the area. The Metropolitan Knoxville Airport is located adjacent to the city of Alcoa between Knoxville and Maryville. The airport has two 9,000 feet parallel runways and services 11 commercial airlines. Passengers using McGhee Tyson Airport are linked to 12 non-stop destinations, totaling approximately 100 flights per day. Passenger traffic totaled almost 1.5 million in 1997. Almost 35,000 tons of air-freight were handled last year through the airport's Air Cargo Complex. A $48.6 million terminal expansion and renovation project was completed in 1999.

The county is served by U.S. Highways 321, 129, and 411 and is located just 15 miles south of Interstates 40 and 75 in Knox County. Interstate 40, which runs from coast to coast; and Interstate 75, which stretches from the Canadian border to south Florida are easily accessible from Blount County via Pellissippi Parkway. The parkway currently connects Blount County with heavily populated and rapidly growing West Knox County and Oak Ridge in Anderson County and provides a direct link to Interstates 40/75, located some fifteen miles northwest in West Knoxville. Just over two-thirds of the nations population lives within a day's drive of the region, a factor that gives companies easy access to their markets.

In addition to excellent highway transportation, the area offers convenient rail networks. CSX and Norfolk Southern railroads serve the area. The MSA is at the junction of the major east/west and north/south Norfolk Southern Railway System lines. Norfolk Southern provides access to markets throughout the southeastern, central, and Midwestern U.S. markets and the southern Canadian provinces. CSX provides access to the southeastern, central, and northeastern U.S. markets and southern Canada. Direct one-line service is available to most large and small cities in the Southeast.

Blount County's northern border is the Tennessee River. The Knoxville metropolitan area lies at the headwaters of the Tennessee River system of waterways. The river is part of the Interconnected Inland Water System, which links the area with 21 states, the Mississippi River, the Gulf of Mexico, and the Great Lakes. This system of year-round navigable water provides low-cost, efficient transportation. Three active river terminals handle barge shipments in Knoxville. These terminals specialize in bulk shipments such as petroleum, pulpwood, gravel, grain, chemicals, and coal.

QUALITY OF LIFE



The Blount Count area enjoys a cost of living, which is 6.8% below the national average. In addition, the average cost of housing is Blount County is very reasonable. Blount County has consistently been ranked as among the most livable areas in the US. The low cost of living and the high quality of life makes Blount County an attractive location for new businesses.

The University of Tennessee, the fifteenth largest State University in the country, is located ten miles north of Blount County in downtown Knoxville. The main campus of the University of Tennessee, with an enrollment of approximately 26,000, is recognized as one of the nation's major research universities. The university offers 110 undergraduate and 146 graduate degree programs. Additionally, Pellissippi State Technical Community College serves the Knoxville area. Pellissippi State is a fully accredited public two-year college. The college offers both career/technical degrees and college transfer programs. Pellissippi State operates two campuses in Knoxville and one in Maryville and has a current enrollment in excess of 8,200 students.

For outdoor enthusiasts, a variety of recreational opportunities are offered by the Great Smoky Mountains National Park, Big South Fork National River and Recreation Area, the TVA system of rivers and lakes, and many other regional features to include two national forests, nine state parks, and three whitewater rafting rivers. The Great Smoky Mountains National Park forms the county's southern border and encompasses over a half million acres. The park includes over 650 miles of trails, 600 miles of trout streams, and 11 campgrounds. With over nine million visitors per year, the Great Smoky Mountains is the most visited national park in the county.

For water lovers, the area offers seven TVA lakes with 3,425 miles of shoreline and 266 square miles of water area. The county's northern boundary is formed by Fort Loudon Lake with numerous others nearby including Chilhowee and Tellico. Overall, the area offers hundreds of thousands of acres of parks and recreational space that presents tremendous recreational opportunities to both local residents and visitors. Blount County, Alcoa, and Maryville operate 15 parks and recreation areas that provide sports fields, walking and jogging trails, playgrounds, pools, and lake access.

CONCLUSIONS

The preceding analysis is indicative that the Knoxville MSA and Blount County is a stable area with an increasing population, a stable economic base, and a healthy mix of private and public facilities.

The Knoxville MSA is a vital area for transportation, business, and tourism for a trade area of some two million people. Knoxville and the immediate area are well positioned for future growth, the foundation of which is based on the area's favorable business climate, good transportation and communication systems, skilled workforce, abundant natural resources, and good quality of life.

NEIGHBORHOOD ANALYSIS

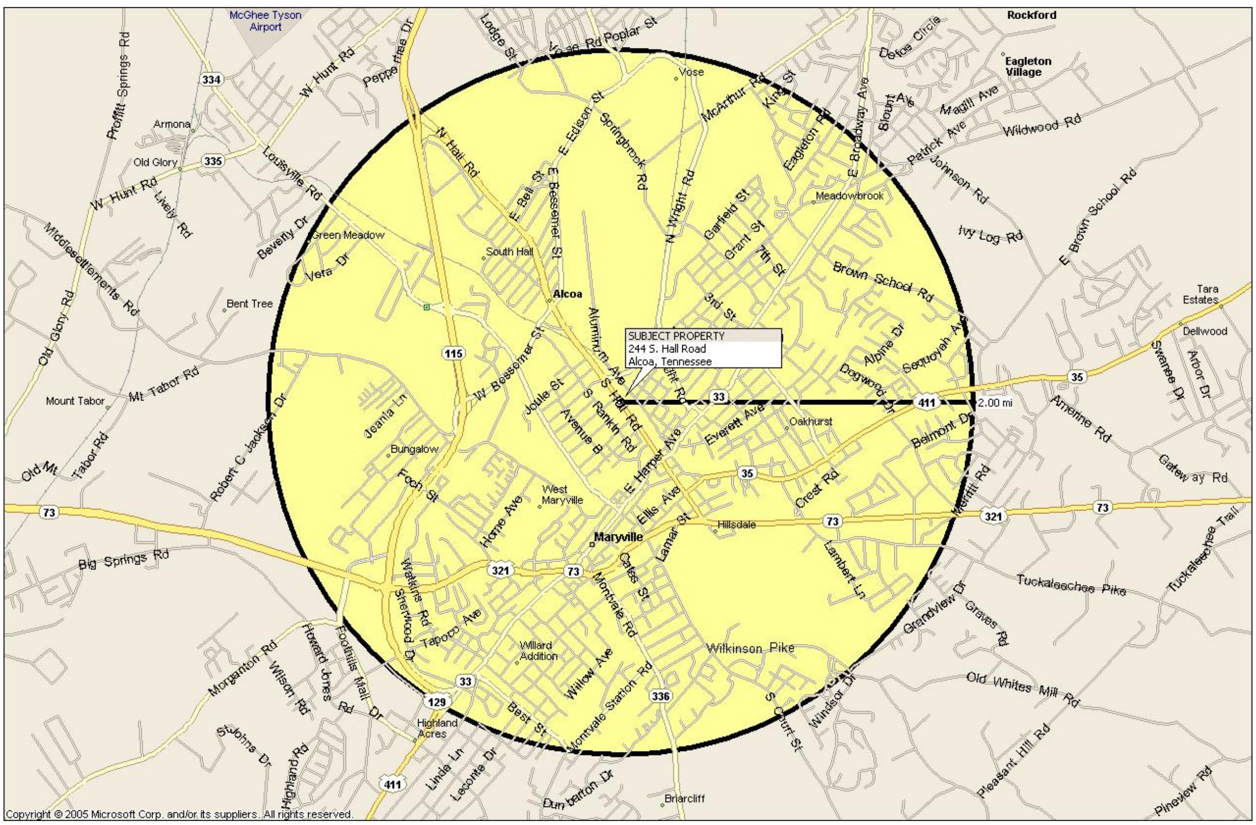
INTRODUCTION

Neighborhoods may be devoted to such uses as residential, commercial, industrial, agricultural, or a mixture of these uses. The identification of a neighborhood begins with the subject property and proceeds outward, identifying all relevant actual and potential influences on the property's value that can be attributed to its location. The geographical limits of the neighborhood extend far enough to encompass all influences that the market perceives as affecting the value of the subject property.

Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political, and physical forces which affect the neighborhood also directly influence the individual properties within it.

The following map shows the subject's general neighborhood.

NEIGHBORHOOD MAP



Source: Microsoft Streets & Trips 2006 / Meridian Realty Advisors

LOCATION AND BOUNDARIES

The subject property is located at 244 S. Hall Road in Alcoa, Tennessee. This location is approximately ½-mile northeast of the Maryville Central Business District (CBD) and approximately 2 miles northeast of Foothills Mall. The neighborhood boundaries are inexact, but generally comprise an area of land uses located within a two-mile radius of the subject property.

The immediate area reflects a mixture of strip-center and free-standing retail space, casual dining and fast food restaurants, commercial office and general business as well as suburban single- and multi-family residential uses.

NEIGHBORHOOD ACCESS & PROXIMITY

The accessibility to the neighborhood in general and the subject property in particular is considered good. The neighborhood is located within close proximity to employment centers, shopping, schools, religious facilities, and recreational areas. The table to the right summarizes the neighborhood proximity to significant area features.

Primary Access to the area is provided by U.S. 321 (Lamar Alexander Parkway), U.S. 129 (Alcoa Highway) and Hall Road (State Route 35).

Hall Road is a four-lane asphalt paved roadway with medians and designated turning areas. Hall Road is a primary commercial artery of Alcoa that runs is a north-south direction linking Alcoa Highway with Lamar Alexander Parkway. Traffic volume along Hall Road was 24,549 vehicles per day in 2007.

Neighborhood Proximity	
Maryville CBD	½ mile northeast
U.S. 129	2 miles southeast
Foothills Mall	2 miles northeast
Pellissippi Parkway	5 miles south
Interstate 40/75	15 miles north
Neighborhood Shopping	0-3 miles
Regional Mall	½ mile south
Schools	1-3 miles
Employment Centers	0-10 miles
Regional Airport	3 miles north

Alcoa Highway is a four-lane asphalt paved roadway with grass center medians and designated turning areas. To the north, the highway serves to link Knoxville and Knox County with the McGhee Tyson Airport and the Cities of Alcoa and Maryville. U.S. 129 also extends to the southwest, providing access to the residential and agricultural uses in the southwest portion of the county. Alcoa Highway is one of the busiest highways in the State of Tennessee with an average daily traffic count of 53,507 in 2007.

Lamar Alexander Parkway is four-lane asphalt paved roadway, which extends in an east-west direction. To the east of the subject location, Lamar Alexander Parkway extends through the Maryville Central Business District continuing into the eastern portion of Maryville and Blount County. To the west, Lamar Alexander Parkway provides access to the Blount County and Big Springs Industrial Parks and with suburban residential and agricultural uses in the western portion of the county. Traffic volume along Lamar Alexander Parkway was also very high at 24,896 vehicles per day.

The subject is located approximately five miles south of the Alcoa Highway-Pellissippi Parkway interchange. The Parkway extends approximately 15 miles northwest from Alcoa Highway to west Knoxville. The roadway provides the subject neighborhood with direct access to Interstate 40/75 and with the major retail, office, and restaurant development in west Knoxville.

Secondary roadways within the neighborhood are primarily two-lane asphalt paved streets and are maintained by the Cities of Alcoa and Maryville. Overall, the infrastructure within the neighborhood is in good condition and does not create any adverse affect on property values.

DEVELOPMENT AND LAND USE

The subject neighborhood comprises the principal commercial center for the Alcoa/Maryville area. The neighborhood projects a high concentration of office, retail, and commercial development catering to employment and consumer demand created by Maryville's increasing population. In addition, the neighborhood is an important residential and multi-family area and projects a high number of institutional uses to include religious facilities, public and private schools, and healthcare facilities.

Most commercial properties occupy the parcels fronting on U.S. 129, Lamar Alexander Parkway, U.S. 411, and Hall Road and include retail stores, car dealerships, fast-food restaurants, strip centers, and offices. The predominant commercial land use in the area is retail, due to the presence of Foothills Mall. Numerous other neighborhood and community shopping centers are also located within the neighborhood to include New Midland Plaza, Hunter's Crossing, Foothills Plaza, and Maryville Commons. A large concentration of fast food restaurants is located along Foothills Mall Drive. The density of development increases as one moves east toward the Maryville CBD.

This area is characterized by steady growth and development over the past decade with very few vacant commercial sites. The majority of new commercial development in recent years has been concentrated around the Lamar Alexander Parkway-Alcoa Highway intersection. Development at this location includes Foothills Mall, a freestanding Home Depot, a Wal-Mart Supercenter, Lowes Home Center, Staples, Office Depot, Target, Kroger, and Ruby Tuesday restaurant.

There is an adequate supply of vacant land in the western portion of the neighborhood and more commercial development is expected in the near future. This development will likely be office or retail in nature. These factors indicate property values are likely to increase steadily in the near future, which bears a positive influence on the subject property

Residential and multi-family uses are concentrated on secondary streets between Lamar Alexander Parkway and U.S. 411, between U.S. 129 and Louisville Road, and between Hall Road and Calderwood Street.

DEMOGRAPHIC SUMMARY

The table below summarizes key demographic indicators for a one, three and five mile radius of the subject property. The information was provided by Site To Do Business (STDB Online) for the immediate subject area.

Key Indicator	*Radius: 1.0 mile*	*Radius: 3.0 miles*	*Radius: 5.0 miles*
2008 Population			
Total Population	4,124	36,803	63,870
Male / Female	46.6% / 53.4%	47.0% / 53.0%	47.5% / 52.5%
Median Age	40.8	41.1	41.1
2000-2008 Annual Rate	0.22%	0.68%	1.16%
Median HH Income			
2008 Median HH Income	$29,397	$44,310	$47,963
2000-2008 Annual Rate	3.06%	3.20%	3.21%
Per Capita Income			
2008 Per Capita Income	$16,780	$24,916	$25,051
2000-2008 Annual Rate	2.81%	3.12%	2.97%
Average HH Income			
2008 Average HH Income	$37,531	$58,749	$60,510
2000-2008 Annual Rate	3.07%	3.02%	2.93%
2008 Households			
Total Households	1,845	15,384	26,135
Average Household Size	2.18	2.28	2.37
2000-2008 Annual Rate	0.31%	0.78%	1.24%
2008 Housing			
Owner Occupied	47.3%	62.5%	67.3%
Renter Occupied	37.9%	29.3%	25.0%
Vacant Housing Units	14.7%	8.2%	7.7%

Source: U.S. Bureau of the Census, 2000 Census of Population and Housing. ESRI forecasts for 2008 and 2013

CONCLUSION

In conclusion, the surrounding neighborhood bears positive influences on the subject property. The area is firmly established as the primary commercial area for the Maryville/Alcoa area. The subject is centrally located with respect to these influences and is easily accessible from primary traffic routes.

Based on the age and condition of properties within the area, the neighborhood appears to be in the growth phase of the neighborhood life cycle, which is defined as a stage in which the market area gains public favor and acceptance. There are no apparent factors that adversely affect property values. As a result, property values are expected to grow steadily over the next several years.

The following table summarizes the relevant characteristics of the subject's neighborhood.

Profile of the neighborhood

Location:	Average
Transportation & access:	Average
Appeal & appearance:	Good, typical for the area
Property compatibility:	Average
Maintenance & condition of properties:	Average
Protection from detrimental conditions:	Average
Trend of property value:	Stable
Development trend:	Growth phase
Supply & demand:	In balance
Vacancy trend:	Low and stable
Population trend:	Increasing
Employment stability:	Average
Typical marketing time:	< 12 months
Change in land use:	Unlikely

SECTION 3 – PROPERTY ANALYSIS

DESCRIPTION & ANALYSIS OF THE SITE

The following site description is based on our inspection of the site along with data provided by the Blount County Property Assessor's Office & Courthouse Retrieval Systems.

GENERAL CHARACTERISTICS

Location — The site is located along the west side of S. Hall Road bounded to the south by Gill Street and to the west by Rankin Road.

Land Area

- **Acres:** The site contains a total of 4.746 acres or 206,736 sq. ft.
- **Source:** Tract 1-R of the Kroger Center Re-subdivision

Shape / Frontage: The site is irregular in shape and can best be visualized by referring to the graphics which follow. The site fronts a total of 528.60 ft. along the west side of S. Hall Road; 197.48 ft. along the north side of Gill Street; 468.21 ft. and 389.87 ft along the east side of Rankin Road.

Ingress / Egress — Access to the site is provided by curb cuts along S. Hall Road and Rankin Road.

Visibility — Good

Topography — The site features a generally level topography.

Drainage — During the inspection of the property, no drainage problems were observed and none are assumed to exist.

Utilities And Services — All utilities are available to the site to include electricity, water, sewer, gas and telephone.

Flood Information

- **Zone Code(s):** X
- **FEMA Panel #:** 47009C-0138C
- **Effective Date:** 09/19/07

Zones	Description
A, AE, A1-A30	Areas with a 1% annual chance of flooding and a 26% chance of flooding over the life of a 30-year mortgage. In most instances, base flood elevations derived from detailed analyses are shown at selected intervals within these zones. Mandatory flood insurance purchase requirements apply to all of these zones.
B, C, & X	Areas outside the 1% annual chance floodplain, areas of 1% annual chance sheet flow flooding where average depths are less than 1 foot, areas of 1% annual chance stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 1% annual chance flood by levees. No Base Flood Elevations or depths are shown within this zone. Insurance purchase is not required in these zones.

Soil Conditions — There was no visual evidence of any inadequate soil support or drainage conditions; as such, there appears to be no impediments to reasonable development of the site. For purposes of this assignment, it is assumed the subject's topsoil and subsoil conditions are stable and adequate to support the existing or proposed improvements.

PROPERTY ZONING

Zoning District	E / General Business District
Permitted Uses	This district provides space for commercial use which provide services primarily to community residents of the City of Alcoa. The intent is to permit lands adjacent to major arterial highways as designed by the Alcoa Major Road Plan to be used for the provision of general commercial and business services to the community. These commercial uses are intended to be designed to minimize disruption of traffic flows and negative impacts on adjacent residential uses.
Conformance	Based on our inspection and a discussion with the local zoning official, the current use of the site constitutes a legally permissible use that conforms to the current zoning ordinance

OTHER LEGAL & REGULATORY CONTRAINTS

Easements & Encroachments	Our physical inspection along with research of Blount County records revealed no adverse easements or encroachments. The site is subject to standard utility easements which do not appear to affect the utility of the site.
Environmental Issues	The appraisers have not been provided with an environmental assessment of the subject site. The existence or level of any soil contamination on the site is unknown. The value estimate in this report reflects the assumption that no hazardous or toxic wastes, pollutants, of contaminants affect the site.
Covenants & Restrictions	Covenants and restrictions (C&Rs) typically provide for cross easements for parking and ingress/egress. In addition, common area maintenance provisions are typically included. Meridian Realty Advisors was not provided a copy of C&Rs and has not conducted an independent review of such, as this is considered a legal matter. We have assumed that there are no covenants, conditions, or restrictions impacting the site that are considered to affect the marketability, highest and best use, or value of the property; other than the previously described zoning restrictions.

ADJACENT PROPERTIES

The adjacent land uses are summarized as follows:

- *North:* Burger King & Big Lots
- *South:* Hollywood Video & Medical Offices
- *East:* Sav-A-Lot Food Store, Title Max & Auto Zone
- *West:* Office & Single-Family Residential Uses

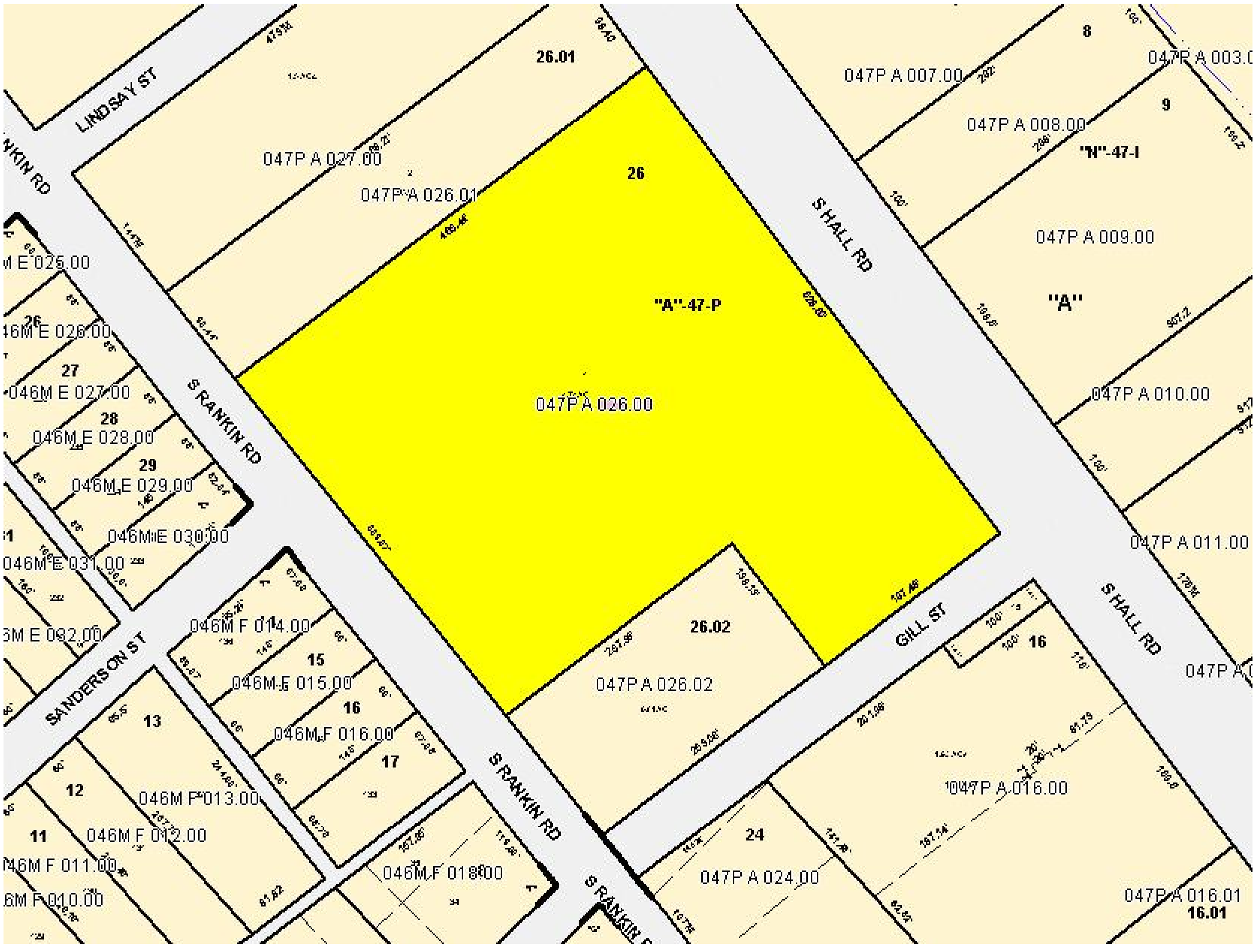
The adjacent properties are typical of the neighborhood and harmonious with the subject property.

CONCLUSION

The subject site is compatible with surrounding parcels both in physical features and use. Overall, there are no known factors which are considered to prevent the site from development its highest and best use, as if vacant, or adverse to the existing use of the site

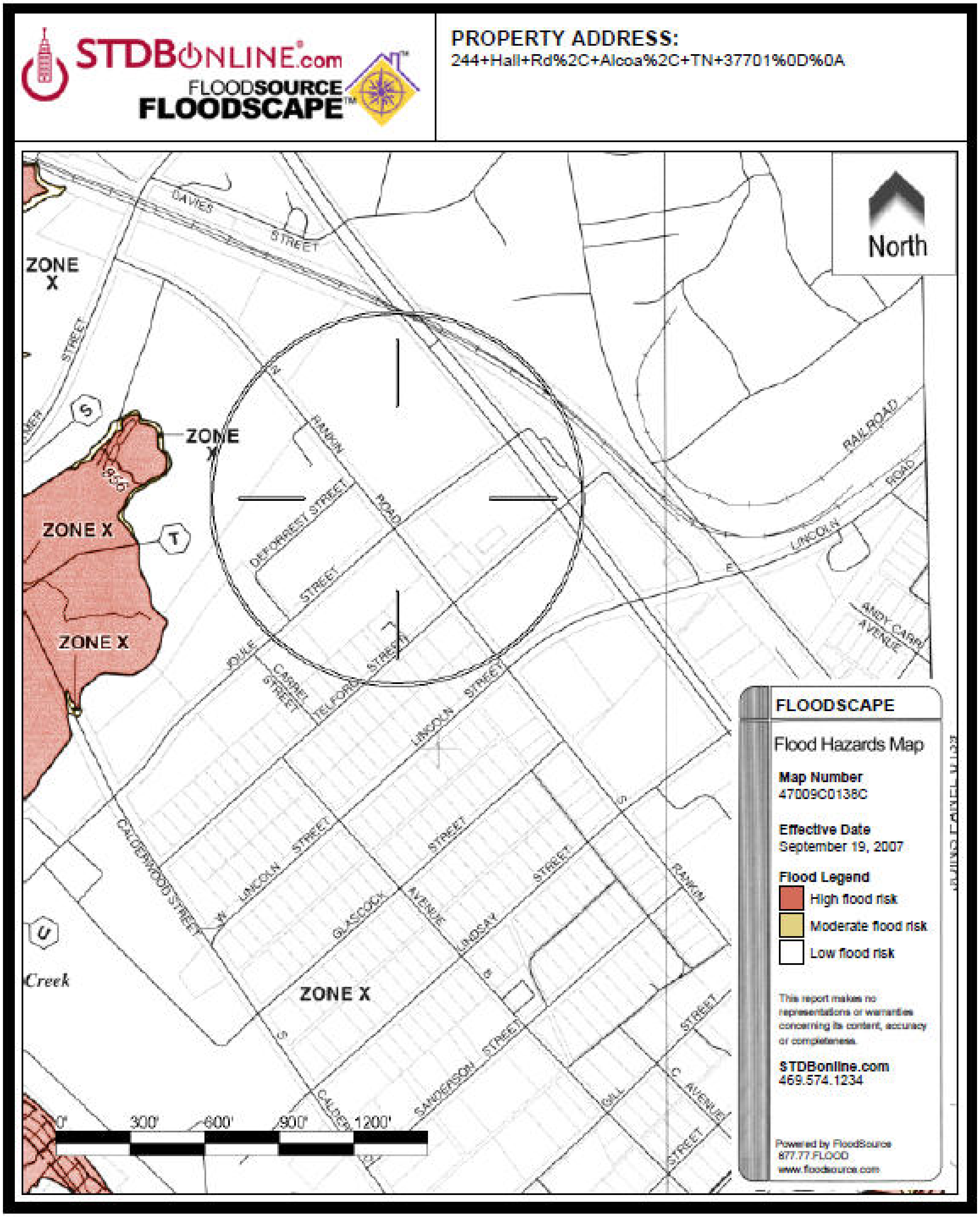
The following graphics help to further identify the physical characteristics of the subject site.

ASSESSOR'S MAP OF THE SUBJECT PROPERTY



Source: Courthouse Retrieval System, Inc. / Meridian Realty Advisors

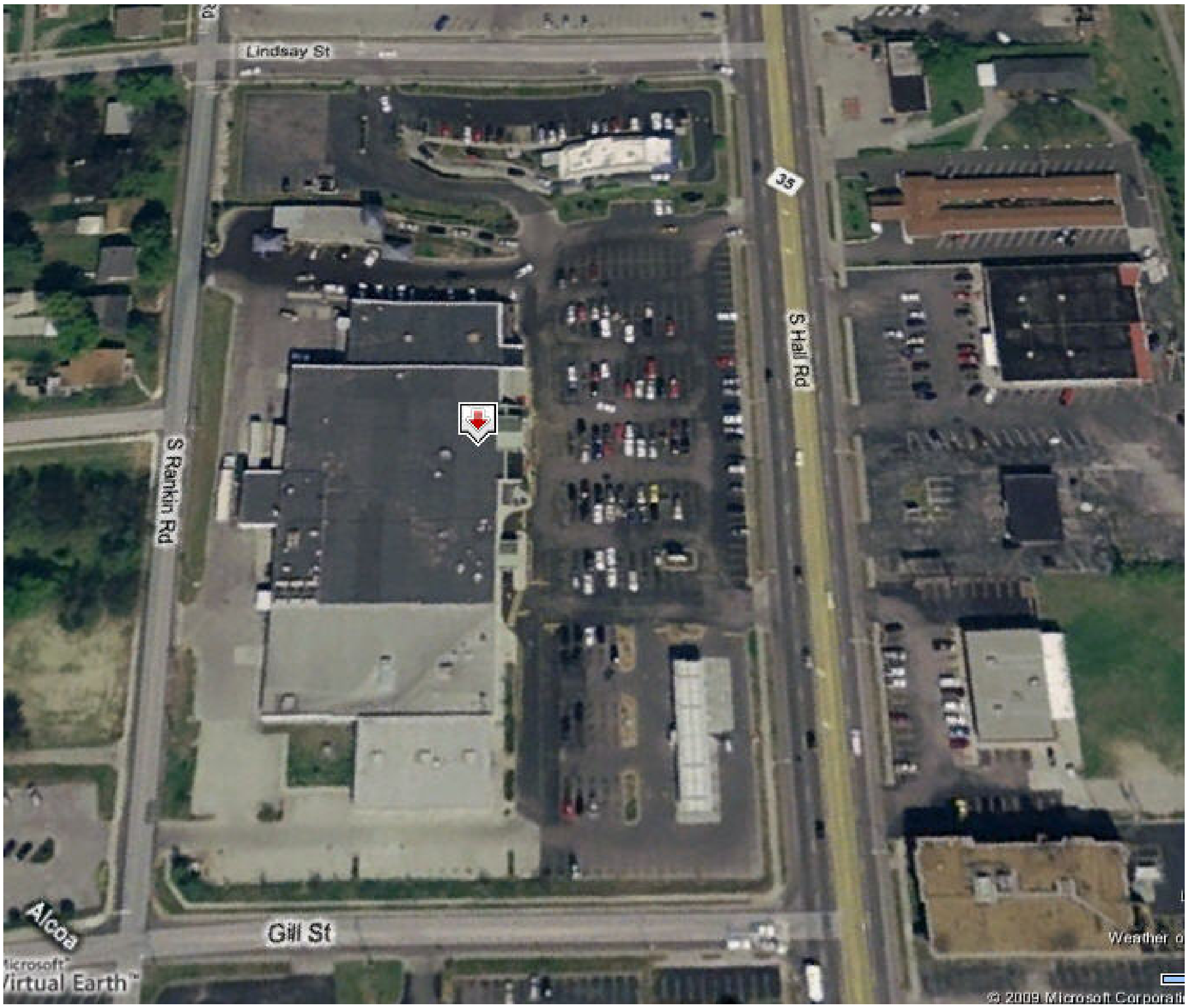
FLOOD MAP OF THE SUBJECT PROPERTY



Source: FEMA / Meridian Realty Advisors

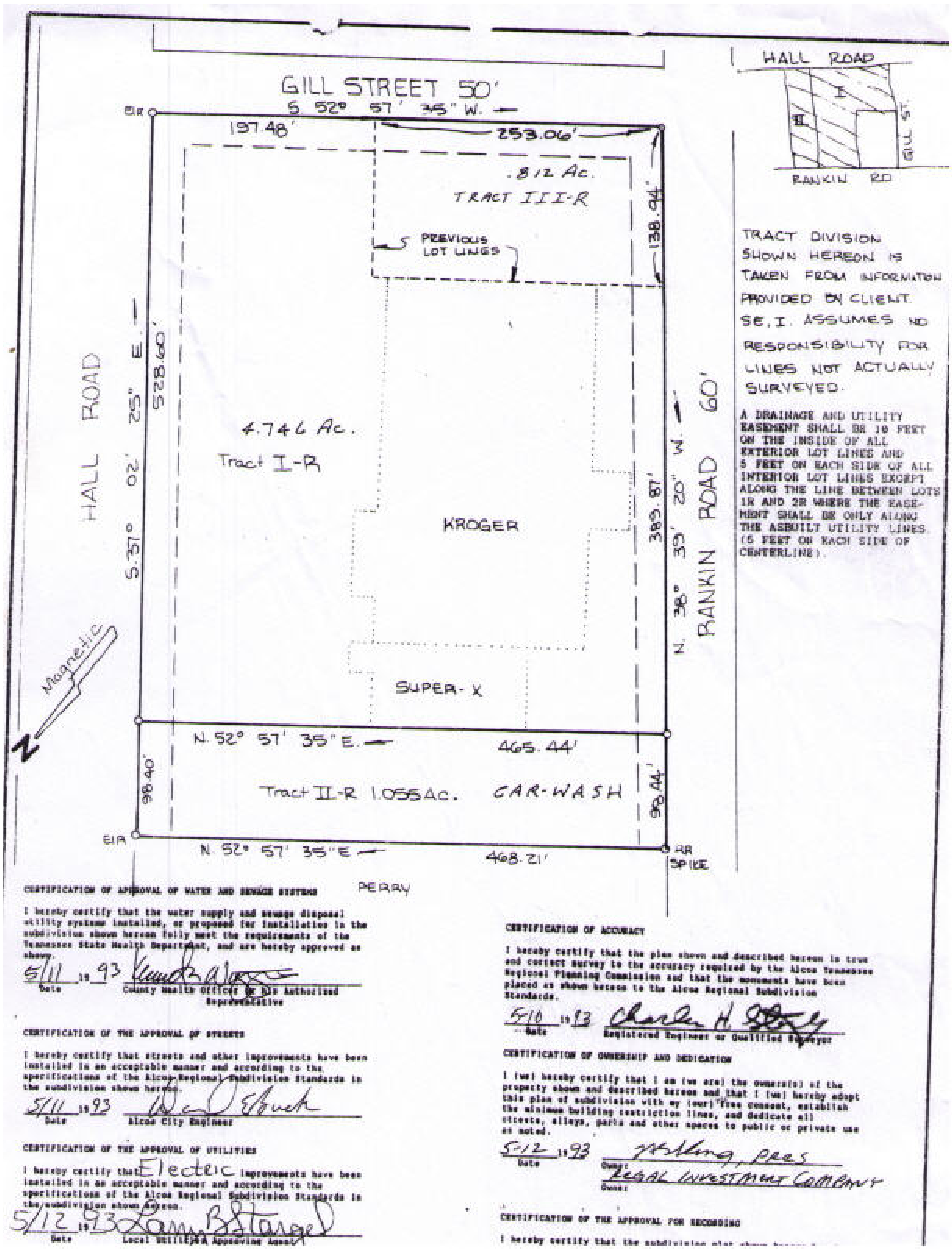
MERIDIAN
REALTY ADVISORS

AERIAL PHOTOGRAPH OF SUBJECT PROPERTY



Source: Google Earth / Meridian Realty Advisors

PLAT MAP OF SUBJECT PROPERTY



Source: Charles H. Stanley, Registered Surveyor / Meridian Realty Advisors

DESCRIPTION & ANALYSIS OF THE IMPROVEMENTS

The following description of the subject improvements is based upon a physical inspection of the property, in conjunction with relevant information as furnished by the owner and owner's representatives.

GENERAL INFORMATION

Property Type:	Neighborhood Shopping Center
Gross Building Area:	71,321 sq. ft.
Net Rentable Area:	69,529 sq. ft.
Year Built:	1981
No. Buildings:	1
No. Stories:	1

UNIT MIX

The following table summarizes the tenant mix for the subject property.

Unit Type	Size SF	Unit Ratio
Anchor Tenant Space Kroger	59,460	86%
Vacant Retail Space CVS Pharmacy	10,069	14%
Total/Avg.	69,529	100%

BUILDING COMPONENTS

The following is a detailed description of the construction features for the subject improvements.

Foundation	Perimeter footings / CMU / reinforced concrete slab on grade
Frame / Exterior Walls	CMU / Steel frame with brick veneer & masonry exterior walls.
Roof	Steel joist roof system with membrane roof cover.
Interior Walls	Interior partition walls consist of metal stud framing with gypsum drywall sheathing. Walls are finished with either commercial grade vinyl wall coverings or paint.
Floor Coverings	Floor coverings vary throughout the building. The majority of the building features commercial grade vinyl tile throughout the retail shop areas with exposed concrete flooring in the warehouse and loading dock areas. Restrooms have tile flooring.
Ceilings	Suspended acoustical tile ceilings in retail shops areas with exposed structural members in the Kroger warehouse and loading dock area
Doors & Frames	Exterior entrances feature aluminum storefront type commercial doors with 1" tempered glass or solid wood doors in steel or wood frames. The rear emergency exits and service doors are insulated steel doors in metal frames.
Windows	Insulated glass windows in aluminum frames located along the front entrance of the store.

HVAC	Each retail space features a dedicated Central Heat & Air system in the retail shop areas with suspended gas heaters in the warehouse and loading dock areas.
Plumbing	The facility features adequate plumbing capacity for its use.
Electrical / Lighting	Mixture of recessed fluorescent lighting in the suspended ceiling and incandescent accent lights.
Fire Protection	Wet sprinkler system
Elevator / Stairwells	None
Personal Property	Personal property excluded.
Security	Typical
Miscellaneous	Both the Kroger and CVS Pharmacy spaces underwent remodeling to the interior and exterior in 2003 in order to bring the stores up to a more modern design. In addition, there is a Kroger Fuel Center located in the southeastern portion of the site. The fuel center has a total of 4 double-sided Gilbarco fuel pumps capable of serving 8 vehicles. The fuel center is covered by a 2,880 sq. ft. fuel canopy with dimensions of 24' x 120' with a 112 sq. ft. fuel attendant building located in the center portion underneath the canopy. The fuel center was constructed in 2004.

PARKING AND DRIVES

Construction:	Asphalt paved with striped spaces
Condition:	Average
No. of Spaces:	229
Spaces/1,000 Sq. Ft.:	3.21
Similarity to Competition:	Comparable

LANDSCAPING & DRAINAGE

Landscaping:	The building features combinations of grass, shrubbery, and trees which is considered to be typical for this type use.
Drainage & Retention:	Storm sewer drainage systems allow site water to be collected and drained through surface drains in parking area.

QUALITY OF CONSTRUCTION AND CONDITION SURVEY

Overall Condition:	The property is 28 years old and displays average overall condition.
Quality of Construction:	The improvements reflect good quality construction and finish which is typical for this type use in the local market. The structural and exterior components of the subject building are standard for this type construction. Interior finishes are typical for retail occupancy.
Deferred Maintenance:	Meridian Realty Advisors has assumed that the subject is structurally sound with no current structural or deferred maintenance. No obvious signs of deferred maintenance were noted during the physical inspection.

Functional Utility: The subject has adequate overall functional utility for use as a neighborhood shopping center and is competitive with other shopping centers in the immediate market.

ECONOMIC AGE AND LIFE EXPECTANCY

The economic life of a property is generally shorter than the actual physical life in that most improvements with marginal utility are ordinarily replaced with new structures. According to Marshall Valuation Service, the typical economic life expectancy for a good quality neighborhood retail center is 45 years. The following table summarizes the estimates of effective age and remaining economic life.

ECONOMIC AGE AND LIFE SUMMARY	
Actual Physical Age	28 yrs.
Estimated Effective Age	20 yrs.
Estimated Economic Life	45 yrs.
Estimated Remaining Economic Life	25 yrs.
Accrued Physical Depreciation	44.4%
Annual Depreciation Rate	2.2%

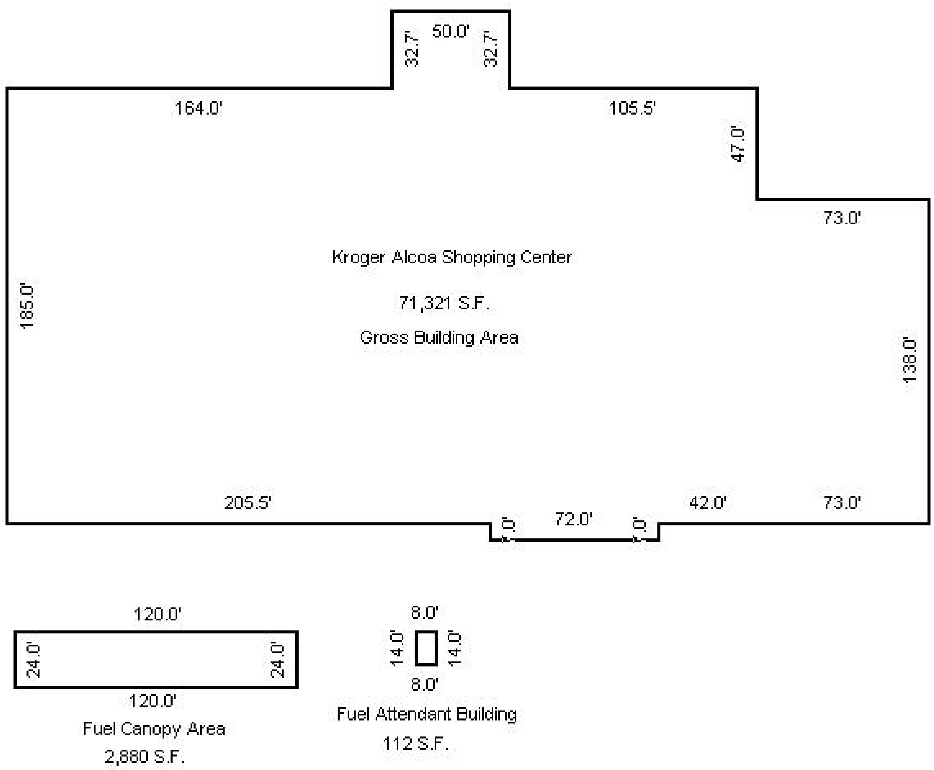
EXTERNAL OBSOLESCENCE

As described in the *Neighborhood Description*, the subject neighborhood is a stable, mixed-use suburban neighborhood located in the Alcoa/Maryville community of Blount County. The area has attracted substantial new development is recent years and displays stable supply and demand characteristics. There are no negative environmental factors that adversely affect the present use. Therefore, the property does not suffer from external obsolescence.

CONCLUSION

The improvements are considered to be typical in regard to improvement design and layout, as well as interior and exterior amenities. Overall, there are no known factors that could be considered to adversely impact the marketability of any of the improvements.

SKETCH OF SUBJECT PROPERTY



Source: Apex IV / Meridian Realty Advisors

HIGHEST AND BEST USE ANALYSIS

The first step in the appraisal process is the determination of Highest and Best Use. Highest and best use may be defined as:

> *"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 validity of an appraisal is dependent upon the consideration and conclusion of highest and best use. The highest and best use of a property is shaped by the competitive forces within the market where the property is located. The analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property. Thus, in-depth analysis of supply and demand characteristics, investor behavior, and physical characteristics of the site and improvements are essential.

Four tests are used to determine the highest and best use of a property. A proposed or existing use must meet all four of the following requirements:

(1) legally permissibility;
(2) physical possibility;
(3) financially feasibility; and
(4) maximum profitability.

These criteria are considered sequentially since the tests of legal permissibility and physically possible must be applied before the tests of financially feasible and maximally productive. These four criteria are described in greater detail below.

Using these four tests, the highest and best uses of the land as though vacant and as improved is analyzed below.

AS VACANT

Legally Permissible

The subject property is zoned E General Business District by the City of Alcoa. This is a fairly broad classification which allows most types of retail and general commercial uses. All these uses are found within the general area and all are considered reasonable uses from a legal standpoint. There are no other known legal restrictions on the use of the site.

Physically Possible

The site contains 4.746 acres with adequate frontage and depth. The site has a level topography at road grade level with both S. Hall Road and Rankin Road. The physical characteristics of the site would allow a wide range of uses and do not eliminate any of the legally-permissible uses of the site.

Financially Feasible

The reasonably probable uses of the site do, however, eliminate some of the legally and physically possible uses. Reasonably probable uses are dictated by prevailing market conditions for different property types and land-use patterns in the area.

The principle of conformity holds that value is created and sustained when there is homogeneity among adjacent land uses. The subject neighborhood comprises a well-established commercial corridor for the immediate area. Land uses in the general area consist primarily of neighborhood commercial uses to include restaurants, shopping centers, branch banks, retail stores, and convenience markets along primary traffic arteries. Secondary locations display a mixture of office and neighborhood commercial uses.

Given the site's convenient location and proximity to surrounding land uses, use for some type of neighborhood commercial would be most likely as vacant.

Maximally Productive

Although several different types of development are legally permissible, physically possible and financially feasible, analysis of the subject site and surrounding land use patterns indicated that the maximally productive use of the site "as if vacant" is development for neighborhood commercial use. It is recognized, however, that a national economic recession and a real estate lending crisis are currently having a negative impact on most new development. The length of the recession and overly conservative lending standards is certainly not known but most economists' project recovery in 2010. Given this influence, the highest and best use is considered for neighborhood retail use when the market strengthens in a year or two. To be maximally productive, that neighborhood use should take maximum advantage of the entire site area.

AS IMPROVED

The subject property is currently improved with a neighborhood shopping center originally constructed in 1981 and fuel center originally constructed in 2004. In light of existing improvements, a contrast with other uses is made for the optimal use of the site which is also physically suitable, legally permissible, economically feasible, and the most profitable use of the site.

As earlier indicted, the highest and best use of a property as improved may differ from the highest and best use of the land as vacant. The "as improved" analysis assist in the identity of the use that is projected to provide the greatest overall property return on invested capital, as well as in the identification of comparable properties. Typical choices for improved property include the following usage alternatives:

- Demolition of the improvements
- Remodeling or renovation
- Continued usage as is

The four test of highest and best use are applied to each of the above alternatives. All three options are legally permissible and physically possible. The test of financial feasibility is that the use must provide a return equal to or greater than the amount deemed to meet all operating expenses, financial obligations, and capital expenditures. In addition, the use must be maximally productive, or that use which produces the highest value, consistent with the rate of return warranted by the market for that use. Utilizing current investor expectations, consideration of all three scenarios was made.

Demolition of the Improvements

The implication in a highest and best use analysis is that the existing improvements should be retained and/or renovated as long as those improvements continue to contribute to the total a value of the property; or until the return from a new improvement would more than offset the cost of demolishing the existing improvements and constructing alternative facilities.

An analysis of the subject property reveals that the existing improvements do contribute to the overall value of the subject. No other physically possible alternative use available to the site would provide a greater return. Therefore, demolition of the improvements is not the highest and best use of the subject property as improved.

Remodeling or Renovation

The subject shopping center was constructed in 1981 with an interior and exterior remodeling in 2003 to feature a modern appearance for a Kroger and CVS Pharmacy location and is considered to be in average condition. No items of functional or economic obsolescence were noted. The improvements offer a level of functionality commensurate with market demands for this type use in the subject's market area. Therefore, no items of remodeling or renovation are deemed necessary to provide the highest and best use of the subject at the present time.

Continued Usage "As Improved"

The subject property is functional for the existing use and is in average condition with no significant items of deferred maintenance noted. The property is similar to other neighborhood shopping centers in the area. This analysis suggests continued usage of the property "as improved" is warranted.

CONCLUSION AND RECONCILIATION OF HIGHEST AND BEST USE

Demolition of the improvements is not justified at present because the improvements contribute more to total property value than could be recouped through construction of any other use, or marketing the vacant site. The subject property is in average condition and does not need any substantial remodeling or renovation to maximize the property's value. Therefore, remodeling or renovation of the subject does not produce the highest and best use of the property as improved. Continued use "as is" represents the highest and best use of the subject as improved.

SECTION 4 – VALUATION ANALYSIS

VALUATION METHODOLOGY

In the appraisal process, under ideal circumstances, there are three basic approaches to an estimate of value. These three approaches are generally known as The Cost Approach, The Sales Comparison Approach, and The Income Capitalization Approach. These approaches are briefly described as follows:

COST APPROACH

Valuation by The Cost Approach is based on the principle of substitution. This principle asserts that an informed investor will not pay more for a property than the cost to build a substitute property of equivalent utility. The cost approach, therefore, estimates the cost of reproducing or replacing the subject improvements plus land value and entrepreneurial profit, less an allowance for accrued depreciation.

SALES COMPARISON APPROACH

The Sales Comparison Approach develops a value estimate by direct comparison of the subject with recent sales of improved properties that are similar in function, size, use, and income potential to the appraised property. This approach assumes that an informed purchased will pay no more for the subject than the cost of acquiring an equally desirable substitute property.

INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach recognizes the value of a property as the present worth of the anticipated future benefits of ownership. These future benefits consist of annual net income generated by the property plus the present value realized through disposition of the property. The two common valuation techniques associated with the Income Capitalization Approach are direct capitalization and the discounted cash flow (DCF) analysis.

METHODOLOGY APPLICABLE TO THE SUBJECT

In estimating the current market value of the subject property, only the Sales Comparison and Income Capitalization have been utilized. In valuing existing properties over ten years of age, the Cost Approach is not considered to add any significant validity to the value indications by the Sales and Income Approaches. The difficulty and potential inaccuracy of concluding accrued depreciation is considered to weaken the approach for properties over a certain age. The Sales Comparison and Income Capitalization Approaches are considered the most relevant and the application of these approaches is developed in the following sections.

THE SALES COMPARISON APPROACH

The Sales Comparison Approach is a process of analyzing recent sales of similar properties in order to derive an indication of the most probable sales price of the property being appraised.

The Sales Comparison Approach is defined as:

> *"A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sales prices of the comparables based on the elements of comparison."*

The Sales Comparison Approach is based on the principle of substitution which holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time.

The specific procedure in Sales Comparison Approach is outlined below.

- Market research is undertaken in order to locate sales transactions, listings, and offers to purchase or sell properties of similar characteristics.
- The data collected is verified by confirming that the data obtained are factually accurate and that the transactions reflect arm's-length transactions.
- Relevant units of comparison -i.e. the components into which a property may be divided for purposes of comparison are selected and a comparative analysis for each unit is developed. These units of comparison must be appropriate, reliable, and consistent.
- The comparable sales are compared with the subject property and adjusted for similarities and differences among property characteristics and transaction characteristics that affect value. The elements of comparison include differences in the property rights appraised, the motivations of buyers and sellers, financing terms, market conditions at the time of sale, size, location, physical features, and economic characteristics.
- The value indications produced from the analysis of the comparables are reconciled into a single value of range of values.

Comparable sales are analyzed according to similarities and differences within the subject property. Sales are typically adjusted by percentages of specific dollar amounts to reflect inferior and/or superior characteristics when compared to the subject.

COMPARABLE SALES DATA

The appraisers researched specific sales of grocery anchored retail centers located throughout the Southeast. The sales data which follows has been selected as the most pertinent in estimating market value for the subject by direct comparison.

Improved Sale No. 1

Property Identification	
Record ID	1725
Property Type	Retail, Grocery anchored
Property Name	Kroger
Address	9305 Kingston Pike, Knoxville, Knox County, Tennessee 37922
Location	Market Place Shopping Center
Tax ID	132-026.12
Sale Data	
Grantor	MWC RC Tn Market J Place
Grantee	Palo Plesnik & Crystal Huang
Sale Date	June 02, 2005
Deed Book/Page	200506060097929
Property Rights	Leased Fee
Conditions of Sale	Arm's length
Financing	Cash to seller
Sale History	None in previous 3 years
Sale Price	$4,050,000
Cash Equivalent	$4,050,000
Adjusted Price	$4,050,000
Land Data	
Land Size	5.080 Acres or 221,285 SF
Front Footage	350 ft Market Place Blvd.
Zoning	SC-3, Regional Shopping Center District
Topography	Level
Utilities	All municipal
Shape	Rectangular
Flood Info	Not flood prone
Access	Market Place Blvd.
Visibility	Typical
Road Type	4-lane highway

Improved Sale No. 1 (Cont.)

General Physical Data	
Building Name	Kroger
Building Type	Single Tenant
Gross SF	64,000
Construction Type	Steel/Block/Brick Veneer
Roof Type	Built-up commercial
Foundation	Concrete slab
Electrical	Adequate
HVAC	Central (Rooftop Units)
Sprinklers	100% wet
Stories	1
Floor Height	20'
Year Built	1987
Condition	Average
Income Analysis	
Net Operating Income	$379,169
Net Income Multiplier	10.68
Indicators	
Sale Price/Gross SF	$63.28 Actual or $63.28 Adjusted
Floor Area Ratio	0.29
Land to Building Ratio	3.46:1
Occupancy at Sale	100%
Overall or Cap Rate	9.36%
Net Operating Income/Sq. Ft.	$5.92

Remarks

Represents the sale of a free-standing Kroger location in West Knoxville located in the Market Place Shopping Center along Kingston Pike. The building was originally constructed in 1987 with the lease term commencing on January 1, 1989 through January 1, 2009 for a 20-year term with five 5-year renewal options. The buyer purchased the property with the agreement that Kroger would exercise their first 5-year renewal option.

Improved Sale No. 2

Property Identification	
Record ID	1726
Property Type	Retail, Grocery anchored
Property Name	Kroger Anchored Shopping Center
Address	1700 N. Locust Avenue, Lawrenceburg, Lawrence County, Tennessee 38464
Location	Lawrence Commons Shopping Center
Tax ID	078C-C-023.08
Sale Data	
Grantor	Lawrence Commons LLC
Grantee	Kroger Limited Partnership I
Sale Date	September 14, 2007
Deed Book/Page	RB273
Recorded Plat	160
Property Rights	Leased Fee
Conditions of Sale	Arm's length
Financing	Cash to seller
Sale History	None in previous 3 years
Sale Price	$3,622,000
Cash Equivalent	$3,622,000
Adjusted Price	$3,622,000
Land Data	
Land Size	5.470 Acres or 238,273 SF
Front Footage	N. Locust Avenue
Zoning	Commercial
Topography	Level
Utilities	All municipal
Shape	Rectangular
Flood Info	Not flood prone
Access	Adequate
Visibility	Typical
Road Type	4-lane highway

Improved Sale No. 2 (Cont.)

General Physical Data			
Building Name	Lawrence Commons		
Building Type	Single Tenant		
Gross SF	65,801		
Area Breakdown	Kroger	57,581	(79%)
	Ranstadt	1,000	
	Subway	1,370	
	Aaron Rents	3,750	
	H & R Block	2,100	
Construction Type	Steel/Block/Brick Veneer		
Roof Type	Built-up commercial		
Foundation	Concrete slab		
Electrical	Adequate		
HVAC	Central (Rooftop Units)		
Sprinklers	100% wet		
Stories	1		
Floor Height	20'		
Year Built	1987		
Condition	Average		
Income Analysis			
Net Operating Income	$403,468		
Net Income Multiplier	8.98		
Indicators			
Sale Price/Gross SF	$49.87		
Floor Area Ratio	0.30		
Land to Building Ratio	3.28:1		
Occupancy at Sale	98%		
Overall or Cap Rate	11.14%		
Net Operating Income/Sq. Ft.	$5.56		

Remarks

Represents the sale of a shopping center located in Lawrenceburg, TN anchored by Kroger. The Kroger occupies 57,581 SF of the center. The center was constructed in 1987; Kroger expanded their space in 1997 and added a pharmacy drive-thru. Kroger sales were reported to be $335/SF in 2006. The Kroger lease is set to expire in 2017 with 10 years left on the term of the lease at the time of purchase. Kroger pays an annual rental of $276,389 or $4.80/SF on a triple net basis.

Improved Sale No. 3

Property Identification	
Record ID	1727
Property Type	Retail, Grocery anchored
Property Name	Kroger Anchored Shopping Center
Address	555 West Oglethorpe Highway, Hinesville, Liberty County, Georgia 31313
Sale Data	
Grantor	AJ & C Garfunkel
Grantee	Larry Hodges Plaza Realty
Sale Date	September 01, 2008
Property Rights	Leased Fee
Conditions of Sale	Arm's length
Financing	Cash to seller
Sale History	None in previous 3 years
Sale Price	$3,700,000
Cash Equivalent	$3,700,000
Adjusted Price	$3,700,000
Land Data	
Land Size	5.000 Acres or 217,800 SF
Front Footage	W. Oglethorpe Highway
Zoning	Commercial
Topography	Level
Utilities	All municipal
Shape	Generally rectangular
Flood Info	Not flood prone
Access	Adequate
Visibility	Typical
Road Type	4-lane highway
General Physical Data	
Building Name	Hinesville Shopping Center
Building Type	Single Tenant
Gross SF	50,860

Improved Sale No. 3 (Cont.)

Area Breakdown	Retail shops	5,964	
	Kroger	44,896	(88%)

Construction Type	Steel/Block/Block/Brick Veneer
Roof Type	Built-up commercial
Foundation	Concrete slab
Electrical	Adequate
HVAC	Central (Rooftop Units)
Sprinklers	100% wet
Stories	1
Floor Height	20'
Year Built	1995
Condition	Average

Income Analysis

Net Operating Income	$369,356
Net Income Multiplier	10.02

Indicators

Sale Price/Gross SF	$72.75 Actual or $72.75 Adjusted
Floor Area Ratio	0.23
Land to Building Ratio	4.28:1
Occupancy at Sale	100%
Overall or Cap Rate	9.98%
Net Operating Income/Sq. Ft.	$7.26

Remarks

Represents the sale of a Kroger anchored shopping center located in Hinesville, Georgia. Hinesville is located just east of Savannah and south of Fort Stewart Military Base, which is the largest Army installation east of the Mississippi River. The center was originally constructed in 1995 with Kroger initially signing a 20-year lease term on a triple net basis. Kroger is currently paying $291,824 per annum or $6.50/SF with 7 years remaining on the lease term at the time of purchase. Store sales for 2007 were reported to be $400/SF. The remaining 5,964 SF of the center is leased to local tenants paying a range of $12 to $14 per square foot on a triple net basis.

Improved Sale No. 4

Property Identification	
Record ID	1728
Property Type	Retail, Grocery anchored
Property Name	Bi-Lo Anchored Shopping Center
Address	4011 Brainerd Road, Chattanooga, Hamilton County, Tennessee 37411
Tax ID	157G-B-002.00
Sale Data	
Grantor	CBL & Associates
Grantee	Lombard, LLC
Sale Date	October 24, 2008
Deed Book/Page	2008111100109
Property Rights	Leased Fee
Conditions of Sale	Arm's length
Financing	Cash to seller
Sale History	None in previous 3 years
Sale Price	$3,900,000
Cash Equivalent	$3,900,000
Adjusted Price	$3,900,000
Land Data	
Land Size	4.740 Acres or 206,474 SF
Front Footage	568 ft Brainerd Road
Zoning	Commercial
Topography	Level
Utilities	All municipal
Shape	Triangular
Flood Info	Not flood prone
Access	Brainerd Road
Visibility	Typical
Road Type	4-lane highway

Improved Sale No. 4 (Cont.)

General Physical Data		
Building Name	Olde Brainerd Shop. Ctr.	
Building Type	Single Tenant	
Gross SF	57,298	
Area Breakdown	Retail shops	15,423
	Bi-Lo	41,875
Construction Type	Steel/Block/Brick Veneer	
Roof Type	Built-up commercial	
Foundation	Concrete slab	
Electrical	Adequate	
Stories	1	
Floor Height	20'	
Year Built	1981	
Condition	Typical	
Parking	Surface Lot	312
Income Analysis		
Net Operating Income	$369,572	
Indicators		
Sale Price/Gross SF	$68.07 Actual or $68.07 Adjusted	
Floor Area Ratio	0.28	
Land to Building Ratio	3.60:1	
Occupancy at Sale	100%	
Overall or Cap Rate	9.48%	
Net Operating Income/Sq. Ft.	$6.45	

Remarks

Represents the sale of an older Bi-Lo anchored shopping center located in Chattanooga along Brainerd Road. The shopping center contains a total of 57,298 SF with Bi-Lo occupying 41,875 SF (73%). Bi-Lo lease is leasing the space at a rate of $6.50/SF and is set to expire on 12/1/2013 with 5 years remaining on the lease term at the time of sale. The NOI at the time of sale was reported to be $369,572 for an indicated capitalization rate of 9.48%. The gross sales at the time of sale were estimated to be $394/SF.

Bi-Lo is the market leader in the Chattanooga consistently posting a market share of 32% to 35% annually in the Chattanooga market area. Kroger does not have stores in the Chattanooga/Cleveland market.

Improved Sale No. 5

<u>Property Identification</u>	
Record ID	1729
Property Type	Retail, Grocery anchored
Property Name	Kroger Anchored Shopping Center
Address	551-587 S. Lowry Street, Smyrna, Rutherford County, Tennessee 37167
Tax ID	034G-B-002.00
<u>Sale Data</u>	
Grantor	IRT Property Company
Grantee	Waterstone Retail Development, Inc.
Sale Date	December 14, 2007
Deed Book/Page	808/3707
Property Rights	Leased Fee
Conditions of Sale	Arm's length
Financing	Cash to seller
Sale History	None in previous 3 years
Sale Price	$8,350,000
Cash Equivalent	$8,350,000
Adjusted Price	$8,350,000
<u>Land Data</u>	
Land Size	9.300 Acres or 405,108 SF
Front Footage	S. Lowry Street;Ken Pilkerton Drive
Zoning	Commercial
Topography	Level
Utilities	All municipal
Shape	Irregular
Flood Info	Not flood prone
Access	Adequate
Visibility	Typical
Road Type	4-lane highway
<u>General Physical Data</u>	
Building Name	Smyrna Village
Building Type	Single Tenant
Gross SF	83,334

	Improved Sale No. 5 (Cont.)		
Area Breakdown	Retail Shops	24,120	
	Kroger	59,214	(71%)

Construction Type	Steel/Block/Brick Veneer
Roof Type	Built-up commercial
Foundation	Concrete slab
Electrical	Adequate
HVAC	Central (Rooftop Units)
Sprinklers	100% Wet
Stories	1
Floor Height	12'-20'
Year Built	1992
Condition	Average

Income Analysis

Net Operating Income	$688,352
Net Income Multiplier	12.13

Indicators

Sale Price/Gross SF	$100.20 Actual or $100.20 Adjusted
Floor Area Ratio	0.21
Land to Building Ratio	4.86:1
Occupancy at Sale	100%
Overall or Cap Rate	8.24%
Net Operating Income/Sq. Ft.	$8.26

Remarks

Represents the sale of a Kroger-anchored shopping center located in the Smyrna community outside of Nashville. The acquisition was part of an 11 property retail portfolio that sold for an aggregate price of approximately $63.8 million. The Kroger lease expires in 2012 with renewal options.

Improved Sale No. 6

Property Identification	
Record ID	1730
Property Type	Retail, Grocery anchored
Property Name	Food Lion Anchored Shopping Center
Address	1013 Broad River Road, Columbia, Richland County, South Carolina 29210
Tax ID	R07311-11-01 & R07310-01-12
Sale Data	
Grantor	Broad River (E & A), Inc.
Grantee	Broad River Improvements, LLC
Sale Date	December 26, 2007
Deed Book/Page	R1387/306
Property Rights	Fee Simple
Sale History	None in previous 3 years
Sale Price	$5,225,000
Cash Equivalent	$5,225,000
Adjusted Price	$5,225,000
Land Data	
Land Size	7.400 Acres or 322,344 SF
Front Footage	Broad River Road
Zoning	Commercial
Topography	Level
Utilities	All municipal
Shape	Rectangular
Flood Info	Not flood prone
Access	Adequate
Visibility	Typical
Road Type	4-lane highway

Improved Sale No. 6 (Cont.)

General Physical Data			
Building Name	Food Lion Center		
Building Type	Single Tenant		
Gross SF	48,650		
Area Breakdown	Food Lion	29,000	(60%)
	Retail Shops	4,200	
	CVS	8,450	
	Family Dollar	7,000	
Construction Type	Steel/Block/Brick Veneer		
Roof Type	Built-up commercial		
Foundation	Concrete slab		
Electrical	Adequate		
HVAC	Central (Rooftop Units)		
Sprinklers	100% wet		
Stories	1		
Floor Height	14'-20'		
Year Built	1996		
Condition	Average		
Parking	Surface Lot	250	

Income Analysis	
Net Operating Income	$439,118
Net Income Multiplier	11.90
Indicators	
Sale Price/Gross SF	$107.40 Actual or $107.40 Adjusted
Floor Area Ratio	0.15
Land to Building Ratio	6.63:1
Occupancy at Sale	100%
Overall or Cap Rate	8.4%
Net Operating Income/Sq. Ft.	$9.03

Remarks

Represents the sale of a Food Lion anchored shopping center located in Columbia, South Carolina. Food Lion had 9 years left on their lease at a current rental rate of $8.45/SF on a triple net basis. The tenant has four 5-year renewal options. In Line retail rents range from $13.50 to $14.00/SF on a triple net basis. The site includes a ground lease outparcel that is leased to National Bank of South Carolina.

IMPROVED SALES ANALYSIS

We have included six sales of similar retail shopping centers located throughout the Southeastern United States in Tennessee, Georgia and South Carolina. The table below summarizes the pertinent sale data.

IMPROVED SALES SUMMARY TABLE						
No.	**Location**	**Sale Date**	**Price**	**Building Size (SF)**	**NIM**	**Price/ SF**
1.	Free Standing Kroger, Knoxville, TN	06/05	$4,050,000	64,000	10.68	$63.28
2.	Lawrence Commons, Lawrenceburg, TN	09/07	$3,622,000	65,801	8.98	$49.87
3.	Kroger Shopping Center, Hinesville, GA	09/08	$3,700,000	50,860	10.02	$72.75
4.	Olde Brainerd Center, Chattanooga, TN	10/08	$3,900,000	57,298	10.55	$68.07
5.	Smyrna Village, Smyrna, TN	12/07	$8,350,000	83,334	12.13	$100.20
6.	Food Lion Center, Columbia, SC	12/07	$5,225,000	48,650	11.90	$107.40
Average Indications				**61,657**	**10.71**	**$76.93**

These properties vary somewhat in terms of size, construction quality, and income-generating ability. The sales are considered to provide general parameters from which conclusions can be drawn, and considering these factors, this approach is given significant weight in this analysis.

In the analytical process, the sale price per square foot and the effective gross income of each comparable have been focused on. The sales as a group exhibit an acceptable range in each of these, considering the factors affecting the operating data for each comparable property.

SALE PRICE PER SQUARE FOOT INDICATIONS

The sale price per square foot indicator is a general common denominator that encompasses all influences with specifically identifying their impact. It is most affected by properties' location, size, age/condition, and historical income/expense characteristics. The sale price per square foot indicator is calculated by dividing the sales price of the comparable by its number of net rentable square feet. The relatively wide range produced by the sales results from differences in physical characteristics and income-generating ability of each of the comparable sales. In order to adjust for these differences, a multiplier is obtained by dividing the subject's Effective Gross Income/sq. ft. by the Effective Gross Income/sq. ft. of each comparable. The resulting multiplier is then applied to the sale price per square foot of each comparable sale, producing an indicated sale price per sq. ft. for the subject property.

The following table illustrates this technique.

SALE PRICE PER SQUARE FOOT ANALYSIS				
Sale #	**Price/SF**	**NOI/SF**	**Multiplier**	**Adjusted Sale Price/SF**
1	$63.28	$5.92	0.894	$56.55
2	$49.87	$5.56	0.951	$47.45
3	$72.75	$7.26	0.729	$53.01
4	$68.07	$6.45	0.820	$55.83
5	$100.20	$8.26	0.640	$64.17
6	$107.40	$9.03	0.586	$62.92
Subject		$5.29		
			Mean	$56.65
			Median	$56.19

After adjustment, the comparables display a range of unit prices from $47.45/sq. ft. to $64.17/sq. ft. a much tighter range. The mean of the adjusted sales is $56.65/sq. ft. and the median of the adjusted sales is $56.19/sq. ft.

Based on the preceding discussions of each comparable and the foregoing adjustment analysis, a price per square foot indication near the middle of the range indicated by the comparables is the most appropriate for the subject. Accordingly, an indicated value for the subject based on the sale price per square foot analysis near the indicated mean and median is estimated to be $56.00/sq. ft. Calculations are as follow:

SALES PRICE/SF CALCULATIONS				
Net Rentable Area	x	Indicated $/SF	=	Indicated Market Value
69,529		$56.00		$3,893,624
		VALUE CONCLUSION (R)		**$3,890,000**

INDICATED VALUE BY THE SALES COMPARISON APPROACH

THREE MILLION EIGHT HUNDRED NINETY THOUSAND DOLLARS

$3,890,000

THE INCOME CAPITALIZATON APPROACH

The Income Capitalization Approach is defined as:

> *"A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value."*

The Income Capitalization Approach is based on the principle of anticipation and recognizes value as the present worth of future benefits of ownership in the form of the net income received by the owner and any reversionary value at the end of ownership. The application of the Income Approach is typically done in four steps. The specific steps in the Income Capitalization Approach are described below.

- The potential or economic rental for the property is estimated.
- An allowance for vacancy and collections loss is deducted resulting in an effective gross or collected income.
- Typical expenses incurred in the operation of the real estate are then estimated and deducted from the effective gross income, resulting in a net operating income.
- This net operating income is capitalized into an indication of value using a rate commensurate with the risks inherent in the ownership of the property and reflective of current market demands for that type of investment.

INCOME APPROACH METHODOLOGY

There are two methods that can be used in the Income Capitalization Approach: Direct Capitalization and Discounted Cash Flow (DCF) Analysis.

Direct Capitalization

Direct Capitalization is a method used to convert a single year's income estimate into an indication of value through, either by dividing the net income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate factor. Direct capitalization is most appropriate when analyzing a stable income stream.

Discounted Cash Flow Analysis

In DCF analysis the property's projected income stream and reversion are capitalized into a present value by discounting each year's cash flow at an appropriate yield rate. DCF analysis is often the preferred method when income and/or expenses are projected to fluctuate throughout the holding period due to varying lease obligations and/or anticipated changes in income and expenses.

Appropriate Capitalization Methods Applied

Considering that the subject is has stable income and expenses, only direct capitalization analysis is considered necessary and has been employed. It is thought that most buyers and sellers would utilize this thinking even despite the only three year term before expiration of the Kroger and CVS leases.

POTENTIAL GROSS INCOME

Potential gross income represents the total income attributable to a property, and comprises income received from a variety of sources. Sources of potential gross income include, but are not limited to, the following: scheduled rent, market rent, percentage rent, expense reimbursements, and other income.

CONTRACT RENTAL ANALYSIS

When valuing the leased fee interest, contract rent is the primary consideration. The quality of this income (the ability of the tenant to honor the contract) will be addressed in the selection of an appropriate overall capitalization rate.

The subject shopping center contains a total of 69,529 sq. ft. of net rentable area (NRA) divided among two tenant spaces. Kroger is the anchor tenant and occupies 59,460 sq. ft. and CVS Pharmacy occupies 10,069 sq. ft. that has recently been vacated as of January 2009 due to CVS constructing a free-standing building on the opposite side of Hall Road with pharmacy drive-thru service that opened in January 2009. CVS Pharmacy remains, however, under lease contract for the space and it is assumed will continue its payments.

Kroger is under lease contract through May 31, 2012 with their lease contract specifying an annual lease rate of $306,840 per annum for 59,460 sq. ft. indicating $5.16/sq. ft. CVS Pharmacy is under lease contract through May 31, 2012 as well with the lease contract specifying an annual lease of $60,720 per annum for 10,069 sq. ft. indicating $6.03/sq. ft. Both of these leases are triple net with the tenants responsible for their pro-rata share of CAM, taxes, & insurance. Both of the leases have two 5-year renewal options for lease extension. However, the lease rates for the option periods are flat with no increase in rental payments.

Both the Kroger and CVS Pharmacy leases contain percentage lease clauses. Kroger will pay 1.5% of gross sales exceeding $36,000,000 per annum to a maximum of $75,000; excluding fuel sales. CVS Pharmacy was paying 1% of gross sales based to a maximum of $25,000 per annum. A percentage rent has not been paid by Kroger based on the annual store sales consistently being approximately $24,000,000 per year. CVS Pharmacy will no longer be paying a percentage rent since they are no longer occupying space in the shopping center.

The following table summarizes the subject's current rent roll as provided by the property owner.

KROGER SHOPPING CENTER - RECONSTRUCTED RENT ROLL

Tenant	SQ. FT.	% NRA	Annual Rent	Rent/SF	% Rent	Lease Expiration	Options
Kroger	59,460	85.5%	$306,840	$5.16	1.50%	5/31/2012	2 - 5 yr.
CVS Pharmacy	10,069	14.5%	$60,720	$6.03	1%	5/31/2012	2 - 5 yr,

Totals/Summary

Vacant SF	0	0.0%	$0	$0.00
Occupied SF	69,529	100.0%	$367,560	$5.29
Total NRA	69,529	100.0%	$367,560	$5.29

MARKET RENT ANALYSIS

In order to estimate a market rental rate for the subject property, analysis of competitive grocery anchored retail shopping centers in the East Tennessee market area was undertaken. The appraisers concentrated on the comparable leases of both first generation grocery anchored centers and second generation big box users that would consider the subject space for occupancy. The Rush Fitness Center is a regional health club that has focused on leasing former grocery and big box retail properties at several of their locations throughout East Tennessee. The appraisers have included the comparable leases derived from the comparables shown in the Sales Comparison Approach and a mixture of second generation big box users and smaller retail shops.

A summary of the grocery store leases in the Sales Comparison Approach are shown below.

GROCERY STORE RENTALS SUMMARY TABLE					
Sale No.	**Identification**	**Lease Type**	**Building Size**	**Rent/SF**	**Gross Sales/SF**
1.	Kroger, Knoxville, TN	NNN	64,000	$5.92	N/A
2.	Kroger, Lawrenceburg, TN	NNN	57,581	$4.80	$335
3.	Kroger, Hinesville, GA	NNN	44,896	$6.50	$400
4.	Bi-Lo, Chattanooga, TN	NNN	41,875	$6.50	$394
5.	Kroger, Smyrna, TN	NNN	59,214	N/A	N/A
6.	Food Lion, Columbia, SC	NNN	29,000	$8.45	N/A
	Average Indications		**49,428**	**$6.59**	**$376**

ANALYSIS OF THE COMPARABLE RENTALS

Rentals rates were able to be obtained from five of the six comparable sales indicating a range from $5.56/SF for a Kroger location in Lawrenceburg, TN up to $8.45/SF for a Food Lion location in Columbia, South Carolina. Gross sales per square foot were able to be obtained for three of the sales and illustrate a range from $335/SF up to $400/SF. The subject Kroger occupies 59,460 sq. ft. and is currently paying a lease rate of $5.16/SF and is generating approximately $24,000,000 of gross sales per annum or $403.63/SF.

Sale No. 1 is the lease of a free-standing Kroger location in West Knoxville originally constructed in 1987. The original lease was for a standard 20-year lease term that expired on January 1, 2009 with Kroger opting to exercise their first of five 5-year renewal options. Kroger is in their first 5-year renewal period paying the same rate of $5.92/SF with no increases in the lease amount for any of the option periods.

Sale No. 2 is the lease of a free-standing Kroger location in Lawrenceburg, TN originally constructed in 1987 with an expansion in 1997. The current lease runs through 2017 at a rate of $4.80/SF and was generating store sales of $335 per square foot at the time of sale.

Sale No. 3 is the lease of a Kroger location in Hinesville, GA originally constructed in 1995 with an initial 20-year lease term. Kroger is leasing the space at a rate of $6.50/SF and was generating store sales of $400 per square foot at the time of sale.

Sale 4 is the lease of a Bi-Lo location in Chattanooga located on Brainerd Road. The center was originally constructed in 1981. Bi-Lo is leasing the space for $6.50/SF and was generating an estimated $394 per square foot at the time of sale.

Sale 6 is the lease of a Food Lion location in Columbia, South Carolina. The center was originally constructed in 1996 with Food Lion occupying the space at a rate of $8.45/SF. The gross sales per square foot were not available for this location.

ADDITIONAL RENT COMPARABLES – FOR CONSIDERATION OF CVS SPACE

The five additional rentals include shopping centers located in the Knoxville, Oak Ridge and Chattanooga market areas. The comparable rentals show a range from $3.60 to $18.00 per sq. ft. The comparable rentals are shopping centers that contain a mixture of big box and smaller retail shop tenants. These comparable shopping centers have undergone refurbishing in recent years and are reflective of good to average quality and appeal of similar type and characteristics as the subject. Given the subject's comparative age, condition, and location, a market rental rate within the range indicated by the comparables is likely.

Improved Lease No. 1

Property Identification

Record ID	650
Property Type	Retail, Shopping Center
Property Name	Broadway Tazewell Shopping Center
Address	2915 Tazewell Pike, Knoxville, Knox County, Tennessee
Location	Fountain City
Tax ID	058M-E-004.00

Physical Data

Land Size	6.430 Acres or 280,091 SF
Net Rentable SF	71,584
Net Rentable SF	71,584
Construction Type	Steel frame w/stucco
Roof Type	Flat-rubber membrane
Foundation	Concrete slab
HVAC	Central
Stories	1
Year Built	1970
Condition	Good

Tenant Rent Roll

Suite No.	Tenant Name	Size	Rent/SF	Lease Type	Beg. Date	Term
	Blockbuster	6,500	$13.40	Triple Net	6/14/00	10 years
	CiCi's Pizza	4,000	$16.25	Triple Net	10/1/96	15yrs. 6 mo.
	Northside Chiropractic	7,500	$10.32	Triple Net	12/1/06	3 years
	Jimmy's Pub	2,000	$9.83	Triple Net	6/23/04	5 years
	Party City	13,268	$9.25	Triple Net	6/1/01	10 years
	Atomic Pawn	6,250	$12.50	Triple Net	11/1/04	5 years
	Advance America	1,100	$18.00	Triple Net	1/1/04	5 years
	Huntington Learning Ctr	2,540	$13.00	Triple Net	11/1/06	5 years
	Tonya's Nails	1,183	$14.00	Triple Net	6/10/07	3 years
	DCP	1,550	$17.00	Triple Net	1/1/02	5 years
	SunTrust Bank	4,200	$14.50	Triple Net	2/1/02	10 years
	UPS Store	2,000	$12.60	Triple Net	7/1/03	5 years
	Lenny's Sub Shop	2,086	$13.00	Triple Net	12/17/99	10 years
	World Finance Corp.	1,500	$16.50	Triple Net	3/1/08	3 years

Papa John's	1,480	$10.91	Triple Net	11/1/07	3 years
Randstad Staffing	2,000	$13.80	Triple Net	7/1/04	5 years
Dollar General	9,715	$7.50	Triple Net	4/1/01	10 years
Tallent Title Group	2,712	$12.50	Triple Net	7/1/07	3 years

General Tenant Summary

Owner	Five Oaks Outlet Center, Inc.
Verification	Confirmed by Matt Fleenor

Rent Analysis

Actual Rent	$7.50 - $18.00/SF; $13.05/SF Average
Occupancy	90%

Remarks

Represents the lease of a shopping center located at the intersection of N. Broadway and Tazewell Pike in the Fountain City community of North Knoxville just off Interstate 640. The shopping center offers excellent exposure with good access. The center was formerly anchored by Kroger and is fully occupied by various retail tenants including Party City, Blockbuster Video, Lenny's Sub Shop and Sun Trust Bank. The leases are triple-net with pass-through expenses of $2.46/sq. ft.

Improved Lease No. 2

Property Identification

Record ID	671
Property Type	Retail, Shopping Center
Property Name	Lunsford Haisten Center
Address	6933 Lee Highway, Chattanooga, Hamilton County, Tennessee 37421
Tax ID	148D-G-001.01

Physical Data

Land Size	6.000 Acres or 261,360 SF
Net Rentable SF	74,960
Construction Type	Class C
Roof Type	Built up commercial
Foundation	Concrete slab
Stories	1
Year Built	1981,1993
Condition	Average

Tenant Rent Roll

Suite No.	Tenant Name	Size	Rent/SF	Lease Type	Beg. Date	Term
1	Rush Fitness Center	40,000	$6.43	Triple Net	December 2006	15 Years
4	Tai Restaurant	5,660	$17.70	Triple Net	December 2007	7 Years
2	Cleveland Gas	15,740	$9.10	Triple Net	December 2007	5 Years
3	Tae Qwon Do	4,000	$13.00	Triple Net	October 2007	5 Years

General Tenant Summary

Owner	Lunsford Haisten One, LLC
Verification	Confirmed by Matt Fleenor

Rent Analysis

Actual Rent	$9.10 - $17.70/SF
Effective Anchor Tenant Rent	$6.43/SF Average
Occupancy	87%

Remarks

Represents the lease of Lunsford Haisten shopping center located in the Brainerd area of Chattanooga on Lee Highway. The center is leased to a variety of retail tenants with the center anchored by Rush Fitness.

Improved Lease No. 3

Property Identification

Record ID	377
Property Type	Retail, Neighborhood Retail
Property Name	Books A Million Center
Address	300-328 Illinois Avenue, Oak Ridge, Anderson County, Tennessee

Physical Data

Land Size	16.000 Acres or 696,960 SF
Gross SF	44,921
Net SF	44,921
Construction Type	Concrete block / brick veneer
Roof Type	Flat / membrane
Foundation	Concrete slab
HVAC	Forced air - gas/electric
Year Built	1978
Condition	Average

Tenant Rent Roll

Suite No.	Tenant Name	Size	Rent/SF	Lease Type	Beg. Date	Term
	Rent-a-Center	4,400	$12.35	Triple Net	Aug-05	5 yrs.
	Radio Shack	2,400	$11.25	Triple Net	Jan-02	5 yrs.
	Auto Zone	8,165	$9.92	Triple Net	Oct-05	5 yrs.
	Hollywood Video	6,656	$15.12	Triple Net	Aug-01	10 yrs.
	Books a Million	21,400	$6.25	Triple Net	Jan-02	10 yrs.
	Papa Johns	1,900	$14.53	Triple Net	Jul-02	5 yrs.

General Tenant Summary

Owner	Capiello Real Estate
Management Co.	Owner managed
Verification	Anthony Capiello;

Rent Analysis

Actual Rent	$6.25 - $15.12/SF; $11.57/SF Average
Effective Rent	$6.25 - $15.12/SF; $11.57/SF Average
Occupancy	100%

Remarks

Larger neighborhood shopping center located on Illinois Avenue opposite Oak Ridge Mall. The center is anchored by Books A Million and Autozone.

Improved Lease No. 4

Property Identification

Record ID	695
Property Type	Retail, Neighborhood Shopping Center
Property Name	Black Oak Plaza
Address	6905 Maynardville Highway, Knoxville, Knox County, Tennessee
Location	Halls
Tax ID	038K-D-011.02

Physical Data

Land Size	11.730 Acres or 510,959 SF
Net Rentable SF	68,976
Net Rentable SF	68,976
Construction Type	CMU/Steel/Masonry
Roof Type	Built up commercial
Foundation	Concrete slab
Stories	1
Year Built	1981
Condition	Average

Tenant Rent Roll

Suite No.	Tenant Name	Size	Rent/SF	Lease Type	Beg. Date	Term
6931B	Ross the Boss	3,350	$13.24	Triple Net	April 2002	10 Years
6925C	Rocky Top Realty	3,500	$8.57	Triple Net	November 2004	5 Years
6903	Mr. Gatti's Pizza	6,360	$12.39	Triple Net	April 2005	5 Years
6917	GNC	2,000	$10.50	Triple Net	March 2005	5 Years

General Tenant Summary

Owner	Cloverleaf Village, LLC
Verification	Confirmed by Matt Fleenor

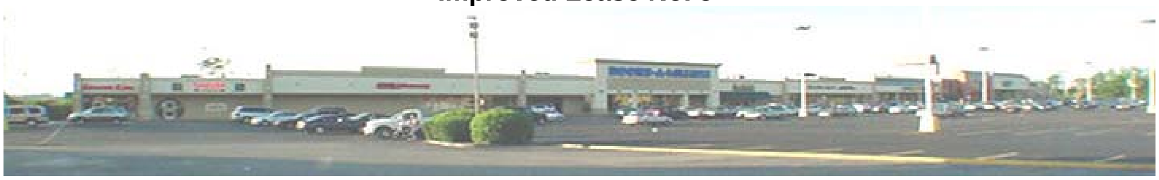
Rent Analysis

Actual Rent	$8.57 - $13.24/SF
Occupancy	50%

Remarks

Represents the lease of a large neighborhood shopping center in the Halls community of North Knox County. Big K-Mart and Kroger, who both own their own pads, anchor the center. The occupancy rate is approximately 50%.

Improved Lease No. 5



Property Identification

Record ID	696
Property Type	Retail, Neighborhood Shopping Center
Property Name	Walker Springs Plaza
Address	8425-8515 Kingston Pike, Knoxville, Knox County, Tennessee 37919
Location	West Knoxville
Tax ID	120I-A-012.01

Physical Data

Land Size	12.870 Acres or 560,617 SF
Net Rentable SF	160,119
Net Rentable SF	160,119
Construction Type	CMU/Steel/Masonry
Roof Type	Built up commercial
Foundation	Concrete slabe
Stories	1
Year Built	1973
Condition	Average

Tenant Rent Roll

Suite No.	Tenant Name	Size	Rent/SF	Lease Type	Beg. Date	Term
1200	Books-A-Million	35,616	$4.38	Triple Net		10 Years
1500	Dollar General	18,357	$3.60	Triple Net		5 Years
1400A	Rugged Warehouse	13,255	$4.00	Triple Net		10 Years
	DFW Furniture	12,545	$4.00	Triple Net		5 Years
1202	Party City	11,646	$13.88	Triple Net		10 Years
1002	Smoothie King	1,302	$14.00	Triple Net		15 Years
1004	Sakuara Japanese Restaurant	4,000	$11.00	Triple Net		10 Years
1220	East Buffet & Grill	9,610	$11.00	Triple Net		10 Years
1300	Rush Fitness Center	37,628	$6.00	Triple Net		10 Years

General Tenant Summary

Owner	First Federal Plaza, LLC
Verification	Confirmed by Matt Fleenor

Rent Analysis

Actual Rent	$3.60 - $14.00/SF
Occupancy	78%

Remarks

Represents the lease of a big box shopping center located in West Knoxville with good visibility to Interstate 40. The center includes primarily big box retail tenants that include The Rush Fitness Centers, Books-A-Million, Dollar General, Rugged Warehouse, DFW Furniture and Party City. The center consists of second generation big box users and was originally anchored by a Kroger grocery store.

ADDITIONAL RENTALS SUMMARY TABLE				
No.	Identification	Lease Type	Building Size	Rent/SF
1.	Broadway-Tazewell Center	NNN	71,854	$7.50 - $18.00
2.	Lunsford Haisten Center	NNN	74,960	$9.10 - $17.70
3.	Books A Million Center	NNN	44,921	$6.25 - $15.12
4.	Black Oak Plaza	NNN	68,976	$8.57 - $13.24
5.	Walker Springs Plaza	NNN	160,119	$3.60 - $14.00

Rental No. 1 is located in the Fountain City community of North Knoxville and was formerly anchored by Kroger. The center has been refurbished and contains a mixture of big box tenants that include Party City and Dollar General with the remaining spaces being smaller shops.

Rental No. 2 is located in the Brainerd community of Chattanooga along Lee Highway. The center is anchored by The Rush Fitness Center, which occupies 40,000 sq. ft. at a rate of $6.43/sq. ft.

Rental No. 3 is located along Illinois Avenue in Oak Ridge. The center is anchored by Books A Million who is occupying 21,400 sq. ft. at rate of $6.25/sq. ft. with the remainder being smaller retail shops.

Rental No. 4 is located across Maynardville Pike from the subject and is a larger center that is anchored by Kroger and Big K-Mart, who both own their own retail pads. The leases are for smaller shops and some of the most recent rentals in the shopping center.

Rental No. 5 is a larger shopping center located in West Knoxville that contains primarily big box tenant spaces. Current tenants include The Rush Fitness Center, Books-A-Million, Dollar General, Rugged Warehouse, DFW Furniture and Party City. The Rush Fitness Center has occupied the 37,628 sq. ft. space since 2001 at a rate of $6.00/sq. ft.

CONCLUSIONS INDICATED BY THE COMPARABLE DATA

Grocery store Rentals 1, 2, 3 & 5 are all Kroger locations located in the Southeast and are considered to be the most comparable to the subject. Rentals 1 & 2 reflect older Kroger store locations originally constructed in 1987 with Rental 1 being recently renewed in January 2009 for the same contract lease rate of $5.92/SF. Rental 2 is an older Kroger location that is leased for a lower rate of $4.80/SF and is generating lower gross sales per square foot of $335/SF in comparison to the subject at approximately $400/SF. Rental 4 is the lease of an older Bi-Lo location in Chattanooga that is currently leased for $6.50/SF and is generating approximately $394/SF.

Additional Rentals 2, 3 & 5 are all reflective of second generation big box leases with the current big box anchor tenants being The Rush Fitness Center and Books-A-Million. Rentals 1 & 4 are reflective of retail rentals for medium and smaller sized retail shops with Rental 4 being located along Maynardville Highway in the Halls community of North Knox County.

Based on the foregoing analysis and discussions, the Kroger and CVS Pharmacy spaces are both within the rental range illustrated by the comparable rentals. The subject leases are considered to be market rental rates. These rates are reflective of triple-net (NNN)) terms whereby the tenant would be responsible for pro-rata taxes, pro-rata insurance, maintenance, utilities and janitorial service.

ESTIMATION POTENTIAL GROSS INCOME

Based on the market lease terms as described above, the potential gross revenue for the subject is estimated as follows:

KROGER SHOPPING CENTER

Tenant	SQ. FT.	% NRA	Annual Rent	Rent/SF
Kroger	59,460	85.5%	$306,840	$5.16
CVS Pharmacy	10,069	14.5%	$60,720	$6.03

Totals/Summary

Total NRA	69,529	100.0%	$367,560	$5.29

GENERAL VACANCY & COLLECTIONS LOSS

In the income capitalization process, it is important to recognize the long-term nature of real estate investments. All income producing properties will experience period vacancy and collections losses. As such, an allowance for reductions in potential income attributable to vacancies, tenant turnover, and non-payment of rent is necessary.

Based upon conversations with various property managers and leasing agents in the area, a 5-10% vacancy and credit loss can be forecast for multi-tenant properties over a 10-year projection period. The subject consists of two retail spaces that are both leased to Kroger and CVS Pharmacy, who are both national credit tenants. Kroger and CVS Caremark Corporation are both maintaining BBB credit ratings as ranked by Moody's Investors Service. Both of the spaces are leased until May 31, 2009 with two 5-year renewal options.

Based on the credit worthiness of the occupying tenants and their unlikelihood of payment default, we have allocated a 1% vacancy allowance for the subject. This is effectively the downtime associated with tenant rollover with the terms assumed herein.

REIMBURSEMENTS

The subject's potential gross income has been estimated on a modified gross basis. Under these terms the building owner would be responsible for real estate taxes, insurance, a nominal administrative/management fee, structural maintenance and repairs.

OPERATING EXPENSE ANALYSIS

Based on our assumption of a net lease structure as supported in the market, the only landlord expenses would be an administrative/management fee and structural reserve expense.

The following expenses are projected for the subject property.

Management: Typical management fees in the local market range from 3.0% to 6.0% of effective gross income. We have allocated a 3.0% management fee due the subject having only 2 tenant spaces and being leased on a triple net basis. This expense category is also considered to incorporate any miscellaneous expenses associated with the property such as legal fees, minor administrative costs, etc.

Structural Reserve: This expense typically represents a reserve for future replacement of long-lived items. The amount of reserve and whether it is included in the direct capitalization method depends on the actions reflected by buyers and sellers in the market. Based on the available comparable data and discussions with brokers and investors, replacement reserves generally range from $0.10 to $0.20 per sq. ft. Based on the age of the subject, construction type, and current condition, replacement reserves for the subject would be at the middle portion of the range and are therefore estimated at $0.15/sq. ft.

DIRECT CAPITALIZATION

Direct Capitalization is a method used to convert a single year's income estimate into an indication of value through, either by dividing the net income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate factor.

The stabilized net operating income of the subject is converted into an estimate of value by applying an appropriate overall capitalization rate. The direct capitalization formula is:

$$\text{Value} = \frac{\text{Net Operating Income (NOI)}}{\text{Overall Capitalization Rate } (R_O)}$$

The overall capitalization rate can be estimated with several different techniques depending upon the quality and quantity of data available. The following subsections present different techniques for deriving an overall capitalization rate for direct capitalization of the subject's estimated net operating income.

Comparable Sales

Overall capitalization rates were developed from comparable sales by dividing the net income at the time of sale by the cash equivalent sales price. The overall rates abstracted from the improved sales are summarized in the table below.

MARKET DERIVED CAPITALIZATION RATES

Sale No.	Anchor Tenant	Sale Date	Year Built	Sale Price	NOI	Cap Rate
1	Kroger	Jun-05	1987	$4,050,000	$379,169	9.36%
2	Kroger	Sep-07	1987	$3,622,000	$403,468	11.14%
3	Kroger	Sep-08	1995	$3,700,000	$369,356	9.98%
4	Bi-Lo	Oct-08	1981	$3,900,000	$369,572	9.48%
5	Kroger	Dec-07	1992	$8,350,000	$688,352	8.24%
6	Food Lion	Dec-07	1996	$5,225,000	$429,118	8.21%
					MIN	**8.21%**
					MAX	**11.14%**
					AVG	**9.40%**

The shopping center sales surveyed are geographically dispersed. The six sales show a range of capitalization rates from 8.21% to 11.14% with an average of 9.40%.

The subject is an existing shopping center considered to be in average condition with no significant items of deferred maintenance noted, whereas the ages of the comparable sales range from 13 years to 28 years of actual age. The four sales with Kroger being the anchor tenant have capitalization rates ranging from 8.24% to 11.14%. Overall, these four sales are considered to have similar risk factors compared to the subject. Based on comparison with these sales and that the subject is proposed we estimate that an appropriate capitalization rate for the subject should fall somewhere within the range of 8.24% to 11.14%.

Investor Surveys

We have reviewed investor surveys published by Realty Rates.com, Korpacz, and Real Estate Research Corporation (RERC). The data is derived from a quarterly investment survey of market participants to include real estate lenders, investment advisors, and portfolio managers. The investment criteria reflect desired returns by investors and are summarized in the table below.

CAPITALIZATION RATE SURVEYS – RETAIL PROPERTIES			
	RealtyRates.com 3Q-08 Anchored Retail Centers	**Korpacz 3Q-08 Strip Shopping Centers**	**RERC 3Q-08 Retail Shopping Centers**
Range	5.86% - 12.27%	5.80% - 9.00%	7.50% - 11.00%
Average	8.91%	7.49%	8.50%
Source: RealtyRates.com - Investor Survey, Real Estate Research Corporation – Real Estate Report			

The investor surveys summarized above indicate a range of capitalization rates for retail shopping centers from 5.80% to 12.27% with a central tendency of +/- 7.49% – 8.91%.

Band of Investment Analysis

The Band of Investment technique "builds" an overall rate based on the basic components of capitalization rate. The formula for deriving an overall rate through Band of Investments is as follows:

$R_O = [R_M \times M] + [R_E \times (1-M)]$

Where; R_O = overall rate
R_M = annual mortgage constant
M = mortgage ratio
R_E = equity dividend rate
$1-M$ = equity ratio

In order to develop a capitalization rate using the band-of-investment method, certain factors pertaining to available financing and investor expectations must be derived. The following investment parameters were concluded to be representative of the present market conditions for the subject property.

REALYRATES.COM - SURVEY OF MORTGAGE FINANCING TERMS		
Source	**Range of Indications**	**Average**
Loan to Value Ratio	60% - 85%	73%
Mortgage Interest Rate	4.26% - 8.36%	6.31%
Amortization Period (years)	15 – 30	23
Equity Dividend Rate	7.62% - 14.72%	10.82%
Source: RealtyRates.com – Investor Survey (3Q-08)		

The preceding mortgage loan terms were concluded to be the most likely terms of mortgage financing based on my conversations with representatives of various lending institutions as well as reviews of industry specific surveys of investor criteria. The following table shows the development of the capitalization rate through the band of investment technique.

BAND OF INVESTMENT ANALYSIS					
Mortgage Interest Rate:	6.50%				
Loan Term:	20 years				
Loan to Value Ratio:	75%				
Equity Dividend Rate:	11.0%				
Mortgage Constant	0.0895				
	Ratio		**Return Rate**		**Contribution**
Mortgage Contribution	75%	x	0.0895	=	0.0671
Equity Contribution	25%	x	0.1100	=	0.0275
Weighted Average	100%				0.0946
Capitalization Rate (R)					**9.50%**

Using the stated investment parameters, the indicated capitalization rate by band-of-investment method is indicated to be 9.50% (R).

CAPITALIZATION RATE CONCLUSION

Indications for an appropriate capitalization rate were derived from comparable sales as well as the band of investment technique and investor surveys. The following capitalization rates were indicated.

CAPITALIZATION RATE SUMMARY	
Comparable Sales	8.21% - 11.14%
Investor Survey	5.80% - 12.27%
Band-of-Investment	9.50%
Meridian Realty Advisors Estimate	**9.50%**

The subject property is an older shopping center containing two tenant spaces that are both leased to national credit tenant companies through May 31, 2012 with two 5-year renewal options that have no provision for an increased rental rate in the option periods. Considering the age and condition of the subject, national credit tenant occupancy, location, access and visibility; an overall capitalization rate of 9.50% is considered appropriate for the property to reasonably reflect potential cash flows over the holding period. This rate is fully supported by the comparable data and is considered reasonable based on the subject's market position and quality of income stream.

DIRECT CAPITALIZATION SUMMARY

The overall capitalization rate estimated above is applied to the estimated NOI in order to arrive at an indication of the total property value. The following table shows the capitalization of the net operating income into an indication of value for the subject property.

MERIDIAN REALTY ADVISORS

INCOME ANALYSIS

Analyst:	Matthew J. Fleenor
Analysis Date:	29-Jan-2009
Property Identification:	Kroger Center - Alcoa
Square Foot Area:	69,529
No. Units	One

INCOME SOURCE	Income	Caculation Method	# Units or SF Size	Annual	% of PGI
Kroger	$5.16	$/SF/Yr.	59,460	$306,840	83.5%
CVS Pharmacy	$6.03	$/SF/Yr.	10,069	$60,720	16.5%

Potential Gross Income (PGI):		**$367,560**	**100.0%**
Vacancy & Collections Loss (V&C):	**1.0%**	**$3,676**	
Other Income:		**$0**	
Effective Gross Income (EGI):		**$363,884**	**99.0%**

EXPENSES	$ Amount or %	Calculation Method	Annual	$/SF
Management	3.0%	% of EGI	$10,917	$0.16
Reserve Allowance	$0.15	$/SF/Yr.	$10,429	$0.15

Total Expenses	**$21,346**	**$0.31**
Expense Ratio	**5.9%**	
Reimbursable Expenses	**$0**	

Net Operating Income:	**342,539**	**$4.93**
Capitalization Rate:	**9.50%**	
Value:	**$3,605,669**	
PROSPECTIVE STABILIZED VALUE:	**$3,600,000**	**$51.78**

INDICATED PROSPECTIVE STABALIZED VALUE BY THE INCOME CAPITALIZATION APPROACH

THREE MILLION SIX HUNDRED THOUSAND DOLLARS
$3,600,000

RECONCILIATION AND FINAL VALUE ESTIMATE

The term Reconciliation is defined as:

> *"The last phase of any valuation assignment in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value or a single point estimate.*

The following prospective values for the subject property "As Stabilized" were indicated by the three approaches to value.

SUMMARY OF VALUE CONCLUSIONS	
Cost Approach	**N/A**
Sales Comparison Approach	**$3,890,000**
Income Capitalization Approach	**$3,600,000**
Reconciled	**$3,600,000**

Source: Meridian Realty Advisors

COST APPROACH

The Cost Approach is predicated on the principle that an investor would pay no more for an existing property than it would cost to acquire the land and construct a building with similar utility. The reliability of the Cost Approach is greatest when there are sufficient comparable land sales from which to derive an estimate of the value of the site; when there exists reliable cost data from which to estimate the reproduction costs of the improvements; and when there is minimal depreciation contributing to a loss in value which must be estimated. The Cost Approach was not utilized in this analysis due to the hazardous level of difficulty associated with concluding accrued depreciation for such a property.

SALES COMPARISON APPROACH

The Sales Comparison Approach is predicated on the principle that an investor would pay no more for an existing property than for a comparable property with similar utility. This approach is contingent on the reliability and comparability of available data.

In this case, the sales used in the analysis were all similar grocery anchored shopping centers located throughout the Southeastern market area. The sales are very similar to the subject with respect to physical characteristics, tenant mix, and risk factors. However, the market conditions of the economy have continued to decline since the purchase of the sales comparables utilized in this analysis. Therefore, the Sales Comparison Approach is considered to provide a slightly less reliable value indication and is secondary significant emphasis in the final value reconciliation.

INCOME CAPITALIZATION APPROACH

If accurately applied, the Income Approach is often quite reliable in valuing properties of this type, as they are typically exchanged on the basis of their income-generating potential. The reliability of this approach is enhanced when adequate data are available to assure proper development of the income, expense, and capitalization rate analyses.

The value derived from the Income Capitalization Approach is supported by a sufficiently large quantity of market data regarding rental rates, expenses, and capitalization rates; and is considered consistent with market indications. The Income Capitalization Approach more adequately reflects the current market conditions of the subject property. Therefore, this approach is given greatest emphasis in the final value conclusion.

MARKET VALUE CONCLUSION

The final value conclusion and the approaches relied upon give strong consideration to the market behavior of the typical buyer and current market environment of the property.

Based on the research and analyses performed herein, we have formed an opinion that the market value of the property, subject to the definitions set forth in the report and the certification, assumptions, and limiting conditions; and as of the date of inspection was:

MARKET VALUE CONCLUSION			
Appraisal Premise	**Interest Appraised**	**Date of Value**	**Value Conclusion**
Market Value “As Is”	Leased Fee	January 29, 2009	$3,600,000

SECTION 5 – ADDENDUMS

☒ General Assumptions & Limiting Condition	☐ Developers Cost Estimate
☒ Glossary of Terms	☒ Subject Lease Briefs
☐ Copy of Sale Contract	☒ Zoning Description
☐ Site Plan	☐ Legal Description / Warranty Deed
☒ Qualifications of the Appraisers	☐ Developer's Survey
☐ Building Plans	☐ Other

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to total that would adversely affect marketability or value. Meridian Realty Advisors is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. Meridian Realty Advisors, however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. Meridian Realty Advisors professionals are not engineers and are not competent to judge matters of an engineering nature. Meridian Realty Advisors has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of Meridian Realty Advisors by ownership or management; Meridian Realty Advisors inspected less then 100% of the entire interior and exterior portions of the improvements; and Meridian Realty Advisors was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as o precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems end/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, Meridian Realty Advisors reserves the right to amend the appraisal conclusions reported herein.

3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the appraiser. Meridian Realty Advisors has no knowledge of the existence of such materials on or in the property. Meridian Realty Advisors, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired. We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to Meridian Realty Advisors. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to

supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, Meridian Realty Advisors has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, Meridian Realty Advisors reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify Meridian Realty Advisors of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, Meridian Realty Advisors will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.

7. Meridian Realty Advisors assumes no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposit or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

9. Meridian Realty Advisors is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of, current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. Meridian Realty Advisors does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of Meridian Realty Advisors.

12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of Meridian Realty Advisors to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

13. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated. All values stated herein are contingent upon the proper zoning, either existing or proposed, be granted by the local zoning authorities and adhered to regardless of the proposed use. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.

14. This study may not be duplicated in whole or in port without the specific written consent of Meridian Realty Advisors nor may this report or copies thereof be transmitted to third parties without said consent, which consent Meridian Realty Advisors reserves the right to deny. Exempt

from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in port, in any public document without the express written consent of Meridian Realty Advisors which consent Meridian Realty Advisors reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. Meridian Realty Advisors shall have no accountability or responsibility to any such third party.

15. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

17. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

18. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to Meridian Realty Advisors unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. Meridian Realty Advisors assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

19. Meridian Realty Advisors assumes that the subject property analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.

21. No environmental impact studies were either requested or made in conjunction with this report and the appraiser hereby reserves the right to alter, amend, revise or rescind any of the value opinions based upon any subsequent environmental impact studies, research or investigation.

22. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, Meridian Realty Advisors has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since Meridian Realty Advisors has no specific information relating to this issue, nor is Meridian Realty Advisors qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject property.

24. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client proximately result in damage to Appraiser. The Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover from the other reasonable attorney fees and costs.

25. The appraiser will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made therefore.

26. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor Meridian Realty Advisors assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

GLOSSARY OF TERMS

Appraisal (1) An analysis, opinion, or conclusion relating to the nature, quality, value, or utility of specified interest in, or aspects of, identified real estate; (2) The act or process of estimating value; an estimate of value.

Appraisal Formats (1) Self-Contained-A written report prepared under Standards Rule 2.2(a) of a Complete or Limited Appraisal performed under STANDARD 1. A self-contained appraisal report documents all of the information relating to the analysis of the property and the development of the value estimate. (2) Summary - A written report prepared under Standards Rule 2.2(b) of a Complete or Limited Appraisal performed under STANDARD 1. A summary report will contain a summary of all pertinent information. (3) Restricted - A written report prepared under Standards Rule 2.2(c) of a Complete or Limited Appraisal performed under STANDARD 1. A restricted report will contain only a statement of information significant to the solution of the appraisal problem.

Appreciation An increase in property value resulting from an excess of demand over supply.

Assessed Value The value of a property according to the tax rolls in ad valorem taxation. Assessed value may not conform to market value, but it is usually calculated in relation to a market value base.

Assignment An appraisal, consulting, or review service provided as a consequence of an agreement between appraiser and a client.

Assumption That which is taken to be true.

Business Enterprise Value (BEV) The value enhancement that results from items of intangible personal property such as marketing and management skill, an assembled workforce, working capital, non-realty contracts/leases, and some operating agreements.

Capitalization Rate see Overall Capitalization Rate.

Cash Equivalency The procedure in which the sales prices of comparable properties sold with atypical financing are adjusted to reflect typical market terms.
Client The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Comparables A shortened term for similar property sales, rentals, of operating expenses used for comparison in the valuation process; also called *comps*.

Contract Rent The actual rental income specified in a lease.

Curable Functional Obsolescence An element of accrued depreciation ; a curable defect caused by a flaw in the structure, materials, or design.

Curable Physical Deterioration An element of accrued depreciation; a curable defect caused by deferred maintenance.

Debt Coverage Ratio (DCR) The ratio of net operating income to annual debt service ($DCR=NOI \div I_M$); measures the ability of a property to meet its debt service out of net operating income.

Deferred Maintenance Curable physical deterioration that should be corrected immediately, although work has not commenced; denotes the need for immediate expenditures, but does not necessarily suggest inadequate maintenance in the past.

Departure Rule Specific requirements of the Uniform Standards of Professional Appraisal Practice that apply to an appraiser who performs an assignment that calls for something less than, or different from, the work that would otherwise be required.

Depreciation A loss in value from any cause. It may also be defined as the difference between the replacement cost or reproduction cost of the improvement and it's market value.

Direct Costs Expenditures for the labor and materials used in the construction of improvements; also called hard costs.

Discounted Cash Flow Analysis The procedure in which a discount rate is applied to a set of projected income streams and a reversion; also called DCF Analysis.

Discount Rate A yield rate used to convert future payments or receipts into present value.

Easement An interest in real property that conveys use, but not ownership, of a portion of an owner's property.

Economic Life Expectancy The period of time over which improvements to real property contribute to property value.

Effective Age The age indicated by the condition and utility of a structure.

Effective Gross Income (EGI) The anticipated income from all operations of the real property after an allowance is made for vacancy and collections losses.

Effective Rent (1) The rental rate net of financial concessions such as periods of no rent during the lease term; may be calculated on a discounted basis, reflecting the time value of money, or on a simple, straight-line basis. (2) The economic rent paid by the lessee when normalized to account for financial concessions, such as escalation clauses, and other factors. Contract, or normal, rents must be converted to effective rents to form a consistent basis of comparison between comparables.

Entrepreneurial Profit A market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project; the difference between the total cost of a property (cost of development) and it's market value, which represents the entrepreneur's compensation for the risk and expertise associated with development.

Escalation Clause A clause in an agreement that provides for the adjustment of a price or rent based on some event or index, e.g., a provision to increase rent if operating expenses increase.

Estate A right or interest in property.

Exposure Time 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 upon 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

Expense Cap A clause in a lease that limits a tenants share of common area maintenance expense.

Expense Stop A clause in a lease that limits the landlord's expense obligation because the lessee assumes any expenses above and established level.

External Obsolescence An element of accrued depreciation; a defect, usually incurable, caused by negative influences outside a site and generally incurable on the part of the owner, landlord, or tenant.

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

Fee Simple Estate Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

FIRREA The Financial Institutions Reform, Recovery, and Enforcement Act. Legislation enacted in 1989 to bail out the savings and loan industry; FIRREA created the Office of Thrift Supervision (OTS), the Resolution Trust Company (RTC), and the Appraisal Subcommittee to implement Title IX of FIRREA mandating state certification and licensing of appraisers.

Floor Area Ratio (FAR) The relationship between the above-ground floor area of a building and the area of the plot on which it stands, in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area; also called *building-to-land ratio.*

Frictional Vacancy Vacancy unrelated to disequilibrium in supply and demand, but rather due to tenant relocations as leases roll over and expire. Frictional vacancy is considered the normal vacancy rate in any given market.

Full Service Lease A lease in which rent covers all operating expenses. Typically, full service leases are combined with an expense stop, the expense level covered by the contract lease payment. Increases in expenses above the expense stop level are passed through to the tenant and are known as expense pass-throughs.

Functional Obsolescence An element of accrued depreciation resulting from deficiencies or super-adequacies in the structure.

Functional Utility The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards.

Going Concern Value The value created by a proven property operation; considered as a separate entity to be valued with a specific business establishment. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate only. Going concern value includes an intangible enhancement of the value of an operating business enterprise which is produced by the assemblage of the land, building, labor, equipment, and marketing operation. This creates an economically viable business that is expected to continue. Going concern value refers to the total value of the property, including both real property and intangible personal property attributed to the business value.

Gross Building Area (GBA) The total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls.

Gross Income Income from the operation of a business or the management of a property.

Gross Leasable Area 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 walls surfaces.

Gross Lease A lease in which the landlord receives stipulated rent and is obligated to pay all or most of the property's operating expenses and real estate taxes.

Highest & Best Use 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.

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

Incurable Functional Obsolescence An element of accrued depreciation; a defect caused by deficiency or super-adequacy in the structure, materials, or design, which cannot by practically or economically corrected.

Incurable Physical Deterioration An element of accrued depreciation; a defect caused by physical deterioration that cannot be practically or economically corrected.

Indirect Costs Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs, professional fees, financing costs and the interest paid on construction loans, taxes and insurance paid during construction, and the marketing, sales, and lease-up cost incurred to achieve occupancy or sale. Also called *soft costs*.

Intangible Property Non-physical items of personal property, e.g. franchises, trademarks, patents, copyrights, goodwill.

Intended Use The use or uses of an appraiser's reported appraisal, consulting, or review assignment, as identified by the appraiser based on communication with the client at the time of the assignment.

Intended User The client and any other party as identified, by name or type, as users of the appraisal, consulting, or review report as identified by the appraiser based on communication with the client at the time of the assignment.

Land-to-Building Ratio The proportion of land area to gross building area; typical land-to-building ratios for properties combine land and building components into a functional economic unit.

Leased Fee Estate An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of the lessor or the leased fee owner and the leased fee are specified by contract terms contained within the lease.

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

Market Area The geographic or locational delineation of the market for a specific category of real estate, i.e., the area in which alternative, similar properties effectively compete with the subject property in the minds of probable, potential purchasers and users.

Marketing Period The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

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

Market Study A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographics of demand for a specific area or property type.

Market Value "As If Complete" An estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value "As Is" The value of specific ownership rights to an identified parcel of real estate in the condition observed upon inspection and as it physically an legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

Market Value The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, assuming that 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 interests;

(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.

Neighborhood A group of complimentary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

Net Lease A lease in which the tenant pays all property operating expenses in addition to the stipulated rent.

Net Operating Income The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted; also called *NOI.*

Net Rentable Area (NRA) (1) The area on which rent is computed, (2) The rentable area of a floor as measured to the inside of finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Includes space such as mechanical rooms, janitorial rooms, restrooms, and lobby areas.

Obsolescence One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or other external factors that make a property less desirable and valuable for a continued use.

Operating Expenses The periodic expenditures necessary to maintain real property and continue production of the effective gross income, assuming prudent and competent management.

Overall Capitalization Rate An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and the total property price or value; used to convert the net operating income into an indication of overall property value. ($R_O = I_O \div V_O$)

Personal Property Identifiable, portable, and tangible objects that are considered by the general public to be "personal." Personal property includes movable items that are not permanently affixed to, and part of, the real estate.

Present Value The value of a future payment or series of future payments discounted to the current date or to time period zero; often abbreviated as PV.

Prospective future value "upon completion of construction" The value presented assumes all proposed construction, conversion, or rehabilitation is hypothetically completed, or under other specified hypothetical conditions, as of the future date when such construction completion is projected to occur. If anticipated market conditions indicated that stabilized occupancy is not likely as of the date of completion, the estimate shall reflect the market value of the property in the then "as is" leased state. For properties where individual units are to be sold aver a period of time, this value should represent that point in time when all construction and development cost have been expended for that phase, or those phases under valuation.

Prospective future value "upon reaching stabilized occupancy" The value presented assumes the property has attained the optimum level of long-term occupancy, which an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings.

Real Estate Physical land and appurtenances attached to the land.

Real Property All interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of real estate is endowed.

Remaining Economic Life An estimate of the number of years remaining in the economic life of the structure or structural components as of the date of appraisal.

Replacement Allowance An allowance that provides for the periodic replacement of building components that wear out more rapidly than the building itself and must be replaced during the building's economic life.

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

Report Any communication, written or oral, of an appraisal, review, or consulting service that is transmitted to the client upon completion of an assignment.

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

Reversion A lump-sum benefit that an investor receives or expects to receive at the termination of an investment.

Scope of Work The amount and type of information researched and the analysis applied to the assignment. Scope of work includes, but is not limited to, the following:

- The degree to which the property was inspected or identified.
- The extent of research into physical and economic factors that could affect the property.
- The extent of data research; and
- The type and extent of analysis applied to arrive at opinions or conclusions.

Shell Space Space which has not had any interior finishing installed, including even basic improvements such as ceilings and interior walls, as well as partitions, floor coverings, etc..

Super-adequacy An excess in the capacity or quality of a structure or structural component; determined by market standards.

Terminal Capitalization Rate The rate used to convert income, e.g. NOI, cash flow, into an indication of the anticipated value of the subject real property at the end of the holding period.

Usable Area The actual occupiable area of a floor or an office, computed by measuring the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. No deductions are made for columns and projections necessary to the building.

Use Value The value a specific property has for a specific use. Use value focuses on the value the real estate contributes to the enterprise of which it is a part, without regard to the property's highest and best use or the monetary amount that might be realized upon its sale. Also known as value in use.

USPAP Uniform Standards of Professional Appraisal Practice - Current standards of the appraisal profession, developed for appraisers and the users of appraisal services by the Appraisal Standards Board of the Appraisal Foundation. The Uniform Standards set forth the procedures to be followed in developing an appraisal, analysis, or opinion and the manner in which they may be communicated (the appraisal report); often abbreviated as USPAP.

Vacancy & Collections Losses An allowance for reductions in potential income attributable to vacancies, tenant turnover, and non-payment of rent.

Yield Rate A rate of return on capital, usually expressed as a compound annual percentage rate. A yield rate considers all expected property benefits, including the proceeds from the sale at the termination of the investment.

MERIDIAN REALTY ADVISORS

SUMMARY OF QUALIFICATIONS

MERIDIAN REALTY ADVISORS, LLC

COMPANY PROFILE

EXPERTISE IN REAL ESTATE VALUATION

Meridian Realty Advisors, LLC is the successor company to Wallace & Associates which was formed in 1990. The firm is headed by Charles W. Benton III, MAI and Craig S. Huber, MAI, who combined have a total of more than 35 years of real estate appraisal and consulting experience.

The firm's primary area of expertise is in the area of commercial real estate valuation. Meridian Realty Advisors has performed thousands of appraisals on commercial properties in the Knoxville area and throughout East Tennessee.

Our client base includes a variety of regional and national banks, mortgage companies, insurance companies, real estate investment trusts, attorneys, government agencies, and individuals.

All of the appraisers in Meridian Realty Advisors are designated or associate members of the Appraisal Institute

APPRAISAL & CONSULTING SERVICES

Meridian Realty Advisors provides market value appraisals as well as other specialized valuation and consulting services:

Real Estate Appraisal:	Market valuation appraisals for most property types including office, retail, industrial, special purpose, & subdivisions.
Consulting:	Real estate analysis to include leased fee / leasehold analysis, cost-benefit, analysis, & investment analysis.
Appraisal Reviews:	Appraisal review and evaluation to insure compliance with appraisal regulations, guidelines, and professional standards.
Market Research:	Market analysis and research to include market studies, highest & best use studies, rent surveys, & land use studies
Litigation Support:	Expert witness testimony regarding real estate use and value.
Property Tax Counseling and Appeal:	Representation before government agencies regarding ad valorem taxes, including preliminary value consultation & appraisals.

PROPERTY SPECIALTIES

Our firm is experienced in a wide variety of property types to include the following:

- Apartments
- Convenience Stores
- Hotel / Motel Properties
- Industrial & Manufacturing Facilities
- Medical Facilities
- Multi-Use Developments
- Office Buildings
- Restaurant Properties
- Retail Buildings
- Shopping Centers
- Special Purpose Properties
- Subdivisions
- Warehouse / Self-Storage
- Vacant Land

CLIENTELE

Meridian Realty Advisors serves a diverse array of clients to include local and national lending institutions, mortgage companies, pension funds, insurance companies, corporations, government entities, attorneys, real estate developers, and investment companies. We work closely with our clients and maintain the highest degree of confidentiality.

PARTIAL CLIENT LIST

- Bank of America
- BankEast
- BB&T
- Bowater Corporation
- CapitalMark Bank
- Chrysler Realty Corporation
- Covenant Health System
- Fifth Third Bank
- FirstBank
- First Horizon National Corporation
- FSG Bank
- Grayson Automotive Group
- GreenBank
- GE Capital Franchise Finance
- Huntington Bank
- Home Federal Savings Bank
- Memorial Health System
- Mountain National Bank
- Mountain Commerce Bank
- Mountain States Health System
- Realty Trust Group
- Regions Bank
- Sovereign Bank
- SunTrust Bank
- Tennessee Dept. of Transportation (TDOT)
- Tennessee Valley Authority (TVA)
- University of Tennessee
- Wachovia Bank

GEOGRAPHIC COVERAGE

Meridian Realty Advisors has the capacity to provide commercial and industrial valuation services throughout the Southeastern United States but focuses specifically on Eastern Tennessee, Western North Carolina, North Georgia, and Southeast Kentucky. Our primary area of service is located within a 150-mile radius of Knoxville to include the Knoxville, Chattanooga, and Tri-Cities Metropolitan areas and other counties in the region.

PROFESSIONAL AFFILIATION

THE MAI ADVANTAGE

Individual affiliation with professional organizations is encouraged for the continuing education and improvement of services that it provides. Both Charles Benton and Craig Huber are members of the Appraisal Institute and hold the MAI designation. Furthermore, all of Meridian's appraisers are designated or associate members of the Appraisal Institute.

The MAI membership designation is held by appraisers who are experienced in the valuation and evaluation of commercial, industrial, residential, and other types of properties, and who advise clients on real estate investment decisions. The MAI designation behind your appraiser's name stands for advanced knowledge strengthened by rigorous continuing education. Documented experience in a wide range of real estate transactions. Uncompromising integrity backed by a strict code of conduct.

CONTACT INFORMATION

Telephone: (865) 522.2424
Fax: (865) 522.0030
Postal Mail: 213 Fox Road, Suite 110, Knoxville, Tennessee 37922

STATEMENT OF QUALIFICATIONS

CHARLES W. BENTON III, MAI

Principal | Senior Appraiser

MERIDIAN REALTY ADVISORS, LLC
213 Fox Road, Ste. 110 | Knoxville, Tennessee 37922 | Phone (865) 522-2424 | Fax (865) 522-0030

PROFESSIONAL EXPERIENCE

Charles W. Benton III, MAI is a partner and senior appraiser with Meridian Realty Advisors. He is responsible for providing real estate valuation and advisory services covering a wide variety of properties including office, retail, industrial, special purpose, and subdivisions for lending institutions, governmental agencies, condemning authorities, and individual clients.

Mr. Benton has 17 years of diversified real estate valuation and consulting experience. Assignments have included all general property types and special purpose properties. Assignments were completed for transaction and litigation support, underwriting, financing, portfolio analysis, asset monitoring, condemnation, and estate taxation.

PROFESSIONAL AFFILIATIONS

- MAI – Member Appraisal Institute
- Member – Greater Tennessee Chapter Appraisal Institute
- Former Board of Directors & General Admissions Chair – Greater Tennessee Chapter Appraisal Institute
- Candidate member of the CCIM Institute currently pursuing the Certified Commercial Investment Member (CCIM) designation

PROFESSIONAL EDUCATION

University of Tennessee
Bachelor of Science in Business Administration (Finance) - 1990

Appraisal Institute Courses

- Appraisal Principles
- Appraisal Procedures (challenged & passed)
- Basic Income Capitalization (challenged & passed)
- Advanced Income Capitalization
- Standards of Professional Appraisal Practice Parts A, B, & C
- Report Writing and Valuation Analysis
- Advanced Applications

CCIM Institute Courses

- Financial Analysis for Commercial Investment Real Estate

Appraisal Institute Seminars

- Subdivision Analysis & Valuation
- Evaluating Commercial Construction
- Evaluating Residential Construction
- Analysis of Detrimental Conditions
- Rates and Ratios
- Real Estate Finance, Statistics, & Valuation modeling
- Business Practice & Ethics
- Real Estate Investment & Development
- Office Building Valuation

PROFESIONAL DESIGNATIONS & QUALIFICATIONS

- MAI ▪ Appraisal Institute
- Qualified and testified as an expert on real estate use and value in Knox Co., Bradley Co., and Hamilton Co. Courts.

STATE CERTIFICATIONS

- Tennessee: Certified General Real Estate Appraiser, License No. CG-1349
- Kentucky: Certified General Real Property Appraiser, License No. 003249
- Georgia: Certified General Real Property Appraiser, License No. 277944

PROFESSIONAL EXPERIENCE

From December 2004 to Present – Partner & Senior Appraiser with Meridian Realty Advisors, LLC.

From March 1991 to November 2004 – Associated with the appraisal firm of Wallace & Associates, Knoxville, Tennessee. Responsible for preparation, review, & quality of commercial appraisal reports.

MERIDIAN
REALTY ADVISORS

APPRAISAL & CONSULTING SERVICES

Market Valuation
Market & Feasibility Studies
Highest & Best Use Studies
Leased Fee / Leasehold Analysis
Rental Surveys
Investment Analysis
Estate Valuation
Land Use Studies

PROPERTY SPECIALTIES

Apartments
Convenience Stores
Hotel / Motel Properties
Industrial & Manufacturing Facilities
Medical Facilities
Multi-Use Developments
Office Buildings
Restaurant Properties
Retail Buildings
Shopping Centers
Special Purpose Properties
Subdivisions
Warehouse / Self-Storage
Vacant Land

PARTIAL CLIENT LIST

AmSouth Bank
Bank of America
BankEast
BB&T
Bowater Corporation
Chrysler Realty Corporation
Covenant Health System
First Horizon National Corporation
Fifth Third Bank
FSG Bank
Grayson Automotive Group
Home Federal Savings Bank
Memorial Health System
Mountain National Bank
Mountain States Health System
Realty Trust Group
Regions Bank
SunTrust Bank
Tennessee Dept. of Transportation (TDOT)
Tennessee Valley Authority (TVA)
University of Tennessee
Wachovia Bank

MATTHEW J. FLEENOR

Appraiser | Analyst

MERIDIAN REALTY ADVISORS, LLC
213 Fox Road, Ste. 110 | Knoxville, Tennessee 37922 | Phone (865) 522-2424 | Fax (865) 522-0030

PROFESSIONAL EXPERIENCE

Matthew J. Fleenor is an Appraiser / Analyst with Meridian Realty Advisors, LLC. He is responsible for providing real estate valuation and advisory services covering a wide variety of properties including office, retail, industrial, special purpose, and subdivisions for lending institutions, governmental agencies, condemning authorities, and individual clients.

Mr. Fleenor has 5 years of diversified real estate valuation and consulting experience. Assignments have included all general property types and special purpose properties. Assignments were completed for transactions, underwriting, financing, portfolio analysis, asset monitoring, condemnation, and estate taxation.

EDUCATION

The University of Texas at Austin
Tusculum College

Bachelor of Science in Organizational Management

Appraisal Institute

- Appraisal Principles
- Appraisal Procedures
- Basic Income Capitalization
- National Uniform Standards of Professional Appraisal Practice
- General Applications
- Highest & Best Use And Market Analysis
- Advanced Sales & Cost Approaches

STATE CERTIFICATIONS

Tennessee: Certified General Real Estate Appraiser, License No. CG-2981

PROFESSIONAL EXPERIENCE

From May 2006 to Present – Appraiser / Analyst with Meridian Realty Advisors, LLC. Responsible for preparation, review, & quality of commercial appraisal reports.

From April 2002 to May 2007 – Associated with the appraisal firm of Property Service Group, Knoxville, Tennessee. Responsible for preparation, review, & quality of commercial appraisal reports.

ENCLOSURES

MERIDIAN REALTY ADVISORS, LLC

Real Estate Appraisers & Consultants

213 Fox Road, Suite 110,
Knoxville, Tennessee 37922
TEL (865) 522-2424 | FAX (865) 522-0030

www.meridianvalues.com