

A SUMMARY REPORT OF

**0.85-ACRE SITE
513 NORTH CEDAR BLUFF ROAD
KNOXVILLE, TN 37923-2805**

PREPARED FOR

**MR. SAM HAMMETT
VICE PRESIDENT LENDING
FSG BANK
1111 NORTSHORE DRIVE, SUITE 600
KNOXVILLE, TN 37919**

PREPARED BY

**CHARLES M. SMITH, MAI
DANIEL J. BURCH
◆ PROPERTY SERVICE GROUP SOUTHEAST, INC.
109 SOUTH BROADWAY
KNOXVILLE, TENNESSEE 37902-1902**

EFFECTIVE DATE OF APPRAISAL "AS PROPOSED": APRIL 15, 2009

DATE OF REPORT: MARCH 9, 2009

◆ PROPERTY SERVICE GROUP SOUTHEAST

Real Estate Appraisals • Brokerage • Consulting

March 9, 2009

Mr. Sam Hammett
Vice President/Lending
FSG Bank
1111 Northshore Drive, Suite 600
Knoxville, TN 37919

RE: Real Estate Appraisal
0.85 Acre Site
513 North Cedar Bluff Road
Knoxville, TN 37923-2805

Dear Mr. Hammett:

At your request, we have made an appraisal of the above-described property in order to estimate the market value "as proposed" as of April 15, 2009.

The subject property is located at 513 North Cedar Bluff Road in Knoxville, Tennessee and contains 0.85-acre or 36,824 S.F. including approximately 162.86' (Deed) of frontage along the west side of North Cedar Bluff Road. The subject property is located at a three-way intersection and is considered to have good visibility and access. The subject site is improved with a single-family residence that has most recently been used as a day care but is currently vacant. The building was originally constructed in 1950 and is not considered to have any contributing value to the overall site. A sinkhole is located at the western portion of the site and the potential buyers propose to repair the sinkhole and demolish the existing improvements to create a buildable site.

Extraordinary Assumption: The subject is a proposed construction project and is appraised under the extraordinary assumption that proposed improvements will be functional and to the quality as represented in this appraisal. These improvements include the repair of the sinkhole and the demolition of the existing improvements. The appraisers reserve the right to amend and adjust the appraisal accordingly if the project is not finished to the specifications as represented to the appraisers or the project is not completed by the pre-established time frame from the date of inspection.

The following report contains a description of the property, market information, and methods used to estimate value. It has been written to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. This appraisal is presented in a summary report format.

Through this report, the market value of the subject property "as is" as of the date of inspection, February 26, 2009, was estimated to be:

FOUR HUNDRED EIGHTY THOUSAND DOLLARS
(\$480,000.00)

Through this report, the market value of the subject property "as proposed" as of the proposed date of completion, April 15, 2009, is expected to be:

EIGHT HUNDRED FIFTY THOUSAND DOLLARS
(\$850,000.00)

Extraordinary Assumption: The subject is a proposed construction project and is appraised under the extraordinary assumption that proposed improvements will be functional and to the quality as represented in this appraisal. These improvements include the repair of the sinkhole and the demolition of the existing improvements. The appraisers reserve the right to amend and adjust the appraisal accordingly if the project is not finished to the specifications as represented to the appraisers or the project is not completed by the pre-established time frame from the date of inspection

The reader is referred to the Certification and Assumptions and Limiting Conditions included in the attached report. The appraisers certify that they have no present or contemplated future interest in the subject.

Thank you for the opportunity to provide this service. Please call if you have any questions.

Sincerely,



Charles M. Smith, MAI
TN Certified General Appraiser #CG-109



Daniel J. Burch
TN Certified General Appraiser #CG-3829

/cc

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SUBJECT PHOTOGRAPHS



LOOKING SOUTHEAST ALONG NORTH CEDAR BLUFF ROAD



LOOKING NORTHWEST ALONG NORTH CEDAR BLUFF ROAD

SUBJECT PHOTOGRAPHS



NORTHWEST VIEW OF SUBJECT SITE



SOUTHWEST VIEW OF SUBJECT SITE

SUBJECT PHOTOGRAPHS



SOUTHEAST VIEW OF SUBJECT SITE AND LOCATION OF SINKHOLE



NORTHEAST VIEW OF SUBJECT SITE AND LOCATION OF SINKHOLE

SUBJECT PHOTOGRAPHS



SOUTHWEST REAR VIEW OF EXISTING BUILDING



SOUTHEAST FRONT VIEW OF EXISTING BUILDING

SUMMARY OF SALIENT FACTS

Identity of the Property:	0.85 Acre Site 513 North Cedar Bluff Road Knoxville, TN 37923-2805	
Tax Map Reference:	Map 119H, Group F, Parcel 14	
Property Owner:	Holrob Cedar Bluff Partnership	
Effective Date of Appraisal:	February 26, 2009 – Inspection Date April 15, 2009 – As Proposed Date	
USPAP Report Type:	Summary Report	
Property Rights Appraised:	Fee Simple	
Site Area:	0.85-Acre or 36,824 S.F.	
Improvement Description:	Old Commercial Building	
Zoning:	CN – Neighborhood Commercial Zone	
Highest and Best Use “As Vacant”:	Commercial development	
Highest and Best Use “As Improved”:	New commercial construction	
Indicated Value by Each Applicable Approach:		
Cost Approach:	Not Applicable	
	"As Is"	"As Proposed"
Sales Comparison Approach:	\$480,000	\$850,000
Income Approach:	Not Applicable	
	"As Is"	"As Proposed"
Estimated Market Value:	\$480,000	\$850,000
Marketing Time:	9-18 months	
Furniture, fixtures & equipment value:	None – real estate only	
Intended Use:	Estimate market value	
Intended User:	Mr. Sam Hammett Vice President/Lending FSG Bank 1111 Northshore Drive, Suite 600 Knoxville, TN 37919	

Extraordinary Assumption: The subject is a proposed construction project and is appraised under the extraordinary assumption that proposed improvements will be functional and to the quality as represented in this appraisal. These improvements include the repair of the sinkhole and the demolition of the existing improvements. The appraisers reserve the right to amend and adjust the appraisal accordingly if the project is not finished to the specifications as represented

to the appraisers or the project is not completed by the pre-established time frame from the date of inspection.

PROPERTY IDENTIFICATION

The subject property is identified as a 0.85-acre commercial site located at 513 North Cedar Bluff Road in Knoxville, Knox County, Tennessee. The property is further identified as being on Knox County Tax Map 119H, Group F, Parcel 14. The site contains a total of 0.85-acre or 36,824 S.F., as identified by Warranty Deed Instrument #200611030038957 in the Knox County Register of Deed's Office.

PURPOSE, INTENDED USE AND INTENDED USER

The purpose of this appraisal is to estimate the market value of the subject property "as is" as of the date of inspection, February 26, 2009. An additional purpose of this appraisal is to estimate the market value of the subject property "as proposed" as of the proposed date of completion, April 15, 2009. The intended use is to establish the market value for financing purposes and the intended user is Sam Hammett. This report is not intended for any other use or user and is presented in a summary report format.

DEFINITION OF VALUE

Market value¹, as used in this report, is defined as follows:

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

- 1) buyer and seller are typically motivated;
- 2) both parties are well informed or well advised and acting in what they consider their own best interests;

¹ Title XI, Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989, (Pub. L. No. 101-73, 103 Stat. 183 (1989), 12 U.S.C. 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 139
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 232, Sec. .323.2
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

- 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."

PROPERTY RIGHTS APPRAISED

The property rights appraised in this report (Fee Simple) are defined as follows:

*"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*²

SCOPE OF THE APPRAISAL

The scope of this real estate appraisal includes the following:

- 1) A physical inspection of the property. For properties with existing improvements, this consists of a walk-thru inspection. I do not warrant the structural integrity of the buildings, but, unless otherwise noted, it is assumed to be of sound construction with all mechanical, plumbing and electrical systems in working order.
- 2) A search of the public records relative to the subject. This search encompasses, among other things, tax and assessment information, easement, and other private, as well as public, deed restrictions, zoning, history of the property, etc.
- 3) A summary of neighborhood and regional area characteristics, as well as an analysis of supply and demand within the subject's market segment.
- 4) Analysis of physically possible uses, legally permissible uses, and all feasible uses in order to estimate the highest and best use of the subject property.
- 5) Research of public records for comparable sales and listings. Telephone verification, where possible, of all the sales and listings with the buyer, seller, or their representatives. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning and highest and best use.
- 6) The three recognized approaches to value - Cost, Sales Comparison and Income - will be developed unless sufficient supporting data is not available or the nature of this assignment precludes application of any approach.
- 7) The preparation of a narrative appraisal report in compliance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraiser has met the competency provision as required by USPAP and is capable of completing the appraisal assignment competently.

² The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, 1993, Page 140.

AREA DESCRIPTION

The subject property is located in Knoxville, Tennessee, the third largest city in the state and the largest city in East Tennessee. The city is located in the Tennessee Valley between the Cumberland Mountains to the northwest and the Great Smoky Mountains to the southeast.



REGIONAL MAP

Population

According to the 2000 Bureau of the Census information, the Knox County population for 2000 was 382,032. The regional population for the Knoxville Metropolitan Statistical Area (MSA), which includes Anderson, Blount, Knox, Loudon, Sevier and Union counties, was 687,249 in 2000. This census information is shown on the following chart.

**KNOXVILLE MSA
POPULATION
BUREAU OF THE CENSUS**

Population	1980	1990	2000	% Change 1990-2000
Anderson	67,346	68,250	71,330	4.5
Blount	77,770	85,969	105,823	23.1
Knox	319,694	335,749	382,032	13.8
Loudon	28,533	31,255	39,086	25.1
Sevier	41,418	51,043	71,170	39.4
Union	11,707	13,694	17,808	30.0
MSA Total	546,488	585,960	687,249	17.3

The city of Knoxville population increased 2.4% from 1990 to 2000, while Knox County population increased 13.8%. The growth rates in Knoxville and Knox County have been below the MSA growth of 17.3%, largely due to the fact that Knox County is more built-up and much of the new growth has been forced into the outlying areas.

Transportation

Knoxville is located roughly 20 miles east of the intersection of two major interstate highways - I-40, which runs east to west, and I-75, which runs north to south. Interstate 81, a major north to south system, merges with Interstate 40 about 40 miles east of downtown Knoxville. Interstate 640 is a half-perimeter connection through east, north and west Knoxville. The Pellissippi Parkway (Highway 162) is a major route between West Knoxville, Oak Ridge and Alcoa. The State of Tennessee has extended the parkway from Knox County across the Tennessee River into Blount County. The parkway has drastically altered transportation patterns in West Knox County and Northeast Blount County, and direct access between West Knox County, Oak Ridge and Blount County has now been provided, reducing travel distances considerably. This has substantially increased the demand for land in West Knox County and Northeast Blount County.

The city is served by two major rail systems, the Norfolk Southern Railway Lines and the CSX Transportation System. There are about 66 trucking lines with terminals in Knox County.

Knoxville is the junction of major east to west and north to south Southern Railway System.

About thirteen commercial airlines operating over 120 flights daily serve the Knoxville area from McGhee Tyson Airport located 13 miles from downtown Knoxville. There are also two

private airports and the city-owned Downtown Island Home Airport serving small and privately owned airplanes.

Education

Knox County had 84 public schools with an enrollment of 51,507 students for the 1999-2000 school year. An additional 6,700 students were enrolled in about 52 local private schools including Tennessee School for the Deaf, local Catholic schools, Webb School and several private Christian schools. The University of Tennessee had an enrollment of about 25,000 students. It has long been a major influence on Knoxville. Other higher learning institutions included Pellissippi State Technical Community College (4,000+ students), Knoxville College (870 students), Johnson Bible College (430 students), and other technical and business schools with about 1,500 students.

Employment

As of November 2008, the total labor force for the Knoxville Metropolitan Statistical Area (MSA) was 356,330, with the two largest employment sectors being trade and manufacturing. The total labor force for Knox County was 225,010. The economy of the Knoxville area is highly diversified with no employment sector dominating the labor force.

In the Knoxville MSA, as of November 2008, 336,500 of the total labor force of 356,330 were employed, yielding an unemployment rate of 5.5%, with an unemployment rate in Knox County of 5.2%. As shown in the following chart, Knox County has generally had unemployment rates lower than state and national levels over the past several years. Unemployment has been growing in recent months as the economy has weakened.

YEARLY AVERAGE UNEMPLOYMENT RATES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	Nov. 2008
Knox County	2.6%	2.3%	2.5%	2.8%	3.1%	3.9%	3.7%	3.9%	3.7%	5.2%
Knoxville MSA	3.3%	3.0%	3.3%	3.5%	3.8%	4.1%	4.0%	4.1%	3.0%	5.5%
Tennessee	4.0%	3.9%	4.5%	5.1%	5.8%	5.4%	5.4%	5.2%	5.3%	6.9%
United States	4.2%	4.0%	4.8%	5.8%	6.0%	5.5%	4.9%	4.6%	5.0%	6.7%

Source: Tennessee Department of Employment Security

The short-term jobs outlook is not good. In recent weeks, several Knox County companies have closed, including Goody's Family Clothing and Image Point (signs). Further, there have been significant layoffs at the Alcoa plants and several regional boat manufacturers have either

curtailed production for a period of time or closed. The appraiser would expect that the local unemployment rates are now somewhat higher than was the case in November 2008, the most recent month for which good information is available.

Commerce

There are two regional shopping malls in the Knoxville area, West Town and Knoxville Center (formerly East Towne Mall) in Knoxville. The major development in retail and business growth over the past five years has been the Turkey Creek project in West Knoxville along Interstate 40/75 between Lovell Road and Campbell Station Road. West Knoxville long led the county in residential and commercial growth, but much of this growth has shifted to the Halls and Powell areas in recent years, due largely to the better availability of land and high residential growth.

The major Knoxville financial institutions include Regions (AmSouth), BB&T, SunTrust, First Tennessee, Home Federal and Bank of America. Smaller and start up banks include American Fidelity Bank, American Trust Bank, BankEast, CBBC (Citizens Bank of Blount County), Commercial Bank, First Century Bank, First National Bank, FSG and United Community Bank. The banking industry in Knoxville has changed significantly over the past ten years or so due to mergers and acquisitions among larger banks and a number of small, local start-up banks.

Industry

There are over 791 manufacturing firms located in the Knoxville Metropolitan Statistical Area employing from as few as five to as many as 17,000 employees. The diversified products manufactured by these firms include chemicals, primary metals, apparel, food, textiles, fabricated metals, machinery, printing and publishing, stone, clay and glass, and electronic components.

Construction

For the past 40+ years, the western portions of Knoxville and Knox County have experienced increased growth and development due primarily to available land and services. The northern portions of Knox County have experienced the second highest growth and development. Development in East Knox County has lagged due to topography and rocky soils, and development has been slow south of the Tennessee River due to inferior access to major transportation routes.

Residential construction activity increased steadily through the 1990s, and was very strong until the past few years. Multifamily construction spiked about 1996-97, and has since that time. Commercial and industrial construction was very strong from 1995 through 2005, but has now slowed. Residential construction has become depressed over the past three years, but the local market has done better than the national market, though it has slowed significantly. Interest rates are low at the appraisal date, though credit has become harder to obtain. The following chart summarizes building permit information since 1982 as provided by MPC.

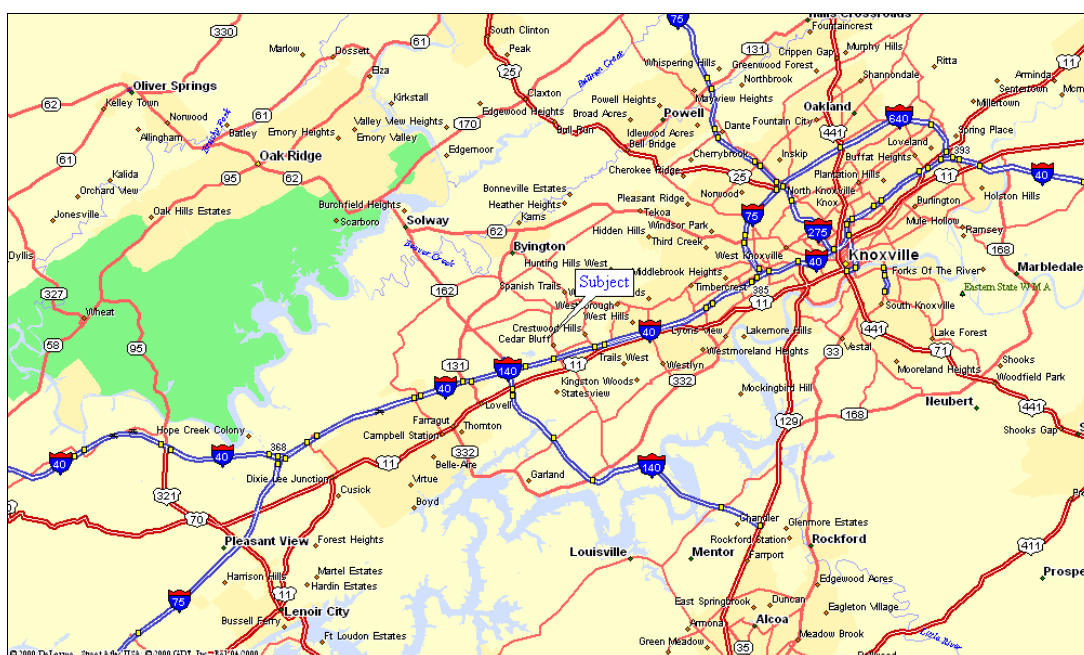
Year	Single-Family	Multifamily	Condo	Total Residential (Excl. Mobile Homes)	Commercial & Industrial
1982	732	1,154	N/A	1,886	212
1983	1,275	282	226	1,783	144
1984	1,020	49	128	1,197	175
1985	1,251	519	229	1,999	151
1986	1,553	376	164	2,093	175
1987	1,945	1,006	171	3,122	223
1988	1,869	411	135	2,415	219
1989	1,875	514	272	2,661	268
1990	1,789	317	416	2,522	204
1991	1,792	153	531	2,366	186
1992	2,319	198	378	2,895	125
1993	2,203	604	395	3,202	167
1994	2,519	265	332	3,116	182
1995	2,441	421	353	3,215	258
1996	2,407	1,070	434	3,911	255
1997	1,932	1,062	407	3,401	247
1998	1,910	652	447	3,009	238
1999	2,077	493	439	3,009	187
2000	1,924	869	403	3,196	162
2001	2,002	386	408	2,796	331
2002	2,122	516	478	3,116	198
2003	2,448	387	506	3,341	211
2004	2,494	1,092	656	4,242	204
2005	2,514	327	836	3,675	275
2006	2,407	833	763	3,998	199
2007	2,998	889	948	3,835	289

Conclusion

The Knoxville area's location, relatively good economic base, and diversified economy have put the area in a relatively good position for economic growth. The area's economy grew slowly, but steadily, from the early 1980s through 2007. A recession started in 2007 and economic growth has become negative over the past several months.

Beginning in summer 2007, there have been significant disruptions to the housing, financial and credit markets on a national basis. These disruptions have accelerated in recent months,

triggering unprecedented Federal intervention into the financial markets. A significant recession is underway, which reportedly began in December 2007. The Knoxville area has been negatively affected by this recession, but not nearly to the extent that the country as a whole has been. The national housing market has contracted sharply since summer 2005, but has held up some better in East Tennessee. This is partly due to the fact that interest rates are fairly close to 40 year lows. The short-term economic outlook is not particularly good, and the appraiser would expect economic growth in East Tennessee to be anemic for the near term. At some point in 2009 or 2010, economic growth should resume.



AREA MAP

NEIGHBORHOOD DESCRIPTION

The subject property is located along the west side of N. Cedar Bluff Road across from Fox Lonas Road approximately 0.75 miles north of Interstate 40. The Cedar Bluff area was mostly agricultural and low-density residential in nature until the 1960's when development began in earnest. Heavy development occurred in the 1960's and about 1970, the Executive Park project was started. This development now occupies most of the land between Cedar Bluff Road and Prosperity Drive with most of the land being used for offices.

Access to the neighborhood is by way of Interstate 40/75 to the Cedar Bluff Road interchange then north on Cedar Bluff Road to Cross Park Drive or directly off the exit ramp to Park Village Drive. Cedar Bluff Road is a five-lane connector road from Kingston Pike through the interstate to Middlebrook Pike. Cross Park Drive and Park Village Drive are two-lane side roads. Since the redesign of the Cedar Bluff Road interchange, the neighborhood has improved visibility and access.

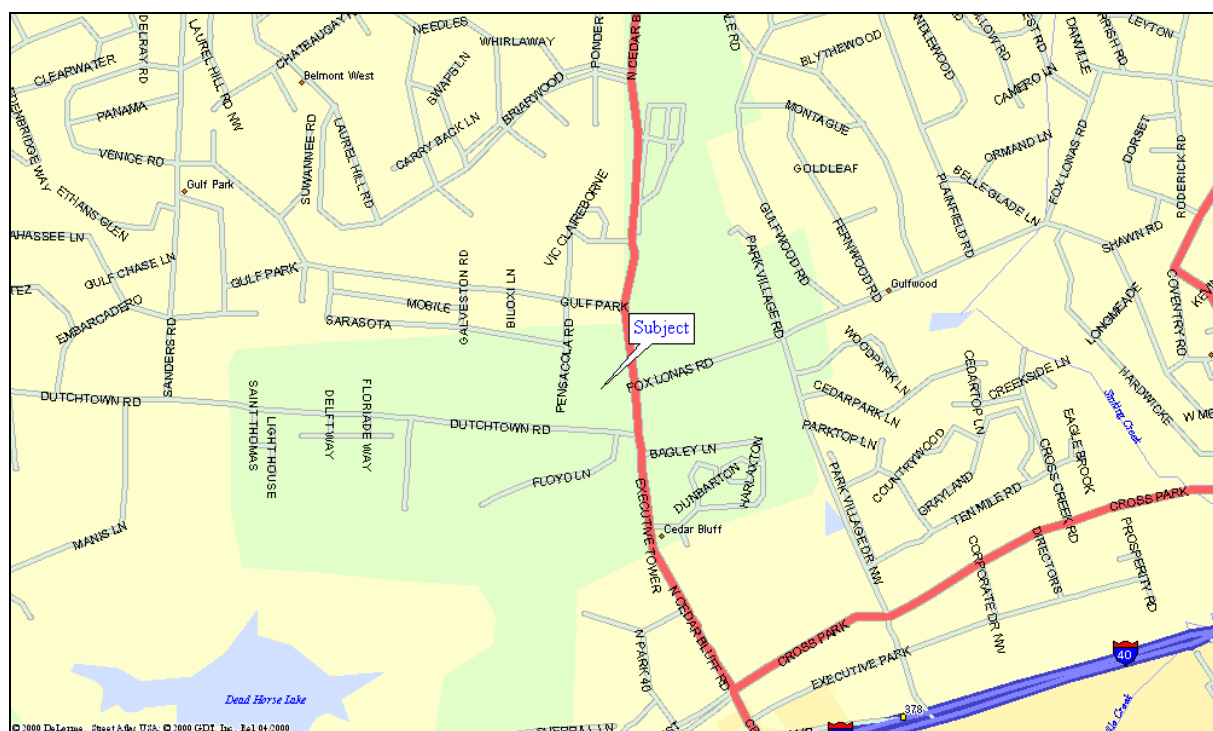
The neighborhood consists of businesses and offices clustering around North Cedar Bluff Road. The properties along North Cedar Bluff Road are mostly high exposure retail while connector corridors like Cross Park Drive are developed with office parks and freestanding offices. There are mature residential communities surrounding these commercial districts. Uses in the immediate subject area include numerous fast food restaurants and gas stations/convenience stores to the south of the subject property and Cedar Bluff Elementary School, All Saints Catholic Church, retail uses, and Sunchase apartment complex to the north of the subject property. The immediate area also includes Parkwest Hospital as well as a cluster of medical office use around the hospital. The businesses in the area serve the immediate communities as well as many large businesses serving the retail area.

Residential development to the north of this area was very heavy in the 1970's and 1980's. It then slowed since most of the land had been developed. The growth corridor for West Knox County has been most intense along Kingston Pike and Interstate 40/75. Subject is located north of the interstate in one of the more heavily developed areas. Most commercial development in West Knoxville and West Knox County has been along Kingston Pike and the roads that connect it to the interstate. These include Walker Springs Road, Cedar Bluff Road, Lovell Road and Campbell Station Road. Cedar Bluff Road has heavy commercial development from Kingston Pike to Dutchtown Road. There are a number of fast-food outlet chains and motels as well as convenient stores, gas stations and branch banks.

Off Cedar Bluff Road, the property use changes to office and retail use along either side. To the west of Cedar Bluff Road, Parkwest Boulevard, which extends to Parkwest Hospital, is mostly occupied with medical offices with some professional office space, retail and motel use. The area east of Cedar Bluff Road along Executive Park Drive, Prosperity Drive and Cross Park

Drive, are primarily developed with professional office uses with some retail including a strip retail center. There are two apartment complexes located off Park Village Drive.

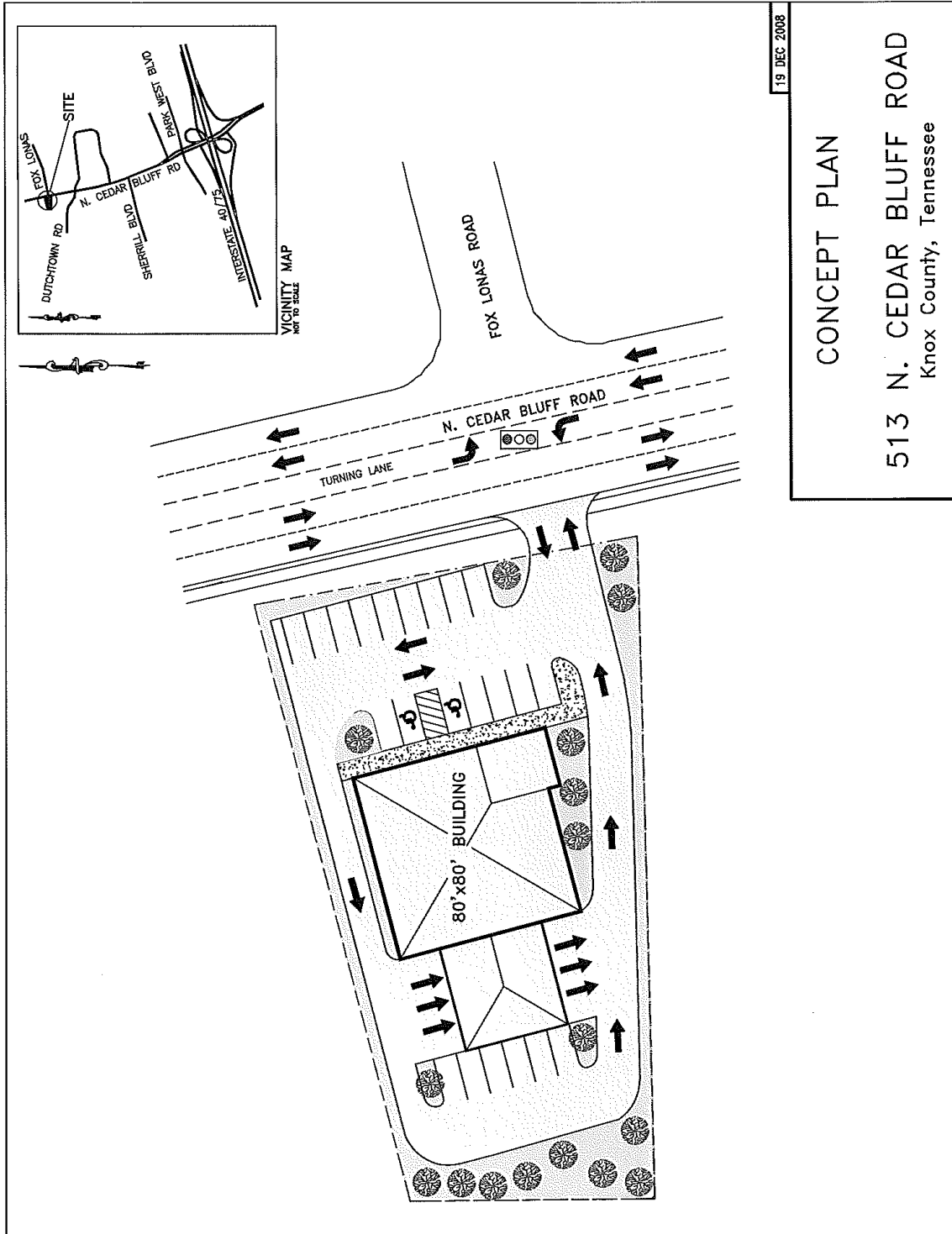
The subject neighborhood is mostly built-out, and future development will be limited to the remaining buildable land.



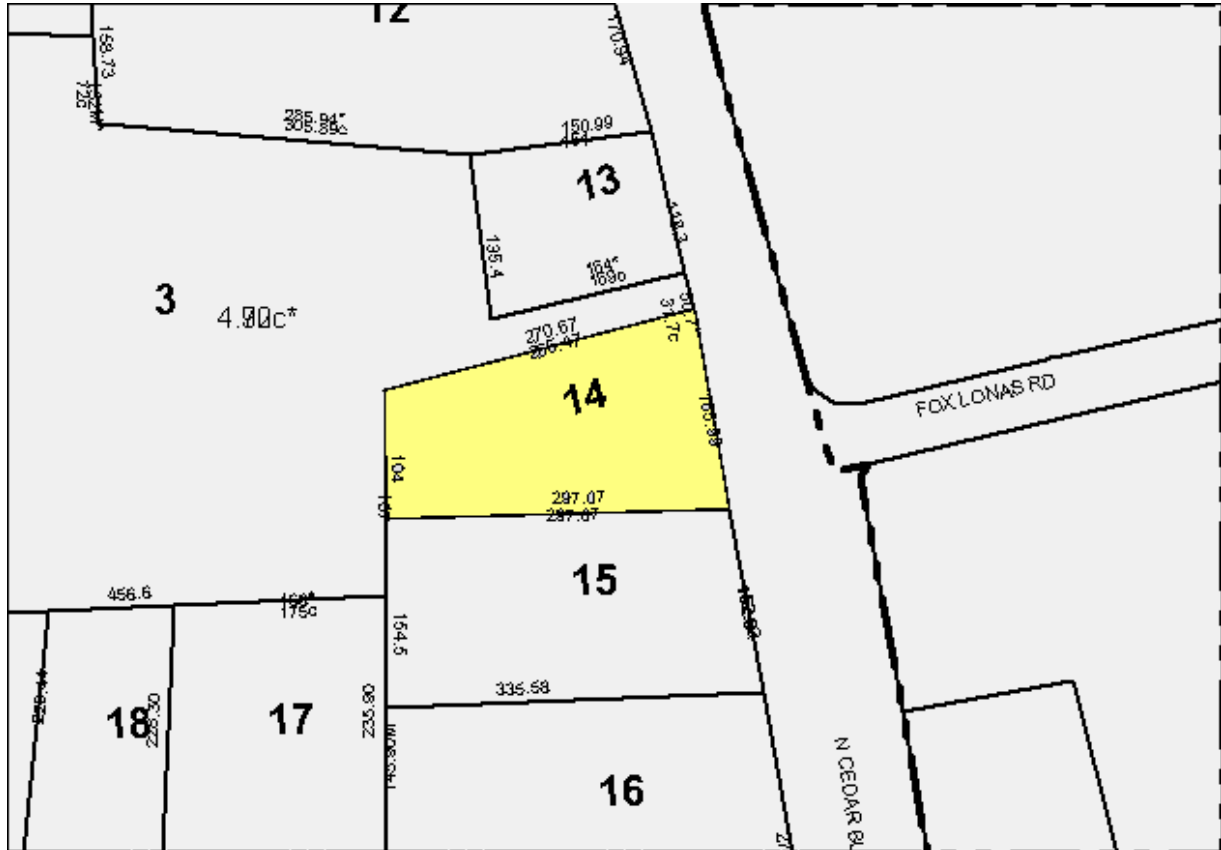
NEIGHBORHOOD MAP

SITE DESCRIPTION

The subject property contains a total of 0.85-acre or 36,824 S.F. including 162.86' (Deed) of frontage along the southwest side of North Cedar Bluff Road. This rectangular shaped site has a depth of 265.47' along the northern property line and 297.07' along the southern property line to a 104.00' western rear boundary. The subject site is located at a three-way intersection and is considered to have good access and visibility along North Cedar Bluff Road. The subject site is generally level at road grade and slopes slightly downward toward the western portions of the site. The subject site currently exhibits functional obsolescence due to a sinkhole located at the western portion of the site. The potential buyers have conveyed they have received the appropriate permits to remedy the sinkhole and plan to install a stormwater management system



and perform grade and site work at a cost of \$208,350. The potential buyers have indicated that the proposed improvements will be completed within approximately one month from the time of purchase. The potential buyers also propose to demolish the existing improvements at a cost of \$12,400.



TAX MAP

Utilities

Utilities available to the subject property include public water, electricity, telephone, gas, sanitary sewer and all municipal and county services.

Flood Map Information

According to the Federal Emergency Management Agency (FEMA) Flood Map 47093, Panel 0261F, the subject property is located in Zone X, which is an area of minimal flooding.

Zoning

The subject property is currently zoned CN as a Neighborhood Commercial Zone. As a proposed vacant site, the subject property will have a legally conforming use under the current zoning regulations. A detailed description of this commercial zone is attached to this report in the Addenda.

Real Estate Taxes

Based on the Knox County tax rate for 2008, the subject property's real estate taxes are calculated to be \$2,074.53 as shown below.

<u>Tax Parcel</u>	<u>Tax Appraisal</u>	<u>Assessed at</u>		<u>Assessed Value</u>	<u>Knox County Tax Rate</u>		<u>Total Real Estate Taxes</u>
119H-F-14	\$192,800	40%	=	\$77,120	\$2.69 per \$100	=	\$2,074.53

IMPROVEMENTS DESCRIPTION

The subject property is improved with a single-family residence that was originally constructed in 1950 and has most recently been used as a day care facility. The current improvements are not considered to offer any contributing value to the overall site, and the potential buyers propose to demolish the existing improvements at a cost of \$30,000.

HISTORY

The subject property is currently in the ownership name as follows:

**Holrob Cedar Bluff Partnership
6330 Baum Drive
Knoxville, TN 37919**

The subject property was last conveyed on November 1, 2006 for a consideration of \$435,000, as identified by Warranty Book Instrument #200611030038957. The subject property is currently under contract to purchase for \$480,000. The potential buyers propose to spend an additional \$220,750 to demolish the existing improvements and repair the sinkhole at the western portion of the site. This indicates a total investment of \$700,750 for the subject site.

HIGHEST AND BEST USE

Highest and best use is 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 four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."³

Highest and best use is divided into two categories: 1) "as vacant" and 2) "as improved." The first category assumes the site is vacant and addresses the issue of what use should be made of the site. The second category addresses the use that should be made of the property, as it exists. The highest and best use "as improved" may well be different than the existing use. The existing use will continue until the value of the vacant land exceeds the total value of the property in its existing use.

Highest and Best Use, As Vacant

Highest and best use of land or a site as though vacant is defined as:

"Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements."⁴

The subject property contains a total of 0.85-acre or 36,824 S.F. including good road frontage at a three-way intersection along North Cedar Bluff Road. The subject property is currently zoned CN as a Neighborhood Commercial District. This zoning allows for a wide variety of commercial uses. The immediate area surrounding the subject property is primarily developed with office, retail, churches and school facilities. Therefore, based on the subject's size, topography, location, zoning and surrounding land use patterns, it is concluded that the highest and best use of the subject property "as vacant" would be for commercial development with a retail or office use.

³ The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Page 171.

⁴ The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Page 171.

Highest and Best Use, As Improved

Highest and best use of a property, as improved, is defined as:

“The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.”⁵

The subject property is currently improved with a single-family residence originally constructed in 1950 that has most recently been used as a day care facility. The existing improvements are considered to be in fair to average overall condition and are not considered to have any contributing value to the overall site. Therefore, it is concluded that the existing improvements are not maximally productive to the subject site and that the highest and best use "as improved" is for demolition of the existing improvements for new commercial construction with a retail or office use.

APPROACHES TO VALUE

In the appraisal process, under ideal conditions, there are three approaches to an estimate of value. These approaches are briefly defined as:

- 1) Cost Approach - In this approach, the indication of value is derived by estimating the value of the land based on sales of similar land, and adding to this value the replacement cost of improvements less accrued depreciation.
- 2) Sales Comparison or Market Approach - This method develops a value estimate by the direct comparison of the subject of the appraisal with properties that are similar in nature or which are adapted to the same use which have recently sold or which are listed for sale in the open market under competitive conditions.
- 3) Income Approach - In this approach, the value of the property is indicated by the capitalization of an anticipated net rental income stream over a specified period of time. Four steps are required: (1) gross income is estimated; (2) expenses are deducted to estimate net income; (3) a capitalization method is selected; and, (4) the net income estimate is capitalized into an indication of value by applying the selected capitalization method.

The subject property consists of a vacant tract of land. Therefore, the Sales Comparison Approach is the only relevant approach to value.

⁵ The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Page 171.

SALES COMPARISON APPROACH

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 sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data are available.”⁶

Land Valuation

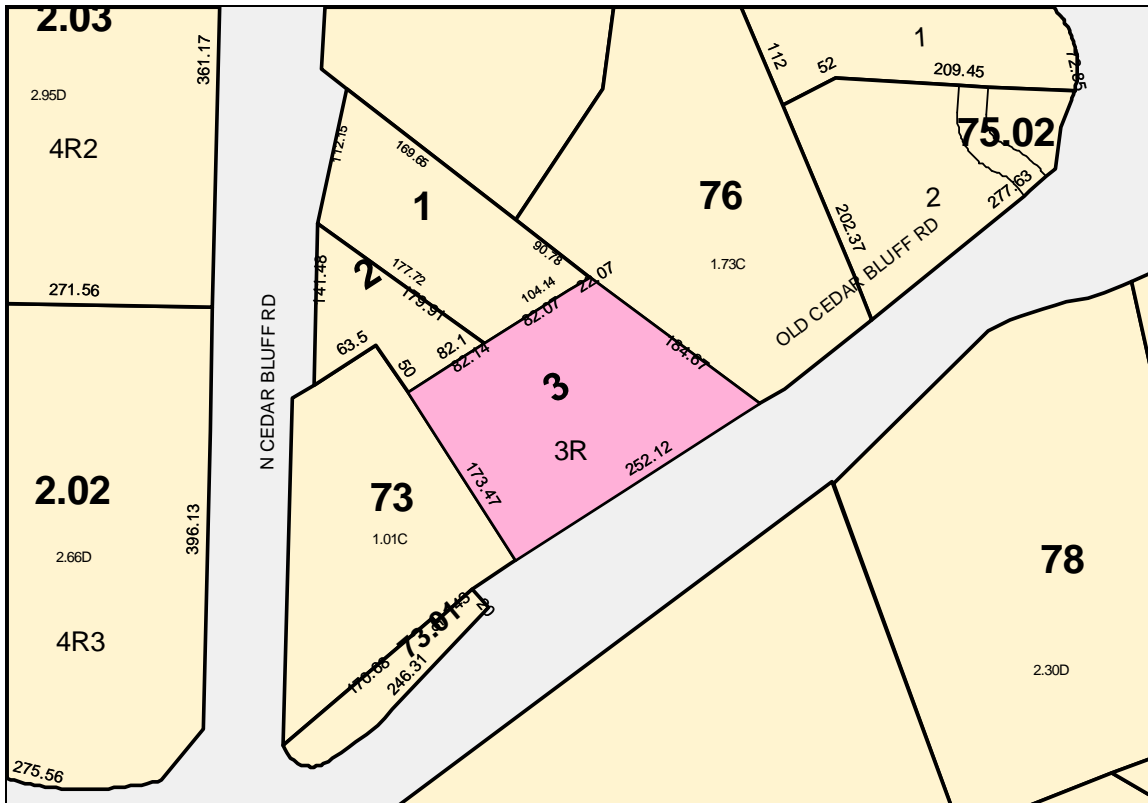
The most reliable method for estimating land value is based on a comparison of the subject site with similar sales. This method analyzes and compares recent transactions of comparable vacant sites that are adjusted to the subject. A search of the courthouse records was made in order to find sales of similar sites in the subject area. The detailed descriptions of the sales considered the most comparable to the subject are shown on the following pages.

LAND SALE SUMMARY					
#	Identification	Date	Sale Price	Size (Ac)	Price (Ac)
1	1015 Old Cedar Bluff Road	10/31/2007	\$360,000	0.87	\$413,793
2	210 Walker Springs Road	1/26/2007	\$650,000	0.99	\$656,566
3	7807 Kingston Pike	9/19/2007	\$940,000	1.23	\$764,228
4	10527 Hardin Valley Road	2/12/2008	\$1,225,000	1.45	\$844,828
5	303 North Peters Road	10/18/2006	\$1,900,000	2.231	\$851,636
6	E Emory Road	5/30/2008	\$921,500	0.93	\$990,860
7	7811 Kingston Pike	6/30/2008	\$655,000	0.607	\$1,079,077
8	7361 Kingston Pike	12/29/2008	\$1,400,000	1.25	\$1,120,000
9	5612 Kingston Pike	4/4/2008	\$2,042,000	1.392	\$1,466,954
	High Indication	12/29/2008	\$2,042,000	2.23	\$1,466,954
	Typical Indication	12/19/2007	\$1,121,500	1.22	\$909,771
	Low Indication	10/18/2006	\$360,000	0.61	\$413,793

⁶ The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Page 318.

LAND SALE 1

Location: 1015 Old Cedar Bluff Road
Tax Map & Parcel: 105O-F-3
Grantor: Beckham Properties, LLC
Grantee: Knoxville Old Cedar Bluff, LLC
Sale Date: 10-31-07
Sale Price: \$360,000 (\$310,000 purchase price + \$50,000 site work)
Recorded: Instrument #200711080038114
Site Size: 0.87 Acre
Description: This is the sale of a commercial site located just off N. Cedar Bluff Road. The site has been improved with a Tuffy's repair garage since the time of sale. The grantees spent approximately \$50,000 to make the tract a buildable site.
Unit Price: \$413,793/acre



LAND SALE 2

Location: 210 Walker Springs Road

Tax Map & Parcel: 119L-A-1.07

Grantor: John Fiser, et al

Grantee: John and Helen Captain

Sale Date: 1-26-07

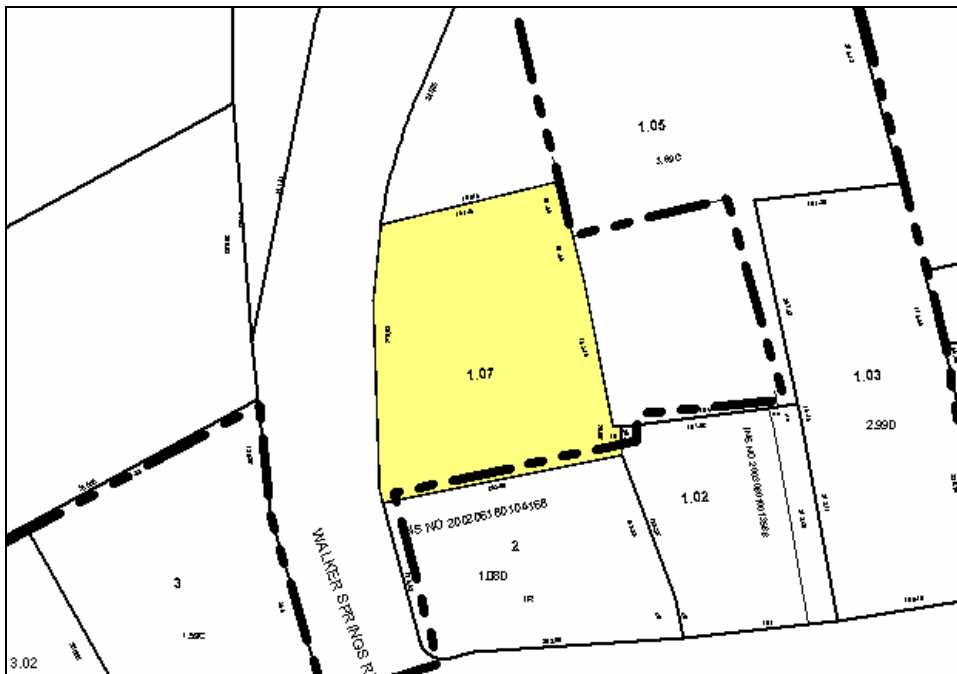
Sale Price: \$650,000

Recorded: Instrument #200701310061963

Site Size: 0.99 Acre

Description: This is the sale of a 0.99-acre site located along the east side of Walker Springs Road. The site offers over 290 feet of road frontage. The owner of the adjacent lot, which is improved with a Court South fitness facility, purchased the tract. Prior to the purchase, the tract had grade work done to level the site and attract more potential buyers.

Unit Price: \$656,566/acre



LAND SALE 3

Location: 7807 Kingston Pike

Tax Map & Parcel: 120G-A-004.04

Grantor: Pickens Family Limited Partnership

Grantee: Devon Group, LLC

Sale Date: 9-19-07

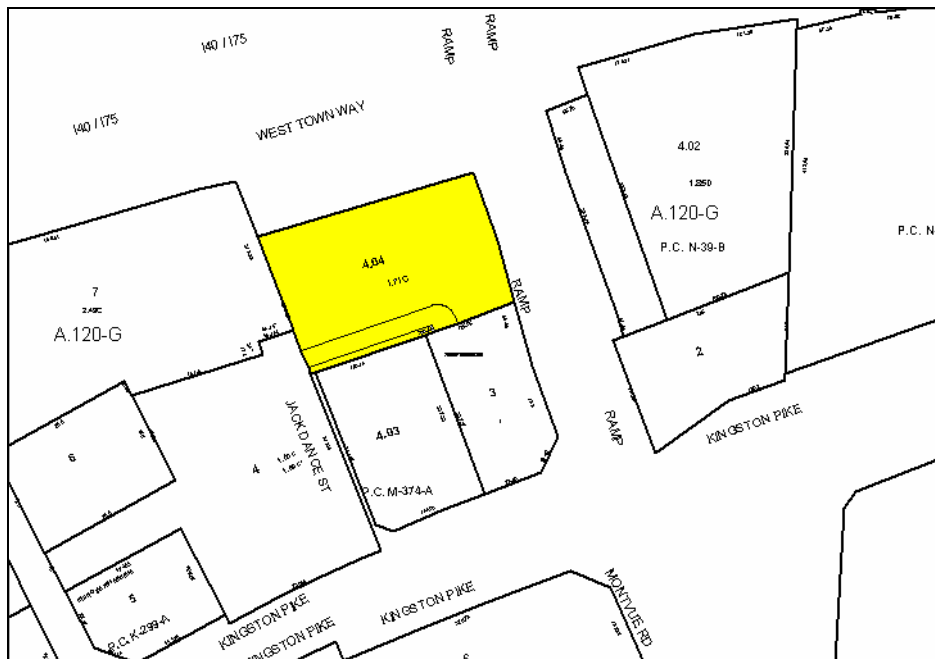
Sale Amount: \$940,000

Recorded: Instrument #200709200025012

Site Size: 1.23 Acres

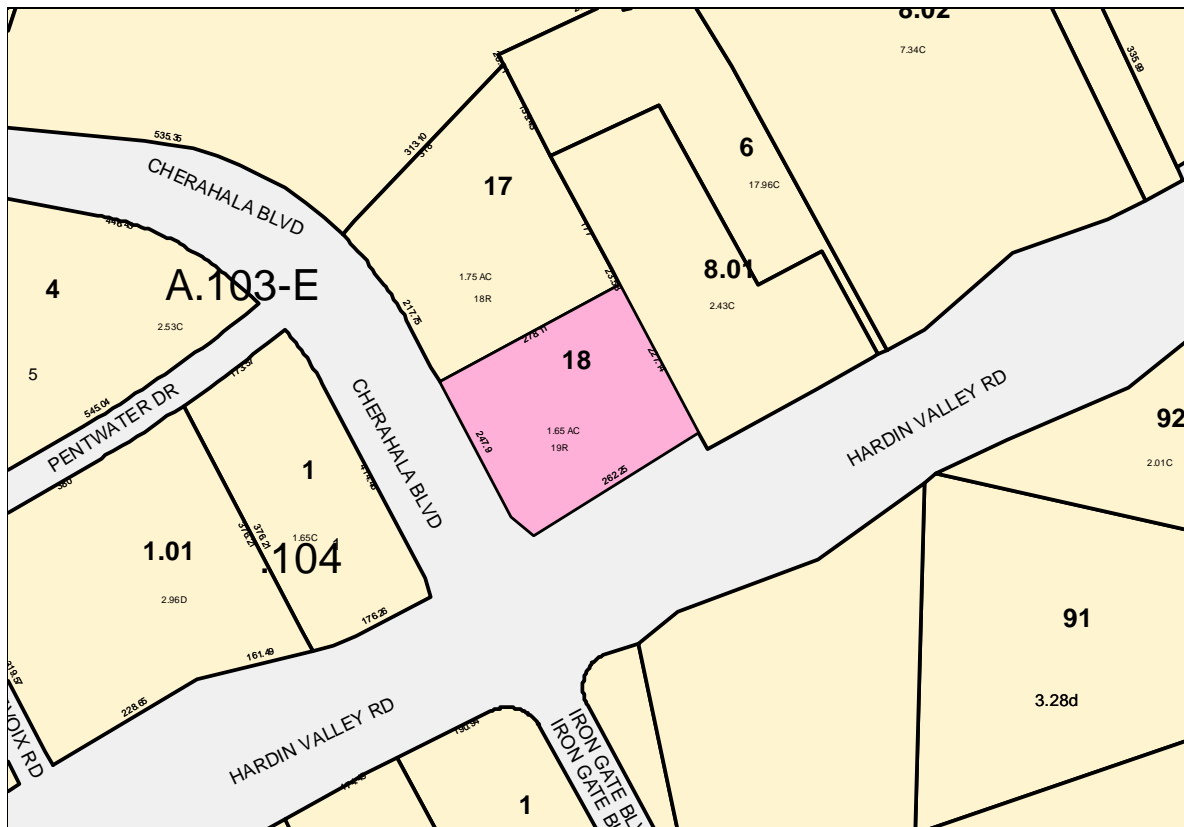
Description: This is the sale of a parcel of land, which was split by the extension of Montvue Road. The original tract contained 1.73 acres, but has only 1.23 usable acres remaining. The property will now be accessed from Kingston Pike by Jack Dance Street. The property was bought for construction of an office building.

Unit Price: \$764,228/acre



LAND SALE 4

Location: 10527 Hardin Valley Road
Tax Map & Parcel: 103E-A-18
Grantor: H V Properties
Grantee: Home Federal Bank of Tennessee
Sale Date: 2-12-08
Sale Price: \$1,225,000
Recorded: Instrument #200802140060592
Site Size: 63,162 S.F. or 1.45 acre
Description: Sale of a commercial site located along the north side of Hardin Valley Road within the “Pellissippi Corporate Center” (Lot #18). This site was purchased for the future development of a Home Federal Branch office.
Unit Price: \$19.39/S.F. or \$844,828/acre



LAND SALE 5

Location: 303 North Peters Road

Tax Map & Parcel: 132-26.03

Grantor: United Community Bank of Tennessee

Grantee: Vasant U. Patel, et ux

Sale Date: 10-18-06

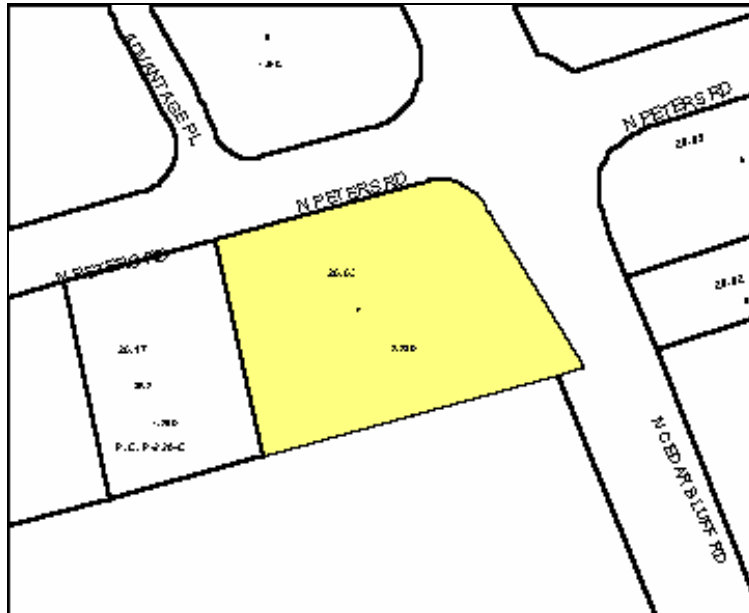
Sale Amount: \$1,900,000

Recorded: Instrument #20061030/0036642

Site Size: 2.231 Acres

Description: This is the sale of 2.231 acres located at the southwest corner of North Peters Road and North Cedar Bluff Road. This rectangular shaped site sloped slightly downward from north to south and offers excellent visibility and access from its corner location.

Unit Price: \$851,636/acre



LAND SALE 6

Location: Northeast corner of East Emory Road and Thunder Lane

Tax Map & Parcel: 47J-A-2 (formerly 47-Part of 79)

Grantor: Emory Place, GP

Grantee: UT Federal Credit Union

Sale Date: 5-30-08

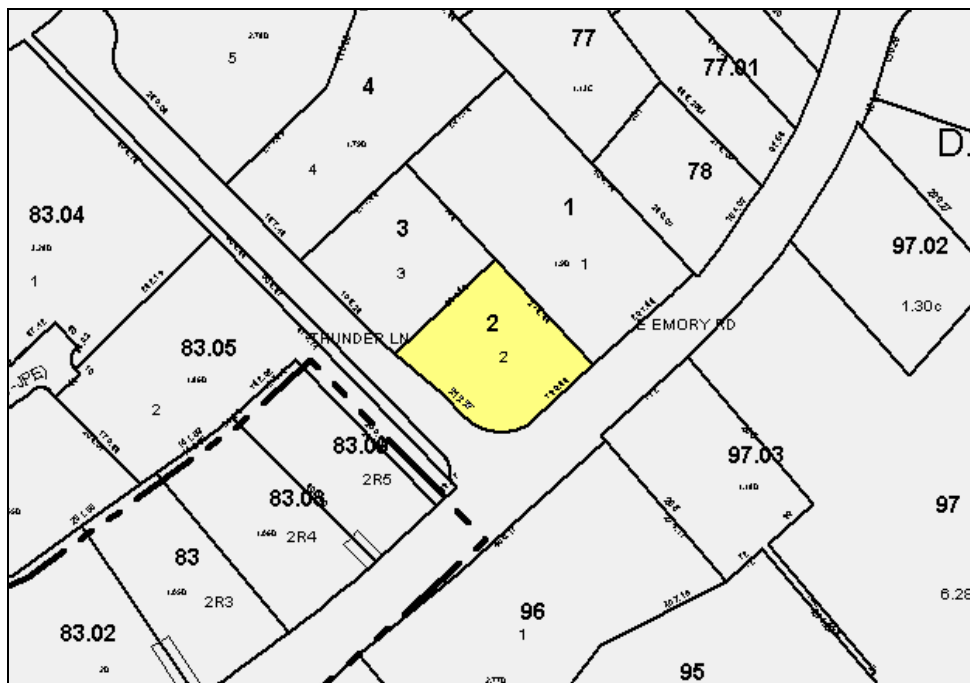
Sale Price: \$921,500

Recorded: Instrument #200806020090297

Site Size: 0.93 Acre

Description: This is the sale of a 0.93-acre site located at the northeast corner of East Emory Road and Thunder Lane. This rectangular shaped tract is currently being improved with a UT Federal Credit Union. The site is part of a five-parcel commercial subdivision that extends along East Emory Road and Thunder Lane collectively called Emory Center.

Unit Price: \$990,860/acre



LAND SALE 7

Location: 7811 Kingston Pike

Tax Map & Parcel: 120G-A-3

Grantor: Winston Road Properties, LLC

Grantee: Quattro Knoxville, LLC

Sale Date: 6-30-08

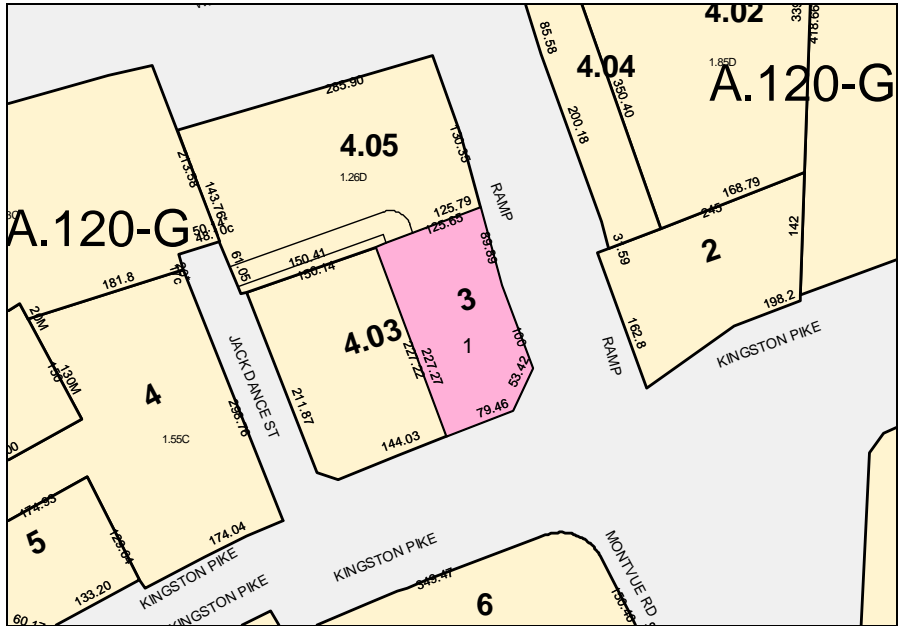
Sale Price: \$655,000

Recorded: Instrument #200807020000672

Site Size: 0.607 Acre

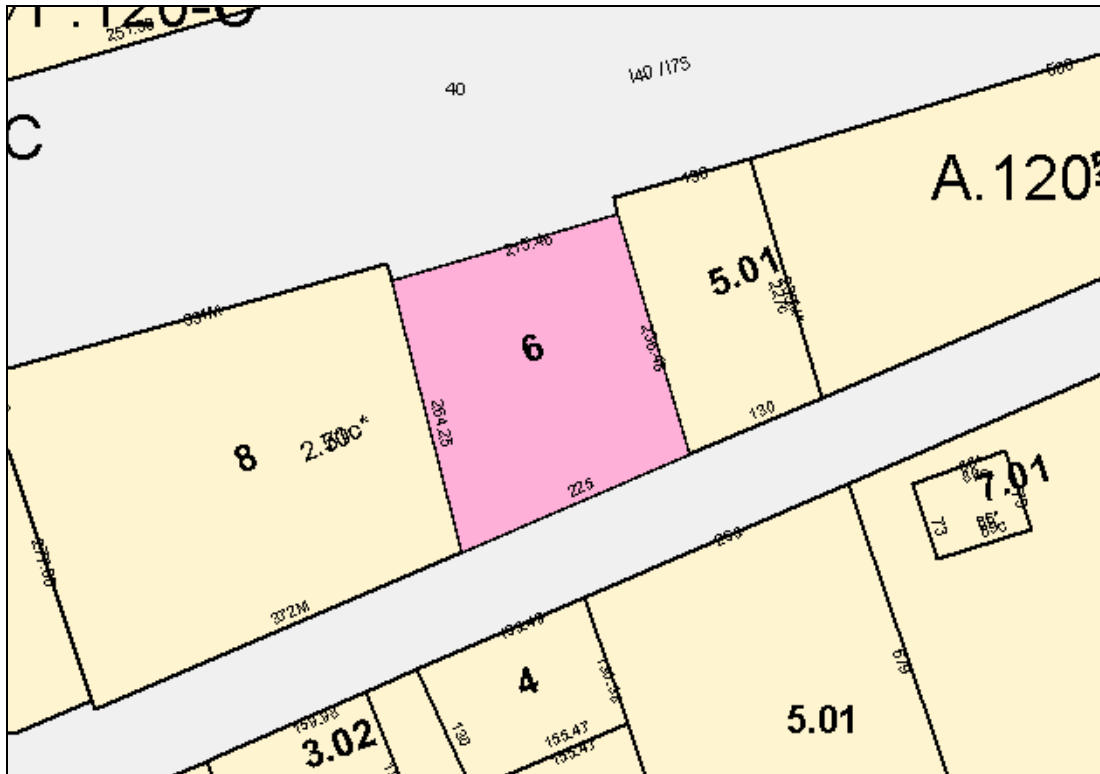
Description: This site was improved with an Allcare Dental facility in 2008. The site was generally level at the time of sale and was located above road grade. The site has no direct access along Kingston Pike but offers excellent visibility.

Unit Price: \$1,079,077/acre



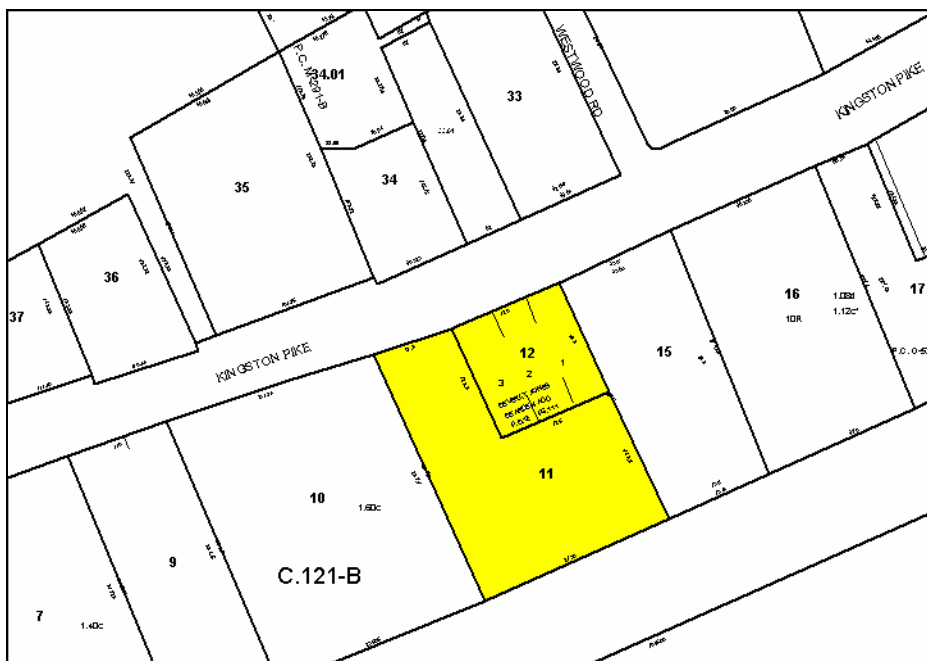
LAND SALE 8

Location: 7361 Kingston Pike
Tax Map & Parcel: 120F-A-6
Grantor: Candace Cappiello
Grantee: Kingston Pike Car Wash
Sale Date: 12-29-08
Sale Price: \$1,400,000
Recorded: Instrument #200812310040574
Site Size: 1.25 Acre
Description: This is the sale of a 1.25-acre site located along Kingston Pike just off Interstate 40. The site was improved with a vacant office building that was razed for the construction of a tunnel car wash and Brixx restaurant.
Unit Price: \$1,120,000/acre



LAND SALE 9

Location: 5612 Kingston Pike
Tax Map & Parcel: 121B-C-11 & 12
Grantor: Terry S. Hahn & Bernard E. Bernstein
Grantee: Fifth Third Bank, N. A.
Sale Date: 4-4-08
Sale Amount: \$2,042,000
Recorded: Instrument #200804070074778
Site Size: 1.392 Acres
Description: This is the sale and assemblage of two parcels of land totaling 1.392 acres located along the south side of Kingston Pike. These irregular shaped sites contain 213.9' of frontage along Kingston Pike. The improvements on the sites are to be demolished and a bank building will be built on the combined site.
Unit Price: \$1,466,954/acre





LAND SALES MAP

LAND SALE SUMMARY					
#	Identification	Date	Sale Price	Size (Ac)	Price (Ac)
1	1015 Old Cedar Bluff Road	10/31/2007	\$360,000	0.87	\$413,793
2	210 Walker Springs Road	1/26/2007	\$650,000	0.99	\$656,566
3	7807 Kingston Pike	9/19/2007	\$940,000	1.23	\$764,228
4	10527 Hardin Valley Road	2/12/2008	\$1,225,000	1.45	\$844,828
5	303 North Peters Road	10/18/2006	\$1,900,000	2.231	\$851,636
6	E Emory Road	5/30/2008	\$921,500	0.93	\$990,860
7	7811 Kingston Pike	6/30/2008	\$655,000	0.607	\$1,079,077
8	7361 Kingston Pike	12/29/2008	\$1,400,000	1.25	\$1,120,000
9	5612 Kingston Pike	4/4/2008	\$2,042,000	1.392	\$1,466,954
High Indication		12/29/2008	\$2,042,000	2.23	\$1,466,954
Typical Indication		12/19/2007	\$1,121,500	1.22	\$909,771
Low Indication		10/18/2006	\$360,000	0.61	\$413,793

These nine land sales indicate a range of value from \$413,793/acre to \$1,466,954/acre with an average indication of \$909,771/acre. These land sales range in size from 0.607-acre to 2.231 acres with an average size of 1.22 acres.

Land Sale 1 is the sale of a commercial site located just off N. Cedar Bluff Road. The site has been improved with a Tuffy's repair garage since the time of sale. The grantees spent approximately \$50,000 to make the tract a buildable site.

Land Sale 2 is the sale of a 0.99-acre site located along the east side of Walker Springs Road. The site offers over 290' of road frontage. The owner of the adjacent lot, which is improved with a Court South fitness facility, purchased the tract. Prior to the purchase, the tract had grade work done to level the site and attract more potential buyers.

Land Sale 3 is the sale of a parcel of land, which was split by the extension of Montvue Road. The original tract contained 1.73 acres, but has only 1.23 usable acres remaining. The property will now be accessed from Kingston Pike by Jack Dance Street. The property was bought for construction of an office building.

Land Sale 4 is the sale of a commercial site located along the north side of Hardin Valley Road within the "Pellissippi Corporate Center" (Lot #18). This site was purchased for the future development of a Home Federal Branch office.

Land Sale 5 is the sale of 2.231 acres located at the southwest corner of North Peters Road and North Cedar Bluff Road. This rectangular shaped site sloped slightly downward from north to south and offers excellent visibility and access from its corner location.

Land Sale 6 is the sale of a 0.93-acre site located at the northeast corner of East Emory Road and Thunder Lane. This rectangular shaped tract is currently being improved with a UT Federal Credit Union. The site is part of a five-parcel commercial subdivision that extends along East Emory Road and Thunder Lane collectively called Emory Center.

Land Sale 7 was improved with an Allcare Dental facility in 2008. The site was generally level at the time of sale and was located above road grade. The site has no direct access along Kingston Pike but offers excellent visibility.

Land Sale 8 is the sale of a 1.25-acre site located along Kingston Pike just off Interstate 40. The site was improved with a vacant office building that was razed for the construction of a tunnel car wash and Brixx restaurant.

Land Sale 9 is the sale and assemblage of two parcels of land totaling 1.392 acres located along the south side of Kingston Pike. These irregular shaped sites contain 213.9' of frontage along Kingston Pike. The improvements on the sites are to be demolished and a bank building will be built on the combined site.

The subject site contains a total of 0.85-acre or 36,824 S.F. including approximately 162.86' of frontage along the southwest side of North Cedar Bluff Road. This rectangular shaped site is considered to have good visibility and access with a generally level topography. Land Sale 1 is considered to have an inferior location compared to the subject. Land Sales 2 and 3 are considered to have rural, inferior locations compared to the subject. Land Sales 4 and 5 are considered to have a similar location as the subject with larger overall site areas. Land Sales 6 and 7 are considered to be most comparable to the subject property based on their location, access and visibility. Land Sales 8 and 9 are considered to be superior compared to the subject property.

Therefore, based on an analysis of these sales, considering the subject size, location, access, visibility and topography, it is concluded that the upper-middle portion of the range best indicates the market value of the subject site, estimated to be \$1,000,000/acre.

SUMMARY OF SALES COMPARISON APPROACH

0.85-Acre @ \$1,000,000/Acre = \$850,000

CORRELATION AND FINAL VALUE ESTIMATE

The indicated value of the subject property through the three applicable approaches is:

Cost Approach.....	N/A
Sales Comparison Approach.....	\$850,000
Income Approach.....	N/A

The Sales Comparison Approach is most applicable when recent land sales of properties similar to the subject are available in the subject's immediate area. Nine vacant land sales of similar properties were found in the immediate subject area considered comparable to the subject property. Therefore, the Sales Comparison Approach is considered to be a reliable indication of value.

Therefore, based on the Sales Comparison Approach, it is concluded that the final market value of the subject property "as proposed" as of the proposed date of completion, April 15, 2009, is expected to be:

**EIGHT HUNDRED FIFTY THOUSAND DOLLARS
(\$850,000.00)**

Extraordinary Assumption: The subject is a proposed construction project and is appraised under the extraordinary assumption that proposed improvements will be functional and to the quality as represented in this appraisal. These improvements include the repair of the sinkhole and the demolition of the existing improvements. The appraisers reserve the right to amend and adjust the appraisal accordingly if the project is not finished to the specifications as represented to the appraisers or the project is not completed by the pre-established time frame from the date of inspection

The "as is" market valuation is found below.

Estimated Market Value "As Is"

The land sales taken from the Sales Comparison Approach are utilized for the valuation of the subject property "as is".

LAND SALE SUMMARY					
#	Identification	Date	Sale Price	Size (Ac)	Price (Ac)
1	1015 Old Cedar Bluff Road	10/31/2007	\$360,000	0.87	\$413,793
2	210 Walker Springs Road	1/26/2007	\$650,000	0.99	\$656,566
3	7807 Kingston Pike	9/19/2007	\$940,000	1.23	\$764,228
4	10527 Hardin Valley Road	2/12/2008	\$1,225,000	1.45	\$844,828
5	303 North Peters Road	10/18/2006	\$1,900,000	2.231	\$851,636
6	E Emory Road	5/30/2008	\$921,500	0.93	\$990,860
7	7811 Kingston Pike	6/30/2008	\$655,000	0.607	\$1,079,077
8	7361 Kingston Pike	12/29/2008	\$1,400,000	1.25	\$1,120,000
9	5612 Kingston Pike	4/4/2008	\$2,042,000	1.392	\$1,466,954
High Indication		12/29/2008	\$2,042,000	2.23	\$1,466,954
Typical Indication		12/19/2007	\$1,121,500	1.22	\$909,771
Low Indication		10/18/2006	\$360,000	0.61	\$413,793

Considering the existing improvements and the sinkhole located at the western portion of the site, the subject property is expected to have a value in the lower portion of the range.

Additionally, the subject property is currently under contract to purchase for \$480,000, which further supports a value in the lower portion of the range. Therefore, based on an analysis of these sales, considering the subject size, location, topography, existing improvements, sinkhole and the existing contract to purchase, it is concluded that the lower portion of the range best indicates the market value of the subject site, estimated to be \$560,000/acre or **\$480,000(R)**.

GENERAL ASSUMPTIONS

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. 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.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report.
9. It is assumed 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 estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. **Extraordinary Assumption:** The subject is a proposed construction project and is appraised under the extraordinary assumption that proposed improvements will be functional and to the quality as represented in this appraisal. These improvements include the repair of the sinkhole and the demolition of the existing improvements. The appraisers reserve the right to amend and adjust the appraisal accordingly if the project is not finished to the specifications as represented to the appraisers or the project is not completed by the pre-established time frame from the date of inspection


GENERAL LIMITING CONDITIONS

1. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
3. The appraiser herein by reason of this appraisal is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
5. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea-formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it 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.
6. The appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan. The appraisal has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).
7. **Extraordinary Assumption:** The subject is a proposed construction project and is appraised under the extraordinary assumption that proposed improvements will be functional and to the quality as represented in this appraisal. These improvements include the repair of the sinkhole and the demolition of the existing improvements. The appraisers reserve the right to amend and adjust the appraisal accordingly if the project is not finished to the specifications as represented to the appraisers or the project is not completed by the pre-established time frame from the date of inspection

CERTIFICATION

We certify that, to the best of our knowledge and belief

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions, and conclusions.
- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- our analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice, and the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, Charles M. Smith has completed the requirements of the Continuing Education Program of the Appraisal Institute. Daniel J. Burch has completed the requirements of the Continuing Education Program for the State of Tennessee and participated in the property inspection, market research and analysis, and preparation of the report.
- we have made a personal inspection of the property that is the subject of this report.
- no one provided significant professional assistance to the persons signing this report.



Charles M. Smith, MAI
TN Certified General Appraiser #CG-109



Daniel J. Burch
TN Certified General Appraiser #CG-3829

QUALIFICATIONS

CHARLES M. SMITH, MAI

◆ Property Service Group Southeast, Inc.
109 South Broadway
Knoxville, Tennessee 37902-1902

Experience

Experience in real estate appraising in Tennessee, Kentucky, North Carolina, South Carolina, Georgia, Florida, Arkansas, Louisiana and Texas since 1975.

State of Tennessee Certified General Appraiser - #CG-109

Accepted Instructor to The Society of Real Estate Appraisers Course 101; An Introduction to Appraising Real Estate.

Education

Marietta High School – Marietta, GA, 1968-1972

University of Tennessee – Knoxville, TN, 1972-1976

Bachelor of Science in Business Administration, 1976

Major: Real Estate and Urban Development

Courses: Real Estate Finance; Urban Economic, Real Estate Principles and Theory; Appraisal Theory, Ellwood and other capitalization methods; Cash Flow, Analysis and Computer Application to Appraising.

Society of Real Appraisers

Courses: 101, 1978

R-2 Examination, 1978

201, 1979

American Institute of Real Estate Appraisers

Courses: Standards of Professional Practice, 1983

Case Studies in Real Estate Valuation, 1984

Valuation Analysis and Report Writing, 1985

Employment

1975-1976 Fletcher Realty Company, Inc., Arcade Building, Knoxville, TN

1976-1979 The Fidelity Corporation, 8914 Kingston Pike, Knoxville, TN

1979-2000 Broome, Lothrop & Associates, Inc.

2000-2008 Charles M. Smith & Associates, Inc.

2009-Present Property Service Group Southeast, Inc.

Professional Organizations

Appraisal Institute (MAI Designation #7228)

Offices Held: Education Chairman

Society of Real Estate Appraisers (SRA Designation)

Offices Held: President, Vice-President, Secretary, Treasurer and Membership Chairman

Knoxville Board of Realtors

Appraisal Clients

American Fidelity Bank.

American Trust Bank

AmSouth Bank

Bank First

Capital Bank

Citizens Bank of East Tennessee

Commercial Bank

Commercial Mortgage Services

Cooper Realty Investments Inc.

Federal Deposit Insurance Corp.

Federal Home Loan Mortgage Corp.

First Southern Mortgage

First Claiborne Bank

First National Bank of Oneida

First Peoples Bank

First Tennessee Bank

Hamblen County Bank

Home Federal Savings & Loan

Investors Trust Corporation

Knoxville Community Dvlp. Corp (KCDC)

Merrill Lynch Relocation Mgmt. Inc.

Regions Bank

South Trust Bank

SunTrust Bank of East Tennessee

Tennessee Department of Transportation

Vista Commercial Mortgage Group LLC

Wachovia Bank

DANIEL J. BURCH

Property Service Group Southeast, Inc.
109 South Broadway
Knoxville, TN 37902

Experience:

Property Service Group Southeast, Inc., April 2006-Present

Specific real property valuations include single-tenant retail, shopping centers, restaurants, single and multi-tenant office, bank branches, industrial warehouse and manufacturing, auto dealerships, service garage, oil change facilities, convenience stores, gas stations, car wash facilities, campgrounds, marinas, mixed-use properties, apartment buildings, residential subdivisions, conservation easements, right-of-way easements, single-family homes, and vacant land.

Education:

University of Tennessee, Knoxville, TN
Bachelor of Science in Business Administration, May 2003
Concentration: Finance

Appraisal Institute, Chicago, IL

Uniform Standards of Professional Appraisal Practice, 2007
Basic Appraisal Principles, 2005
Basic Appraisal Procedures, 2005
Basic Income Capitalization, 2006
Advanced Income Capitalization, 2006
Highest & Best Use and Market Analysis, 2006
Advanced Sales Comparison and Cost Approaches, 2006
Seminar – Evaluating Commercial Construction, 2008

Professional Organizations:

Associate Member of Appraisal Institute

State Certification/Licensure:

State of Tennessee Certified General Appraiser #CG-3829

ADDENDA

- Appraisal Engagement
- Zoning
- Warranty Deed

APPRAISAL ENGAGEMENT

February 26, 2009

Charles M. (Mike) Smith MAI
Property Service Group
109 South Broadway
Knoxville, TN 37902-1902

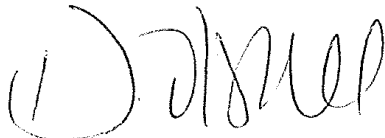
**RE: Notice to Proceed for Commercial Property Appraisal
513 N. Cedar Bluff Road
Knox County, Tennessee**

Dear Mike:

Please proceed with the subject property appraisal. It is my understanding that you will be completed with the work by March 13, 2009 and the cost not-to-exceed will be \$3,000.

Please call me at 755-3575 with any questions or concerns you may have on this letter or any other subjects.

Sincerely,



David C. Campbell

INSTRUCTIONS TO APPRAISERS

1. The appraisal performed will conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. The “Departure Provision” in the guidelines, which addresses a letter opinion, is not acceptable.
2. For purposes of this appraisal, market value shall be defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulants. Implicit in this definition is the consummation of a sale as of a specific date and the passing of the title from seller to buyer under conditions whereby:
 - a. Buyer and seller are typically motivated;
 - b. Both parties are well informed or well advised, and acting in what they consider their best interests;
 - c. A reasonable time is allowed for exposure in the open market;
 - d. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales commissions granted by anyone associated with the sale.
3. All appraisals must (a) be written and presented in a narrative format, chosen by the appraiser, or in forms that satisfy all the requirements of this section; (b) be sufficiently descriptive to enable the reader to ascertain the estimated “market value” and the rationale for the estimate; (c) regardless of the format selected, the appraisal must be readily understood by a third party and must reflect the complexity to the real estate appraised;
4. This appraisal must analyze and report in reasonable detail any prior sales of the property being appraised that occurred within the following time periods;
 - a. For 1-4 family residential property, one year preceding the date when the appraisal was prepared; and
 - b. For all other property, five years preceding the date when the appraisal was prepared;
5. The appraisal must analyze and report data on current revenues, expenses and vacancies for the property if it is and will continue to be income-producing; (Appraisal values should be predicated upon current vacancies for the subject property if the property is income-producing);

6. The appraiser will analyze the date and report reasonable market period for the subject property; (An appraiser's opinion of market value will depend in part on the appraiser's estimate of how long a given piece of property will remain for sale);
7. The appraisal must analyze and report on current market conditions and trends that will affect projected income of the absorption period, to the extent they affect the value of the subject property; An appraisal should inform the reader of any market trends regardless of whether the trend reflects rising or declining values; Such trends might include for example increasing vacancy rates, greater use of rent concessions, or declining sales prices);
8. The appraisal must analyze and report appropriate deductions and discounts for any proposed construction, or any completed properties that are partially leased or leased at other than market rents as of the date of the appraisal, or any tract developments (a project of five units or more is constructed or is to be constructed as a single development) with unsold units; (For any transaction, the subject property must always be valued in its "as is" condition as of the date of the valuation.
9. The appraisal must contain sufficient supporting documentation with all pertinent information reported so that the appraiser's logic, reasoning, judgment, and analysis in arriving at a conclusion indicate to the reader the reasonableness of the market value reported; (The appraisal should not incorporate by reference a document that is not readily available tot the reader; Studies prepared by a third party should be verified to the extent his or her assumptions or conclusions are used; Additionally, the appraiser's acceptance or rejections of a third party study and its impact on value must be fully explained.)
10. Appraisals shall include a legal description of the real estate being appraised, in addition to the description required by USPAP;
11. The appraisal must identify and separately value any personal property, fixtures, or intangible items that are not real property but are included in the appraisal, and discuss the impact, of their inclusion or exclusion on the estimate of market value; (the separate assessment may include those items that are attached to or located on the real property if the items affect market value);
12. Each appraisal must follow a reasonable valuation method that addresses the direct sales comparison, income, and cost approaches to market value, reconciles those approaches, and explains the reconciliation of each approach not used;
13. The appraisal must contain a highest and best use analysis considering the following (a) existing land regulations (b) probable modifications of such regulations (c) economic demand (d) physical adaptability of the property (e) neighborhood trends (f) optional usage of the property (g) concurrency and environmental hazards.

14. If information required or deemed pertinent to the completion of an appraisal is unavailable, the fact shall be disclosed and explained in the appraisal.
15. In all analysis involving fractional interests or estates, where the combined value of all is not reported, must establish with market evidence whether the agreement creating the estates or fractional interest reflects market rates and terms and, whether the final value estimate of such functional interests or estates included non-realty components, the value assignable to them must be specifically disclosed in the appraisal.
16. All appraisals, where there is a clear indication that the subject property is encumbered by a lease instrument or legal limitation upon its operation (i.e. occupancy of the property by tenants or the property is subject to rent control statutes), must report the impact of such limitations upon the value of the estate being appraised.
17. Where possible, the appraisal should comment regarding contemplated improvements to the property or existing improvements relevant to appropriate property zoning.
18. All appraisals must identify property rights being appraised and fully describe all salient features of the property.
19. The appraiser must search the FEMA flood maps for the subject property. The appraisal report will contain a status report reference the specific map used by number.
20. All improved property appraisals shall develop an estimate of reproduction cost(s) new for purposes of assessing internal, insurable value requirements.
21. The appraisal transmittal letter shall communicate and identify the existence of any suspected environmental hazards, in addition to the routine observation(s) included in the site and/or improvement description and analysis.

ZONING

5.38 NEIGHBORHOOD COMMERCIAL ZONE (CN)

5.38.01 General Description

This commercial zoning district provides the opportunity to locate limited retail and service uses in a manner convenient to and yet not disruptive to established residential neighborhoods. It is intended to provide for the recurring shopping and personal service needs of nearby residential areas. Development should be compatible with the character of the adjacent neighborhood. This zoning should generally be placed at street intersections that include either a collector or arterial street, as close to the edge of the neighborhood as possible. The range of permitted uses is limited to those that are generally patronized on a frequent basis by neighborhood residents. Development performance standards are provided to maximize compatibility between commercial uses and adjacent residential uses.

5.38.02 Uses Permitted

Only the following uses shall be permitted by right in the CN zoning district. Where North American Industry Classification System (NAICS) codes are indicated after permitted uses, the businesses listed under that classification in the United States Office of Management and Budget *North American Industry Classification Manual, 1997 edition*, shall be permitted providing all other requirements of this ordinance are fulfilled. All uses permitted are subject to administrative site plan approval (Article 6, Section 6.70):

- A. Retail sales limited to:
 - Grocery stores (NAICS 4451)
 - Household supplies
 - Clothing/shoes/jewelry (NAICS 448)
 - Garden and lawn supplies (NAICS 4442)
 - Drugs and medicine (NAICS 446110)
 - Small appliance sales (NAICS 44311) and repair (NAICS 811412)

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- Baked goods (NAICS 445291)
- Delicatessen goods
- Newsstands/bookstores (NAICS 45121)
- Florists (NAICS 453110)
- Gift shops (NAICS 453220)
- Arts/crafts (NAICS 453920)
- Antiques
- Hardware (NAICS 44413)
- Fabric/upholstery shops
- Video sales and rentals (NAICS 532230)

- B. Business and personal services limited to:
 - Barber and beauty shops (NAICS 8121)
 - Tailor/shoe repair (NAICS 811430)
 - Laundry and dry cleaning drop-off / pick-up stations only
 - Banks and similar institutions (NAICS 522)
 - Laundromats limited to self-service facilities (NAICS 812310)
 - Copying services (NAICS 56143)
 - Equipment rental (excluding vehicles intended for highway use) (NAICS 532)

- C. Business and professional offices, which provide direct services to customers limited to:
 - Travel agencies (NAICS 561510)
 - Outpatient medical (NAICS 621)
 - Dental (NAICS 6212)
 - Real estate (NAICS 531)
 - Finance and accounting (NAICS 523, 5412)
 - Architect/engineering (NAICS 5413)
 - Insurance (NAICS 524)
 - Legal services (NAICS 5411)
 - Local, state and federal government offices and programs

- D. Veterinary clinics and animal hospitals, with no boarding of animals (NAICS 541940).

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- E. Accessory uses to the principal use such as: parking facilities (subject to Article 3.50), indoor storage areas, signs (subject to Article 3.90).
- F. Commercial telecommunications towers, if the proposed tower is located 500 feet or more from a residence or residential zone, provided they meet the requirements of Article 4.92.
- G. Residential uses may be located on the second floor and above of a business. Dwellings may also be located on the same site only if an accessory use to the primary use for a business.
- H. Uses similar to the uses listed as "uses permitted" may be considered for appropriateness by the Planning Commission under the Use Determination public hearing process. If the requested use is approved, it may be located in this zoning district.

5.38.03 Uses Permitted on Review

- A. Child day care centers, provided they meet the requirements of Article 4.93.
- B. Adult day care facilities, provided they meet the requirements of Article 4.98.
- C. Restaurants (NAICS 722)
- D. Fueling service stations with or without convenience stores (NAICS 447110).
- E. Any permitted use listed above, which includes drive-through or drive-in facilities.
- F. Outdoor storage of materials, products, or equipment.
- G. Commercial telecommunications towers, if the proposed tower is located within 500 feet of a

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residence or residential zone, provided they meet the requirements of Article 4.92.

5.38.04 Building Size and Type Regulations

- A. No building shall exceed 35 feet in height.
- B. No individual building or commercial establishment shall have a floor area exceeding 5,000 square feet.

5.38.05 Lot area

The building lot must be a minimum of 10,000 square feet in size.

5.38.06 Front yard setbacks and landscaping requirements

All buildings shall be setback from the street right of way lines not less than thirty-five feet. Parking must be setback a minimum of ten feet. The parking setback area must contain a minimum of one native shade tree, capable of reaching 50 feet in height at maturity, per every 60 feet or portion thereof of linear street frontage. The native shade trees must be spaced a minimum of 50 feet apart at the time of planting. One ornamental tree is required per every 25 feet or portion thereof of linear street frontage, to be placed between and among the shade trees, with a minimum of 15 feet spacing from the shade trees.

5.38.07 Side yard setbacks and landscaping requirements

- A. Where the side yard is adjacent to a residential district, the building setback shall be not less than twenty feet. The required side yard must be landscaped with a minimum of one evergreen tree per every 30 feet or portion thereof of side yard property depth (portion outside of required front and rear yards). The evergreen trees must be spaced a minimum of 30 feet apart at the time of planting. Shrubs and/or ground cover plantings must cover the

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remainder of the side yard, except for the space within 10 feet from the base of the evergreen trees.

- B. Where the side yard is not adjacent to a residential or agricultural district, the building setback shall be not less than ten feet. The side yard must be landscaped with a minimum of one native shade tree per every 60 feet or portion thereof of side yard property depth (portion outside of required front and rear yards). The native shade trees must be spaced a minimum of 50 feet apart at the time of planting. One ornamental tree is required per every 25 feet or portion thereof of side yard property depth (portion outside of required front and rear yards), to be placed between and among the shade trees, with a minimum of 15 feet spacing from the shade trees.

5.38.08 Rear yard setbacks and landscaping requirements

- A. Where the rear yard is adjacent to a residential or agricultural district, the building setback shall be not less than twenty-five feet. The required rear yard must be landscaped with a minimum of one evergreen tree per every 25 linear feet or portion thereof of rear yard property length. The evergreen trees must be spaced a minimum of 30 feet apart at the time of planting. Shrubs and/or ground cover plantings must cover the remainder of the rear yard, except for within 10 feet from the base of the evergreen trees.
- B. Where the rear yard is not adjacent to a residential or agricultural district, the building setback shall be not less than ten feet. The rear yard must be landscaped with a minimum of one native shade tree per every 60 feet or portion thereof of rear yard property length. The native shade trees must be spaced a minimum of 50 feet apart at the time of planting. One ornamental tree is required per every 25 feet or portion thereof of side yard property depth (portion outside of required

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front and rear yards), to be placed between and among the shade trees, with a minimum of 15 feet spacing from the shade trees.

5.38.09 Additional Landscaping and Site Development Standards

A. Parking areas:

1. All parking lots of 20 or more spaces shall contain within the interior of the parking lot not less than one native shade tree, capable of reaching 50 feet in height at maturity for every ten spaces or fraction thereof. In no case shall more than 10 parking spaces be located in a row without a planting island (minimum of 9 feet in width) containing at least one native shade tree surrounded by shrubs and groundcovers.
2. Where parking abuts the building, there must be a sidewalk of at least five feet in width between the parking spaces and the building.
3. At the end of any parking row, there must be a terminal planting island (minimum of five feet in width) containing at least one native shade tree surrounded by shrubs and groundcovers.
4. At least 50 percent of the length of the exterior walls of the building must have a landscaping strip of at least four feet in width.

B. Any pre-existing, healthy, applicable landscaping on a proposed site may be counted toward any of the landscaping requirements of this zoning district.

5.38.10 Off-street Parking

As regulated in Article 3, Section 3.50 of this resolution.

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- 5.38.11 Signs
As permitted by Article 3.90 of this resolution.
- 5.38.12 Health Department Approval
The development shall not be approved until the Knox County Department of Code Administration has been notified in writing by the Knox County Health Department that the disposal system for sewage abides by all applicable standards.
- 5.38.13 Utilities
All utility transmission lines serving individual uses shall be placed underground.
- 5.38.14 Site Lighting
Lighting of all types shall be directed away from all residential or agricultural districts and any public rights-of-way.
- 5.38.15 Administration
For uses listed as permitted uses within the CN (Neighborhood Commercial) zoning district, no building or structure shall be erected or altered until and unless a plan for such development has been filed with and approved by the Knox County Department of Code Administration. The plan shall be filed in accordance with the requirements of Article 6, Section 6.70 (Administrative Site Plan Review), of this zoning ordinance.
- 5.38.16 Sidewalks
Pedestrian sidewalks must be provided on each site to allow access to the adjacent neighborhood. If adjacent properties have a sidewalk, the sidewalk must connect with it. If adjacent properties are vacant, then the developer must post

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a bond with the Knox County Department of Engineering and Public Works to guarantee installation of a sidewalk at the time of development of adjacent properties. Sidewalks must be paved with a minimum width of 4 feet.

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WARRANTY DEED

OWNER/RESPONSIBLE TAXPAYER:
Holrob-Cedar Bluff Partnership
6330 Raven Drive
Knoxville, TN 37919
Map 119HF, Parcel 014

THIS INSTRUMENT PREPARED BY:
Joseph H. Huie, Attorney
CROLEY, DAVIDSON & HUIE, PLLC
1500 First Tennessee Plaza
Knoxville, Tennessee 37929
File No. 84245

STEVE HALL
REGISTER OF DEEDS
KNOX COUNTY

WARRANTY DEED

THIS INDENTURE made as of this 15th day of November, 2006,
between CEDAR BLUFF PLAY SCHOOL, INC., a Tennessee corporation, First
Party, and HOLROB-CEDAR BLUFF PARTNERSHIP, a Tennessee general
partnership, Second Party:

WITNESSETH

THAT SAID FIRST PARTY, for and in consideration of the sum of TEN NO/100
(\$10.00) DOLLARS and other good and valuable consideration, to it in hand paid by said
Second Party, the receipt of which is hereby acknowledged, has granted, bargained, sold
and conveyed, and does by these presents grant, bargain, sell and convey unto Second
Party, the real property described as follows:

SITUATED in District No. Six (6) of Knox County, Tennessee, and without the
corporate limits of the City of Knoxville, Tennessee, and being more particulary
described as follows

TO FIND THE POINT OF BEGINNING commence at an aluminium disk
stamped "City of Knoxville Survey Control Monument" No. 0093; thence from
said aluminium disk, North 11 deg. 36 min. 03 sec. West, a distance of 457.34
feet to an iron rod, said iron rod being the common corner of Cedar Bluff
Playschool, Inc. and Bearden Lions Club. Also as a point of reference from the
intersection of Fox Lonas Road and Cedar Bluff Road, South 27 deg. 08 min. 02
sec. West, a distance of 70.73 feet to said iron rod, said iron rod being the point of
BEGINNING; thence from said point of BEGINNING and along the common
line of Cedar Bluff Playschool and Bearden Lions Club, North 86 deg. 33 min. 11
sec. West, a distance of 297.07 feet to an iron rod; thence North 02 deg. 26 min.
49 sec. East, a distance of 104.00 feet to a point lying in a concrete driveway, said
point also being the common corner of Cedar Bluff Playschool and Gulf Park
Recreation; thence along the line of Cedar Bluff Playschool and Gulf Park
Recreation, North 81 deg. 41 min. 49 sec. East, a distance of 265.47 feet to an
iron rod, said iron rod lying in the western right-of-way of Cedar Bluff Road;
thence along the western right-of-way line of Cedar Bluff Road, South 08 deg. 44
min. 15 sec. East, a distance of 85.22 feet to an iron rod; thence continuing along
said right-of-way line with a curve to the left, with a radius of 5,687.58 feet and
an arc length of 77.64 feet, having a chord of South 12 deg. 14 min. 18 sec. East,
and a chord length of 77.64 feet to the point of BEGINNING, containing 36,824
square feet.

The foregoing description was prepared from the survey of Randall R. White,
RLS No. 2446, dated May 18, 2006. The Surveyor's address is 5443 Malachi
Circle, Knoxville, TN 37918.

BEING the same property conveyed to Cedar Bluff Play School, Inc., a
Tennessee corporation, by Quitclaim Deed dated January 21, 1986, from Jean D.
Ford, recorded in Deed Book 1875, page 17, in the Knox County Register's
Office.

with the hereditaments and appurtenances thereto appertaining, hereby releasing all
claims therein, including homestead. **TO HAVE AND TO HOLD** the same unto the
Second Party, its successors and assigns forever.

COUNTERSIGNED

NOV 03 2006

JOHN R. WHITEHEAD
KNOX COUNTY
PROPERTY REGISTRAR

BY

POOR ORIGINAL

Inst: 200611030035567 Page: 1 of 2
REC'D FOR REC 11/03/2006 4:10:27PM
RECORD FEE: \$19.00
TAX: \$0.00 T. TAX: \$1609.50

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AND said First Party, for itself and its successors and assigns, does hereby covenant with said Second Party, its successors and assigns, that it is lawfully seized in fee simple of the premises above conveyed and has full power, authority and right to convey the same, and that said premises are free from all encumbrances and that it will forever warrant and defend the said premises and the title thereto against the lawful claims of all persons whomsoever; provided, however, this conveyance is made subject to the slope easement contained in the deed to Knox County recorded in Deed Book 2304, page 884, in the Knox County Register's Office, the matters disclosed on the foregoing survey, and 2006 taxes which shall be prorated as of the date of closing and which Second Party assumes and agrees to pay.

Whenever in this instrument a pronoun is used it shall be construed to represent either singular or plural, or the masculine, feminine or neuter gender, as the case may demand.

IN WITNESS WHEREOF, the said First Party hereunder has caused this instrument to be executed as of the day and year first above written.

CEDAR BLUFF PLAY SCHOOL, INC.

BY: Jean Ford, pres.
Jean Ford, President

STATE OF TENNESSEE

COUNTY OF KNOX

PERSONALLY appeared before me, the undersigned authority, a Notary Public in and for said County and State, JEAN FORD, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged herself to be the President of CEDAR BLUFF PLAY SCHOOL, INC., the within named bargainer, a Tennessee corporation, and that she as such President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as President.

WITNESS my hand and official seal at office this 1st day of November, 2006.

Mi Jung Lee
Notary Public

My Commission Expires: 4-6-2010



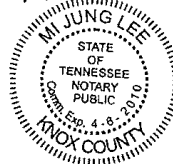
I hereby swear or affirm that the actual consideration or true value of this transfer, whichever is greater, is \$ 435,000.00.

[Signature]
Affiant

Subscribed and sworn to before me this 1st day of November, 2006.

Mi Jung Lee
Notary Public

My Commission Expires: 4-6-2010



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