

BEFORE THE CUMBERLAND COUNTY GRAND JURY,

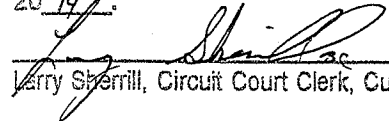
SITTING AT CROSSVILLE, TENNESSEE

REPORT OF THE CUMBERLAND COUNTY GRAND JURY

Larry Sherrill, Circuit Court Clerk for Cumb. Co., TN do hereby certify that this is a true and correct copy as remains in this office.

Witness my hand and official seal of office at office in Crossville, TN this 3 day March

20 14.

  
Larry Sherrill, Circuit Court Clerk, Cumberland Co., TN

IN RE: Investigation of the City of Crossville

- A. Airport Property
- B. Bank Property
- C. Interstate Property

The Cumberland County Grand Jury, acting in its inquisitorial capacity, met on this date to inquire into circumstances of certain land transactions concerning the City of Crossville, pursuant to a request by the Crossville City Council and particularly Councilman Pete Souza.

The original request for the investigation on January 22, 2013 only concerned the purchase of the "Airport property" that occurred on February 22, 2011. This property is also referred to as the Donnelly property. The resolutions by the City of Crossville authorizing the purchase occurred on July 29, 2010 and February 8, 2011.

Thereafter, on February 14, 2014 Mr. Pete Souza met with the District Attorney General and submitted an additional 927 pages of material to consider. Most of this information was public information and many were duplicate copies. All of these pages were numbered so that there could be no misunderstanding of what was given to be considered. Mr. Souza requested that the investigation also be expanded to consider the purchase of the "bank building" which is the tract or parcel of land where City Hall is currently situated and the "interstate property" which is a tract or parcel of land located beside the Interstate.

**Evidence Presented:** TBI SA Billy Miller presented the results of his investigation, including, but not limited to the following, to-wit:

- A. 115 pages received from the City of Crossville that accompanied the original request for an investigation.
- B. 927 additional pages of information received from Mr. Pete Souza on February 14, 2014. (Note: All pages were Bate Stamped and carry consecutive numbers 1-1032)
- C. The testimony of Mr. Pete Souza.
- D. The testimony of TBI SA Billy Miller.
- E. The TBI file which is composed of 22 separate investigative reports and 21 exhibits.

After hearing all of the testimony and after consideration of all of the documents, including the TBI file, we, the members of the Grand Jury find as to each of the properties as follows:

**Airport Property**

The airport property was purchased on February 22, 2011 from Mr. John Donnelly and his family for the sum of \$680,000.00. This was purchased on credit and was to be paid over a three year time period. Mr. Randy Buttons did an original appraisal on this property and then subsequently did a revised appraisal. The original appraisal set a value on the property of \$250,000.00. The revised appraisal set a value on the property of \$500,000.00. Both were dated

June 30, 2010. However, the statements of Ms. Sally Oglesby indicate that the revised appraisal was actually received on by the City on July 27, 2010. Mr. Curtis Adams contacted Mr. Buttons and asked that he consider additional comparable sales, thus resulting in the revised appraisal. The City Manager requested that Mrs. Oglesby not discuss or reveal the original appraisal. Both Mr. Adams and Mrs. Oglesby felt that since the original appraisal was based on inaccurate comparables that it was flawed and inaccurate and should not be considered. Neither Mr. Adams nor Mrs. Oglesby felt that they had done nothing wrong and reported the most current appraisal. There have been no other appraisals indicating that the appraisal of \$500,000 was in error. The City Council unanimously voted to purchase this property for \$180,000 more than the appraised value. The purchase price was \$680,000.00 with this being paid over time. The councilmen voting for the purchase of this property included Mayor Graham, Councilman Wyatt, Councilman Carl Duer, Councilman Jesse Kerley and Mayor Pro-Tem Earl Dean. The Grand Jury takes note of the fact that Mr. Buttons was subsequently sanctioned by the Tennessee appraisal board for submitting an original appraisal and a revised appraisal. **There is no proof that any monies were diverted to any individuals and there is no proof of any criminal activity relative to the purchase of the airport property by the City of Crossville by any individual.**

#### The Bank Building

On August 10, 2004, Halstead Property Development, LLC was formed. This was a corporation that was owned by Mr. Joe Looney and Mr. Kenneth Chadwell. In 2005, Halstead Property Development, LLC purchased the tract or parcel of property that is referred to as the "bank building". This is the property that formerly housed the Union Planters Bank Building. In 2005, the stock of Halstead Property Development was sold to Mr. James E. Thompson and Mr. Johnnie Reeves, Jr. The "bank" property was then encumbered with a mortgage in the amount of \$1,311,000.00. In February, 2008, at the request of the lender, the property was appraised for \$2,000,000. On March 13, 2008, there was an additional Deed of Trust to the same lender in the amount of \$400,000.00 and additional collateral was given as security for this loan. On March 16, 2011, an offer was made to the City of Crossville by Halstead Properties to sell this property. The listing price was \$2,900,000, however, the parties eventually agreed to the sum of \$1,900,000 which included a lot on Webb Ave. On March 30, 2011, a purchase and sale agreement was executed with ten percent (10%) being paid down and the balance to be paid at closing. The closing occurred on April 15, 2011 and the balance of the purchase price was paid. **There is no proof that any monies were diverted to any individuals and there is no proof of any criminal activity relative to the purchase of the "Bank Building" by the City of Crossville by any individual.**

#### Interstate Property

The "Interstate Property" or "Interchange Park property" (names that apply to the same tract of land) was acquired by Hatteras Properties and Millard V. Oakley. Hatteras Properties is a corporation that is owned primarily by Millard V. Oakley. Negotiations between the parties were ongoing and the matter was presented to the City Council on April 12, 2012 and a resolution was passed. The resolution and terms discussed are as follows:

- Mayor Graham presented an opportunity to purchase an existing industrial park to further enhance recruiting opportunities for economic development.

- The property is located north of I-40 and has been fully developed by the owner with water, sewer, street lights, and road.
- Kenneth Chadwell reported that if the purchase is financed through a land purchase capital outlay note, state law requires that it must have a level term payout for 10 years or less, and is subject to approval by the Comptroller's Office. The proposal is owner financing, where the company would carry the note and provide terms to finance it over a period of time. Mr. Chadwell advised the Council that he had represented the Seller previously and was not involved in these transactions. The City was to hire the firm of Bass, Berry and Sims to represent it.
- A Motion was made by Mayor Graham to approve the resolution authorizing the issuance, sale and payment of land purchase capital outlay notes, not to exceed \$1,800,000 with interest rate of 3.45% and the interchange property capital outlay notes series 2011, and such recommendations as approved by the Comptroller of the Treasury of the State of Tennessee in regard to the financing of the land purchase of 89.11 acres from Hatteras Properties.
- Voting yes were  
Councilman Boyd Wyatt, Councilman Earl Dean, Councilman George Marlow and Mayor J. H. Graham.
- Voting No was Mayor Pro-Tem Danny R. Wyatt.

Thereafter, on August 19, 2011, by virtue of a letter of intent, Mr. Oakley and Hatteras Properties sent to the City of Crossville a letter of intent that set forth the following provisions of the transaction:

- A. That the value of the property is \$3,875,700.00
- B. That Millard Oakley and Hatteras Properties, by virtue of a gift deed would transfer and convey to the City of Crossville so much of the acreage of the real property as to constitute the sum of \$2,075,700.00.
- C. That the City would buy the remaining portion of the property for the sum of \$1,800,000.00. This sum was note paid upon the closing, but was financed through capital outlay notes.

This property had been appraised by Mr. Charles R. Smith and Mr. Royce Burgess for the sum of \$3,875,700 on March 31, 2011. In October 2011, Mr. Sam Pipkin appraised the property and assigned a value to it of \$3,225,000.00. This property was further appraised in October, 2011 by Mr. Robert Patton who assigned a value to it of \$3,300,000.00.

On December 28, 2011 the City of Crossville received deeds, as well as gift deeds for the property under the terms of the letter of intent outlined above. Further, this property was financed by using capital outlay notes. **There is no proof that any monies were diverted to any individuals the Sellers and there is no proof of any criminal activity relative to the purchase of the "Interstate Property" by the City of Crossville by any individual.**


Grand Jury Foreman

The following witness (es) were sworn and examined by me in the Grand Jury Room:

**Councilman Pete Souza**  
**TBI SA Billy Miller**

After hearing from the above witness and reviewing the evidence duly presented to the Grand Jury, it is the opinion of the Grand Jury that no crimes have been committed by any current or former City Councilmen, the City Attorney or anyone associated with any of the above land transactions and that this matter should be closed.

This 5th day of March 2014.

  
Grand Jury Foreman