

DEVELOPMENT PLAN AND CONDITIONAL USE APPLICATION

City of Key West Planning Department
3140 Flagler Avenue, Key West, FL 33040
(305) 809-3720



Received and Approved

SEP 23 2015

12/11/15

Development Plan & Conditional Use Application

Applications will not be accepted unless complete

Development Plan

Major _____

Minor _____

Conditional Use

☒

Historic District

Yes ☒

No _____

Please print or type:

- 1) Site Address 501 Whitehead Street
- 2) Name of Applicant ASSAF AZOULAY
- 3) Applicant is: Owner ☒ Authorized Representative _____
(attached Authorization and Verification Forms must be completed)
- 4) Address of Applicant 32 Hilton Haven Rd Unit 6
- 5) Applicant's Phone # 305-879-4959 Email ASSAF AZOULAY@gmail.com
- 6) Email Address: ASSAF AZOULAY@gmail.com
- 7) Name of Owner, if different than above O Mile Building LLC
- 8) Address of Owner 914 Duval Street
- 9) Owner Phone # 305-304-1063 Email eyesondoval@hotmail.com
- 10) Zoning District of Parcel HRD RE# _____
- 11) Is Subject Property located within the Historic District? Yes ☒ No _____
If Yes: Date of approval N/A HARC approval # _____
OR: Date of meeting N/A
- 12) Description of Proposed Development and Use. Please be specific, list existing and proposed buildings and uses, number of dwelling units, parking, restaurant seats, vehicles proposed, etc. If there is more than one use, describe in detail the nature of each use (Give concise description here and use a separate sheet if necessary).

- fee attached -

260 433 2319 Jenna
305 304-1063 ashly

DEVELOPMENT PLAN AND CONDITIONAL USE APPLICATION

City of Key West Planning Department
3140 Flagler Avenue, Key West, FL 33040
(305) 809-3720



13) Has subject Property received any variance(s)? Yes _____ No ☒

If Yes: Date of approval _____ Resolution # _____

Attach resolution(s).

14) Are there any easements, deed restrictions or other encumbrances on the subject property?

Yes _____ No ☒

If Yes, describe and attach relevant documents.

-
- A. For both *Conditional Uses* and *Development Plans*, provide the information requested from the attached **Conditional Use and Development Plan** sheet.
- B. For *Conditional Uses* only, also include the **Conditional Use Criteria** required under Chapter 122, Article III, Sections 122-61 and 122-62 of the Land Development Regulations (see attached copy of criteria).
- C. For *Major Development Plans* only, also provide the **Development Plan Submission Materials** required under Chapter 108, Article II, Division 7, Sections 108-226 through 108-248 of the Land Development Regulations (see attached copy of criteria) and any additional information as determined by the Planning Staff.
- D. For both *Conditional Uses* and *Development Plans*, one set of plans MUST be signed & sealed by an Engineer or Architect.

Please note, development plan and conditional use approvals are quasi-judicial hearings and it is improper to speak to a Planning Board member or City Commissioner about the project outside of the hearing.

Description and Proposed Use of 501 Whitehead Street , Key West Florida 33040

Prepared by Assaf Azoulay

32 Hilton Rd, unit 6 Key West , Florida 33040

Assafazoulay@gmail.com

305-879-4959

The purpose of this application is to seek approval to establish a venue that would project the ambience And historical culture of Key West in a manner that would create an abundance of interest in the conch Republic.

My proposal is to revitalize this property into a studio where local writers, artists, historians and academia individuals to display their talents.

Listed below are my commitments which I believe fall under section 122- 928 , of the conditional uses for the historical residential office district.

We would like to ask for a conditional use for our location in 501 Whitehead Street for the following:

Our primarily initial stage will be to feature local writers, artists , historians and academia individuals to display their talents in order to show the world what a wonderful place is Key West and that anyone can come and achieve their dreams and further their goals .

The artists, historians and academia individuals will be in the location on a daily basis. They will have their art, books and work showcased in our display area.

Key West is a mystical and magical Shangri La and we want to establish that persona.

Once we generate this foundation we will then start with our expand into future visions.

Art and hand craft workshops will be taking place daily. Our members who are visiting our establishment and local residents will be invited to participate in the workshops and learn from our artists.

There will also a writers workshop when our members will be inspired to come and share their own poems, Historical storytelling, pictorial and artifact collection showing how Key West become the wonderful city and known all over the world as the last resort .

Along with all the participating artists, historians and academia individuals 501 Whitehead Street will be employing 2-3 employees to oversee the operation.

Please contact us for any matter related to this application

Thanks

O MILE BUILDING LLC .

Conditional use Criteria

Sec. 122-62 Specific Criteria for Approval

- A. Findings:** the planning board may find that the application meets the Code purpose of ensuring that a " Conditional use shall only be permitted on specific sites where the proposed use may be adequately accommodated without generating adverse impacts on properties and land uses within the immediate vicinity."
- B. Characteristics of Use Described**
- 1a. Floor Area Ratio :** Our floor plan ratio will be 70 % of our location will be dedicated to the artists, historians and academia individuals workspace and 30% will be for the display area.
- We will have approximately 585 square feet for the artists, historians and academia individuals work space and around 282 square feet for the display area to support the ongoing expenses of operating.
- 1b. Traffic Generation:** I estimate that the majority of traffic to be a walk up foot traffic or a drop off traffic. 501 Whitehead is on the corner of Flaming Street. There is a side door on Flaming Street and one on Whitehead Street.
- 1c. Square Feet of Enclosed Building:** 501 Whitehead Street is approximately 850 sf.
- 1d. Proposed Employment:** There will be a total of no more than 3 employees with No more than two working at a given time. Employees will assist in daily demonstration and general operation.
- 1e & f. proposed number and type of service vehicles and off street parking needs:** N/A

Sec. 122-62 B-2

2a – e: N/A The proposed use does not include any exterior or interior renovation or modification.

3a – e: N/A The proposed use does not include any exterior or interior renovation or modification.

Sec. 122-62 Criteria for conditional use review and approval :

C1. Land use compatibility: The conditional use of arts and crafts workshops under its proposed scale and intensity shall not adversely impact land use activities in the immediate vicinity.

C2. Sufficient site size, adequate specifications and infrastructure to accommodate the proposed use: The size and shape of the site are adequate to accommodate the proposed scale and intensity of the conditional use requested.

C3. Proper use of Mitigative techniques: N/A

C4. Hazardous waste: No material that contains hazardous waste will be used.

C5. Compliance with applicable laws and ordinances: The applicant will comply with all applicable laws and regulations as a condition of approval.

C6. Additional criteria applicable to specific land uses:

- a. **Land uses within a conservation area:** Not applicable, this site is not located within a conservation area.
- b. **Residential development:** Not applicable, no residential development is proposed.
- c. **Commercial or mixed – use development:** The retail showroom will be used to support the operating costs and expenses.
- d. **Development within an Historic District:** Although it is not a new development this application does fall within an historic district (HRO).
- e. **Public facilities or institutional development:** Not applicable, no public facilities or institutional development is being proposed.
- f. **Commercial structures, uses and related activities within tidal waters:** Not applicable, this site is not located within tidal waters.
- g. **Adult entertainment establishments:** Not applicable, this is not adult entertainment establishment.

Also we are attaching here the following exhibits:

1. Property survey
2. Warranty deed
3. Floor plan
4. Plat map
5. Ariel map
6. Application
7. Checks for the fee

Please contact us for any matter related to this application

Thanks

0 MILE BUILDING LLC

Verification Form

City of Key West
Planning Department



Verification Form

(Where Authorized Representative is an entity)

I, Oshry BARKALIFA, in my capacity as managing member
(print name) (print position; president, managing member)
of 0 mile Building Llc
(print name of entity serving as Authorized Representative)

being duly sworn, depose and say that I am the Authorized Representative of the Owner (as appears on the deed), for the following property identified as the subject matter of this application:

501 whitehead st.

Street Address of subject property

All of the answers to the above questions, drawings, plans and any other attached data which make up the application, are true and correct to the best of my knowledge and belief. In the event the City or the Planning Department relies on any representation herein which proves to be untrue or incorrect, any action or approval based on said representation shall be subject to revocation.

[Signature]
Signature of Authorized Representative

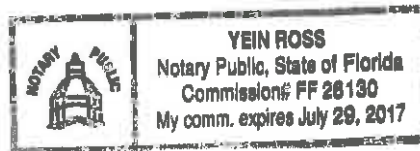
Subscribed and sworn to (or affirmed) before me on this 10/26/15 by
date

Oshry Barkalifa
Name of Authorized Representative

He/She is personally known to me or has presented FDL as identification.

[Signature]
Notary's Signature and Seal

Yein Ross
Name of Acknowledger typed, printed or stamped



FF26130
Commission Number, if any

Deed

Prepared by and return to:

JOHN M. SPOTTSWOOD, JR.

Attorney at Law

Spottswood, Spottswood & Spottswood

500 Fleming Street

Key West, FL 33040

305-294-9556

File Number: 15-046-JJ

Purchase Price: \$850,000.00,

[Space Above This Line For Recording Data]

Warranty Deed

This Warranty Deed made this 1st day of June, 2015 between Rodel Charitable Foundation- Florida, LLC, a Florida limited liability company whose post office address is 501 Whitehead Street, Key West, FL 33040, grantor, and O Mile Building, LLC, a Florida limited liability company whose post office address is 914 Duval Street, Key West, FL 33040, grantee:

(Whenever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, trusts and trustees)

Witnesseth, that said grantor, for and in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained, and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in Monroe County, Florida to-wit:

In the City of Key West, and is known as part of Lot 3, of Square 51, according to the Map of the Island of Key West delineated by William A. Whitehead; commencing at the corner of Whitehead and Fleming Streets and running along the said Fleming Street 63.8 feet; thence at right angles in a Southeasterly direction 50 feet; thence at right angles in a Southwesterly direction 63.8 feet to Whitehead Street; thence along said Whitehead Street, in a Northwesterly direction 50 feet, back to the Point of Beginning.

Parcel Identification Number: 00009920-000200

Subject to taxes for 2015 and subsequent years; covenants, conditions, restrictions, easements, reservations and limitations of record, if any.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances, except taxes accruing subsequent to December 31, 2014.

In Witness Whereof, grantor has hereunto set grantor's hand and seal the day and year first above written.

Signed, sealed and delivered in our presence:

Rodel Charitable Foundation- Florida, LLC, a Florida limited liability company

By: Rodel Charitable Foundation- Florida, Inc., a Florida corporation, Its Sole Member

By: [Signature]
Ken Domanski, Secretary

Witness Name: Elizabeth Skellern

Witness Name: MARY E. TURSO

(Corporate Seal)

State of Florida
County of Monroe

The foregoing instrument was acknowledged before me this 21 day of May, 2015 by Ken Domanski, as Secretary of Rodel Charitable Foundation- Florida, Inc., a Florida corporation, as Sole Member, on behalf of the corporation for Rodel Charitable Foundation- Florida, LLC, a Florida limited liability company. He ☐ is personally known to me or ☒ has produced a driver's license as identification.

[Notary Seal]



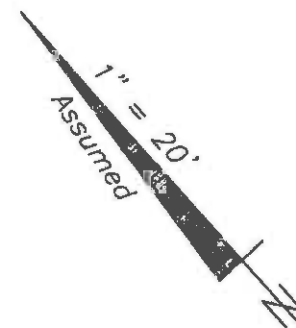
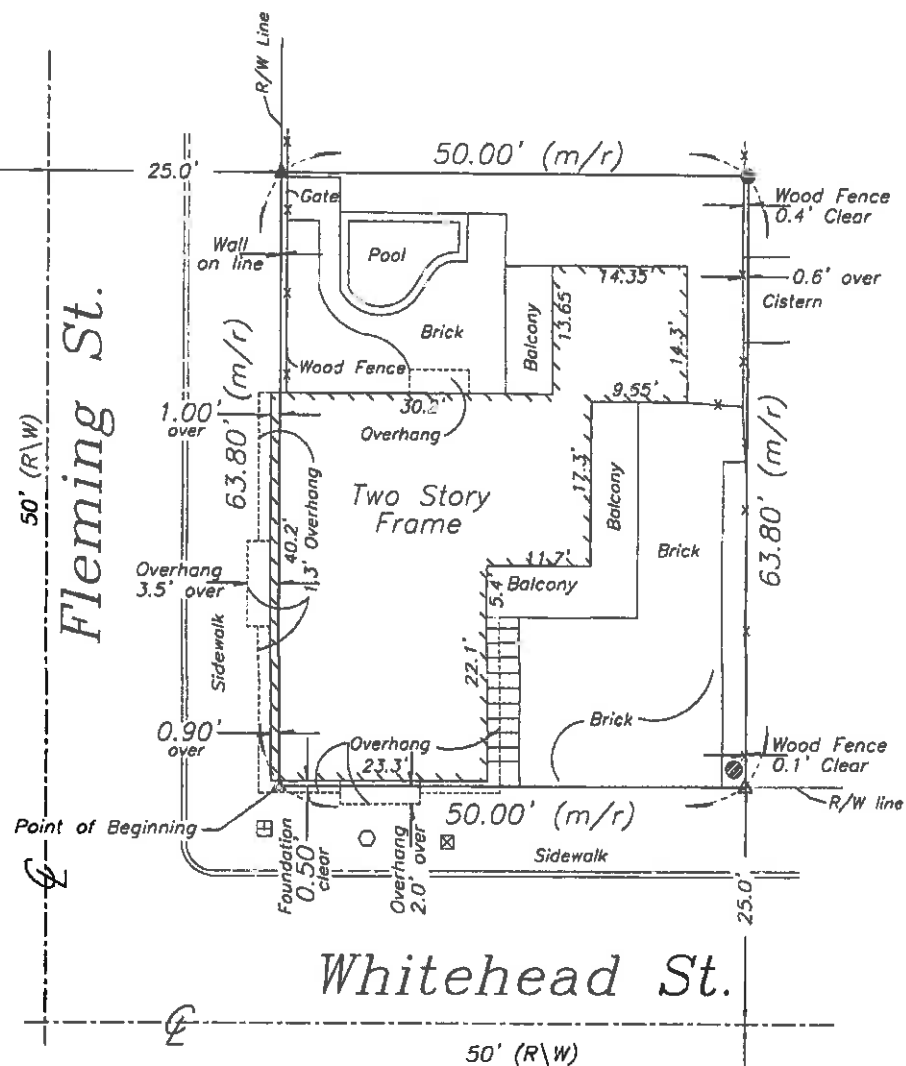
Notary Public

Printed Name: MARY E. TURSO

My Commission Expires: 5/18/17

Survey

Boundary Survey of a part of Lot 3, Square 51, Island of Key West



LEGEND

- △ Set Nail & Disc (LB 7131)
- Found 1/2" Iron Rod (5234)
- ▲ Found Nail & Disc (5234)
- (M) Measured
- (R) Record
- (M/R) Measured & Record
- CLF Chain Link Fence
- R\W Right of Way
- ⊕ Centerline
- ⊞ Light Signal Pole
- Fire Hydrant
- ⊠ Light Pole
- ⊙ Wood Utility Pole

NOTES:

1. The legal description shown hereon was furnished by the client or their agent.
2. Underground foundations and utilities were not located.
3. All angles are 90° (Measured & Record) unless otherwise noted.
4. Street address: 501 Whitehead Street, Key West, FL.
5. This survey is not valid without the signature and the original raised seal of a Florida licensed surveyor and mapper.
6. Lands shown hereon were not abstracted for rights-of-way, easements, ownership, or other instruments of record.
7. North Arrow is assumed and based on the legal description.
8. Error of closure exceeds one part in 10,000.
9. Date of field work: October 7, 2003.
10. Ownership of fences is undeterminable, unless otherwise noted.

BOUNDARY SURVEY OF: In the City of Key West, and is known as part of Lot 3, of Square 51, according to the map of the Island of Key West delineated by William A. Whitehead: Commencing at the corner of Whitehead and Fleming Streets and running along the said Fleming Street 63.8 feet; thence at right angles in a Southeasterly direction 50 feet; thence at right angles in a Southwesterly direction 63.8 feet to Whitehead Street; thence along said Whitehead Street, in a Northwesterly direction 50 feet, back to the Point of Beginning.

BOUNDARY SURVEY FOR: Rodel Foundation;
Spottswood, Spottswood & Spottswood;
Attorneys' Title Insurance Fund, Inc.;

NORBY & O'FLYNN SURVEYING, INC.


J. Lynn O'Flynn, PSM
Florida Reg. #6298

October 9, 2003

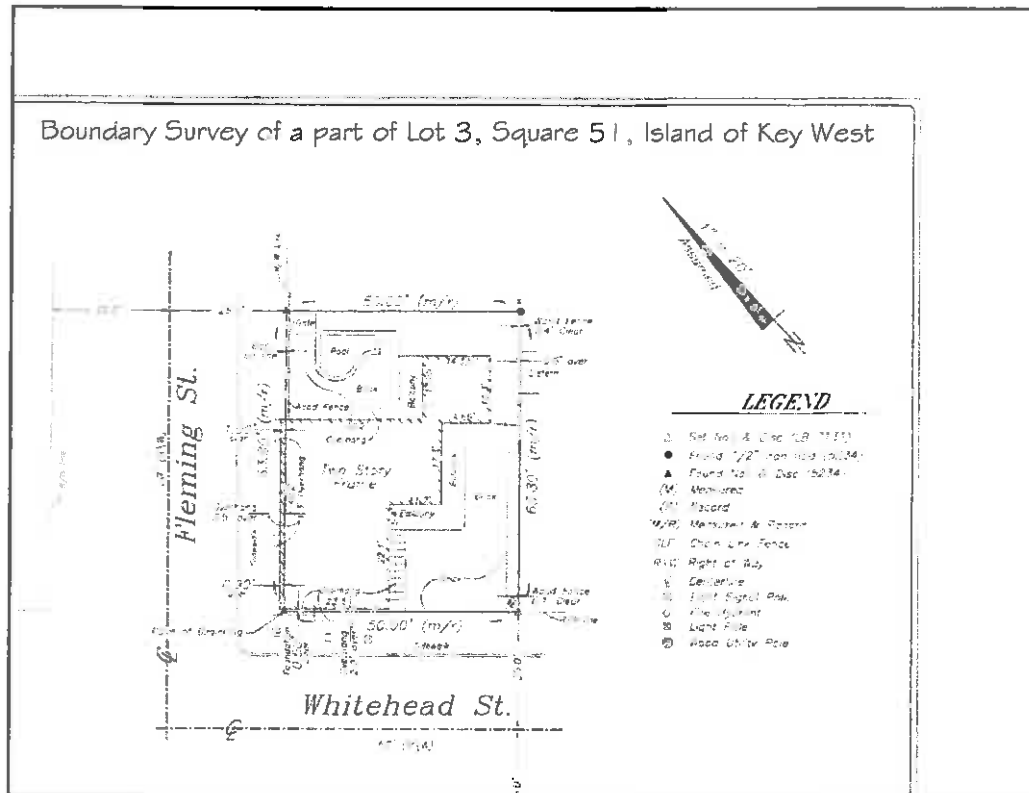
NORBY & O'FLYNN
Surveying, Inc.



Professional Land Surveyors
LB No. 7131

3430 Duck Ave., Key West, FL 33040
(305) 296-7422 FAX (305) 293-9924

SURVEY



LEGAL DESCRIPTION**NOTES**

1. The legal description shown hereon was furnished by the client or their agent.
2. Underground foundations and utilities were not located.
3. All angles are 90° (Measured & Recorded) unless otherwise noted.
4. Street address: 501 Whitehead Street, Key West, FL
5. This survey is not valid without the signature and the original raised seal of a Florida licensed surveyor and mapper.
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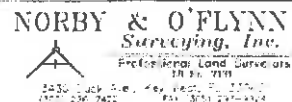
BOUNDARY SURVEY OF: In the City of Key West, and is known as part of Lot 3, of Square 51, according to the map of the Island of Key West delineated by William A. Whitehead. Commencing at the corner of Whitehead and Fleming Streets and running along the said Fleming Street 328 feet, thence at right angles in a Southeasterly direction 50 feet; thence at right angles in a Southwesterly direction 638 feet to Whitehead Street, thence along said Whitehead Street, in a Northwesterly direction 50 feet, back to the Point of Beginning.

BOUNDARY SURVEY FOR: Bodel Foundation,
Spottiswood, Spottiswood & Spottiswood,
Attorneys' Title Insurance Fund, Inc.,

NORBY & O'FLYNN SURVEYING, INC.

[Signature]
Lynn O'Flynn, PSM
Florida Reg. #6203

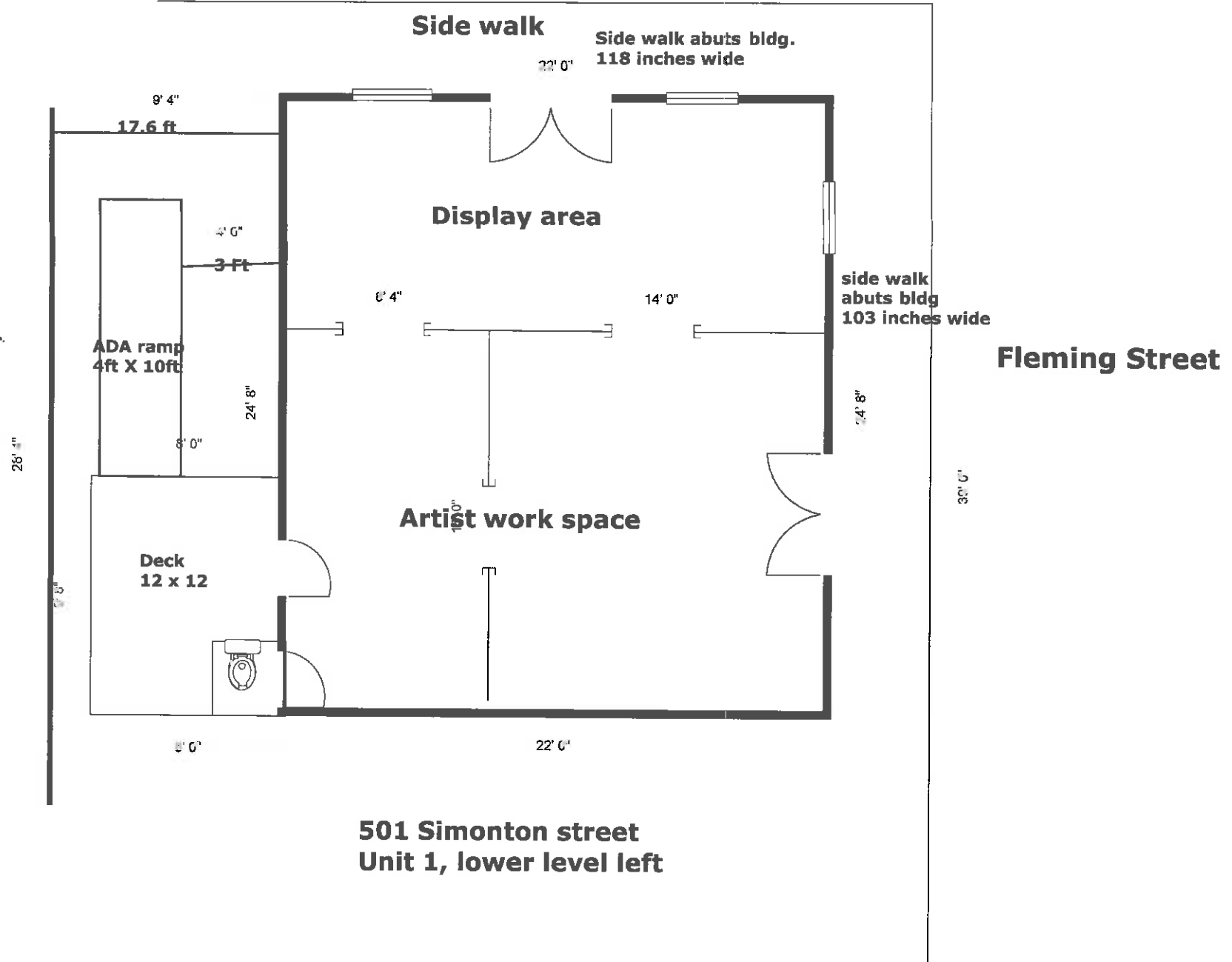
October 8, 2003



Site Plans

501 Simonton street

31' 5"



AERIAL MAP





Whitehead street





Fleming street



Corner fleming and whitehead street

Property Appraiser Information

APPRAISAL REPORT

Property Type:

A COMMERCIAL OFFICE USE PROPERTY

Located At:

**501 WHITEHEAD STREET
KEY WEST, MONROE COUNTY, FLORIDA 33040**

Prepared For:

**Mr. Ed Crafton
Centennial Bank
P.O. Box 966
Conway, Arkansas 72033
Project Number.: 15-001304-01-01**

Valuation Date:

April 27, 2015

Prepared By:

**James E. Wilson, MRICS, President
State-certified general real estate appraiser
RZ 2164**

**Maria Virginia Wilson
State-certified general real estate appraiser
RZ 2686**

**APPRAISAL COMPANY OF KEY WEST
3144 Northside Drive, Suite 201
Key West, Florida 33040**

OUR FILE NO.: 162-15

Mr. Ed Crafton
Centennial Bank
May 1, 2015
Page 1



3144 Northside Drive, Ste 201
Key West, FL 33040
Office: (305) 296-4563
Fax: (305) 922-2119

Website: fla-keysappraisals.com
E-mail: jim@fla-keysappraisals.com

May 1, 2015

Mr. Ed Crafton
Centennial Bank
P.O. Box 966
Conway, AR 72033

Subject: Appraisal Report of
501 Whitehead Street
Key West, Monroe County, Florida 33040
Our File No.: 162-15
Project Number.: 15-001304-01-01
Borrower: 501 Whitehead

Dear Mr. Crafton:

We performed an appraisal report to estimate the value for the above referenced property. We personally examined and appraised the subject property for the purpose of reporting our opinion of the ***"As Is" Market Value of the Fee Simple Interest*** of this property as of April 27, 2015, based on a walk through and site visit of the subject property .

The assumptions and the real estate referenced above are more clearly defined in the general and extraordinary assumptions and limiting conditions and in the property description section of this report. The attached appraisal report has been prepared to comply with my understanding of the requirements of the Uniform Standards of Professional Appraisal Practice. The reader is referred to the Scope of Work section within this report.

The subject property consists of a two-story, wood-frame building. The subject structure contains 2,691 square feet of gross building area and is utilized as a professional office. According to the survey, performed by Norby & O'Flynn Surveying, Inc., dated October 9, 2003, the subject building is situated on a rectangular parcel containing 3,190 square feet with 50.0 linear feet along the easterly side of Whitehead Street and 63.8 linear feet of frontage along the southerly side of Fleming Street. The site dimensions were taken from the survey, Monroe County Tax Appraiser's records and plat maps. Building dimensions were taken from the survey, plus measurements taken on-site by the appraisers. No responsibility is taken for the accuracy or questions concerning boundaries, encumbrances, or encroachments. We reserve the right to change the final indicated values herein, if any discrepancies are noted in an updated survey and identification of unapparent easements and/or encroachments onto the

Mr. Ed Crafton
Centennial Bank
May 1, 2015
Page 2

subject property or an alteration in site or building areas. The survey does not indicate any easements. According to the Monroe County Tax Appraiser's records, the subject building was built in 1908.

Market Value is defined as the most probable price in cash (or its equivalency) for which the appraised property will sell in a competitive market under all conditions requisite to a fair sale. Market value assumes a normal or reasonable time for exposure on the open market.

This report contains the results of our investigation and analysis made in order to furnish an estimate of the "*As Is*" Market Value of the *Fee Simple Interest* of the subject property. The Fee Simple Interest is the unencumbered value of the subject property; basically, market rents and terms are considered with no regard to existing leases and terms. The subject property second floor is partially tenant occupied, however, it is not encumbered by a long-term lease as it is an annual lease. Therefore, the Fee Simple Interest has been reported herein.

Based on market analysis, on-site visit and research, it is our opinion that the "*As Is*" Market Value of the *Fee Simple Interest* of the subject property, commonly known as 501 Whitehead Street, Key West, Monroe County, Florida 33040, subject to definitions, assumptions and limiting conditions, as of April 27, 2015 is:

EIGHT HUNDRED SEVENTY THOUSAND DOLLARS
(\$ 870,000)

The market value does not include any personal property in this valuation.

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. This appraisal also complies with Title XI of FIRREA and the General Appraisal Guidelines. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraisers are not responsible for unauthorized use of this report.

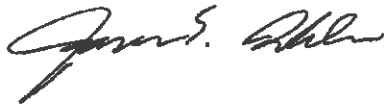
This confidential report is prepared for the sole use of and benefits of Centennial Bank and is based, in part, upon documents, writings, and information owned and possessed by the client, Centennial Bank. This report is provided for informational purposes only to third parties authorized to receive it. The appraiser-client relationship is with Centennial Bank, as the client. This report should not be used for any purpose other than to understand the information available to the Bank concerning this property. Appraisal Company of Key West assumes no responsibility if this report is used in any other manner.

If you have any questions regarding this appraisal report, please feel free to contact me. Thank you for giving us the opportunity to provide this service for you. This transmittal letter must remain attached

Mr. Ed Crafton
Centennial Bank
May 1, 2015
Page 3

to the report, which contains 90 pages including related exhibits, in order for the value opinion set forth to be considered valid.

Respectfully submitted,



James E. Wilson, MRICS, President
State-certified general real estate appraiser
RZ 2164
jim@fla-keysappraisals.com



Maria Virginia Wilson
State-certified general real estate appraiser
RZ 2686
maria@fla-keysappraisals.com

Report Attached: R:\Comm-15\162-15\Comm-15-162.wpd

SUMMARY OF FACTS AND CONCLUSIONS

Subject Property Address: 501 Whitehead Street, Key West, Florida 33040

Property Type: Commercial Office Use

Site (Land) Size: 3,190 square feet

Flood Hazard Zone: Zone X Map Number 12087C 1516K, dated 2/18/05

Zoning: HRO, Historic Residential Office District, City of Key West

Highest and Best Use:
"As Improved" As Improved for Commercial Office Use

**Gross Rentable Area &
Gross Building Area:**

Building Description				
501 Whitehead Street, Key West, Florida 33040				
Key West, Florida				
Floor Level	Use / Type	Type Construction	Size Sq. Ft.	Year Built
First	Office	Wood Frame	1,345	1908
Second	Office	Wood Frame	1,345	1908
Total Gross Building Area:			2,690	

Highest and Best Use: As Improved for Commercial Office Use

Value Indications:

<u>Reconciliation</u>	
501 Whitehead Street, Key West, Florida	
Valuation Method:	Fee Simple Market Value
Cost Approach	Not Applicable
Income Approach:	\$890,000
Sales Comparison Approach	\$860,000
"As Is" Market Value of the Fee Simple Interest, as of April 27, 2015 (Rounded):	\$870,000

Furniture, Fixtures & Equipment:

The market value does not include any personal property in this valuation.

Date of Inspection: April 27, 2015

Date of Valuation: April 27, 2015

Date of Report: May 1, 2015

Marketing Time: Less than 12 Months based on a list price within 5 percent of appraised value and based on stable economic conditions.

Exposure Time: Same as Marketing Time

APPRAISAL REPORT

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. This appraisal also complies with Title XI of FIRREA and the General Appraisal Guidelines. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

CLIENT: Mr. Ed Crafton
Centennial Bank
P.O. Box 966
Conway, AR 72033

APPRAISERS: James E. Wilson, MRICS, President
State-certified general real estate appraiser
RZ 2164

Maria Virginia Wilson
State-certified general real estate appraiser
RZ 2686

SUBJECT: 501 Whitehead Street
Key West, Monroe County, Florida 33040

BORROWER: 501 Whitehead

PROJECT NO.: 15-001304-01-01

PURPOSE AND INTENDED USE OF THE APPRAISAL

The *purpose* of this appraisal is to estimate the "*As Is*" *Market Value of the Fee Simple Estate* of the land with the existing improvements at 501 Whitehead Street, Key West, Florida, as of April 27, 2015. The market value does not include any personal property in this valuation.

The *intended use* of this appraisal is for loan underwriting and-or credit decisions by Centennial Bank and-or participants. The *intended user* is Centennial Bank.

PROPERTY RIGHTS APPRAISED

According to The Dictionary of Real Estate Appraisal, Fifth Edition, "Fee Simple Estate is 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."

The *Fee Simple* valuation, unencumbered by any leases, is made with the understanding that the present ownership of the property includes all the rights that may lawfully be held under a *Fee Simple Estate*. These rights are sometimes referred to in appraisal literature as the "bundle of rights." It includes the right to use, keep others from using, sell, rent or otherwise dispose of the property. The elements which have been included in this appraisal are the subject site and existing structures.

The *Leased Fee* valuation, encumbered by the existing leases, is made with the understanding that the present ownership of the property includes all the rights that may lawfully be held under a *Leased Fee Estate*. These rights are typically held by a landlord, who conveys the right of use and occupancy by lease to others.

In the case at hand, the subject property is tenant occupied, however, the lease is not long-term. As a result, the Fee Simple Interest was reported herein. The reader is cautioned that a title search was *not* made; thus, no other encumbrances are considered herein.

DEFINITIONS

1. Appraisal per the Dictionary of Real Estate Appraisal, Fourth Edition, is the act or process of developing an opinion of value.
2. Appraisal Report is the written or oral communication of an appraisal; the document transmitted to the client upon completion of an appraisal assignment. The reporting standards are set forth in the Standards Rules relating to Standard 2 of the Uniform Standards of Professional Appraisal Practice.

4. Fee Simple Estate per the Dictionary of Real Estate Appraisal, Fourth Edition, is absolute ownership unencumbered by any other interest, subject only to the governmental limitations including: eminent domain, escheat, police power, and taxation.
5. Leased Fee Estate per the Dictionary of Real Estate Appraisal, Fourth Edition, is an ownership interest which is held by a landlord, who conveys the right of use and occupancy by lease to others. This estate usually consists of the right to receive rent and the right of repossession at the end of the lease period.
6. Market Value is defined as follows per Interagency Guidelines:

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

- a) buyer and seller are typically motivated;
 - b) both parties are well informed or well advised, and each acting in what he considers his own best interest;
 - 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;
 - e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."
7. Frictional Vacancy per the Dictionary of Real Estate Appraisal, Fourth Edition, is vacancy unrelated to disequilibrium in supply and demand, but rather due to the tenant relocations as leases roll over and expire. Frictional vacancy is considered the normal vacancy rate in any given market.

LEGAL DESCRIPTION

We have made an appraisal report with respect to the above referenced subject property, for which a metes and bounds legal description was obtained from the previously mentioned survey. The subject property is identified as follows:



Order No.: 5175845
Customer Reference: 15-046-JB

EXHIBIT "A"

In the City of Key West, and is known as part of Lot 3, of Square 51, according to the Map of the Island of Key West delineated by William A. Whitehead; commencing at the corner of Whitehead and Fleming Streets and running along the said Fleming Street 63.8 feet; thence at right angles in a Southeasterly direction 50 feet; thence at right angles in a Southwesterly direction 63.8 feet to Whitehead Street; thence along said Whitehead Street, in a Northwesterly direction 50 feet, back to the Point of Beginning.

Said Lands situate, lying and being in Monroe County, Florida.

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ALTA Commitment (8/17/06) (with FL Modifications)



6 of 6

K.D.

Electronically Signed using eSignOnline™ [Session ID : 0d201b58-d935-49df-8619-07121dd8b074]

SUBJECT'S MARKET AREA (NEIGHBORHOOD) ANALYSIS

The subject parcel is located within the downtown commercial business district in the Northwesterly quadrant of the City of Key West on the easterly side of Whitehead Street and the southerly side of Fleming Street approximately only one-half blocks westerly from Duval Street, the Central Business District of Old Town area of Key West, plus about four blocks southerly from the Historic Seaport and also Mallory Square, the City's cruise port.

The subject property's immediate area has evolved as an extension from the Duval Street tourist retail and restaurant district. Presently, Mallory Square boasts a nightly ritual of sunset celebration usually attended by tourists, locals, jugglers, artists, fire-eaters and performers of all sorts. This area is utilized during the day as a cruise port and nightly as an open-air "carnival" with vendors and performers for the sunset celebration.

The Key West Harbor, located just four blocks northerly from the subject property, was once utilized by the fishing industry, which moved out of the City in the late 1970's. In the 1830's, this Harbor area was dominated by auction houses, chandleries, piers and wooden wharves; then, wrecking dominated Key West's economy. During this era, the town was known as one of the wealthiest in the Nation. Between 1824 and 1825, an estimated \$293,000 worth of salvage (cargoes of wine, silks and lace) was sold. In recent history restoration of the piers occurred in 1963, with subsequent modernization and rehabilitation for its present use as a cruise port. The area is named for the Mallory Steamship Line.

The subject's neighborhood is bordered on the north and west by the Key West Harbor and the Gulf of Mexico, on the east by Eisenhower Drive and on the south by the Atlantic Ocean. This neighborhood is commonly referred to as the Downtown "Old Town" district. It is located within a section of the city, where architecture and building construction are historically preserved.

The subject property is located only one and one-half blocks westerly from Duval Street, the main shopping, entertainment, and dining district in Old Town, Key West market area. The subject property is about six blocks northerly from Truman Avenue. Truman Avenue is the main thoroughfare through the City of Key West, which connects to the only highway (US 1) into and out of the Florida Keys. The general commercial uses surrounding the subject property are: hotels, boutiques, galleries, commercial/residential condominiums, retail shops, restaurants, guest houses, banks, and of course luxury resort hotels.

In general the Duval Street corridor has had a history of strong sales and rental activity, including the recent addition of familiar national tenants: Express, Coach, Banana Republic, and Denny's. In recent years, Claire's, Walgreen's and CVS, have opened stores on Duval Street within one mile of the subject property. CVS has recently opened an additional store on the corner of Fleming Street and Duval Street. There are very few unsightly areas in any of the surrounding neighborhoods of the subject parcel. The subject's general neighborhood has undergone positive change with renovations and upgrading of older

structures due to an active market over the past two decades.

After Hurricane Wilma, which affected the Florida Keys October 24th and 25th, 2005, the real estate market began to soften, which was demonstrated by increased inventory and decreased closed transactions (number of sales and overall sales dollars). Furthermore, the national economic downturn, housing market decline, credit crisis and recession have affected the local market. In most of the Florida Keys, residential real estate values dropped since the height of the market (mid to end of 2005) from 30% to 60%. It appears that prices have started to significantly rebound for residential property entities. The amount of inventory has declined greatly over the past two years. Fortunately, the Florida Keys has enjoyed six straight years of quiet hurricane seasons. The second home market has experienced significant increase in 2013 with 50% to 60% of residential transactions, all cash the increase is also noted in 2014 and early months of 2015.

It appears that the tourism market has returned with gains in average daily and occupancy rates for lodging facilities for about four straight years. Many lodging facilities in the City of Key West have surpassed the former highs of 2007 room revenue figures in 2013 and further year-end 2014. There has been a significant increase in sales activity for large resort hotels since 2013, most transactions have eclipsed sales prices of \$90 million with price per key or room at all time high levels. Unfortunately, downtown retailers have not experienced such revenue growth as tourist are spending more on lodging and restaurants/bars. Typically, the real estate market in the Keys has been more resilient than the mainland as the supply of new developments is still rather inelastic as older properties are redeveloped based on existing entitlements.

In terms of demographic trends taking place in Key West, Florida, the Key West Chamber of Commerce has compiled the following statistics.

DEMOGRAPHICS

In terms of demographic trends taking place in Key West, Florida, the Key West Chamber of Commerce has compiled the following statistics.

Key West and Monroe County Demographics and Economy (as of July 2014)

Key West is an island city some 4 miles long by 1.5 miles wide. The island is located at the southern end of U. S. Highway 1, 153 miles southwest of Miami, Florida and 93 miles northwest of Havana, Cuba, at 24.5 degrees north of the equator. Key West is the county seat of Monroe County. The city occupies the entire island as well as a portion of neighboring Stock Island to the northeast. The principal industry is tourism, and the U. S. Navy and Coast Guard maintain a presence here as well.

Florida Keys Visitor Person-Trip Estimates

	2006	2007	2008	2009	2010	2011	2012	2013
Key West Overnight Visitors	1,063,752	1,094,647	1,112,978	1,165,300	1,517,600	1,577,500	1,588,607	1,588,845
Key West Day Trippers	196,794	202,510	205,901	238,400	299,100	313,300	311,337	314,915
Cruise Ship Passengers	888,183	816,919	739,218	859,409	850,270	811,458	813,713	765,132
Total Key West Visitors	2,148,729	2,114,076	2,058,097	2,263,109	2,666,970	2,702,258	2,713,658	2,668,892
Key West Lodging Occupancy %:	73.5%	75.3%	74.2%	76.9%	78.1%	82.5%	83.1%	87.0%
All Keys Overnight Visitors	2,030,062	2,089,021	2,169,565	2,103,100	2,502,200	2,742,500	3,026,165	3,090,267
All Keys Day Trippers	375,561	386,469	401,369	404,400	473,300	519,400	565,785	580,667
Cruise Ship Passengers	888,183	816,919	739,218	859,409	850,270	811,458	813,713	765,132
Total All Keys Visitors	3,293,806	3,292,409	3,310,152	3,366,909	3,825,770	4,073,358	4,405,662	4,436,066
Monroe County Lodging Occupancy %:	66.5%	68.1%	67.5%	69.4%	70.3%	74.3%	75.0%	79.1%

Source: [Monroe County Tourist Development Council](#); [Smith Travel Research](#)

Population (as of 07/01/2013)¹

Year	Monroe County	Key West
1970	52,543	29,312
1980	63,188	24,382
1990	78,024	24,832
2000	79,589	25,478
2005	75,750	23,935
2010	73,090	24,649
2011	74,028	24,873
2012	74,849	25,119
2013	76,351	25,550

Source: [U.S. Census Bureau](#); [American Fact Finder](#); [University of Florida](#); [Bureau of Economic and Business Research](#); [Population Studies Program](#)

Military - Uniform Personnel (October 2014 Estimate)

Navy	618
Coast Guard	671
Army/Air Force/Marines	115
Total Uniform Personnel.....	1,404
Civilian Support Staff	933
Contractors	327
Total Payroll.....	2,664
Family Members	2,457
Military Present for Training	No Data
Retired Military Recreating	No Data

Grand Total 5,121

Source: [U. S. Dept. of Defense](#); [Key West for Military Data](#)

¹ 7/01/2013 is the last estimate that is available; the next census estimate will be released on 11/20/2014.

<u>Population Age Breakdown:</u>	<u>Key West 2012</u>	<u>Monroe County 2012</u>	<u>Florida 2012</u>	<u>United States 2012</u>
0-19	16%	17%	24%	27%
20-34	22%	17%	19%	21%
35-44	18%	13%	13%	13%
45-54	16%	17%	15%	14%
55-64	15%	18%	12%	12%
65-74	7%	11%	9%	7%
75+	6%	7%	8%	6%
Median Age:	41.2	46.4	40.8	37.2

Source: [U.S. Census Bureau, American Factfinder](#); 2012

<u>Population Racial Breakdown:</u>	<u>Key West 2012</u>	<u>Monroe County 2012</u>	<u>Florida 2012</u>	<u>United States 2012</u>
White	68.3%	69.9%	57.0%	63.7%
Black	9.9%	6.4%	16.6%	12.2%
Hispanic	18.2%	21.4%	23.2%	16.4%
Other	3.6%	2.3%	3.2%	7.7%

Source: [U.S. Census Bureau, American Factfinder](#); 2012

Registered Voters (as of May 14, 2014)

<u>Affiliation</u>	<u>Key West</u>	<u>Monroe County</u>
Democrat:	6,891	17,803
Republican:	3,432	19,609
Other:	5,040	16,076
Total:	15,363	53,488

Source: [Monroe County Supervisor of Elections](#)

Key West Income (2008-2012 Five-Year Estimate)

Median Household Income.....\$52,660

(Median income is the amount that divides the income distribution into two equal groups, half having income above that amount, and half having income below that amount.)

Per Capita Income.....\$31,993

(Per capita income, also known as income per person, is the mean income of the people in an economic unit such as a country or city. It is calculated by taking a measure of all sources of income in the aggregate (such as GDP or Gross national income) and dividing it by the total population.) The arithmetic mean (or simply "mean") of a sample is the sum of the sampled values divided by the number of items in the sample.)

Average Household Size.....2.53 Persons

Per Capita Personal Income.....\$56,745

including Dividends, Interest & Rent (Monroe County 2012)

(Per capita personal income is the broadest measure of individual economic well-being available by county. Personal income includes earnings (consisting of wages and salaries of workers, other labor income, and proprietors' income); dividends, interest, and rent; and transfer payments (such as retirement benefits, food stamps, and unemployment compensation). Per capita personal income is calculated by dividing personal income by population.)

Source: [U.S. Census Bureau, American Factfinder](#), [U.S. Dept. of Commerce, Bureau of Economic Analysis, University of Florida, Bureau of Economic and Business Research](#)

Economy - Gross Sales

Monroe County (2009):	\$3,352,780,910
Monroe County (2010):	\$3,428,421,285
Monroe County (2011):	\$3,787,980,413
Monroe County (2012):	\$3,950,239,774
Monroe County (2013):	\$4,127,027,833

Source: [Florida Department of Revenue](#)

2013 Tax Roll Ad Valorem Millage Rate

Monroe County:	3.138
Monroe County School District:	3.681
City of Key West:	2.7976
South Florida Water Management District:	0.4111
Mosquito Control:	0.5069
Total per \$1,000 Assessed Value:	10.5345

Source: [Monroe County Property Appraiser](#)

Employment

(Not Seasonally Adjusted)

	<u>Key West</u>	<u>Monroe County</u>	<u>Florida</u>	<u>United States</u>
Per Capita Income (2012):	\$31,993 ¹	\$34,277 ¹	\$26,451 ¹	\$28,051 ¹
Civilian Labor Force (2013):	17,218 ²	49,398 ²	9,432,291 ²	155,389,000 ²
Civilian Employment (2013):	16,554 ²	47,339 ²	8,749,588 ²	143,929,000 ²
Unemployment Rate (2013):	3.9% ²	4.2% ²	7.2% ²	7.4% ²

¹ [U.S. Dept. of Commerce; Bureau of Economic Analysis](#) ² [U.S. Bureau of Labor Statistics](#)

Monroe County 2013 Florida Price Level Index for School Personnel
(Florida Population – Weighted Average = 100)

Monroe County:	2008 = 100.85
(including housing)	2009 = 102.15
	2010 = 103.16
	2011 = 104.03
	2012 = 102.96
	2013 = 100.24

Source: EFlorida.com reporting: [University of Florida; Bureau of Economic & Business Research](#)

Key West Housing Profile (2008 – 2012 Five-Year Estimate)

	<u>Key West</u>	<u>Monroe County</u>
Total Housing Units:	17,735	52,827
Occupied Housing Units:	11,739 (66.2%)	29,241 (55.4%)
Average Number of Rooms:	4.1	4.4
Average Number of Vehicles:	1.9	2.0
Median Household Income:	\$52,660	\$53,418
<u>Owner Occupied Housing Units:</u>	5,869	17,696
Percent of Occupied Units:	50%	61%
Average Number of Household Members:	2.58	2.34
Median Value Occupied Unit:	\$432,600	\$357,200
Median Monthly Housing Cost with Mortgage:	\$2,584	\$2,084
<u>Renter Occupied Housing Units:</u>	5,870	11,545
Percent of Occupied Units:	50%	39%
Average Number of Household Members:	2.71	2.72
Median Monthly Housing Cost	\$1,409	\$1,390

Source: U.S. Census Bureau; American Fact Finder; CTRsearch.com

Key West Median Property Sales (The median value represents that value at which one-half of the unit sales are above and one-half of the unit sales are below the value.)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Key West Single Family Home:	\$532,000	\$425,000	\$420,000	\$375,000
Key West Condominium:	\$375,000	\$330,000	\$325,000	\$316,000

Source: Monroe County Property Appraiser, Qualified Sales (not including short sales and bank sales)

Key West Business Licenses

(as of May 2014)

<u>Number of Lodging Licenses</u>	<u>Number of Licenses</u>	<u>Units</u>
Hotels	25	2,307
Motels	26	1,531
Bed and Breakfasts	47	453
Transient Multi-Unit Complexes	127	1,073
Sub-Total Lodging (without vacation rentals)	225	5,364
Vacation Rentals	262	843
Grand Total Lodging	487	6,207
<u>Other Licenses</u>	<u>Number of Licenses</u>	
Retail:	738	
Motorized Rentals (Autos, Scooters, and Jet Skis):	60	
Non-Motorized Rentals (Bikes, Kayaks, and Paddleboards):	71	
Charter Boats:	192	
Food Services:	311	

Source: City of Key West; Florida Dept. of Business & Professional Regulation

Monroe County Employees by Industry for 2012:

(last updated May 5, 2014)

<u>Industry</u>	<u>Number of Jobs</u>	<u>Percentage of Total</u>
Forestry, Fishing and Related Activities	(D) ¹	(D) ¹
Mining	(D) ¹	(D) ¹
Utilities	(D) ¹	(D) ¹
Construction	3,161	5.44%
Manufacturing	392	0.67%
Wholesale Trade	(D) ¹	(D) ¹
Retail Trade	6,364	10.95%
Transportation and Warehousing	1,927	3.32%
Information	611	1.05%
Finance and Insurance	1,989	3.42%
Real Estate and Rental and Leasing	5,515	9.49%
Professional, Scientific, and Technical Services	2,866	4.93%
Management of Companies and Enterprises	486	0.84%
Administrative and Waste Management Services	3,102	5.34%
Educational Services	673	1.16%
Health Care and Social Assistance	3,052	5.25%
Arts, Entertainment, and Recreation	2,499	4.30%
Accommodation and Food Service	12,224	21.04%
Other Services, except Public Administration	486	0.84%
 Total Private Non-Farm Employment (Farm Employment in Monroe County is Zero.)	 50,853	 87.52%
 Federal, Civilian Workers	 1,248	 2.15%
Military	1,495	2.57%
Local Government	3,887	6.69%
State Government	622	1.07%
 Total Government and Government Enterprises	 7,252	 12.48%
 Total Employment in Monroe County:	 <u>58,105</u>	 <u>100.00%</u>

Source: [U. S. Department of Commerce, Bureau of Economic Analysis](#)¹(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the total.

Key West Schools, Worship, Shopping, & Activities**Schools**

Public Elementary:	2
Elementary Parochial:	2
Public Elementary & Middle School:	1
Public High School:	1
Charter Schools:	3
Key West City Enrollment in the Monroe County School District: (October 2013)	3,954

Places of Worship

Churches:	38
Synagogues:	2

Shopping & Activities

Large Grocery Stores:	5
Public Beaches:	5
Movie Theaters:	2
Dramatic Theaters:	3
Hospitals:	1
Colleges:	3
Public Parks:	7
State Park:	1
National Park	1
Playing Fields:	9
Stadium:	1
Airport:	1
Restaurants:	269
Museums:	15
Art Galleries	52

Sources: [Wikipedia](#); [WhitePages](#); [City-Data.com](#) (05/2014)

Key West Climate

Due to the proximity of the Gulf Stream in the Straits of Florida, and the tempering effects of the Gulf of Mexico, Key West has a notably mild, tropical-maritime climate.

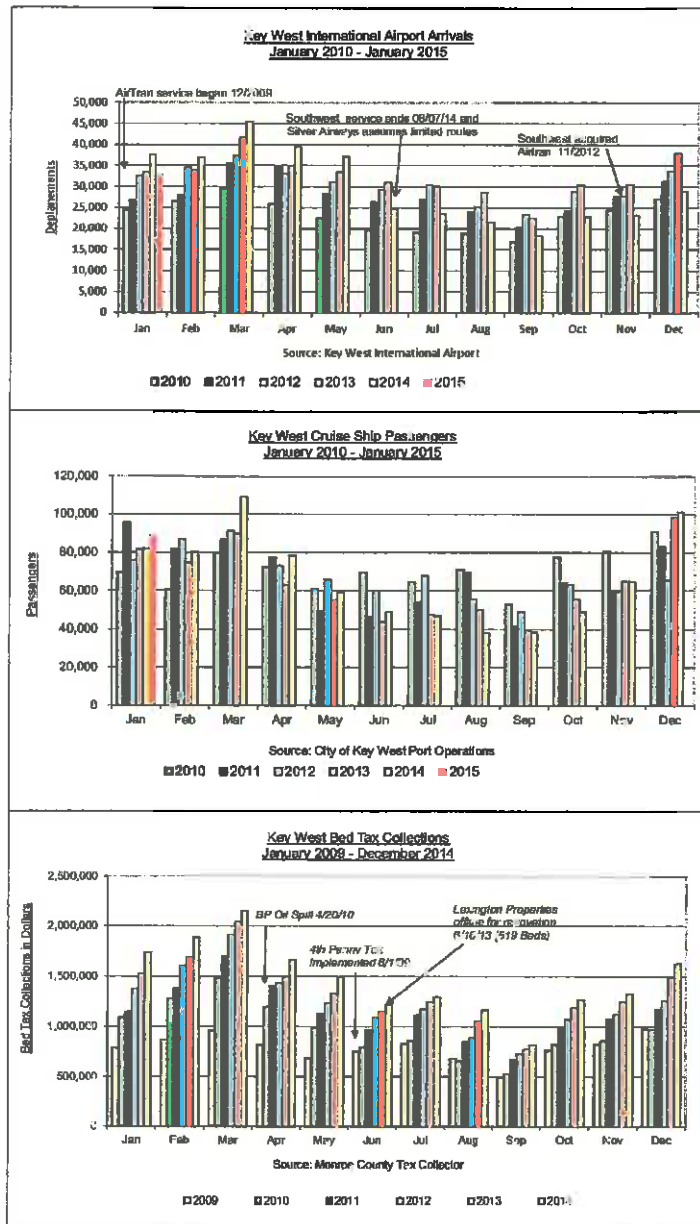
Daily temperature variations throughout the year range about 10 degrees. Winter cold fronts tend to be modified by the warm water as they move in from the north, keeping monthly average temperatures typically only 15 degrees lower in the winter than during the summer. There is still no record of frost, ice, sleet, or snow in ever occurring in Key West, but ice has been reported in the Upper Keys.

December through April, referred to as the dry season, receives roughly 25 percent of the annual rainfall, usually ahead of cold fronts. June through October is considered the wet season, receiving approximately 60 percent of the yearly total in showers and thunderstorms.

	<u>Average High</u>	<u>Average Low</u>	<u>Mean</u>	<u>Average Precipitation (inches)</u>	<u>Record High (1873–2014)</u>	<u>Record Low (1873–2014)</u>
<u>January</u>	75°F	65°F	70°F	2.22	90°F (1877)	41°F (1981)
<u>February</u>	76°F	66°F	71°F	1.51	87°F (1874)	44°F (1917)
<u>March</u>	79°F	69°F	74°F	1.86	89°F (1874)	47°F (1986)
<u>April</u>	82°F	72°F	77°F	2.06	91°F (1881)	48°F (1987)
<u>May</u>	85°F	76°F	81°F	3.48	93°F (1881)	63°F (1877)
<u>June</u>	88°F	79°F	83°F	4.57	96°F (1881)	65°F (1932)
<u>July</u>	89°F	80°F	85°F	3.27	97°F (1880)	68°F (1888)
<u>August</u>	90°F	79°F	84°F	5.40	97°F (1956)	68°F (1913)
<u>September</u>	88°F	79°F	83°F	5.45	95°F (1956)	69°F (1985)
<u>October</u>	85°F	76°F	80°F	4.34	93°F (1962)	59°F (1910)
<u>November</u>	81°F	72°F	76°F	2.64	91°F (1876)	49°F (1959)
<u>December</u>	77°F	67°F	72°F	2.14	88°F (1876)	44°F (1989)

(All-time records in bold)

Source: [NOAA, National Weather Service](#)



Passenger arrivals to Key West International Airport in January 2015 totaled 32,909. This is a decrease of 12.6% when compared to January of 2014.

2014 saw increases from all airlines as Southwest service ended in June. American's totals were up 7%, Silver's totals were up 20%, Delta's totals were up 8%, and US Air's totals were up 8% over 2013. Excluding Southwest from the comparison, the remaining aggregate passenger arrivals are up 7.5% over 2013 totals. And remember, while Cape Air service ended in November 2013, they had arrivals of 7,400 or 2% of the 2013 totals for the Key West airport.

A total of 88,918 cruise ship passengers disembarked in Key West during January 2015. This was 8.5% higher than January of 2014, which saw 81,986 passengers disembark.

2014 saw a total of 336 ships in port, an 8% overall increase. However, not every month saw an increase and we continue to see shifts in the yearly pattern from one month to the next; even though our seasons can still generally be seen in the monthly pattern throughout the year.

The cruise ship schedule for the next three months is shown below:

	Number of Ships	
	2014	2015
March	47	48
April	32	34
May	24	12

Reported Bed Tax Collections for Key West were \$1,628,408 for December 2014, an increase of 9.5% compared to December 2013.

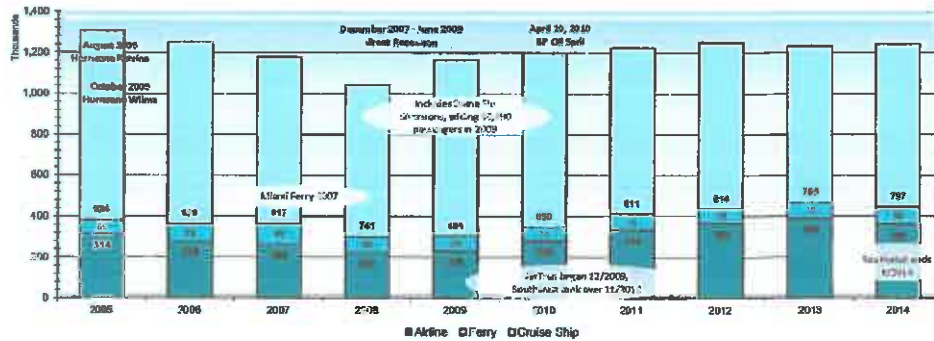
According to Smith Travel, December 2014 occupancy was 84.7%, a 0.9 percentage point decrease from the December 2013 occupancy rate of 85.6%.

The Average Daily Rate (ADR) was reported at \$312.32 for December 2014, an increase of 8.3% from the ADR of \$288.34 posted for December 2013. This ADR of \$312.32 is the highest recorded for the month of December. This continues the record of 59 months where the ADR has been higher than the previous year. In fact, the last 45 months are all-time records for each month.

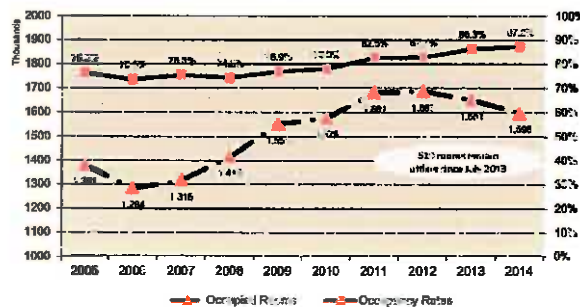
2014 Tourism in Review

Key West Visitor Arrivals
Passenger Volume in Thousands

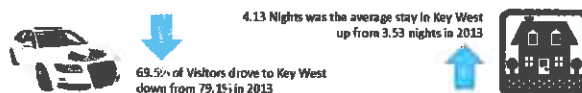
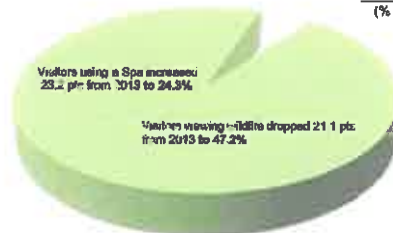
Source: City of Key West Port Control and Harbor Dept. Key West International Airport

Key West Occupancy Rates & Room Nights
("Available Rooms" x "Occupancy Rates" x "Nights in the Period")

Source: Lender. Calculated Based upon Smith Travel Research & TDC Statistics

Highlights from 2014 TDC Visitor Profile Survey
(688 Key West Visitors during January - June)

Source: City of Monroe County Tourist Development Council

Activities while in Key West:
(% of visitors taking part in)

Cruise Ship passenger arrivals introduced 796,960 visitors in 2014. There were 336 ships that docked in Key West during 2014, an increase of 25 vessels from the 311 that docked in 2013. Last year reversed the slow downward trend in the number of ships and passengers visiting Key West. However, a downward trend is likely to continue as the cruise industry phases out smaller ships in the coming years and Key West cannot accommodate the larger cruise ships due to channel restrictions.

Ferry passenger arrivals introduced 85,973 arriving passengers, an increase of 9.7% compared to 2013. The whale's share of the volume comes from Fort Myers, as both Fort Myers and Marco Island are ferry departure points for Key West. Marco Island is served as a seasonal route, December through April.

Airline passenger arrivals introduced 360,168 visitors in 2014, a decrease of 23.8% compared to 2013. From 2005 thru 2008, arrivals at Key West had been declining at a compound annual rate of almost 11%. At the same time the estimate of Key West overnight visitors by the TDC had been increasing at a 2.1% rate indicating that more visitors were driving into Key West, either from their homes or from airports in Miami and Ft. Lauderdale.

Overnight visitors stayed a projected 1.6 million nights in Key West during 2014 (as measured by room nights rented). While the number of rooms available within Key West has suffered by significant number of properties being renovated starting in 2013, occupancy rates have continued to rise. Highest occupancy rate in 2014 was 94.0% in February.

The Tourism Development Council surveys visitors throughout the year, revealing shifts in travel demographics, patterns and interests. Even with higher room rates, people are staying longer and patronizing what our city has to offer.

Site and Area Analysis:

The subject property consists of 3,190 square foot rectangular shaped site. The subject property is located approximately four blocks southeasterly from Mallory Square, a major tourist destination and attraction area. Furthermore, the subject property is only one-half blocks westerly from Duval Street, the main thoroughfare and shopping district in "Old Town" Key West. A parcel's location and access are very important for commercial development. The subject has good access and exposure. In addition, the subject property includes two off-street parking spaces, which is not common in downtown Key West.

The subject site does contain the essential elements: location, situs, existing and miscellaneous site improvements, exposure, access, and potential for rapid growth, due to its strategic location near Duval Street.

In addition, the subject property is located across the street from the Key West Post Office and across the street from the Key West Courthouse.

General Economic Conditions:

The Florida Keys and specifically Key West have flourished over the past three decades with tourism developing as the County's primary economic base. The County has had tremendous success with its advertising efforts and attraction of tourists of all Nationalities. Hotels and motel facilities in Monroe County have flourished over this time period. As a result of the very active hurricane seasons of 2004 and 2005, coupled with the national recession the local market experienced an economic decline. However, during the past two years, 2013 and 2014, the (TDC) Tourist Development Council's, records indicate that this "season" has shifted and expanded to be one of the best periods since the decline of 2005 in the hospitality industry. A large portion of this shift has resulted from the marketing efforts of the Tourist Development Council and additional annual events, as well as the deflated U.S. dollar abroad, stimulating travel within the United States.

Development within Key West had been very heated until 2007 with many condominium conversion projects, rejuvenation of older properties and ongoing speculative development. The renovations, improvements and demand for properties within the area had been steady; however, because of the national slow down in the housing market and recession, it appears that supply exceeded the demand. However, according to Mr. Claude Gardner, a local commercial Realtor, the commercial rental market appeared to bottomed out since mid to late 2011 and indicates a turnaround of the local economy. During the past year, 2013 and year-to-date 2014 many of commercial vacancies have been absorbed. Recent commercial real estate activity includes signed rental agreements for several large retail spaces, as well as large rental units in traditional strip center shopping centers along North Roosevelt Boulevard have been leased. New tenants are quickly absorbing any vacancies on Duval Street. CVS has recently opened a new location on Duval Street and The Gap is coming soon.

Prior to the real estate slump, the market steadily absorbed new space. Based on the general economic environment, it is our opinion that increasing real estate values for commercial and residential properties will continue after stabilizing, but at a reduced rate, spurred by supply and demand forces within the City

of Key West, which is 98 percent built-out. Tourism, the economic base of Key West and the Florida Keys, has experienced steady growth over the last three decades with recent declines observed due to the national economic conditions. However, stabilization began in 2011 with a rebound noted in 2012 through year-end 2014.

Conclusion:

The market area indicates stable economic conditions within the City of Key West generally catering to tourists and second home dwellers. The climate and atmosphere of the City are conducive to such. The success of the advertising efforts by the Monroe County Tourist Development council is reflected in the County's above average occupancy rates and average daily room rates as compared to the State of Florida with recent surveys indicating that the average vacationer in the Florida Keys had an average family income in excess of \$60,000.

My conclusion is that the subject property is located in the downtown, "Old Town" Historic Preservation District, which is stabilizing to steady growth after four years of dramatic declines. The surrounding structures, with very few exceptions, are generally well-maintained with many remodeled and rehabilitated properties in the neighborhood.

Survey of Market Participants:

The appraisers interviewed or obtained information from the following market participants including Claude J. Gardner Jr., (Prudential Knight & Gardner Realty), Curtis A. Skomp, CCIM, (RE/Max), Marilyn Wilbarger, Senior Property Manager for the City of Key West, and Mr. Benjamin McPherson, Treasurer Historic Tours of America. Other commercial Realtors, real estate investors, tenants and landlords, were also contacted in my research.

The following average daily two-way traffic data was provided by the State of Florida Department of Transportation:

AVERAGE DAILY TRAFFIC COUNTS

<u>Average Daily Traffic Count (Both Directions)</u>														
D.O.T														
Station	Location	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
5004	US-1/Truman Ave., 200' W. First St.	21,500	22,500	22,500	21,000	18,600	13,700	18,100	18,500	19,600	22,000	20,500	19,500	19,600
5008	SR-5/US-1/Truman Ave., 200' W. White St.	17,000	14,500	14,000	14,300	14,000	14,800	16,800	15,200	16,800	17,700	14,700	13,600	14,700
5011	SR-5/US-1/Truman Ave., 200' E. Duval St.	12,000	8,800	9,000	10,400	8,200	7,600	8,600	8,600	9,300	9,700	9,000	8,100	8,500

MARKETING TIME

Based on sales of comparable commercial property in the subject's market area, We estimated 6 to 12 month marketing time if listed within 5.0 percent of the appraised value. The marketing time estimate

is based on interviews of real estate agents and market time information for the comparable property. This marketing time could be negatively affected by competition from similar facilities. However, similar commercial properties are very marketable due to their desirable locations and the built-up status of the area.

EXPOSURE TIME

Exposure time considers the amount of time necessary to effect a sale of the subject property on the valuation date. In the case at hand, it is my opinion that the exposure time would be equal to the marketing time, based on a listing price within 5.0% of the appraised value.

OWNERSHIP

According to the Monroe County Tax Collector's Records, the subject property is owned by:

Rodel Charitable Foundation - Florida LLC
P.O. Box 4014
Key West, Florida 33041-4014

SALES HISTORY

According to the Monroe County Property Appraiser's records, there have been no sales of the subject property during the last three years. The most recent sale included the following terms.

Sales History for Subject Property						
Description	Sale Date	O.R. Book	O.R. Page	Grantor	Grantee	Sales Price
Subject Property	10/10/2003	1942	801	William E. Andersen	Rodel Charitable Foundation Florida LLC	\$1,150,000

The subject property is listed within the Local Board of Realtors, Multiple Listing Service, for \$995,000. A Commercial Contract for Sale and Purchase was provided to the appraisers. The Grantor/Seller, Rodel Charitable Foundation, Florida LLC, agrees to sell the subject property to Assaf Azoulay, assignable to an entity to be formed, for a sale price of \$850,000.

The following listings were found within the Local Board of Realtors, Multiple Listing Service:

Active Listing of Commercial Office/Retail Properties									
MLS Number	Property Address	List Price	Sq.Ft./GBA	Land Sq.Ft.	\$/SF GBA	\$/SF Land	Days On Market	Status	Comments
119434	1007 Truman Avenue	\$825,000	4,715	2,948	\$175	\$280	358	Active	2-Story Wood Frame Mixed-Use Property with two commercial storefronts and 4 nontransient units
119723	509 Whitehead St.	\$1,399,000	3,152	4,600	\$444	\$304	372	Active	Wood Frame Mixed-Use Building, with two offices on first level and two non-transient residential units
119172	524 Front Street	\$3,250,000	9,665	7,836	\$336	\$415	372	Active	CBS/masonry Retail Store Downstairs, Two 1-Bedroom Apartments Upstairs, Formerly the Pirat Soul Museum
					Mean	\$318	\$333	367	
					Median	\$336	\$304	372	
					Minimum	\$175	\$280	358	
					Maximum	\$444	\$415	372	

ZONING

The current zoning district for the subject property is HRO, Historical Residential/Office District.

The historic residential/office district (HRO) is established to implement comprehensive plan policies for areas designated "HRO" on the future land use map. The HRO district shall accommodate business and professional offices as well as single-family, duplex, and multiple-family residential structures within the historic Old Town. Customary accessory uses and community facilities may also be located within the HRO district. The HRO district shall not accommodate transient lodging or guesthouses. However, existing legal transient residential uses of record shall be considered as "grand-fathered" uses and may continue to exist so long as all conditions of approval are satisfied. In addition, the HRO district shall expressly exclude commercial retail, warehousing, and outside storage. In order to manage the impacts of future development on transportation and public facilities, the city shall limit the intensity of development within the HRO district to activities generating no more than 50 trips per 1,000 square feet of gross leasable floor area per day.

The subject project is presently grand-fathered according to minimum setbacks, lot depth, maximum lot coverage and floor area ratios, it is a legal, non-conforming use.

REAL ESTATE TAX AND ASSESSMENT

<u>Real Estate Assessment & Taxes</u>								
Parcel No. 00009920-000200 - Alternate Key 8929420								
Year	Land	Building Imprv.	Misc. Imprv.	Total Assessment	Real Estate Tax Burden	Stormwater Tax Burden	Total Tax Burden	Tax Millage
2013	\$513,270	\$337,117	\$13,276	\$863,663	\$9,098.25	\$94.82	\$9,193.07	10.5345
2014	\$535,737	\$344,531	\$12,937	\$893,205	\$9,284.33	\$96.24	\$9,380.57	10.3944

According to the Tax Collector's office, there appear to be no outstanding delinquent taxes on the subject property. However, a title search was not made for the subject property.

Based on the 2014 millage rate of \$10.3944 per \$1,000 of the subject's 2014 assessed value is \$893,205, while the indicated tax burden for this subject property is \$9,284.33. However, there is also an additional non-ad valorem annual assessment of \$96.24 for Key West Storm Water. Therefore, the total 2014 tax burden is \$9,380.57. The subject property's total tax assessment for 2014 of \$893,205 is approximately 102% of our final market value of the fee simple estate opinion herein. Therefore, a tax appeal does not appear to be feasible at this time. A copy of the Monroe County Tax Collector's 2014 Tax Information sheet is included in the Addendum section of this report.

DESCRIPTION OF THE SUBJECT PROPERTY

Site Analysis: According to the survey, performed by Norby & O'Flynn Surveying, Inc., dated October 9, 2003, the subject building is situated on a rectangular parcel containing 3,190 square feet with 50.0 linear feet along the easterly side of Whitehead Street and 63.8 linear feet of frontage along the southerly side of Fleming Street. The site dimensions were taken from the survey, Monroe County Tax Appraiser's records and plat maps.

Site Area for 501 Whitehead Street: 3,190 square feet

Building dimensions were taken from the survey, plus measurements taken on-site by the appraiser. No responsibility is taken for the accuracy or questions concerning boundaries, encumbrances, or encroachments. We reserve the right to change the final indicated values herein, if any discrepancies are noted in an updated survey and identification of unapparent easements and/or encroachments onto the subject property or an alteration in site or building areas. The survey indicates that the subject property building encroaches 0.9 feet over the sidewalk. In addition, it appears that the attached awnings on the easterly side and northerly side encroach over the City of Key West sidewalk, 23.3 feet and 3.5 feet, respectively. Furthermore, the awning encroaches over the City of Key West sidewalk 2.0 feet. The survey also indicates that a cistern located on the southeasterly side of the lot, encroaches 0.6 inches over the

adjacent parcel. These types of encroachments are not uncommon within the downtown area of the City of Key West. No easements were note at this time.

Flood Zone: The site is located in Flood Area, Zone X, areas determined to be outside the 500-year flood plain, as defined by the Federal Emergency Management Agency, Flood Insurance Rate Maps of Monroe County, Florida, City of Key West, Map Number 12087C 1516K, dated February 18, 2005. Monroe County participates in a National Flood Insurance Program and is covered by a regular program. If the subject was destroyed more than 49.9 percent of its improvement value, it would probably be allowed to be reconstructed at the same grade by FEMA (Federal Emergency Management Agency) due to its location in Zone X.

Utilities:

Municipal services available and currently serving the property include electricity, water and sanitary sewer. Additional utility services including: telephone, cable or satellite television and LP bottled gas are available with the private sector. All utilities appeared to be adequate and typical for the area and use. The electrical and plumbing systems in the structures appeared to be average condition.

Improvement Analysis: The subject property is improved with a two-story wood frame office use structure. The improvements consist of 2,691 square feet of gross building area, plus 408 square feet of covered porch and balcony. According to the Monroe County Tax Appraiser's records, the structure was built in 1908. The first level contains four offices, a conference room, kitchen and a two-fixture restroom. The second level contains four private offices, a two-fixture restroom and a reception area. The subject's unit mix is as follows:

Building Description				
501 Whithead Street, Key West, Florida 33040				
Key West, Florida				
Floor Level	Use / Type	Type Construction	Size Sq. Ft.	Year Built
First	Office	Wood Frame	1,345	1908
Second	Office	Wood Frame	1,345	1908
Total Gross Building Area:			2,690	

Building area calculations, floor layouts, and photographs are detailed with the Addenda Section of this report. A construction summary of the building improvements follows:

Building Structure: Two Story Wood Frame Structure

Foundation and Floors: Concrete Footer Foundation with Wood Joist Floor structure on each level.

Exterior Walls:	Painted, horizontal wood lapsiding The windows are wood sash. The doors are wood with some doors containing glass panes.	
Roof Structure/Cover:	Modified Gabled Roof Structure with wood truss system and Victorian metal shingle cover.	
Interior Finish:	The structure contains hardwood flooring throughout. The interior stairway leading to the second level is hardwood. The walls and ceilings are a combination painted drywall finish and painted tongue and groove.	
Electrical Service:	Electrical Service Appeared to be Adequate for Use	
Air Conditioning:	Central air conditioning with ceiling fans which provide further ventilation. The rear first floor office contains a ductless cooling system. Heating is not necessary in the Florida Keys due to the year-round tropical climate.	
Plumbing:	First Floor: One, Two-Fixture Restroom and One, Three-fixture Restroom Second Floor: One, Two-fixture Restroom	
Construction Quality:	Good	
Improvement Condition:	Good	
Building Age:	Actual Age:	107 Years
	Effective Age:	25 Years
	Economic Life:	55 Years
	Remaining	
	Economic Life:	30 Years
Amenities:	Site improvements include an estimated 605 square feet of brick patio, 408 square feet of covered porch and balcony, swimming pool, fencing and parking for approximately two cars.	
Fixtures & Equipment:	The market value does not include any personal property in this valuation.	

Environmental

Conditions:

An environmental screening or audit of the subject property was not made available to the appraiser. Upon inspection of the property, no visible signs of environmentally hazardous materials were noted. We are not aware of any environmental hazards on the property.

ADA Compliance:

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific survey or analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA in estimating the value of the property has not been considered.

Lot Coverage Ratio:

The subject's lot coverage ratio is calculated by dividing the first floor building footprint, plus covered porches by the land size. Therefore, the subject's lot coverage ratio is 47.5% (1,515 s.f./3,190 s.f.). This ratio is within the permissible lot coverage of 50.0% in the HRO zoning district.

Floor Area Ratio:

The subject's floor area ratio (FAR) is calculated by dividing the total gross building area for the complex by the land size. The subject's floor area ratio is 0.84:1 (2,691 s.f./3,190 s.f.). The maximum floor area ratio permissible within the HRO district is 1:1; therefore, the subject's FAR ratio is within the permissible maximum ratio.

According to the definition as stated in The Appraisal of Real Estate, circa 2010, by the Appraisal Institute, Highest and Best Use is defined as:

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

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value.

The definition immediately above applies specifically to the Highest and Best Use of the land. It is to be recognized that in cases where a site has existing improvements on it, the Highest and Best Use may very well be determined to be different from the existing use. The existing use will continue, however,

unless and until land value in its Highest and Best Use exceeds the total value of the property in its existing use.

Four stages are included in the analysis of Highest and Best Use:

Possible Use: determines the physically possible uses for the subject site.

Permissible Use: determines which uses are legally permitted for the subject site.

Feasible Use: determines which possible and permissible uses will produce a net return to the subject site.

Most Profitable Use: determines which use, among the feasible uses, is the most profitable use of the subject site.

The Highest and Best Use of the land as if vacant and available for use may be different from the Highest and Best Use of the improved property. This is true when the improvements do not constitute an appropriate use. The existing use will continue unless and until land value in its Highest and Best Use exceeds the sum value of the entire property in its existing use and the cost to remove the improvements.

The Highest and Best Use analysis determines what the premise of use should be. A Highest and Best Use analysis consists of considering the Highest and Best Use of a property under two assumptions: (1) with a vacant and available site and (2) with the property as improved. These two assumptions on Highest and Best Use are correlated into one final estimate of Highest and Best Use.

AS VACANT AND AVAILABLE

The first major aspect of the Highest and Best Use analysis is considering the property as if it were vacant and available for development. This assumption is made to determine whether the land alone is worth more than the existing property "as is", to determine whether the site is presently under-utilized.

Possible Use - The physical aspects of the land impose the first constraints on any possible use of the property. The appraised parcel is a rectangularly-shaped parcel containing 3,190 square feet with 50.0 linear feet along the easterly side of Whitehead Street and 63.8 linear feet of frontage along the southerly side of Fleming Street.

Permissible Use - The subject site is within the HRO, Historic Residential/Office zoning district. There are no known easements that would adversely affect the development or marketability of the subject parcel. Under the HRO zoning classification, a variety of uses, including business and professional

office. The subject property would lend itself to commercial office or medical services, if vacant and available for development.

Sec. 122-926. - Intent.

The historic residential/office district (HRO) is established to implement comprehensive plan policies for areas designated "HRO" on the future land use map. The HRO district shall accommodate business and professional offices as well as residential structures. Cultural and civic activities are allowed anywhere in the district and those same uses with accessory/associated commercial sales are allowed on Whitehead Street between Greene Street and Southard Street. Customary accessory uses and community facilities may also be located within the HRO district. The HRO district shall not accommodate new transient lodging or guesthouses. In addition, the HRO district shall expressly exclude general retail sales, warehousing, and outdoor storage. In order to manage the impacts of future development on transportation and public facilities, the city shall limit the intensity of development within the HRO district to activities generating no more than 50 trips per 1,000 square feet of gross leasable floor area per day.

(Ord. No. 97-10, § 1(2-5.5.6(A)), 7-3-1997; Ord. No. 12-02, § 1, 2-7-2012)

Sec. 122-927. - Uses permitted.

Uses permitted in the historic residential/office district (HRO) are as follows:

- (1) Single-family and two-family residential dwellings.
- (2) Group homes with less than or equal to six residents as provided in section 122-1246
- (3) Multiple-family residential dwellings.
- (4) Places of worship.
- (5) Business and professional offices.
- (6) Parking lots and facilities.
- (7) Medical services.
- (8) Veterinary medical services, without outside kennels.

(Ord. No. 97-10, § 1(2-5.5.6(B)), 7-3-1997)

Sec. 122-928. - Conditional uses.

Conditional uses in the historic residential/office district (HRO) are as follows:

- (1) Group homes with seven to 14 residents as provided in section 122-1246
- (2) Cultural and civic activities with or without associated/accessory commercial sales on Whitehead Street from Greene Street to Southard Street.
- (3) Community center, clubs and lodges.
- (4) Educational institutions and day care.
- (5) Nursing homes, rest and convalescent homes.
- (6) Parks and recreation, active and passive.
- (7) Protective services.
- (8) Public and private utilities.
- (9) Funeral homes.

(Ord. No. 97-10, § 1(2-5.5.6(C)), 7-3-1997; Ord. No. 12-02, § 2, 2-7-2012)

Sec. 122-929. - Prohibited uses.

In the historic residential/office district (HRO), all uses not specifically or provisionally provided for in this division are prohibited.

(Ord. No. 97-10, § 1(2-5.5.6(D)), 7-3-1997)

Sec. 122-930. - Dimensional requirements.

The dimensional requirements in the historic residential/office district (HRO) are as follows; however, construction may be limited by proportion, scale and mass considerations as expressed through the historic architectural review commission design guidelines:

- (1) Maximum density: 16 dwelling units per acre (16 du/acre).

(2) Maximum floor area ratio: 1.0. Refer to section 122-926 for additional restrictions that regulate the square footage of gross leasable floor area based on trip generation within the HRO districts.

(3) Maximum height: 30 feet.

(4) Maximum lot coverage:

a. Maximum building coverage: 50 percent.

b. Impervious surface ratio: 60 percent.

(5) Minimum lot size: 5,000 square feet.

a. Minimum lot width: 50 feet.

b. Minimum lot depth: 100 feet.

(6) Minimum setbacks:

a. Front: 5 feet.

b. Side: 5 feet.

c. Rear: 10 feet.

d. Street side: 5 feet.

(Ord. No. 97-10, § 1(2-5.5.6(E)), 7-3-1997; Ord. No. 10-04, § 14, 1-5-2010)

The appraiser has referenced some building criteria above. For further details, the reader is referred to the City of Key West Building Department or the Land Development Regulations for the City of Key West.

Feasible Use - Vacant land in this zoning district is in great demand with appreciating values, as this section of the city is approximately 98% built-up. The general uses in the subject's area consist of: hotels, retail shops, boutiques, professional offices, tourist-oriented businesses and attractions, restaurants, beauty salons, motels, guesthouses, apartments, and single and multi-family residential dwellings. The current HRO zoning regulations require a minimum lot size of 5,000 square feet with a minimum lot width of 50.0 feet and a minimum lot depth of 100.0 feet. The subject site does not meet these criteria. It is the appraisers' opinion that development of the site for commercial office use would be feasible and would provide a positive net return to the land under the current zoning regulations.

Most Profitable Use - In the final analysis, a determination must be made as to which feasible use is the Highest and Best Use of the parcel as if vacant. Based on the current zoning, coupled with the limited number of potential sites in the subject's area, our opinion is that if the site were vacant and available, the Highest and Best Use would be for commercial office use.

AS PRESENTLY IMPROVED

The appraised property is improved with a two-story, rectangular-shaped wood-frame commercial office use building. The building contains 2,691 square feet of gross building area. The existing improvements upon the subject site make a substantial contribution to the total property in excess of the value of the site due to its being maximally developed and its prime location. Therefore, no alternative legal use would economically justify removal of the existing improvements. The subject improvements are legal, nonconforming uses, which have been grandfathered with respect to minimum lot size, depth and minimum setback requirements, the subject improvements could not be duplicated under current zoning and building regulations; thus, they should be preserved.

CONCLUSION OF HIGHEST AND BEST USE

Based on the preceding analysis of the "As Is" Market Value of the subject site as if it were vacant and available for development and also as improved, it is our opinion that the Highest and Best Use is as improved as a commercial office use. The subject site is maximally developed as it exceeds permissible setbacks, and does not meet minimum depth and lot size requirements. Based on current zoning, the subject's improvements would be impossible to duplicate.

SCOPE OF WORK

APPRAISAL DEVELOPMENT AND REPORTING PROCESS

There are three typical approaches to value to consider in each appraisal assignment. The three traditional approaches to value are the Cost Approach, the Sales Comparison Approach and the Income (Direct Capitalization and/or Discounted Cash Flow) Approach. The three approaches to value are not always applicable to the assignment; however, the three approaches to value are always considered.

In preparing this appraisal, the appraiser performed a walk through and site visit the subject site and both the exterior and interior of the improvements. Information on comparable improved sales and rentals and expenses was gathered, confirmed, and analyzed. Multi-tenant commercial use properties are typically purchased for their income producing ability. The Sales Comparison and Income Approaches were considered. The Cost Approach consists of combining the estimated value of the land, based on comparable sales, with the depreciated value of the improvements. A purchaser would normally give little consideration to this value approach when his primary interest in the property is its income stream

and desirable rate of return on his equity. The two major exceptions might be in the case of a purchaser who is acquiring a property for his own use and occupancy, an owner-user property, or in valuing a special use property. In the case at hand, the subject consists of an older structure, which results in unreliable depreciation estimate. Furthermore, a reliable valuation of the subject site was not possible due to the lack of truly comparable recent land sales in the market area which is nearly fully developed within the same zoning district. This approach was considered, but not deemed applicable. However, per the client's request, the replacement cost new has been provided.

This appraisal report is a synopsis of the appraisers' analyses and conclusions. Supporting documentation is retained in the appraisers' file.

METHODOLOGY

Data from the market place relevant to each of the approaches is developed and analyzed to produce a value from each of the approaches. Items of both similarity and dissimilarity in comparable properties are analyzed and adjustments are made for the differences. The indicated values developed by the approaches are reconciled to produce the final estimate of value.

THE COST APPROACH

The Cost Approach is determined by taking the value of the land and adding to it the depreciated value of the present improvements. A separate land analysis is considered to determine the land value. This approach is based on the fact that a purchaser will not pay more for an existing property than the cost to reproduce it in a similar area, assuming that it could be reproduced without delay. There can be complications in applying this approach, because identifying sales of vacant land to develop a value indication for the subject property can be difficult. In this case, over 95% of the vacant land in Old Town, Key West has been developed with few vacant land sales, especially commercially zoned land sales. Furthermore, calculations of the depreciation of the subject property becomes difficult and unreliable due to the age of the structure. Therefore, the Cost Approach was considered but deemed as not applicable. However, per the client's request a replacement cost new of the subject building was included herein in the Addenda section of the report.

THE INCOME APPROACH

The Income Approach to value presumes that no prudent buyer will pay more for the subject property than the capitalized rental value attainable through ownership of the property. The buyer will only be willing to pay the present value of what he considers those future benefits to be. This approach is considered to be the strongest indicator of current fair market value when the property is purchased as an income-producing property having a reliable historical cashflow. In the case at hand, similar properties are typically purchased for their income production by owner/users or investors. Owner-users benefit from ownership as well as from the profits of the business. The subject property consists of a partially tenant-occupied professional office use property. However, the subject is not encumbered by any long term leases, it is an annual lease. The traditional Direct Capitalization Method was considered and utilized in valuing the subject property due to reliable income and expenses available for similar-use properties. Due to a reliable range of market rental rates, terms and expense data, we weighted the Income Approach moderately in the final indicated value for the subject property.

We valued the property subject to the potential rental income it can produce. In other words, the value estimate is of the Fee Simple Interest in the property (ownership position). Therefore, a one-year stabilized net income is estimated for the property based on the most comparable rental data available, and will be capitalized into value at a market extracted overall capitalization rate (OAR). This rate was estimated by using three methods: Band of Investment Method, Comparable Sales Analysis, and Debt-Coverage Ratio Technique.

In short, the Direct Capitalization Method utilizes the net annual operating income that the property is expected to produce. This estimated net income is capitalized, according to prevailing rates of return on similar property or investments of comparable risk, to indicate the price an investor would be justified in paying for ownership.

In analyzing the subject's potential rental income, we researched the contract rent and rental data for comparable properties in the market area in order to project market rents. The building is currently in good condition and has been well maintained.

This report contains the results of our investigation and analysis made in order to furnish an estimate of the "*As Is*" Market Value of the Fee Simple Interest of the subject property. The Fee Simple Interest is the unencumbered value of the subject property; basically, market rents and terms are considered with no regard to existing leases and terms. The subject is partially tenant-occupied, however, not encumbered by any long-term leases as it is an annual lease. As a result, the Fee Simple Interest has been reported herein. The reader is cautioned that a title search was *not* made; thus, no other encumbrances are considered herein.

The subject property contract rent is as follows:

Contract Rent for Subject Property								
Location	Use	GRA Rent	Base	Annual	Base Rent	Lease Start Date	Lease End Date	Lease Terms
			Monthly Rent	Rent Per SF				
501 Whitehead Street, Key West Second Floor Minus #4 on Ex. A	Office 2nd Floor	1,140	\$1,850	\$19.47	\$22,200	3/16/2014	3/31/2015	Gross

Contract Rent for Subject Property: Based Upon Option Renewal								
Location	Use	GRA Rent	Base	Annual	Base Rent	Lease Start Date	Lease End Date	Lease Terms
			Monthly Rent	Rent Per SF				
501 Whitehead Street, Key West Second Floor Minus #4 on Ex. A	Office 2nd Floor	1,140	\$2,000	\$21.05	\$24,000	4/1/2015	3/31/2016	Gross

The subject property is leased on gross terms, whereby, the landlord is responsible for the real estate taxes, insurance, maintenance, management and utilities, such as electric, water, sewer and trash. In addition, based on the market rental comparables, it appears that the subject property lease for the second floor is below market. The occupied area consists of the second floor, minus the southeasterly square shaped office.

Comparable rentals of similar uses were considered within the subject's market area in order to analyze the subject property contract rent and project market rents for the subject property. The rent comparables for offices are as follows.

Rent Comparables-Professional Offices							
Comp. No.	Location	Use	GRA** Sq.Ft.	Monthly Rent	Annual Base Rent	Base Rent NNN Per SF	Lease Terms
1	509 Whitehead Street, Unit A	Office	545	\$1,658	\$19,890	\$31.50	Triple Net*
2	509 Whitehead St, Unit B (Pending)	Office	866	\$2,608	\$31,290	\$31.13	Triple Net*
3	201 Front Street, Unit 103	Office	1,274	\$4,165	\$49,980	\$39.23	Triple Net
4	201 Front Street, Unit 101	Office	1,823	\$6,054	\$72,645	\$39.85	Triple Net
5	540 Truman Avenue	Med. Office	1,496	\$3,491	\$41,895	\$28.00	Triple Net
					Mean	\$33.94	
					Median	\$31.50	
					Minimum	\$28.00	
					Maximum	\$39.85	
*: Converted from Modified Gross							
**: Gross Rentable Area							

Most commercial office use properties within the subject's market area are leased on a triple net basis. On triple net terms, the landlord is typically responsible for property management and reserves for replacement, while the tenants are responsible for their pro-rata share of the real estate taxes, and common area maintenance (CAM), which included building insurance, maintenance and repairs, janitorial and any other common area related expenses.

The rental comparables summarized above indicate an overall range from \$28.00 to \$39.85 per square foot of rentable area with the mean and median at \$33.94 and \$31.50, respectively. Annual increases for Off-Duval Street properties are typically based upon the change in CPI to five percent, although three or four percent is the most common.

Market Rent (Fee Simple) Income Projections:

The potential current market rent for the subject unit was estimated as follows based on the previously detailed rent comparables with particular attention paid to the location and use of the space pertaining to the comparables and subject property. The subject property layout also lends itself to be utilized as two separate offices.

Potential Rent for Subject Property						
Location	Use	GRA Rent	Base Monthly Rent	Annual Rent Per SF	Base Rent	Lease Terms
501 Whitehead Street, Key West	Office	2,690	\$6,725	\$30.00	\$80,700	Triple Net

Vacancy and Collection Losses:

Vacancy & Collection losses include allowances for vacancy due to tenant turnover or loss of rents from a tenant who vacates the building or is late with payments. Typically, the market is experiencing a 3% to 10% vacancy and collection losses on commercial units. Due to the subject's good location and accessibility, we projected a vacancy and collection loss of 5% overall for the subject property.

The sum of Effective Rental Income from the commercial units is then adjusted for typical operating expenses detailed as follows.

Expense Analysis:

In each analysis, we considered the landlord's expenses for the property, which include real estate taxes, building hazard insurance, exterior building and common area maintenance, property management and reserves for replacement.

Real Estate Taxes: The subject property currently has a tax burden of \$9,284.33 or \$3.45 per square foot of gross building area. The current tax assessment of \$893,205 is about 102% of our final opinion of value. As a result, we utilized the actual 2014 total tax burden of \$9,284.33.

Building Insurance: This expense is for fire, windstorm and flood insurance for the building improvements. Typical insurance rates in the market area indicate \$1.00 to \$6.00 per square foot of building area for structures within the market. Since the subject is located in Zone X, outside of a flood

zone, flood insurance is not required. Based on reliable market data, we utilized \$4.50 per square foot of gross building area or \$12,105.

Building Repairs and Maintenance: This expense includes general maintenance and repairs for the subject property, plus utilities for the common area. This expense typically ranges from \$0.25 to \$1.50 per square foot of building area for smaller properties and up to \$15.00 per square foot for mall properties, which includes common air conditioning, restrooms and maintenance fees. The appraisers were not provided any historical data. Therefore, we projected a maintenance expense of \$4,037 or \$1.50 per square foot of gross building area based on the subject's overall good condition.

Property Management: This expense includes the collection of rents and actions necessary to keep the property in good condition and the owner informed, plus a minimal amount of office expenses, fees, and other nominal miscellaneous expenses. This expense is based on a percentage of Effective Gross Income. Typical management expenses range from 4.0 to 10.0 percent of Effective Gross Income for commercial units depending on the size of the building and the number of tenants. Due to the market demand and relatively low turnover, we projected 5% of the Effective Gross Rental Income in our model, which would include any office, advertising, licensing fees or expenses.

Reserves for Replacement include items which have a shorter economic life than the building. Estimated replacement costs were obtained from The Marshall & Swift Valuation Service, The Dodge Remodel & Repair Cost Book, published by Marshall & Swift Cost Service, and our knowledge of local construction costs. The economic (useful) lives of the items is estimated by their quality, durability and the amount of use (wear and tear) expected to be received. The following tables demonstrates reserve calculations.

Reserve Schedule Calculator				
Item Description	Economic Life	Estimated Cost	Sinking Fund Factor	Payment/Period
Roof Covering	30	\$16,600	0.0246	\$408
Central Air Conditioning	15	\$10,100	0.0578	\$584
Total				\$992
Interest Rate	2.00%			

Capitalization: Capitalization can be defined as a method of converting an income stream into a capital sum by dividing the net income of the future income stream by an overall rate (OAR) or capitalization rate. The result should be the indicated value of the total property or the income-producing package. The capitalization rate was determined by the Mortgage Equity Method, from capitalization rates derived from the market, and from Debt Coverage Analysis as detailed below.

Band of Investment Model or Mortgage Equity Method Assume a mortgage of 70% of the value, 5.00% interest with a 25-year term, the mortgage constant will be 0.0702, a down payment of 30% as equity, and an Equity Capitalization of 8.5%. A summary of the Band of Investment Method analysis is presented on following table.

Comparable Sales Analysis: An analysis of all types of office, overall or capitalization rates within the City of Key West indicated, the rates tend to be on the lower end which indicated a range of 7.2% to 9.9% with 8.6% as the mean and a median.

Debt Coverage Analysis: After analysis of current financing availability for similar properties with quoted rates ranging from 4.5% to 6.5% and loan-to-value ratios of from 70% to 80%, We estimated a 5.00% interest rate for the subject property with a loan-to-value at 70.0% and a mortgage constant of 0.0702. A debt coverage ratio of 1.50 was considered appropriate for the subject according to a survey of local commercial banks and supported by RealtyRates.com. Thus, an overall rate based on the debt coverage analysis was estimated. The following table presents the calculation. This method is considered a market-derived rate based on current available lending rates and terms for similar properties.

Reconciliation: The three methods utilized in estimating an OAR for the subject property indicate the following Overall Rates:

Development of Capitalization Rate			
Loan Ratio	70.0%		
Loan Term (Years)	25		
Loan Rate	5.00%		
Equity Capitalization Rate	8.50%		
<u>Band of Investment Method</u>			
<u>Capital Source</u>	<u>Portion</u>	<u>Rate</u>	<u>Cap Rate</u>
Mortgage Loan	70.00%	7.02%	4.91%
Equity Funds	30.00%	8.50%	2.55%
Overall Rate			7.46%
Overall Rate Via Band of Investment Method (Rounded):			7.50%
<u>Debt Coverage Analysis</u>			
Debt Coverage Ratio	1.50		
X Loan to Value Ratio	70.0%		
X Mortgage Constant	0.0702		
Overall Rate	7.37%		
Overall Rate Via Debt Coverage Analysis (Rounded):			7.40%
<u>Market Derived Capitalization Rates:</u>			
<u>Realty Rates .Com 1st Quarter 2015:</u>			<u>Local</u>
<u>All Offices</u>			<u>Mkt.</u>
	Low	4.88%	7.2%
	High	14.00%	9.9%
	Average	8.29%	8.6%
	Median	N/A	8.6%
Overall Rate Via Market Approach (Rounded):			8.00%
Reconciled Overall Rate:			8.00%

Income and Expense Summary: A projected income and expense statement is shown for the "As Is" valuation of the subject property as follows.

Stabilized Operating Income Statement			
FEE SIMPLE ESTATE			
Income:		Percent of E.G.I.	Dollars Per NRA
Potential Annual Commercial Rental Income:	\$80,700		\$30.00
<u>Less: Vacancy & Collection Loss (5%)</u>	<u>(\$4,035)</u>		
Effective Commercial Gross Income:	\$76,665		
Total Effective Income:	\$76,665		\$28.50
Reimbursement Expenses:			
Real Estate Taxes	\$9,284		
Hazard Insurance	\$12,105		
<u>Repairs and Maintenance</u>	<u>\$4,035</u>		
Total Reimbursable Income Before Adjustment	\$25,424		
<u>Less 5% Vacancy and Collection Allowance:</u>	<u>(\$1,271)</u>		
Effective Reimbursable Income	\$24,153		\$8.98
Total Operating Income:	\$100,818		\$37.48
Operating Expenses:			
Real Estate Taxes & Non-AdValorem	\$9,284	12.1%	\$3.45
Repairs and Maintenance	\$4,035	5.3%	\$1.50
Hazard Insurance	\$12,105	15.8%	\$4.50
Property Management Fee	\$3,067	4.0%	\$1.14
<u>Reserves</u>	<u>\$992</u>	<u>1.3%</u>	<u>\$0.37</u>
Total Expenses	\$29,483	38.5%	\$10.96
Net Operating Income:	\$71,335		\$26.52

Capitalization:

Capitalization can be defined as a method of converting an income stream into a capital sum by dividing the net income of the future income stream by an overall rate (OAR) or capitalization rate. The result should be the indicated value of the total property or the income-producing package. The O.A.R. by the Mortgage Equity Method was estimated at 7.5%. Based on market data we have estimated a 8.0% capitalization rate for the subject property via the Comparable Sales Method (Market Approach), based on recent sales of commercial use properties, and an overall rate based on the Debt Coverage Method was estimated at 7.4%.

An OAR of 8.00% has been estimated for the subject property by weighting the individual methods, according to reliability. The indicated value via Direct Capitalization is developed as follows:

Subject GBA:	2,691		
Subject Site Size (SF):	3,190		
Net Operating Income (NOI):	\$71,335	Value Per	Value Per
NOI Divided by Cap Rate:	8.00%	SF of GBA	SF of Land
Value Via the Income Approach:	\$891,688		
"As Is" Indicated Value - Fee Simple (Rounded):	\$890,000	\$330.73	\$279.00

"AS IS" VALUE OF THE FEE SIMPLE INTEREST FOR THE SUBJECT PROPERTY AS INDICATED BY THE INCOME APPROACH, AS OF APRIL 27, 2015

(Rounded) **\$ 890,000**

SALES COMPARISON APPROACH

This approach to value is based upon the principal of substitution; that is, when a property is placed in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming no costly delays in making the substitution. The Sales Comparison Approach bases its value indication on sales of other similar properties in the area. These sales are analyzed and compared to the subject property. From these comparable sales, the appraiser must extract meaningful "common denominators" to be applied to the subject building. Typically, the sales price per square foot of the building area (gross area and net rentable area), and the overall sale prices are the most common denominators used in estimating the value of the properties similar to the subject. Adjustments are made to the indicated sale prices for differences between the sale and the subject, when possible. The more similar the sale is to the subject property, the fewer required adjustments, and the better it serves as an indicator of value.

Market Analysis:

A thorough search was conducted for recent sales of similar commercial use properties. A survey of the market area resulted in eight sales, which were located within the subject's market area and similar in utility. Although the comparables were not truly identical to the subject property, the sales were considered a reliable representation of the subject's market area. The following chart summarizes relevant units of measure of the comparable sales:

Resume of Commercial Property Sales														
Sale No.	Alt. Key	Address	Sale Date	Sales Price	Adjusted Sales Price	Land SF	GBA SF	Loc.	Cond.	FAR	Adjusted \$/SF GBA	\$/SF Land	EGIM	OAR
1	8968037	333 Fleming Street	Pending	\$1,450,000	\$1,450,000	6,436	2,754	1.0	1.50	0.43	\$526.51	\$225.30	12.9	7.2%
2	1012939	631 Whitehead Street	07/25/14	\$1,200,000	\$1,200,000	9,514	3,750	1.0	0.00	0.39	\$320.00	\$126.13	N/A	N/A
3	1010278	529-531 Whitehead Street	07/21/14	\$455,000	\$455,000	2,393	1,489	1.0	0.00	0.62	\$305.57	\$190.14	N/A	N/A
4	1017451	801 Whitehead Street	12/31/13	\$446,127	\$446,127	1,159	1,494	1.0	0.00	1.29	\$298.61	\$384.92	N/A	N/A
5	1013684	323-325 Petronia Street	12/19/13	\$880,000	\$880,000	9,476	2,907	1.0	0.00	0.31	\$302.72	\$92.87	7.1	9.9%
Subj.	8929420	501 Whitehead Street	Pending	\$850,000	\$850,000	3,190	2,690	1.0	1.00	1.00	NA	NA	NA	NA
		Effective Date:	04/27/15	Mean	\$886,225	5,796	2,479			0.61	\$350.68	\$203.87	10.0	8.6%
		Appreciation/Depreciation	-10.0%	Median	\$880,000	6,436	2,754			0.43	\$305.57	\$190.14	10.0	8.6%
		Market Bottom:	12/31/11	Minimum	\$446,127	1,159	1,489			0.31	\$298.61	\$92.87	7.1	7.2%
				Maximum	\$1,450,000	9,514	3,750			1.29	\$526.51	\$384.92	12.9	9.9%
Cond: 0=Avg; 1=Good; 1.5=V. Good; 2=Exc														
Location: New Town=0, Old Town=1														

***Note** Each of the comparable sales was analyzed in order to make comparisons to the subject property. The appraisers utilized sales within the last six years located in the Key West market area. Market research indicates that market conditions were appreciating up until the end of 2006 when the market peaked; thereafter, the market began to decline till the end of 2011 when the market began to stabilize. Hence, the appraisers have not considered a market conditions, as the sales are subsequent to December, 2013. the market has stabilized.

Note: SF = Square Feet
 GBA = Gross Building Area
 FAR = Floor Area Ratio (GBA ÷ Site Size)

COMPARABLE SALES MAP



Gross Income Multiplier:

This method was utilized in the analysis due to the subject property income producing nature. The E.G.I.M. (Effective Gross Income Multiplier) is an accepted Sales Comparison Approach method to indicate an estimate of value. This involves an estimate of the effective gross operating income for the subject property and an estimate of the applicable effective gross annual income multiplier. The Effective Gross Income Multiplier is derived by dividing the sales price by the annual effective gross operating income (income after vacancy and losses). To estimate the gross income multiplier for the appraised property, the comparable sales were analyzed, when effective gross operating income was available. This valuation method was utilized in the sales comparison approach as the Effective Gross Income Multiplier for the subject is based on E.G.I.M.'s of the comparable sales.

The comparables indicated an Adjusted E.G.I.M. ranged from 7.1 to 12.9, with a mean at 10.0 and a median at 10.0. This unit of measure is calculated by multiplying the subject's Effective Gross Income by the Effective Gross Income Multiplier. The E.G.I.M. taken from the comparable sales are based on rent that were at market.

This unit of measure is calculated by multiplying the subject's Fee Simple Effective Gross Income by the Effective Gross Income Multiplier. Based on the midpoint of the comparables, the appraisers utilized an E.G.I.M. of 11.3 for the subject property.

Effective Gross Rental Income:	\$76,665	Value Per	Value Per
X Effective Gross Income Multiplier (EGIM):	11.3	SF of GBA	SF of Land
Value Via the Sales Comparison Approach:	\$866,315		
"As Is" Indicated Value (Rounded):	\$870,000	\$323.42	\$272.73

Indicated Value by Effective Gross Income Multiplier:

Value of Subject Property as Indicated By the Sales Comparison Approach Via the E.G.I.M. Method (Rounded) \$870,000

Adjustment Grid: In addition, the appraisers have utilized an adjustment to further support the EGIM method. Each of the comparable sales was analyzed in order to make comparisons to the subject parcel. Due to the lack of paired sales, percentage adjustments were not utilized. Based on the characteristics of the individual sales, the appraiser has provided an adjustment grid which details the required adjustments for the comparable properties based on the comments above. A plus (+) sign indicates that the comparable's characteristic is inferior to the subject's, therefore requiring an upward adjustment. A minus (-) sign indicates that the comparable's characteristic is superior to the subject's, therefore requiring a downward adjustment. An equal (=) sign reflects that the comparable's characteristic is

similar to the subject's. The following grid summarizes each sale and shows the necessary adjustments as previously described:

Discussion of Adjustments to Comparables Sales:

Each of the comparable sales was also analyzed in order based on the following factors to make comparisons to the subject property. The architecture of Key West has developed in a unique and individual manner. I analyzed seven recent comparable sales in the following adjustment grid as they are the most similar to the subject in design, layout and utility. No two commercial buildings lend themselves to the traditional match pair analysis. Each sale is considered generally similar to the subject, although none of the sales are identical. Therefore, adjustments are required for individual physical characteristics which typically affect value. Each characteristic is detailed below with an explanation of adjustments which were made to the comparable sales.

1. **Market Conditions:**

It appears that the commercial market has stabilized with some increases noted in 2013 and 2014. As all of the sales transpired in 2013 or later, a market conditions adjustment was not warranted herein.

2. **Financing/Sales Condition:**

All of the comparable sales were considered cash equivalent, with either cash or owner financing at market rates. Thus, none of the comparables required adjustment for financing.

3. **Improvement Size - Gross Building Area:**

Building size is inversely related to the price per square foot; hence the larger the building the lower the value per square foot. Hence, the larger buildings were positively adjusted and the smaller buildings were negatively adjusted. Sales No. 3 and 4 are smaller, therefore, required a negative adjustment. Sale 2 was larger, therefore positively adjusted. Sales 1 and 5 were most similar in gross building area.

4. **Site Size:**

Lot size has a direct relationship to the Gross Building Area's (GBA) price per square foot of gross building area, which is my unit of measure. In this case, the larger site, Sale Nos. 1, 2 and 5, were negatively adjusted. The larger the site item the higher the price per square foot of gross building area. The remaining sales were smaller in size, therefore, positively adjusted.

5. **On-Site Parking:** Due to the lack of off-street parking within the downtown area of the City of Key West, private parking is an amenity. Sales 1, 2 and 3 included off-street parking and were considered similar. Sales 4 and 5 lacked parking, therefore, were adjusted positively.
6. **Condition:**
The subject property is in overall good condition. Comparable Sale Nos. 2 thru 5 were considered to be overall inferior to the subject property. Sale No. 1 was considered to be superior overall in condition, therefore was negatively adjusted.
7. **Location:**
The five comparable sales are located within the City of Key West, specifically within the Old Town market area. Thus, no adjustment was made.

The adjustment grid is as follows.

Commercial Properties-Adjustment Grid						
Subject	1	2	3	4	5	
	501 Whitehead St.	333 Fleming Street	631 Whitehead Street	529-531 Whitehead Street	801 Whitehead Street	323-325 Petronia Street
Adjusted Sales Price	\$1,450,000	\$1,200,000	\$455,000	\$446,127	\$880,000	
Sales Date	NA	Pending	7/25/2014	7/21/2014	12/31/2013	12/19/2013
GBA (SF)	2,690	2,754	3,750	1,489	1,494	2,907
Land (SF)	3,190	6,436	9,514	2,393	1,159	9,476
Adjustments						
Dollar/Sq. Ft.	NA	\$381.43	\$ 228.40	\$ 250.00	\$ 171.11	\$ 367.54
Financing / Sales Cond.	=/=	=/=	=/=	=/=	=/=	=/=
GBA (SF)	2,690	=	+	-	=	=
Land (SF)	3,190	=	+	+	+	-
On-site Parking	Yes	=	=	=	+	+
Condition At Time of Sale	Good	-	+	+	+	+
Location	Good	=	=	=	=	=
Indicated Overall Adjustment		-	+	+	++	=
Note: + Indicates Comp Inferior to Subject (Pos Adj to Subject)						
Effective Date:	4/27/2015				Recommended:	\$320.00

Based upon the above adjustment grid, the subject's value should be higher than \$250.00 (Sale 3) and between Sale 5, (\$367.54) and Sale 1 (\$381.43). As a result, we estimated a value per gross square foot of building area at \$320 per square foot was deemed appropriate for the subject property based upon the condition, the building size, and the location.

<u>\$/GBA (SF)</u>	<u>Multiplied by</u>	<u>GBA</u>	<u>Equals</u>	<u>Value</u>
\$320	X	2,690 SF	=	\$860,800

INDICATED "AS IS" VALUE OF THE FEE SIMPLE INTEREST AS INDICATED BY THE SALES COMPARISON APPROACH via Adjustment Grid (Rounded) **\$860,000**

Value Conclusion:

The Sales Comparison Approach was considered to be a supportive indicator of value as this method effects motivation of buyers and seller in the local market.

We utilized the E.G.I.M. and an Adjustment Grid for the Sales Comparison Approach. The Adjustment Grid was weighted heaviest, while the E.G.I.M. was lightly weighted.

Therefore, the final values via the Sales Comparison Approach is as follows.

**Value of the Fee Simple Interest as Indicated By the Sales Comparison Approach as of
April 27, 2015 (Rounded) \$860,000**

RECONCILIATION AND FINAL ESTIMATE OF VALUE

The following Fee Simple value indication has been developed in my analysis of Market Data for the subject property.

<u>Reconciliation</u>	
501 Whitehead Street, Key West, Florida	
Valuation Method:	Fee Simple Market Value
Cost Approach	Not Applicable
Income Approach:	\$890,000
Sales Comparison Approach	\$860,000
"As Is" Market Value of the Fee Simple Interest, as of April 27, 2015 (Rounded):	\$870,000

The Cost Approach is generally considered to have limited applicability in valuing commercial properties. Land value estimates are difficult due to the fact that the market area is built-up with little vacant land available for development. The Cost Approach was not considered to be applicable in the case at hand due to the age of the subject structure and the lack of recent land sales similar in size and location.

The Income Approach is most applicable to properties that are typically purchased for their income-producing capabilities. Commercial property usually falls within this category, as it is purchased by investors who hold it for its potential income. The Income Approach bases its value on the potential income the property can generate for the investors. Due to the reliable comparable rental and expense comparables, plus the demand for similar-use properties, this approach was considered and weighted moderately in the final indicated value.

The Sales Comparison Approach is a direct measure of the buying and selling behavior of the participants in the real estate market. This approach directly measures what sellers are accepting and buyers are paying for property. Therefore, if a significant number of comparable sales have occurred and are available for analysis, then the Sales Comparison Approach becomes an important method in developing a value indication. We have included the most recent sales of commercial properties within the subject's market area. The Sales Comparison Approach is considered and given heavy weight in the final reconciliation of value.

Based on market analysis, on-site visit and research, it is our opinion that the ***“As Is” Market Value of the Fee Simple Interest*** of the subject property, commonly known as 501 Whitehead Street, Key West, Monroe County, Florida 33040, subject to definitions, assumptions and limiting conditions, as of April 27, 2015 is:

**EIGHT HUNDRED SEVENTY THOUSAND DOLLARS
(\$ 870,000)**

The market value does not include any personal property in this valuation.

CERTIFICATION OF VALUE

WE HEREBY CERTIFY THAT UPON APPLICATION FOR VALUATION BY:

**Mr. Ed Crafton
Centennial Bank
P.O. Box 966
Conway, AR 72033**

We personally examined the following property:

Commonly Known as: **501 Whitehead Street
Key West, Monroe County, Florida 33040
RIMS #:15-001304-01-01**

and based on market analysis, on-site visit and research, it is our opinion that the ***“As Is” Market Value*** of the above subject property, subject to definitions, assumptions and limiting conditions, as of April 27, 2015 is:

**EIGHT HUNDRED SEVENTY THOUSAND DOLLARS
(\$ 870,000)**

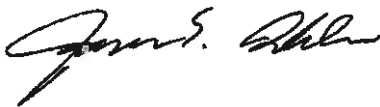
The market value does not include any personal property in this valuation.

WE ADDITIONALLY 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, opinion, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions and conclusions.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

- 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 a 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 Uniform Standards of Professional Appraisal Practice.
- James E. Wilson and Maria V. Wilson have made a personal site visit and walk through of the property that is the subject of this report.
- No one has provided significant professional assistance to the person signing this report.
- The use of this report is subject to the requirements of the State of Florida relating to review by the Florida Real Estate Appraisal Board of the Department of Professional Regulations, Division of Real Estate.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- James E. Wilson has completed the Professional and Ethics education requirements by the Appraisal Institute for Associate Members.
- Our office has not performed an appraisal, feasibility study nor consultation services in regard to the subject property within the last five years.

APPRAISAL COMPANY OF KEY WEST



James E. Wilson, MRICS, President
State-certified general real estate appraiser
RZ 2164



Maria Virginia Wilson
State-certified general real estate appraiser
RZ 2686

ASSUMPTIONS AND LIMITING CONDITIONS

APPRAISAL DEVELOPMENT AND REPORTING PROCESS: In preparing this appraisal, the appraiser inspected the subject site and both the exterior and interior of the improvements. Information on comparable improved sales, rentals and expenses was gathered, confirmed, and analyzed.

There are three typical approaches to value to consider in each appraisal assignment. The three traditional approaches to value are the Cost Approach, the Income (Direct Capitalization and/or Discounted Cash Flow) Approach and the Sales Comparison Approach. The three approaches to value are not always applicable to the assignment; however, the three approaches to value are always considered.

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. This appraisal also complies with Title XI of FIRREA and the General Appraisal Guidelines. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraisers are not responsible for unauthorized use of this report.

This confidential report is prepared for the sole use of and benefits of Centennial Bank and is based, in part, upon documents, writings, and information owned and possessed by the client, Centennial Bank. This report is provided for informational purposes only to third parties authorized to receive it. The appraiser-client relationship is with Centennial Bank, as the client. This report should not be used for any purpose other than to understand the information available to the Bank concerning this property. Appraisal Company of Key West assumes no responsibility if this report is used in any other manner.

THIS VALUATION IS CONTINGENT UPON THE FOLLOWING CONDITIONS:

This report contains the results of our investigation and analysis made in order to furnish an estimate of the "*As Is*" Market Value of the *Fee Simple Interest* of the subject property. The Fee Simple Interest is the unencumbered value of the subject property; basically, market rents and terms are considered with no regard to existing leases and terms. The subject is partially tenant-occupied, however, the lease is not long term. As a result, the Fee Simple Interest has been reported herein. The reader is cautioned that a title search was *not* made; thus, no other encumbrances are considered herein.

This appraisal is to be used in whole and not in part, in particular, no part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media, without

the written consent and approval of the author, particularly as to valuation conclusions, the identity of the appraiser or firm with which he/she is connected.

The distribution of value between land and building applies only under the present program of utilization and is invalidated if used in making a summation appraisal.

No responsibility is assumed by us for matters which are of legal nature, nor is any opinion on the title rendered herewith. Good title is assumed as a title search was not made available.

The property has been appraised as though free of liens and encumbrances, except as herein described. Delinquent charges for solid waste collection, or other liens against the subject property have not been considered in the valuation contained herein as a title search was not made available or conducted by us.

The management of the property is assumed to be competent and the ownership in responsible hands.

A survey, prepared by Norby & O'Flynn Surveying, Inc., 3430 Duck Avenue, Key West, Florida, dated October 9, 2003 was referenced herein. The site dimensions were taken from the survey, Monroe County Tax Appraiser's records and plat maps. Building measurements were taken from the survey, plus measurements taken on-site by the appraisers. No responsibility is taken for the accuracy or questions concerning boundaries, encumbrances, or encroachments. We reserve the right to change the final indicated values herein, if any discrepancies are noted in an updated survey and identification of unapparent easements and/or encroachments onto the subject property or an alteration in site or building areas.

The survey indicates that the subject property building encroaches 0.9 feet over the sidewalk. In addition, it appears that the attached awnings on the easterly side and northerly side encroach over the City of Key West sidewalk, 23.3 feet and 3.5 feet, respectively. Furthermore, the awning encroaches over the City of Key West sidewalk 2.0 feet. The survey also indicates that a cistern located on the southeasterly side of the lot, encroaches 0.6 inches over the adjacent parcel. These types of encroachments are not uncommon within the downtown area of the City of Key West. No easements were note at this time.

Any maps or plats reproduced and included in this report are intended only for the purpose of showing spatial relationship. They are not measured surveys nor measured maps, and no responsibility for cartographic or surveying errors is assumed.

There was no evidence of roof leakage in the form of ceiling stains the interior of the subject building. However, a roof inspection was not presented.

We are not required to give testimony in court unless arrangements have been previously made thereof.

We assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. We assume no responsibility for such conditions, or for engineering which might be required to discover such factors.

Information, estimates and opinions furnished to the appraisers, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Appraiser is assumed by the Appraiser. Information was provided by the client, Centennial Bank and Realtor, Mr. Will Langley, market participants.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. I have not made a specific survey or analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA in estimating the value of the property has not been considered.

Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which we are affiliated.

We have no present or contemplated future interest in the property, and the compensation is in no manner contingent upon the value reported.

Possession of this report does not carry with it the right of publication or advertisement of any of its conclusions, nor may any except the applicant use the same for any purpose without the previous written consent of the appraiser or the applicant.

In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the existing building, such as the presence of radon, asbestos insulation and/or existence of toxic waste, which may or may not be present on the property, has not been considered. No environmental assessment reports were made available to the Appraiser. Any possible environmental detrimental effect was not considered. We are not qualified to detect hazardous substances. We urge the client to retain an expert in this field, if so desired.

This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organizations with which I am affiliated.

This appraisal report is in conformity with the Uniform Standards of Professional Appraisal Practices, and this appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

The discovery of latent conditions is beyond the scope of this appraisal. Detection of latent conditions requires the expertise of qualified persons such as architects and engineers. Latent conditions include, among other things, non-apparent structural conditions; presence of prohibited hazardous wastes; presence of radon gas, methane gas, asbestos, lead, petroleum products and other air, soil, or water contaminants; and many other conditions too numerous to mention which may affect the value of the property being appraised. The appraisers conducting this appraisal are not qualified to detect latent conditions and has conducted this appraisal upon the assumption that no latent conditions (including those mentioned above and others) exist on the property covered by this appraisal.

ACCORDINGLY NOTICE IS HEREBY GIVEN that neither the appraiser conducting this appraisal, nor the APPRAISAL COMPANY OF KEY WEST make any warranty, express or implied, to property covered by this appraisal, and neither shall have any liability to any person for differences in the value of the appraised property, or other damages, resulting from discovery of latent conditions (including those mentioned above and others) on, or in proximity to, the appraised lands.

We hereby certify that to the best of our knowledge and belief the statements of fact contained in this report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct; also this report sets forth all the limiting conditions affecting the analyses, opinions and conclusions contained in this report; also this report has been made in conformity with the Appraisal Institute.

PLEASE INSERT JW RESUME

Professional Qualifications

Maria Virginia Wilson, State Certified General Real Estate Appraiser

Maria Virginia Wilson has been a resident of Florida since 1973. Her education includes a Bachelor of Liberal Arts with a Major in French from the University of Florida, 1987-1992. Maria V. Wilson has a diverse background in banking and the real estate appraisal industry. Her experience in real estate appraising started as a State Registered Assistant Real Estate Appraiser. Over the past 17 years, Maria has acquired experience with a wide-range of residential and commercial appraisal projects. Maria has excelled in her education and successfully achieved her current designation of State Certified General Real Estate Appraiser.

Education: SHORECREST PREPARATORY SCHOOL, St.Petersburg, Florida 1987

UNIVERSITY OF FLORIDA , Gainesville, Florida - Bachelor of Liberal Arts-
Major in French, 1987-1992

GOLD COAST SCHOOL OF FLORIDA,
Miami and Ft. Lauderdale, Florida
Principles, Practices and Law - FREC Course 1, 1992
Successful Completion of ABI- Appraisal Board - Fundamentals of R.E.
Appraising 6/94
Successful Completion of ABII- Appraising Resid. & Income Prop. 10/99
Successful Completion of ABIII- Certified General Appraisal Course III 07/03
Successful Completion of the Mortgage Broker Course - 06/03

McKISSOCK DATA SYSTEMS
Automated Valuation Models, October, 2000.
Uniform Standards of Professional Appraisal Practice, October, 2000.
Factory Built Housing, October, 2000.
Appraiser Liability, September, 2002.
Appraising Nonconforming & Difficult Properties, September, 2002.
Appraiser Liability, USPAP, September, 2002.
Appraising for the Secondary Market, October, 2004.
Appraising High-Value Residential Properties, October, 2004.
Florida Laws and Regulations, October, 2004.
Limited Appraisals and the Scope of Work Decision, October, 2004.
National USPAP Equivalent, October, 2004.

Florida Laws and Regulations, September 2006.
Disclosures and Disclaimer, September, 2006.
Appraisal Trends, September 2006.
National USPAP Update Equivalent(2008-2009), November, 2008.
Introduction to Expert Witness Testimony, November 2008.
Mortgage Fraud-Protect Yourself, November, 2008.
Florida Appraisal Supervisor-Trainee Roles and Relationships, November, 2008.
Florida Laws and Regulations, November, 2008.
National USPAP Update Equivalent (2010-2011), August, 2010.
Risky Business: Ways to Minimize Liability, August, 2010.
Florida Laws and Regulations, August 2010.
Florida Appraisal Supervisor-Trainee Roles and Relationships, August, 2010.
The Changing World of FHA Appraising, August, 2010.
Systems Built Housing: Advances in Housing for the New Millennium, October, 2012
Deriving and Supporting Adjustments, October, 2012
Introduction to Regression Analysis for Appraisers, October, 2012
Introduction to Residential Green Building for Appraisers, October, 2012
Florida Appraisal Laws and Regulations Update
National USPAP Update Equivalent (2012-2013), October, 2012
Analyze This, Applications of Appraisal Analysis, November, 2014
Expert Testimony: To or Not to Do, November, 2014
UAD: Up Close and Personal, November, 2014
Reviewers Checklist, November, 2014
Florida Appraisal Laws and Regulations Update, November, 2014
National USPAP Update Equivalent (2014-2015), November, 2014

Certification: State-Certified general real estate appraiser, License No. RZ 2686, (2003).

Experience: WILCO VALUATIONS, P.A. d/b/a APPRAISAL COMPANY OF KEY WEST, James Wilson, President and his wife, Maria Virginia Wilson, also a State Certified General Real Estate Appraiser purchased the Appraisal Company of Key West from Mr. Richard Padron in April, 2004.

Appraisal Company of Key West, Inc. (1997- 2004)



Barnett Bank (1994-1997)

Area of Expertise:

- Analysis and evaluation of many types of real estate
- Types of properties appraised, evaluated, and analyzed:
 - Single Family Homes
 - Multi-Family Dwellings
 - Rental Analysis
 - Office Buildings
 - Mixed-Use Property
 - Commercial/Residential Condominiums
 - Retail Stores
 - Industrial Uses
 - Guest Houses
 - Vacant Land
 - Motels
 - Strip Centers

APPRAISER CERTIFICATION

RICK SCOTT GOVERNOR		KEN LAWSON, SECRETARY	
STATE OF FLORIDA DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION FLORIDA REAL ESTATE APPRAISAL BD			
LICENSE NUMBER			
RZ2686			
The CERTIFIED GENERAL APPRAISER Named below IS CERTIFIED Under the provisions of Chapter 475 FS. Expiration date: NOV 30, 2016			
WILSON, MARIA VIRGINIA 3144 NORTHSIDE DR SUITE 201 KEY WEST FL 33040			
ISSUED: 11/25/2014		DISPLAY AS REQUIRED BY LAW	
		SEQ # L1411250002319	



SUBJECT PROPERTY



View of Street Scene from Fleming Street Looking Easterly



Interior View of Subject Property

SUBJECT PROPERTY



Interior View of Subject Property



Interior View of Subject Property

SUBJECT PROPERTY



Interior View of Subject Property



Pool Area

SUBJECT PROPERTY



Interior View of Subject Property

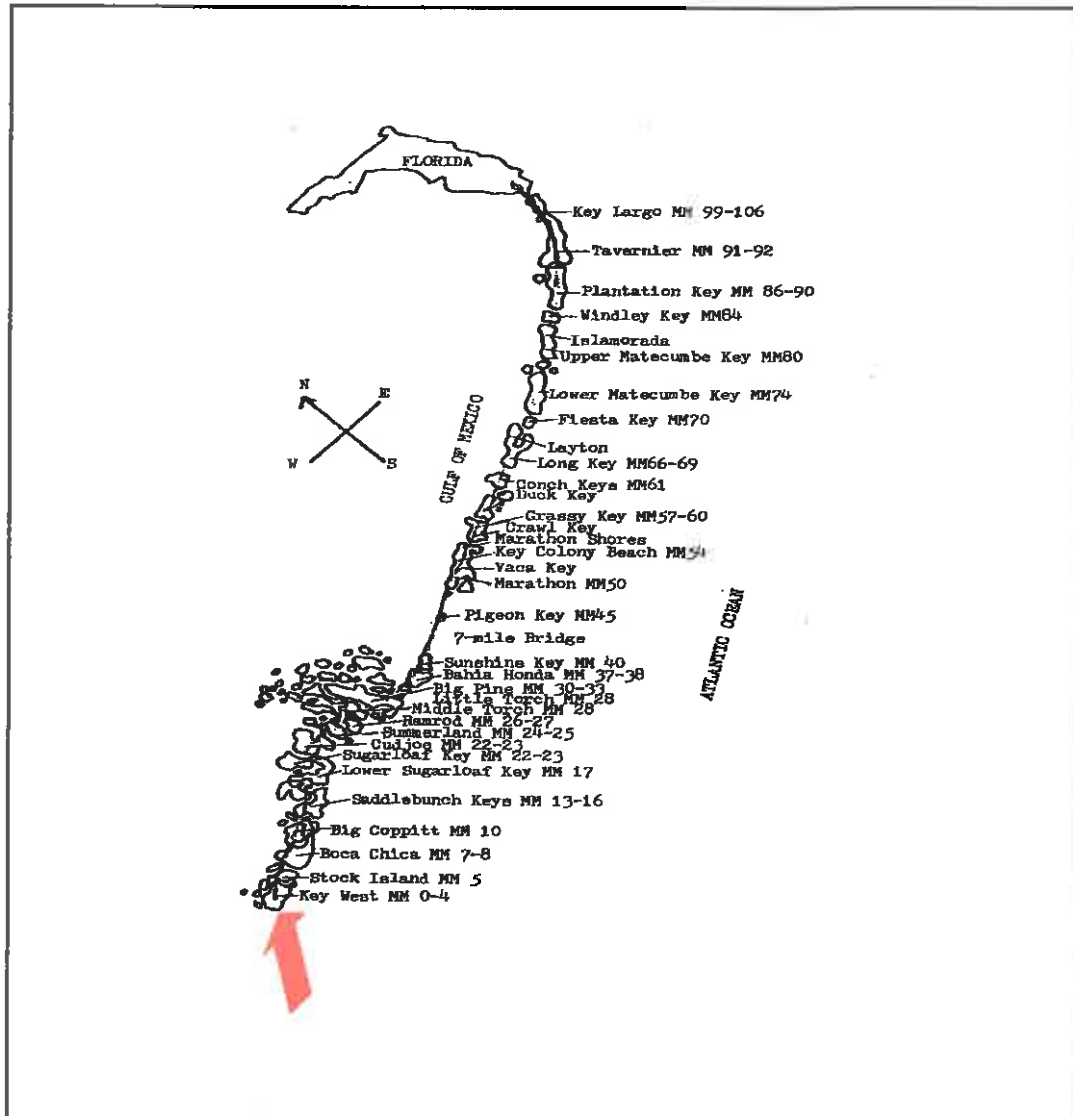


Interior View of Subject Property

STATE MAP

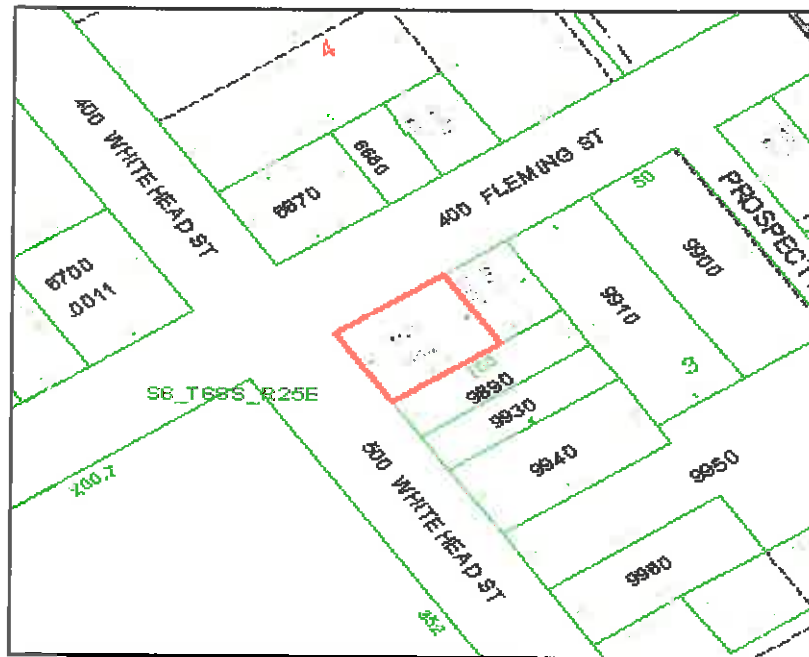


FLORIDA KEYS MAP



LOCATION MAP

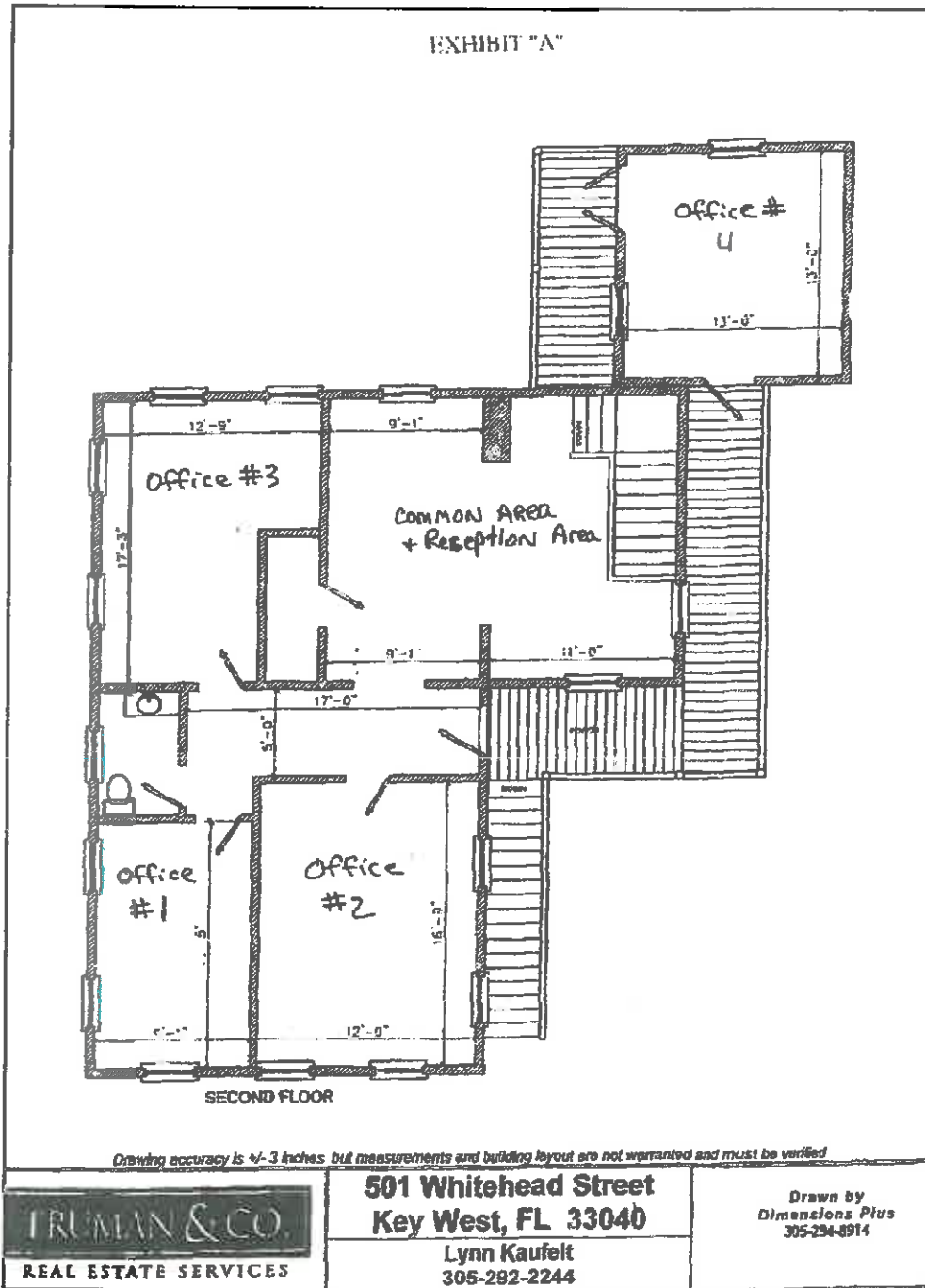
PLAT MAP



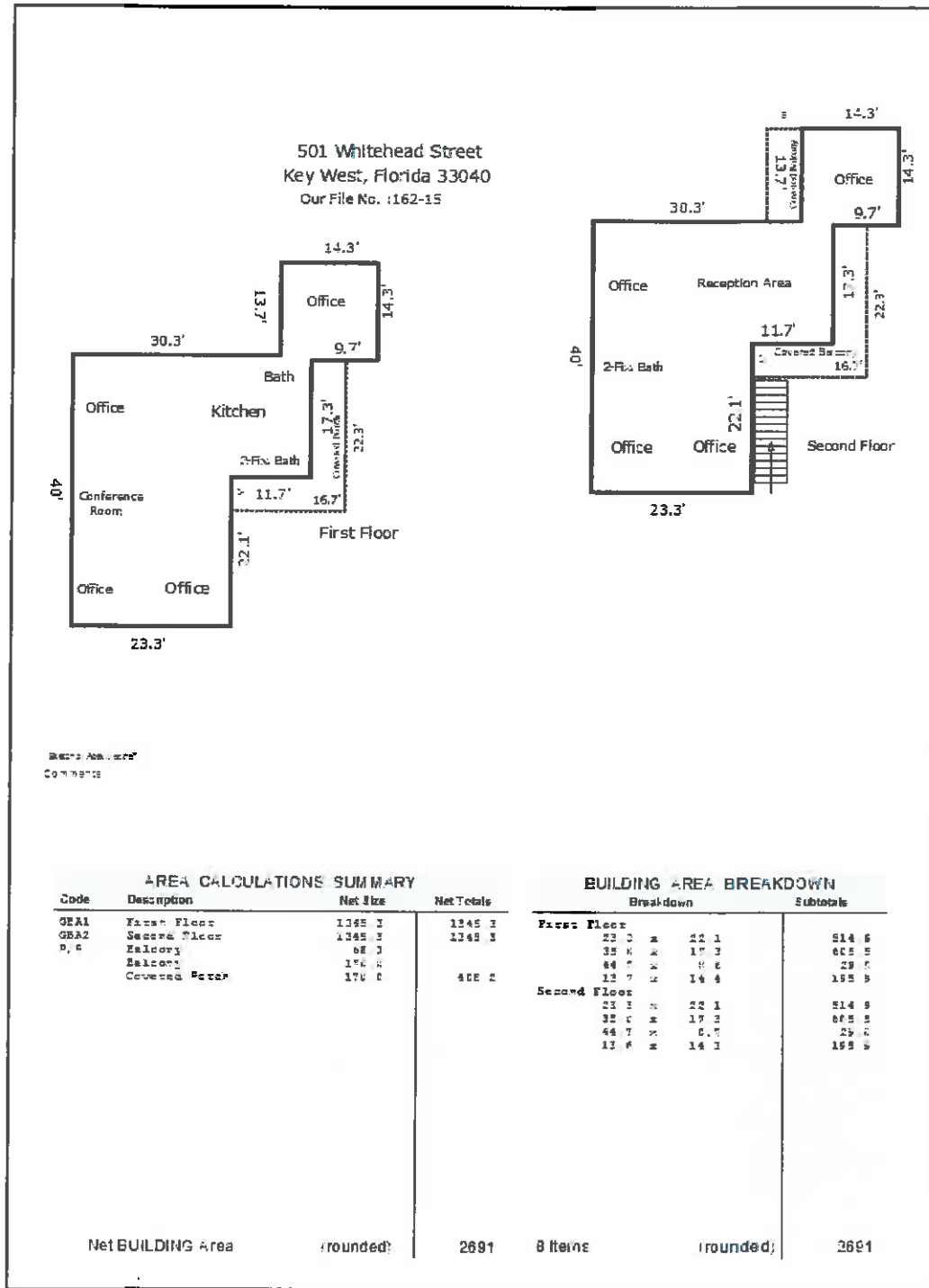
AERIAL MAP



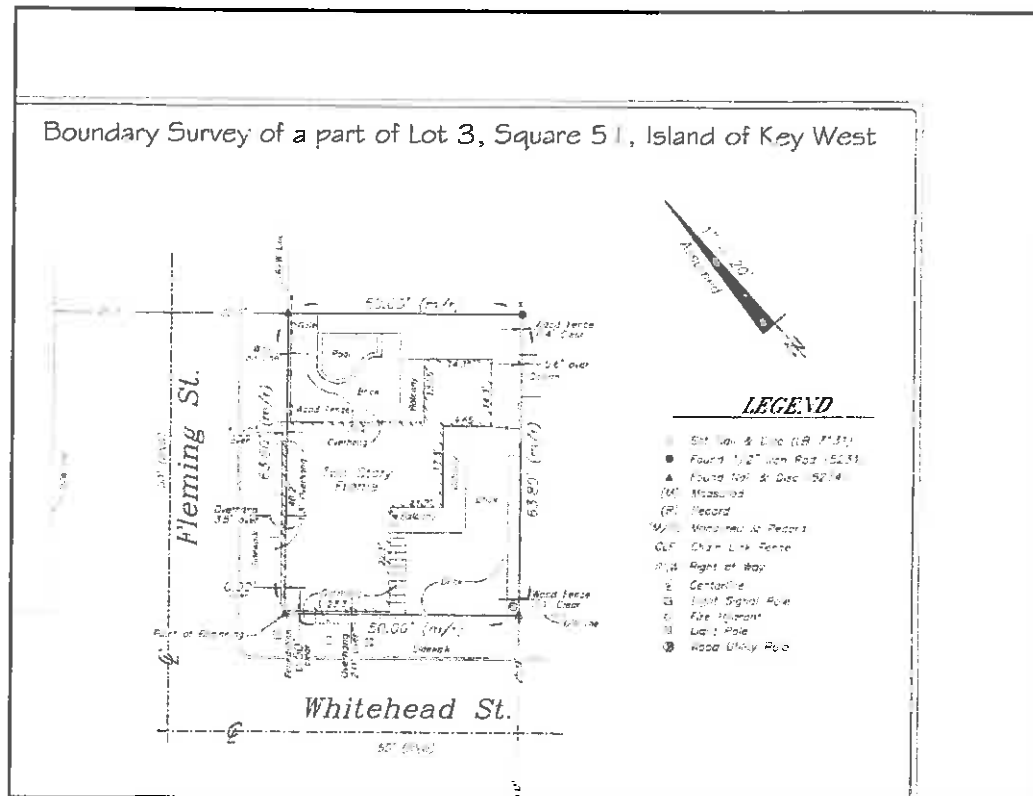
SECOND FLOOR FLOOR PLAN



BUILDING SKETCH



SURVEY



LEGAL DESCRIPTION**NOTES**

1. The legal description shown hereon was furnished by the client or their agent.
2. Underground foundations and utilities were not located.
3. All angles are 90° (Measured & Record) unless otherwise noted.
4. Street address: 501 Whitehead Street, Key West, FL.
5. This survey is not valid without the signature and the original raised seal of a Florida licensed surveyor and mapper.
6. Lands shown hereon were not abstracted for rights-of-way, easements, ownership, or other instruments of record.
7. North Arrow is assumed and based on the legal description.
8. Error of closure exceeds one part in 10,000.
9. Date of field work: October 7, 2003.
10. Ownership of fences is undeterminable, unless otherwise noted.

BOUNDARY SURVEY OF: In the City of Key West, and is known as part of Lot 2, of Square 51, according to the map of the Island of Key West delineated by William A. Whitehead. Commencing at the corner of Whitehead and Fleming Streets and running along the said Fleming Street 62.8 feet, thence at right angles in a Southeasterly direction 50 feet; thence at right angles in a Southeasterly direction 63.8 feet to Whitehead Street; thence along said Whitehead Street, in a Northeasterly direction 50 feet, back to the Point of Beginning.

BOUNDARY SURVEY FOR: Radel Foundation;
Spottswood, Spottswood & Spottswood;
Attorneys' Title Insurance Fund, Inc.,

NORBY & O'FLYNN SURVEYING, INC.

[Signature]
A. Lynn O'Flynn, PSM
Florida Reg. #6293

October 9, 2003

NORBY & O'FLYNN
Surveying, Inc.

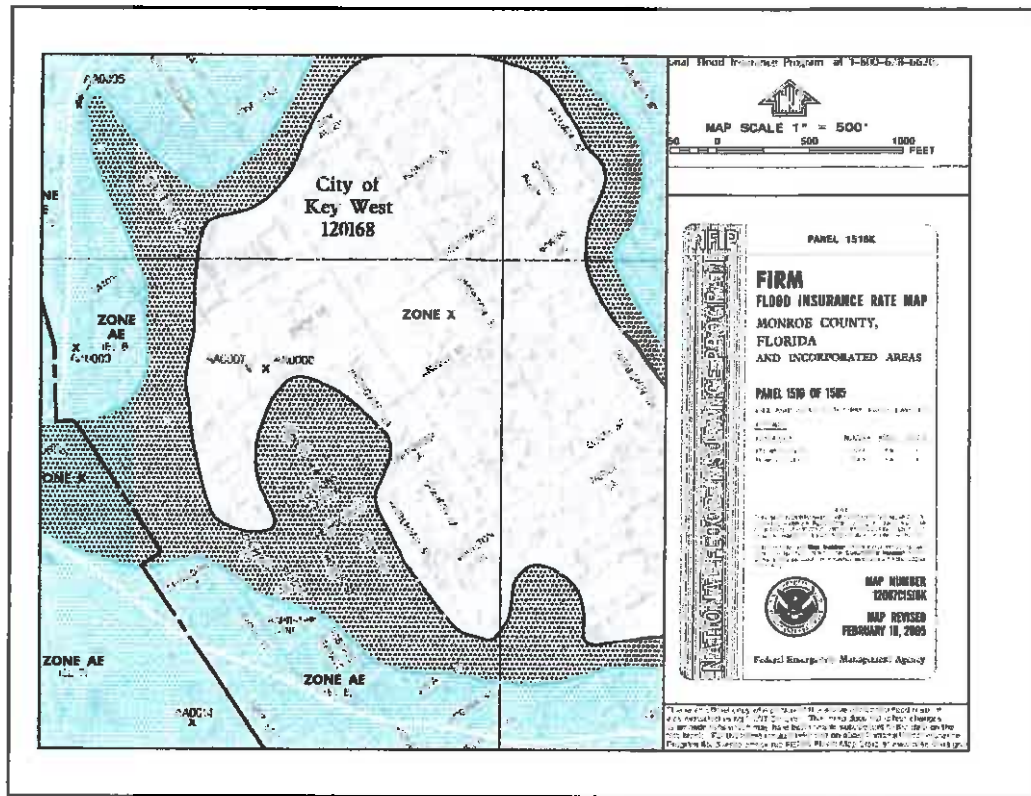


Professional Land Surveyors

1800 N. 1st St.
Key West, FL 33401
Phone: 305-293-7422 Fax: 305-293-7507

TAX INFORMATION

FLOOD MAP & PANEL



Replacement Cost New of the Subject Property: 501 Whitehead Street, Key West, Florida
33040

The replacement cost of improvements has been estimated using the Marshall Valuation BVS Estimate Service and our knowledge of actual cost to construct in the area. These costs are continuously updated and adjusted quarterly for local differences.

The Marshall & Swift/BVS software estimates construction costs based on gross floor area, which is the gross building area, plus attached porches/balconies. The subject property includes a total gross building area of 2,691 square feet plus 408 square feet of porches.

The Citizens Property Insurance Company has recently requested when utilizing the BVS worksheet format for Replacement Cost Estimates that the substructure/foundation costs be excluded from the Replacement Cost. In this case, these exclusions for the subject building amount to \$25,671.

The worksheets are found on the following pages:

Commercial Building Valuation Report

Policy : 162-15

4/28/2015

INSURED	501 Whitehead Street 501 Whitehead Street Key West, FL 33040	Effective Date: Expiration Date: Cost as of:	
			12/2014

BUILDING 501 Whitehead Street
501 Whitehead Street
Key West, FL 33040

Location Adjustments

Climatic Region: 1 - Warm
High Wind Region: 3 - Major Damage
Seismic Zone: 0 - No Damage

SECTION 1**SUPERSTRUCTURE**

Occupancy:	100% Office, Low-Rise, Older	Story Height:	9 ft.
Construction Type:	100% Frame (ISO 1)	Number of Stories:	2
Gross Floor Area:	2,691 sq. ft.	Irregular Adjustment:	None
Construction Quality:	2.5 - Superior -		
Year Built:	1908		

Adjustments

User Adjustment Factor:	1.30 Resort Multiplier		
Hillside Construction:	Degree of Slope: Level Site Position: Unknown	Site Accessibility:	Excellent
		Soil Condition:	Excellent

Fees

Architect Fees: 7% is included
Profit and Overhead: 20% is included

SUMMARY OF COSTS	User Specified	System Generated	Replacement	Exclusion
SUPERSTRUCTURE				
Site Preparation				399
Foundations			10,204	18,740
Foundation Wall				
Interior Foundations				
Slab On Ground				

MSB's computerized base and material market price data is derived as of date of report. Costs represent general estimates which are not to be considered a detailed quantity survey. These costs include generalities and assumptions that are common to the types of structures represented in this software.

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Detailed

Page 1

BVS-C

Commercial Building Valuation Report

Policy : 162-15

4/28/2015

Exterior		153,958	
Exterior Wall	25% Wall Openings		
Exterior Wall	100% Siding, Wood on Frame		
Structural Floor			
Roof			
Material	100% Aluminum		
Pitch	100% Medium (8:12 to 12:12 pitch)		
Interior		80,765	
Floor Finish	100% Hardwood		
Ceiling Finish	40% Drywall		
	100% Paint		
	60% Plywood/Hardboard/Fiberboard		
Partitions			
Length	122 ft.		
Structure	100% Studs, Girts		
Finish	40% Drywall		
	100% Paint		
	60% Plywood/Hardwood/Fiberboard		
Mechanicals		174,045	6,532
Heating	100% Rooftop Unit		
Cooling	100% Rooftop Unit		
Fire Protection			
Plumbing	8 Total Fixtures		
Electrical	100% Average		
Built-ins		24,315	
SUBTOTAL RC		\$443,288	\$25,671
ADDITIONS			
Misc. Additional Features:			
	Porch/Balcony	18,000	
TOTAL RC SECTION 1		\$461,288	\$25,671
TOTAL RC BUILDING		501 Whitehead Street	\$461,288 \$25,671
VALUATION GRAND TOTAL		Replacement	sq. ft. \$/sq. ft.
		\$461,288	2,691 \$171.42

MSR cost, include labor and material, normal provided overhead and date of report. Costs represent general information which are not to be considered a detailed quantity survey. The costs include generalities and assumptions that are common to the type of structure represented in the schedule.

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Detailed

Page 2

BVS-C

Commercial Building Valuation Report

Policy : 162-15

4/28/2015

INSURED

501 Whitehead Street
501 Whitehead Street
Key West, FL 33040

Effective Date:

Expiration Date

Cost as of:

12/2014

BUILDING: SUPERSTRUCTURE

Replacement

sq. ft.

\$/sq. ft.

Section 1: 100% Office, Low-Rise, Older

\$443,288

2,691

\$164.73

BUILDING: SUBSTRUCTURE

Replacement

sq. ft.

\$/sq. ft.

SECTION
1:

\$0

0

\$0.00

Section Totals

Replacement

sq. ft.

\$/sq. ft.

SECTION 100% Office, Low-Rise, Older
1:

\$443,288

2,691

\$164.73

Total Additions:

\$18,000

BUILDING TOTAL, 501 Whitehead Street

\$461,288

2,691

\$171.42

BUILDING INSURANCE SUMMARY**100% Co-insurance Requirement**

\$461,288

VALUATION GRAND TOTAL

\$461,288

2,691

\$171.42

MSB's report includes labor and material, normal profit and consideration of date of report. Costs represent general estimates which are not to be considered a detailed quantity survey. These costs include contingencies and assumptions that are common to the types of structures represented in the schedule.

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Detailed

Page 3

BVS-C

Because the entrepreneurial incentive is truly a developer's profit and is a "return to the land," it was not utilized in the calculation of Replacement Cost New.

Entrepreneurial Incentive: This cost is a percentage of the replacement cost new of the structures. It is a market-derived percentage which reflects the amount that a developer expects to receive in addition to costs. Based on research within our market area, 5%-10% is a typical anticipated profit or incentive. Entrepreneurial Incentive is truly a "return to the land" and is not typically included in insurable values and was not included herein.

The subject property's replacement cost estimate utilizing the Marshall Valuation Service follows. This service is updated on a quarterly basis and adjusted for local conditions. The Subject Building is Wood Frame, and classified as by Marshall & Swift Cost Service as Average Quality.

In estimating the quality of the subjects structure, the appraiser has utilized the BVS quality system which ranges from 1.5 Average to 2.4 Average. Our estimate of the quality ranking is 2.2 Average. The BVS or system generated worksheet system does not have an Above Average or Good ranking for construction quality grades. While the system default is set at 2.0 Average, it is important to note that not all buildings are Average Quality (2.0), as a result, varying level ranks (grades) are necessary. Therefore, the appraiser must utilize his/her judgement and experience in ranking the quality of construction of the subject structures within the Florida Keys. Further, these are Replacement Cost New estimates, not Reproduction Costs, which must meet local Building Codes and current requirements.

I included the Marshall & Swift Resort Area Multiplier. The "Resort" multiplier has been used in the Florida Keys for many years as a method to adjust for the difficulty to obtain skilled, construction labor and access to materials. The subject in question is located approximately 155 miles southwesterly from Miami and mainland Florida along one highway which crosses a total of 42 islands. Marshall & Swift, Section 99, Page 1 (See Addenda), states that Special Local conditions require certain Local Multipliers and adjustments for Resort Locations, ie: "require higher freight charges on materials, noncompetitive conditions for labor or materials, disproportionate crewing or labor per diem charges. Examples are island, mountain, desert or resort locations..."The subject property's Resort multiplier has been compared against actual construction costs on an ongoing basis. We feel the 1.40 multiplier is an accurate measure for the subject's Key West location at this time.

REPLACEMENT COST NEW (RCN) OF THE SUBJECT BUILDING AS OF FEBRUARY 20, 2015 IS (Rounded):\$698,000

ENGAGEMENT LETTER**Appraisal Engagement Summary Contract**

Date Awarded: 4/14/2015

Project Number: 15-001304-01-01

Appraiser Name: Richard Padron
Appraiser Company: Appraisal Company of Key West (FL)
Address: 3144 Northside Dr, Suite 201, Key West, FL 33040
Phone: 305-296-4563
Fax:
Email: patti@fla-keysappraisals.com

Borrower Name: 501 Whitehead
Property Address: 501 Whitehead Street, Key West, FL 33040
Property Type: Retail-Commercial, Mixed Use-Retail-Office
Property Description:
Access/Contact Info: 501 Whitehead
Phone: 305-879-4959
Email:
Alt. Phone:

Please accept this letter as your authorization to prepare an appraisal of the above referenced property on behalf of Centennial Bank. The specifics of the engagement including the agreed upon fee and delivery date are shown below. The details of this assignment, including scope of work and additional requirements are described in the RFP and Award within RIMSCentral.

Delivery Date: 5/4/2015

Delivery Requirements:

Upon receipt of this assignment, make arrangement with 501 Whitehead, Borrower, for a property inspection. After all reasonable efforts have failed to obtain the required data to complete this assignment, contact Ed Crafton for assistance and/or extension of delivery date. Upload separately, an electronic copy of your appraisal report and invoice to RIMSCentral website no later than the delivery date. If a complete copy of the report cannot be uploaded, please contact support at ecrafton@my100bank.com. Failure to comply with delivery requirements could result in penalty to the appraisal fee.

Appraisal Fee: \$2,250, inclusive of all costs necessary to complete the report. Any costs not included in the fee must be approved in advance by Centennial Bank.

Invoice Requirements

INVOICES MUST BE ADDRESSED AS FOLLOWS:

Ed Crafton

Conway, AR 72032

Centennial Bank
15-001304-01-01
1

Sec. 122-926. - Intent.

The historic residential/office district (HRO) is established to implement comprehensive plan policies for areas designated "HRO" on the future land use map. The HRO district shall accommodate business and professional offices as well as residential structures. Cultural and civic activities are allowed anywhere in the district and those same uses with accessory/associated commercial sales are allowed on Whitehead Street between Greene Street and Southard Street. Customary accessory uses and community facilities may also be located within the HRO district. The HRO district shall not accommodate new transient lodging or guesthouses. In addition, the HRO district shall expressly exclude general retail sales, warehousing, and outdoor storage. In order to manage the impacts of future development on transportation and public facilities, the city shall limit the intensity of development within the HRO district to activities generating no more than 50 trips per 1,000 square feet of gross leasable floor area per day.

(Ord. No. 97-10, § 1(2-5.5.6(A)), 7-3-1997; Ord. No. 12-02, § 1, 2-7-2012)

Sec. 122-927. - Uses permitted.

Uses permitted in the historic residential/office district (HRO) are as follows:

- (1) Single-family and two-family residential dwellings.
- (2) Group homes with less than or equal to six residents as provided in section 122-1246
- (3) Multiple-family residential dwellings.
- (4) Places of worship.
- (5) Business and professional offices.
- (6) Parking lots and facilities.
- (7) Medical services.
- (8) Veterinary medical services, without outside kennels.

(Ord. No. 97-10, § 1(2-5.5.6(B)), 7-3-1997)

Sec. 122-928. - Conditional uses.

Conditional uses in the historic residential/office district (HRO) are as follows:

- (1) Group homes with seven to 14 residents as provided in section 122-1246
- (2) Cultural and civic activities with or without associated/accessory commercial sales on Whitehead Street from Greene Street to Southard Street.
- (3) Community center, clubs and lodges.
- (4) Educational institutions and day care.
- (5) Nursing homes, rest and convalescent homes.
- (6) Parks and recreation, active and passive.
- (7) Protective services.
- (8) Public and private utilities.
- (9) Funeral homes.

(Ord. No. 97-10, § 1(2-5.5.6(C)), 7-3-1997; Ord. No. 12-02, § 2, 2-7-2012)

Sec. 122-929. - Prohibited uses.

In the historic residential/office district (HRO), all uses not specifically or provisionally provided for in this division are prohibited.

(Ord. No. 97-10, § 1(2-5.5.6(D)), 7-3-1997)

Sec. 122-930. - Dimensional requirements.

The dimensional requirements in the historic residential/office district (HRO) are as follows; however, construction may be limited by proportion, scale and mass considerations as expressed through the historic architectural review commission design guidelines:

- (1) Maximum density: 16 dwelling units per acre (16 du/acre).

(2) Maximum floor area ratio: 1.0. Refer to section 122-926 for additional restrictions that regulate the square footage of gross leasable floor area based on trip generation within the HRO districts.

(3) Maximum height: 30 feet.

(4) Maximum lot coverage:

a. Maximum building coverage: 50 percent.

b. Impervious surface ratio: 60 percent.

(5) Minimum lot size: 5,000 square feet.

a. Minimum lot width: 50 feet.

b. Minimum lot depth: 100 feet.

(6) Minimum setbacks:

a. Front: 5 feet.

b. Side: 5 feet.

c. Rear: 10 feet.

d. Street side: 5 feet.

(Ord. No. 97-10, § 1(2-5.5.6(E)), 7-3-1997; Ord. No. 10-04, § 14, 1-5-2010)

The appraiser has referenced some building criteria above. For further details, the reader is referred to the City of Key West Building Department or the Land Development Regulations for the City of Key West.

Feasible Use - Vacant land in this zoning district is in great demand with appreciating values, as this section of the city is approximately 98% built-up. The general uses in the subject's area consist of: hotels, retail shops, boutiques, professional offices, tourist-oriented businesses and attractions, restaurants, beauty salons, motels, guesthouses, apartments, and single and multi-family residential dwellings. The current HRO zoning regulations require a minimum lot size of 5,000 square feet with a minimum lot width of 50.0 feet and a minimum lot depth of 100.0 feet. The subject site does not meet these criteria. It is the appraisers' opinion that development of the site for commercial office use would be feasible and would provide a positive net return to the land under the current zoning regulations.

FLORIDA DEPARTMENT OF STATE
DIVISION OF CORPORATIONS**Detail by Entity Name****Florida Limited Liability Company**

0 MILE BUILDING, LLC

Filing Information

Document Number	L15000067182
FEI/EIN Number	NONE
Date Filed	04/16/2015
State	FL
Status	ACTIVE

Principal Address914 DUVAL STREET
KEY WEST, FL 33040**Mailing Address**914 DUVAL STREET
KEY WEST, FL 33040**Registered Agent Name & Address**MARCUS, JOEL, CPA
676 W. PROSPECT ROAD
FT. LAUDERDALE, FL 33309**Authorized Person(s) Detail****Name & Address**

Title MGRM

BARKALIFA, OSHRY
914 DUVAL STREET
KEY WEST, FL 33040

Title MGRM

AZOULAY, ASSAF
32 HILTON HAVEN ROAD, UNIT 6
KEY WEST, FL 33040**Annual Reports**

No Annual Reports Filed

Document Images

[04/16/2015 – Florida Limited Liability](#)

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CHARLES E. and FRANK J. ...
Marked for filing. Filing time: 04/16/2015