



APPRAISAL CO.
OF KEY WEST

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November 28, 2011

Mr. Mark Finigan, Assistant City Manager
City of Key West
525 Angela Street
Key West, Florida 33040

Subject: Consulting Report:
Caribbean Spa
529 Front Street
Key West, Florida 33040
Our File No.: 335-11

Dear Mr. Finigan:

The purpose of this report is to provide guidance to the City of Key West with regard to the bid proposals submitted to the City for the purchase of 529 Front Street, Key West, Florida, commonly known as the Caribbean Spa. On May 1, 2011, our firm appraised the subject property and render our opinion of value of the various components as follows: (1) *“As Is” Market Value of the Fee Simple Interest* of the subject property based on the current Highest and Best Use, (2) *Leasehold Value* of the subject property, the value to the Pier House Joint Venture, based on the continued uninterrupted hotel operation to the end of the lease term, and finally (3) *Leased Fee Value* of the subject property, the value to the City of Key West, based on the startup of a new stand-alone hotel operation at the end of the current lease term.

The following paragraphs explain each of the above indicated values in order to better understand the evaluation process and to make a more informed decision. The first value is the “As Is” Market Value of the Fee Simple Interest of the subject property based on the current Highest and Best Use. This is the value of the property assuming that there is no existing lease in place. Simply stated the value of the subject property as though the Pier House owned the real property. Based on our appraisal, we estimated this value at \$6,300,000. Another appraisal was prepared by Mr. Blair Lee, MAI, with an “As Is” Market Value of \$7,000,000. The City of Key West requested an additional value of the subject property as it relates to the overall Pier House Resort property. However, the Pier House Joint Venture management group considered financial information for the overall Pier House Resort to be confidential and would not provide it to the appraisers. Therefore, this analysis was not possible. Nevertheless, the Pier House Joint Venture did provide us with the three-year average of the Occupancy Rate and Average Daily Rates for the Caribbean Spa parcel.

The second value considered is the Leasehold Value. This is the value of the subject property to the Pier House Joint Venture group for the duration of the lease term. The value assumes that upon expiration

of the lease, the Caribbean Spa ceases operations and the property reverts to the City. In our appraisal the Leasehold Value was \$3,600,000.

The third and final evaluation included the Leased Fee Value. This is the value to the City of Key West, which includes the present value of the lease payment of \$3,600.00 per year for the remaining nine years remaining on the lease, plus the present value of the reversion (net sales price upon the sale of the property) at the end of the lease. The reversion value is based on the startup of a new stand-alone hotel operation at the end of the current lease term. In our appraisal, we estimated the future reversion value at the end of the lease to be \$6,800,000. The assumption in this scenario includes an estimated cost of \$449,000 for renovation cost, refurbishing cost and equipment cost needed to make the property suitable for use as a stand-alone hotel operation. The reversion value is speculative because of the current economic conditions and uncertainty over the remaining term of the lease. Next nine years into the future. The foregoing explains the evaluations in our appraisal report of May 1, 2011.

Subsequently, the appraisers were provided with two bid proposals for the purchase of the subject property that were submitted to City. Our firm has been hired to review and comment on these proposals. The first proposal is from the Pier House Joint Venture group. Their proposal to purchase the subject property, 529 Front Street, is for \$6,300,000 with a 5% bid bond. This is a cash offer with no conditions or contingencies. The second bid is from City of Key West Police and Fire Pension Board of Trustees. Their proposal to purchase the subject property is for \$2,100,000 with a 5% bid bond. Their bid is conditioned upon the City of Key West and the Board of Trustees negotiating acceptable payments terms.

The Pier House Venture group bid is consistent with the subject property's market value. The purpose of this consulting assignment is to provide you with guidance regarding the following questions.

- Should the City of Key West accept the Pier House Venture group offer "as is" or negotiate it?
- If the City chooses to negotiate, what should the price and terms be?
- If the City chooses not to sell at this time, what is the future value of the property and other issues of concern?

In our opinion, if the City chooses to sell the subject property at this point in time, the Pier House Venture group offer is very realistic as the offer price is consistent with our previously estimated "As Is" Market Value of the Fee Simple Interest. However, Mr. Blair Lee's appraisal was for \$7,000,000 or \$700,000 more than the offer. Because of this divergency in value, we suggest that the City should negotiate the price somewhere between the two value estimates (\$6,300,000 and \$7,000,000), which is typical.

The Pier House Venture group is the best potential buyer, as they would receive the greatest benefit from the purchase of the property, verses any other purchaser that would be buying the existing lease with the

potential conversion the property at the end of the lease in May 2020. Another buyer would consider or subtract costs to convert and renovate/retrofit the property into an alternative use. Additionally, a potential buyer would be speculating on the future value in an uncertain economy.

In our appraisal, we estimated the prospective value with considering the above mentioned assumptions at \$6,800,000 in May 2020. This value assumes that the City holds the property until the end of the lease term. There is a difference of \$500,000 between the fee simple value and the estimated value at the end of the lease, without considering the time value of money or the risk factor. If you considered the time value of money at a 3% inflation rate, the net present value, (value today) would be \$5,000,000 (rounded) which does not consider the risk or liquidity factor. This is further support to counter and/or accept the Pier House Venture group offer.

The positive features of the subject property are its location being adjacent to many of the high-end lodging facilities, its proximity to the water and frontage on Front Street near many tourist attractions. The negative factors are as follows: the property does not have off-street parking; it is not directly on the water as the other hotels in the neighborhood; the existing 22 transient licenses and ROXO's were assumed to go with the overall resort property; and finally the Highest and Best Use is as part of a luxury hotel facility. In regards to the licensing, if the subject transient licensing ROXO's do not convey with the property, a potential buyer would have to purchase these licenses and rights at an additional cost, if they are available and if the subject is a suitable receiving site. Furthermore, the appraisers explained that the Highest and Best Use of the subject property "As Is" is as a luxury hotel facility in our appraisal report. Any other alternative use would likely produce a lower return or yield to the land.

The potential buyer of the subject property would probably be either the current lessee or another adjacent or nearby existing lodging owner that would use this property as an annex or extension to their present operation. Hence, this really limits the number of potential buyers, especially with the current economic conditions and uncertainty.

In our opinion, you would receive a greater economic benefit by selling now, rather than waiting till the termination of the lease. This opinion is strictly based on the greatest monetary return and does not take public or social issues into account, as social benefits are very difficult to measure.

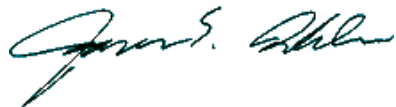
This is a consulting assignment report which is intended to comply with the reporting requirements set forth under Standard Rule 5 of the Uniform Standards of Professional Appraisal Practice for a consulting report. As such, it presents limited discussion of the data, reasoning, and analyses. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. 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.

Mark Finigan, Assistant City Manager
City of Key West
November 28, 2011
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This consulting report is prepared for the sole use of and benefits of Mark Finigan, Assistant City Manager, City of Key West and is based, in part, upon documents, writings, and information owned and possessed by the client. This report is provided for informational purposes only to third parties authorized to receive it. The appraiser-client relationship is with the City of Key West, as the client. This report should not be used for any purpose other than as guidance for the City of Key West concerning this property.

If you have any questions regarding this consulting report, please feel free to contact us. Thank you for giving me the opportunity to provide this service for you. This transmittal letter must remain attached to the report, which contains 18 pages including related exhibits, in order for the value opinion set forth to be considered valid.

Respectfully submitted,



James Wilson, MRICS, President
St. Cert. Gen. REA
RZ 2164



Richard Padron, CCIM, MSA
St. Cert. Gen. REA
RZ 544

Report Attached: R:\Comm-11\335-11\Comm-335-11.wpd

CONSULTING REPORT

Property Commonly Known as:

CARIBBEAN SPA
529 FRONT STREET, KEY WEST, FLORIDA

Property Type:

A 22-UNIT HOTEL WITH HEALTH SPA & CONFERENCE CENTER FACILITY

Prepared For:

MR. MARK FINIGAN, ASSISTANT CITY MANAGER
CITY OF KEY WEST
525 ANGELA STREET
KEY WEST, FLORIDA 33040

Report Date:

NOVEMBER 18, 2011

Prepared By:

James Wilson, MRICS, President
St. Cert. Gen. REA
RZ 2164

Richard Padron, CCIM, MSA
St. Cert. Gen. REA
RZ 544

APPRAISAL COMPANY OF KEY WEST
3229 Flagler Avenue, Suite 101
Key West, Florida 33040

OUR FILE NO.: 335-11

SUMMARY OF FACTS AND CONCLUSIONS

Subject Property Address: 529 Front Street
Key West, Florida 33040

Client/Intended User: Mr. Mark Finigan, Assistant City Manager
City of Key West
525 Angela Street
Key West, Florida 33040

Property Type: Leased Fee 22-Unit Hotel with Health Spa & Conference Center Facility

Land Size: 21,643 Square Feet or 0.50 Acres

Zoning: HRCC-1, Historic Commercial Core District, City of Key West

Flood Hazard Zone: Map No.: 12087C1516K, 2/18/05; Zone “AE”, Elevation 7-9 feet

**Highest and Best Use:
“As Improved”** As a transient hotel with a maximum of 22 units, as currently licensed, plus accessory uses obtaining maximum utilization of the land.

Gross Building Area & Improvement Description:

Subject Property Improvement Description									
Caribbean Spa									
529 Front Street, Key West, FL 33040									
Floor Level	No. Units	Type Construction	Year Built	Description	First G.B.A. Sq. Ft.	Open Porch Sq. Ft.	Unfin. Porch Sq. Ft.	Utility/ Storage Sq. Ft.	Patio Area Sq. Ft.
First	7	CBS/masonry	Approx. 1968, Last Renovated 2008	Rooms, Spa, Fitness Center, Conference Rooms	12,985	1,673	525	650	835
Second	15	CBS/masonry	Approx. 1968, Last Renovated 2008	Rooms / Suites	11,203	1,903	596		
Total	22				24,188	3,576	1,121	650	835

Number of Units: 22 transient Guest Units with off-site Office

Date of Report: November 28, 2011

Hypothetical Assumptions: It should be noted that the Fee Simple valuation in our appraisal of the subject property dated May 1, 2011, Our File Number 148-11, is based on a hypothetical condition, that the subject property is currently owned in fee simple estate, when in fact there is an existing long-term lease encumbering the property.

CONSULTING REPORT

This is a consulting assignment report which is intended to comply with the reporting requirements set forth under Standard Rule 5 of the Uniform Standards of Professional Appraisal Practice for a restricted appraisal report. As such, it presents limited discussion of the data, reasoning, and analyses. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. 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. The reader is referred to the appraisal report prepared by our office, File Number 148-11, with a valuation dated of May 1, 2011. The reader is referred to the Scope of Work section of this report for details regarding the assignment herein.

CLIENT/

INTENDED USER: Mr. Mark Finigan, Assistant City Manager
City of Key West
525 Angela Street
Key West, Florida 33040

APPRAISER: James E. Wilson, MRICS, President
St. Cert. Gen. REA
License No. RZ 2164

Richard Padron, CCIM, MSA
St. Cert. Gen. REA
License No. RZ 544

SUBJECT: Caribbean Spa
529 Front Street
Key West, Florida 33040

PURPOSE AND INTENDED USE OF THE CONSULTING REPORT

The *purpose* of this consulting report is to provide guidance to the City of Key West with regard to bid proposals submitted to the City for the purchase of 529 Front Street, Key West, Florida, commonly known as the Caribbean Spa. Furthermore, to evaluate the offers on the subject property based on the appraisal prepared by our office dated May 1, 2011, of the various components as follows: (1) “*As Is*” *Market Value of the Fee Simple Interest* of the subject property based on the current Highest and Best Use, (2) *Leasehold Value* of the subject property, the value to the Pier House Joint Venture, based on the continued uninterrupted hotel operation to the end of the lease term, and finally (3) *Leased Fee Value* of the subject property, the value to the City of Key West, based on the startup of a new stand-alone hotel operation at the end of the current lease term.

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. Market Value of the Total Assets of the Business (MVTAB) is the market value of all of the intangible assets of a business as if sold in aggregate as a going-concern.

The *intended use* of this consulting assignment is to provide general information and guidance to the City Officials to help them evaluate and make an informed decision on whether or not to sell the subject property. The *intended user* of the appraisal report is Mr. Mark Finigan, Assistant City Manager, City of Key West, 525 Angela Street, Key West, Florida 33040.

MARKET VALUE DEFINITION

Market Value, in the definitions of the Uniform Standards of Professional Practice, is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is 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; and
- e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

MORE DEFINITION

According to The Dictionary of Real Estate Appraisal, Fourth 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.

Leased Fee: The Leased Fee Interest is an ownership interest held by the landlord, who conveys the rights of use and occupancy to a tenant by lease. The landlord's rights include the right to receive rent and the right of possession at the end of the lease period.

Leasehold Interest: The tenant's possessor interest created by a lease.

DESCRIPTION OF THE SUBJECT PROPERTY

Please refer to our appraisal report dated May 1, 2011, Our File Number 148-11, for details of the physical real estate.

SCOPE OF WORK, DEVELOPMENT AND REPORTING PROCESS

The appraisers' opinion in preparing this consulting report is based on the appraisal report prepared by our office dated May 1, 2011, Our File Number 148-11. The subject property information in that report is the basis of our opinion and analysis herein. Furthermore, our guidance is based the assumptions and limiting conditions in that report.

This consulting report is a brief recapitulation of the appraiser's analyses and conclusions. Supporting documentation is retained in the appraiser's file.

SUMMARY AND CONCLUSION

In our opinion, if the City chooses to sell the subject property at this point in time, the Pier House Venture group offer is very realistic as the offer price is consistent with our previously estimated “As Is” Market Value of the Fee Simple Interest and did not have any contingencies or conditions. However, because of this divergency in value between the two appraisals, we suggest that the City should negotiate the price somewhere between the value of the two appraisals, \$6,300,000 (our appraisal) and \$7,000,000 (appraisal prepared by Mr. Blair Lee).

The Pier House Venture group is the best potential buyer, as they would receive the greatest benefit from the purchase of the property, verses any other purchaser that would be buying the existing lease with the potential conversion of the property at the end of the lease in May 2020. Another buyer would consider or subtract costs to convert and renovate/retrofit the property for an alternative use. Additionally, a potential buyer would be speculating on the future value in an uncertain economy.

If you choose not to sell at this time, but rather at the end of the lease term, in our appraisal we estimated the prospective value with the above mentioned speculative assumptions at \$6,800,000 in May 2020. There is a difference of \$500,000 (\$6,800,000 - \$ 6,300,000) between the Fee Simple value and the prospective value at the end of the lease, without considering the time value of money or the risk factor. If you considered the time value of money at a 3% inflation rate, the net present value (value today) would be \$5,200,000 (rounded), which does not consider the risk or liquidity factors. Hence, this further support to counter and/or accept the Pier House Venture group offer.

Other factors that need to be considered are the property does not have off-street parking; its proximity to the water as the other hotels in the neighborhood; the existing 22 transient licenses ROXO’s were assumed to go with the overall resort property; and finally the Highest and Best Use is as part of a luxury hotel facility. In regards to the licensing, if the subject transient licensing and ROXO’s does not convey with the property, a potential buyer would have to purchase these licenses and rights at an additional cost, if they are available and if the subject is as a suitable receiving site. Furthermore, the appraisers explained that the Highest and Best Use of the subject property “As Is” as a luxury hotel facility. Any other alternative use would likely produce a lower return or yield to the land. Thus, a potential buyer of the subject property would probably be either the current lessee or some other existing hospitality owner that would use this property as an annex or extension to their present operation. This really limits the number of potential buyers, especially with the current economic conditions and uncertainty.

In conclusion, economically speaking, you would receive a greater benefit selling now, rather than waiting till the termination of the lease. This opinion is strictly based on the greatest monetary return and does not take public or social issues or benefits into account, as social values are very difficult to measure.

CERTIFICATE OF CONSULTING ASSIGNMENT

We have personally examined the following described property:

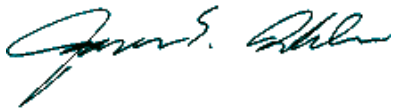
COMMONLY KNOWN AS: **CARIBBEAN SPA**
 529 FRONT STREET
 KEY WEST, FLORIDA 33040

AND DO HEREBY 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 my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- 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 Richard Padron have made a personal walk through and site visit of the property that is the subject of this report on April 7, 2011. Our office has previously appraised the subject property with an effective valuation date of May 1, 2011.
- No one has provided significant professional assistance to the persons 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 Standards and Ethics Education of the Appraisal Institute for Associate Members.

APPRAISAL COMPANY OF KEY WEST



James Wilson, MRICS, President
St. Cert. Gen. REA
RZ 2164



Richard Padron, CCIM, MSA
St. Cert. Gen. REA
RZ 544

ASSUMPTIONS AND LIMITING CONDITIONS

APPRAISAL DEVELOPMENT AND REPORTING PROCESS: In preparing this report, the appraiser performed a site visit to the subject site. Information on comparable improved sales, rents and expenses was gathered, confirmed, and analyzed. This is a consulting report which is intended to comply with the reporting requirements set forth under Standard Rule 5 of the Uniform Standards of Professional Appraisal Practice. As such, it might not include full discussions of the data, reasoning, and analyses. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. 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.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior consent and approval of the appraiser.

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. The value of the whole is not necessarily the sum of the estate or parts.

No responsibility is assumed by the Appraiser 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. Charges for solid waste collection are a special assessment in Monroe County; 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 the appraisers.

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

Our appraisal report, File No. 148-11, dated May 1, 2011, contains the results of our investigation and analysis made in order to furnish an estimate of the Market Value of the Fee Simple Estate, the Leased Fee Interest and the Leasehold Interest. 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 Leased Fee Interest is an ownership interest held by the landlord, who conveys the rights of use and occupancy to a tenant by lease. The landlord's rights include the right to receive rent and the right of possession at the end of the lease period. The leasehold interest is "the tenant's possessor interest created by a lease" which could be either positive or negative.

A Going-Concern is an established and operating business having an indefinite future life. The Going-Concern Value considers all the tangible and intangible assets necessary for the continued operation of the subject property. The Going-Concern Value considers the value of the furniture, fixtures and equipment, as well as an intangible value for the business operation and goodwill. The Going Concern Value considers all the tangible and intangible assets necessary for the continued operation of the 22-unit transient lodging facility.

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. Market Value of the Total Assets of the Business (MVTAB) is the market value of all of the intangible assets of a business as if sold in aggregate as a going-concern.

The Uniform Standards of Professional Practice (USPAP) requires that the values of real estate, personal property, trade fixtures, and intangibles be allocated to their separate components when they are significant to the overall value conclusion. In the case at hand, we have reported our opinion of the market value of the total assets of the business (market value of the going-concern) and the furniture, fixtures, and equipment (tangible business assets other than real property). The intangible business assets of the subject property are not considered to be significant to the overall value conclusions and have not been separately reported herein.

A survey of the entire Pier House property which the subject property parcel is included was made available. The survey was prepared by Mr. Frederick H. Hildebrandt, Professional Engineer, Planner and Surveyor, 3152 Northside Drive, Key West, Florida 33040, dated April 10, 2003 (the most recent update). The site size utilized in the analysis herein was taken from the survey provided. According to the survey provided, the site contains 21,643 square feet of site area or 0.50 acres. We have included the survey in the addendum section of this report. Any deviations from the sizes could possibly result in a change in value. If and when, an updated survey is made available for the subject property, noting changes in the measurements used in this report, the appraiser reserves the right to change the final value. Any maps or plats reproduced and included in this report are intended only for the purpose of showing spatial relationships.

At the time of inspection, the appraisers were given interior access to the various unoccupied units, each was represented as a typical unit type. We have assumed that these were good samples of the subject's transient units and are representative of the current condition of the uninspected units.

The Appraiser herein is not required to give testimony in court unless arrangements have been previously made thereof.

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

Information, estimates and opinions furnished to the appraiser, 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 can be assumed by the Appraiser. Subject information used in the preparation of this report was provided by Ms. Joy Smatt, General Manager, Mr. Ken Marsh, Chief Engineer and The Richard E. Jacobs Group, Inc. of the Pier House Resort, City of Key West Assistant City Manager, Mr. Mark Finigan, Senior Property Manager, Ms. Marilyn Wilbarger and Planning Department Staff, Local Developers and Real Estate Brokers.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraisers 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 the appraiser 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 the Appraiser is affiliated.

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

The appraiser does not assume the responsibility for the condition of the roofs, termite damage, nor the physical condition of the structures without the benefit of a complete engineering report. However, the roof was replaced in 2008 and the building was totally renovated.

In the appraisal assignment, our File No. 148-11, the existence of potentially hazardous material used in the construction or maintenance of the 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. As the subject building was originally built before 1978, it is possible that the building contains lead-based paint, although it was completely renovated in 1989 and 2008. The appraiser is not qualified to detect such substances. I urge the client to retain an expert in this field if desired. The subject property had been utilized for light manufacturing up until 1987. It is unknown if there has been

any environmental concerns. An environmental site assessment report was not made available to the appraiser.

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 the Appraiser is affiliated.

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 appraiser conducting this appraisal is 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 appraisers 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 do 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 included in this report; also this report has been made in conformance with the National Association of Real Estate Boards and the Appraisal Institute.



PROFESSIONAL QUALIFICATIONS

JAMES E. WILSON, III

James E. Wilson has been a resident of South Florida since 1976. His education includes a Bachelor of Science in Business Administration with a Major in Economics from the University of Florida, 1987-1991. His experience in the real estate industry began in early 1992 as a residential real estate appraiser in Pompano Beach, Florida. He appraised a wide variety of single and multi-family residential properties in Dade, Broward, and Palm Beach counties over a two-year period. In the search of advancement and challenge, James Wilson moved to the City of Key West, Monroe County, Florida in order to obtain experience and practice commercial real estate appraisal valuation techniques in a demanding and somewhat unique market area. Over the past 18 years James has been exposed to a wide-range of appraisal projects, including highest and best use studies, complex property appraisals, and wetland and environmentally sensitive valuations including transferrable development rights. His appraisal experience includes financial and investment analysis, appraisal review, feasibility and planning analysis, as well as market research and analysis. James Wilson has strived from a State Registered Real Estate Appraiser (apprentice) to a State Certified Residential Real Estate Appraiser to a State Certified General Real Estate Appraiser (licensed to perform residential and commercial appraisals) and a General Associate Member of the Appraisal Institute. He has passed the General Comprehensive Test of the Appraisal Institute and is completing the Demonstration Report, in order to fulfill the remaining requirements to become a Member of the Appraisal Institute (MAI). He is a recent member of RICS (Royal Institution of Chartered Surveyors), which is an international member organization for professionals in property, land, real estate, construction and related environmental issues.

Education: **SOUTH BROWARD HIGH SCHOOL**, Hollywood, FL, 1987.

UNIVERSITY OF FLORIDA, Gainesville, Florida - Bachelor of Science in Business Administration - Major in Economics, 1987-1991.

APPRAISAL INSTITUTE

Appraisal Reporting of Complex Residential Properties, October, 1993.

Persuasive Style in Narrative Appraisal Reports, May, 1994.

ACE 1779 - "Special Purpose Properties - The Challenge of Real Estate Appraising in Limited Markets", September, 1996.

410 Standards of Professional Practice, Part A (USPAP), 8/97.

420 Standards of Professional Practice, Part B, August, 1997.

520 Highest & Best Use and Market Analysis, October, 1997.

Non-Conforming Uses Seminar, January, 1998.

510 Advanced Income Capitalization, May, 1998.

530 Advanced Sales Comparison & Cost Approach, May, 1998.

540 Report Writing & Valuation Analysis, August, 1998.

550 Advanced Applications, February, 1999.

Regression Analysis in Appraisal Practice: Concepts & Applications, Seminar, March, 2000.

General Demonstration Appraisal Report Writing Seminar, March, 2000.

800 Separating Personal & Real Property from Intangible Business Assets, March, 2002.

Successful Completion of the General Comprehensive Examination for the Appraisal Institute

Uniform Appraisal Standards for Federal Land Requisitions, March, 2007

General Demonstration Appraisal Report Writing Seminar, August, 2007

Valuation of Conservation Easements, January, 2008.

Appraising Distressed Commercial Real Estate, June, 2009

Oil Spills and Property Values, Webinar, August, 2010

Business Practices and Ethics, September, 2010

Appraisal Curriculum Overview (2-day General) May, 2011

Professional Qualifications of James E. Wilson, III (Continued)

GOLD COAST SCHOOL OF REAL ESTATE (Continued)

Real Estate Principles, Practices, and Law - FREC Course I, May, 1992.
Salesman Post-License Program, February, 1994.
Mortgage Broker, Exam-Prep Program, September, 1992.
AB I - Appraisal Board - Fundamentals of R.E. Appraising, 5/92.
AB II - Appr. Board - Appraising Resid. & Income Properties, 2/94.
AB IIb - Appraisal Board - Cert. Resid. Appraisal Course, 7/94.
AB III - Appraisal Board - Certified General Appraisal Course (Income Capitalization Course), February, 1995.
USPAP - Uniform Standards of Professional Appraisal Practice, 6/92.
USPAP Course, September, 1995.
A-102 - Plan Reading for Appraisers, September, 1995.
National USPAP Update Course, June 2006
Techniques of Income Property Appraisal, June 2006

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.

VALUE INFORMATION TECHNOLOGY, INC.

"Perspectives on Appraisals" FREAB Course ACE#1591, June, 1995.

NORTH BROWARD BOARD OF REALTORS

ACE 591 - Basics of Construction - How a Florida Home is Built II, January, 1994.

Certification:

State certified general real estate appraiser, as designated by the Department of Professional Regulation, State of Florida; Registration No. RZ 2164.

Licensed Real Estate Salesperson, as designated by the Department of Professional Regulation, State of Florida; License No. SL 0589552 (currently inactive).

Professional Associations:

Key West Board of Realtors
General Associate Member of the Appraisal Institute
Member of RICS (Royal Institute of Chartered Surveyors), October, 2010 Member#1299389

Affiliations:

Past President of the Key West Gator Club (Alumni Organization of the University of Florida)
Member of Class VIII, Leadership Monroe County
Board Member of the Rotary Club of Sunset Key West
2009 Treasurer, 2010 Vice President, 2011 President-Elect, Board of Directors of the Key West Chamber of Commerce

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. Mr. Padron has continued to be a Fee Commercial Real Estate Appraiser with the Appraisal Company of Key West, which has ensured continuity and quality control.

APPRAISAL COMPANY OF KEY WEST, INC., Fee Commercial Real Estate Appraiser, April, 1994 to April, 2004.

F.C.P. APPRAISAL SERVICES, INC., Senior Real Estate Appraiser and Trainer, May, 1992 to April, 1994.

Appraised various types of properties in the Florida Keys, including:

Retail Stores	Commercial/Residential Condominiums
Restaurants	Full-Service Marinas/Boat Yards
Strip Centers	Environmentally Sensitive Acreage
Office Buildings	Industrial Uses
Mixed-Use Properties	Guest Houses /Hotels/Motels
Service Stations	Mobile Home and RV Parks
Multi-family Projects	Warehouse (including mini-storage)
Proposed Developments	Special-Use Properties including Schools
Single-family Estates	Seafood Processing Plants

APPRAISER CERTIFICATION

AC# **5171203** STATE OF FLORIDA
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
FLORIDA REAL ESTATE APPRAISAL BD SEQ# L10090703406

DATE	BATCH NUMBER	LICENSE NBR
09/07/2010	100117199	RZ2154

The CERTIFIED GENERAL APPRAISER
Named below IS CERTIFIED
Under the provisions of Chapter 475 FS.
Expiration date: NOV 30, 2012

WILSON, JAMES E
3229 FLAGLER AVE #101
KEY WEST FL 33045-2152

CHARLIE CRIST GOVERNOR DISPLAY AS REQUIRED BY LAW CHARLIE LIEM SECRETARY

Professional Qualifications

Richard Padron, CCIM, MSA, AAR, SRC

Richard Padron has a diverse background in the real estate industry. His experience and education in the real estate profession have continually excelled. He has been affiliated in residential construction, real estate development and the real estate brokerage business for more than 28 years. During this time, he has managed construction projects, marketed, and sold several hundred homes in various subdivisions in the Florida Keys and Key West, and has appraised thousands of single family, multi-family and commercial properties. His real estate career has involved the entire development process from acquisition to project sellout, including the permitting and operation of wastewater treatment systems, as well as dealing with environmental concerns.

Prior to founding the firm, Appraisal Company of Key West, Inc., Mr. Padron formed the corporation of Richard Padron & Associates, Inc., a real estate brokerage corporation. These corporations have been in existence since 1984, providing all types of real estate services, including brokerage; market, financial and investment analysis; expert witness testimony; appraisals; property operation review, and planning and feasibility analysis.

Education: Real Estate Certificate from Florida Keys Community College

Professional Activities: MSA: Master Senior Appraiser, (1984). Certificate No. 00883.
CCIM: Certified Commercial-Investment Member, (1986). Certificate No. 2765.
AAR: Accredited in Appraisal Reviewer, (1987). Certificate No. 77.
SRC: Senior Real Estate Councilor, (1993). Certificate No. 89.

Certification: State-Certified General Real Estate Appraiser, License No. 0000544, (1990).
Licensed Real Estate Broker, State of Florida.
Licensed Class A Wastewater Treatment Plant Operator, State of Florida.

Associations: National Association of Realtors
Florida Association of Realtors
Key West Board of Realtors
Marathon and Lower Keys Board of Realtors.
National Association of Master Appraisers
Commercial-Investment Real Estate Council.
Accredited Review Appraisers Council
National Association of Counselors


Experience:

Appraisal Company of Key West, Inc. (Since 1987)
 Richard Padron & Associates, Inc. (Since 1984)
 Michael A. Padron, Inc. (1978-1984)
 Riviera Enterprises, Inc. (1968-1984)

Area of Expertise:

- Analysis and evaluation of many types of real estate
- Assessment of project feasibility including:
 Market research, investment analysis, and feasibility study
 Highest and Best Use Analysis
- Litigation support and expert witness testimony
- Types of properties appraised, evaluated, and analyzed:
 Hotels, Motels & Guesthouses
 Retail/Office and/or Specialty Stores
 Shopping Centers & Malls
 Warehouses (Mini, Storage & Distribution)
 Restaurants
 Highest & Best Use Study
 Theaters
 Mobile Home & Recreation Vehicle Parks
 Marinas, Boat Storage & Repairs
 Single Family Residential & Condominiums
 Seafood Packing House
 Multi-Family & Income Properties
 Multi-Family Projects
 Environmentally Sensitive Tracts
 Proposed Development Projects

APPRAISER CERTIFICATION

AC# 5249160			STATE OF FLORIDA		
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION					
FLORIDA REAL ESTATE APPRAISAL BD					
					SEQ# L110093006962
DATE	BATCH NUMBER	LICENSE NBR			
09/30/2010	100162762	RZ544			
The CERTIFIED GENERAL APPRAISER					
Named below IS CERTIFIED					
Under the provisions of Chapter 475 FS.					
Expiration date: NOV 30, 2012					
PADRON, RICHARD			FL 33040		
3229 FLAGLER AVE #101					
KEY WEST					
CHARLIE CRIST		DISPLAY AS REQUIRED BY LAW		CHARLIE LIEM	
GOVERNOR				SECRETARY	