



APPRAISAL CO.
OF KEY WEST

3229 Flagler Avenue, Suite #101
Key West, Florida 33040
Telephone: (305) 296-4568
Fax: (305) 296-0493

Website: fla-keysappraisals.com
Email: jim@fla-keysappraisals.com

August 17, 2011

Ms. Marilyn Wilbarger, RPA, CCIM
Senior Property Manager
City of Key West
P.O. Box 1409
Key West, Florida 33041

RE: Market Study - Rent Analysis

- 1) Base Market Rents - Central Business District adjacent to Key West Historic Seaport
 - 2) Annual Market Increases - Escalator
 - 3) Common Area Maintenance - Triple Net Expenses
 - 4) Late Fees
 - 5) Percentage Rents
- Our File No.: 228-11

Dear Ms. Wilbarger:

Pursuant to your request, we hereby submit our market study and rent analysis of the area surrounding to the Key West Bight neighborhood trade area. Included in our study is an analysis of the base rents, annual escalators, triple net expenses and allocations, late fees, percentage rents and other potential tenant expenses.

Market Rent is the rental income that a property would most likely support in the open market as indicated by current rents paid and asked for comparable space. The appraisers understand that the intended use of this report is to help establish current market rents for the Key West Bight and to assist in the negotiation of new leases.

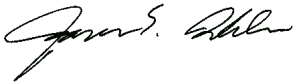
This is a summary appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a summary appraisal report. As such, it presents limited discussion of the data, reasoning, and analyses 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 work file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated within the attached appraisal report. The appraisers are not responsible for unauthorized use of this report.

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

Ms. Marilyn Wilbarger, RPA, CCIM
Senior Property Manager
City of Key West
August 17, 2011
Page 2

attached to the report, which contains 26 pages including related photographs and 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



Richard Padron, CCIM, MSA
State-certified general real estate appraiser
RZ 544

MARKET STUDY - RENT ANALYSIS

Summary Report

Property Commonly Known as:

Key West Bight - Historic Seaport

Key West, Florida

Property Type:

RETAIL, OFFICE, AND RESTAURANT USE PROPERTY

Prepared For:

MS. MARILYN WILBARGER, RPA, CCIM

SENIOR PROPERTY MANAGER

CITY OF KEY WEST

P.O. BOX 1409

KEY WEST, FLORIDA 33041

Report Date:

AUGUST 17, 2011

Prepared By:

James E. Wilson, MRICS, President
State certified general real estate appraiser
Licensed No. RZ 2164

Richard Padron, CCIM, MSA
State certified general real estate appraiser
License RZ 544

APPRAISAL COMPANY OF KEY WEST

3229 Flagler Avenue, Suite 101

Key West, Florida 33040

OUR FILE NO.: 228-11

SUMMARY REPORT

This is a summary report, which is intended to comply with the reporting requirements set forth under S.R. 2-2(b) of the Uniform Standards of Professional Appraisal Practice. As such, it presents limited discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's work file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraisers are not responsible for unauthorized use of this report.

CLIENT: Ms. Marilyn Wilbarger, RPA, CCIM
Senior Property Manager
City of Key West
P.O. Box 1409
Key West, Florida 33041

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

Richard Padron, CCIM, MSA
State certified general real estate appraiser
RZ 544

SUBJECT: Market Rent Analysis of surrounding Key West Bight market area.

PURPOSE OF THE APPRAISAL: To estimate the Market Rent for the market area surrounding the Key West Historic Seaport. Market Rent is defined as “The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment, and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

1. Lessee and lessor are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interest.

3. A reasonable time is allowed for exposure in the open market.
4. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
5. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

Furthermore, the client requested the following information regarding typical market leases:

- Annual Market Increases - Escalator
- Common Area Maintenance - Triple Net Expenses
- Late Fees
- Percentage Rents

INTENDED USE AND USER OF THE REPORT: For the sole purpose of assisting the intended user, the client, City of Key West, Key West Bight Board s Federal Credit Union in negotiating new leases and modifying existing leases within the Key West Bight.

INTEREST VALUED: Market Rent

EFFECTIVE DATE OF VALUE: August 1, 2011

APPRAISAL DEVELOPMENT AND REPORTING PROCESS, SCOPE OF WORK: In preparing this summary appraisal report to determine the Market Rent for the market neighborhood. We researched various sized comparable commercial retail, kiosk and restaurant use properties in the market area. Some of the complexes surveyed and analyzed included owner-user units (not leased) which were not included within this report. We have specifically evaluated the (1) Base Market Rents, (2) Annual Market Increases, (3) Triple Net Expenses, (4) Late Fees, (5) Percentage Rents. Furthermore, the appraisers interviewed the most active commercial real estate brokers/associates that were directly involved in the negotiation of the reported lease information herein.

Trade Area Analyzed:

Our analysis included retail stores and restaurants within the commercial trade area surrounding the Key West Historic Seaport including the Green Street corridor, from the Key West Bight to Whitehead Street; the 100 and 200 blocks of Simonton Street, along Front Street, from Mallory Square to the Key West Bight.

1. Fair Market Rent Analysis:

Commercial retail, kiosk and restaurant use located within the market area were researched in order to analyze the rental rates per annum on a per square foot of gross rentable area basis, as well as on a percentage basis. We included recently negotiated leases, as well as existing long term tenants of individual units and multi-unit complexes within the subject's market area. The rent comparables considered are noted as follows.

Market Rent Comparable No. 1 - Key West Hand Prints Center
200 Block Simonton Street



This comparable consist of two contiguous parcels. Parcel “A” fronts 199 feet along the southerly side of Greene Street, 189 feet along the easterly side of Simonton Street, plus 199 feet along the northerly side of Dey Street and contains 37,611 square feet. Parcel “B” has 51 feet of street frontage along Dey Street and 86.41 feet in depth and contains 4,407 square feet. Thus, the total site area for both parcels is 42,018 square feet. Parcel “A” encompasses the following addresses: 201-213 Simonton Street, 605 Dey Street, and 602-610 Greene Street, while Parcel “B” includes 619 Dey Street.

The mixed-use complex commonly known as Key West Hand Prints was in the planning stage to be converted to condominium ownership with possible sale of the individual commercial and residential units. However, based on the economy and current market conditions, condo conversion and sellout are not likely in the immediate future. Hence, it continues to be operated as investment multi-tenant mixed use complex.

The two parcels have a total of four structures that are located within the Historic Preservation District. Three buildings are located on Parcel “A.” Building “1” is the southerly metal free-span structure, built in 1980, with street frontages along Simonton and Dey Streets, adjacent to Buildings “2” and “3”. It was originally built as a large warehouse/manufacturing facility and then later converted into a mixed-use structure containing four retail units and a large storage/warehouse unit at the first level, plus six, luxury, non-transient, apartments at the second level with a gross building area of 24,417 square feet, according to the survey provided.

Building “2”, the rectangular brick structure located on the southeasterly corner of Simonton and Greene Streets was built originally built in 1878 as a tobacco warehouse, according to historical sources. The structure was converted into a retail showroom for the Key West Hand Print Fabrics, one of Key West's first major tourist-related industries. The first level of this building consists of

three retail units, which contains a total of 14,032 square feet. Building “2” was improved with a second story consisting of four, non-transient, residential units. The second story addition consists of a total of 2,694 square feet of gross building area, excluding hallways and stairways. Thus, Building “2” has a total of 16,726 square feet of gross building area.

Adjacent to Building “2”, fronting on Greene Street, is a metal free-span building referenced as Building “3”, was built in 1973. It contains three commercial units with a total of approximately 7,149 square feet of gross building, encompassing one retail unit, plus a 150 licensed seat restaurant/bar. 608 and 610 Greene Street units have recently been combined into one unit as the restaurant/bar was expanded to meet the new tenant’s requirements. Buildings Number 1 through 3 are located at 201-213 Simonton Street, 605 Dey Street, and 602-610 Greene Street.

Building “4” is a two-story CBS/masonry mixed-use structure containing 2,415 square feet of gross building area located at 619 Dey Street, on Parcel “B”. This building was built in 1939 and encompasses a former retail /service/storage unit, which is currently leased as storage at the first level, plus a recently renovated two bedroom, one bathroom, non-transient, residential apartments at the second level.

This comparable mixed-use complex consists of a total of 10 commercial units and 10 residential non-transient units containing a total of 48,292 square feet of gross building area. However, two of the commercial units are owner-occupied which makes up 22.6% of the gross building area based on overall building area. The retail units all have high ceilings, some built-out with mezzanines added. The residential units are built on a second-level, over the retail/office units. This complex is presently only 35.7% vacant based on the overall net rentable area. The tenants are local retail shops, offices and boutiques.

This comparable is located approximately two blocks westerly along Greene Street from the Key West Historical Seaport. This shopping complex has moderate pedestrian traffic from the Trolley stop across the street as well as cruise ship passengers walking along Greene Street. Formerly, Key West Hand Print Fabrics was a tourist attraction that was closed a number of years ago, due to the economy. It currently draws customers from the Key West Seaport and the tourist attractions, galleries and museums are located within three blocks of this comparable and two blocks from Duval Street, “High Rent” district.

Key West Hand Print complex has 10 retail shops ranging in size from 1,300 to 7,091 square feet, excluding the owner-occupied units. The rental rate ranges from \$17.26 to \$27.11 per square foot per year. It should be noted that one of these leases is for storage and warehouse area, not retail use; thus, leased on a modified gross basis. All the remaining units are on a triple net basis. Triple net leases are typical in the downtown high rent district. On triple net terms, the landlord only is responsible for the 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 and any other common area related expenses. The appraisers have estimated the CAM fee to be an additional rent of \$4.74 per square foot for the commercial uses. This center had a 35% vacancy rate not including the owner-occupied units based on rentable area.

The existing the leases within this complex were originally for two to twenty years. The typical annual escalator has been CPI or 5% whichever is greater. However, due to the economy and the number of vacancies annual escalators have been based on CPI including the major tenant.

Key West Hand Print Fabric Center							
Unit No.	Unit Use	Unit Size per S.F.	Base Rent	Annual Rent	Monthly		Additional Rent
					Rent/S.F.	Annual Increases	
Building No. 3 - 606-610 Greene Street:							
606 Greene Street	Retail	2,570	5,805.52	\$69,666.24	\$27.11	3.0%	NNN
608-610 Greene Street	Restaurant	<u>4,579</u>	<u>7,971.60</u>	<u>\$95,659.20</u>	\$20.89	4.5%	NNN
Total Rentable Area:		7,149	13,777.12	\$165,325.44			
Common Area Hallway		0					
Building No. 3 Gross Building Area:		7,149					
Building No. 2 - 201-203 Simonton St., 602-604 Greene St.:							
<u>1st Level</u>							
201 Simonton Street	Vacant	7,091					Vacant
203 Simonton Street	Vacant	5,417					Vacant
<u>602 Greene Street</u>	Retail	<u>1,524</u>	<u>3,285.50</u>	<u>\$39,426.00</u>	\$25.87	3.0%	NNN
Building No. 2 First Level		14,032	3,285.50	\$39,426.00			
Building No. 1 - 205-213 Simonton St. & 605 Dey St.:							
<u>1st Level</u>							
209 Simonton Street	Vacant	1,565					Vacant
211 Simonton Street	Vacant	1,522					Vacant
213 Simonton Street	Vacant	<u>1,400</u>					Vacant
First Level Rentable Area:		4,487	0.00	\$0.00			
Building No. 4 - 619 Dey Street:							
1st Level - Unit #2	Storage	<u>1,300</u>	<u>1,870.00</u>	<u>\$22,440.00</u>	\$17.26		Mod. Gross
Total Building No. 4 Gross Building Area:		1,300	1,870.00	\$22,440.00			
Totals:		26,968		\$227,191.44			
Mean		2,996	4,733.16	\$56,797.86	\$22.78		
Median		1,565	4,545.51	\$54,546.12	\$23.38		
Minimum		1,300	1,870.00	\$22,440.00	\$17.26		
Maximum		7,091	7,971.60	\$95,659.20	\$27.11		

Market Rent Comparable No. 2 - Simonton Row
100 Block Simonton Street



This comparable property consists of three connected, CBS/masonry commercial use structures containing a gross building area of 43,531 square feet. These buildings were totally renovated during 2002, which included a division of existing space, installation of individual air-conditioning units, and the addition of several restrooms, as well as new signage and decorative additions to the building facade. The structures, which had previously been subdivided as a lumber yard facility and hardware retail store were re-configured into eight (8) storefront retail/office rental units of various sizes, four (4) two-bedroom/one bathroom (2/1), affordable, residential apartment units, a large owner-occupied trolley storage barn, storage and office areas, and an employee break-room area. The retail units are one-story with ceilings of approximately 20 feet. A few of the retail/office units have been built-out with mezzanines added. The residential units are built on a second-level, over the retail/office units at the northeasterly end of the subject building.

This comparable is situated on an irregularly-shaped parcel which fronts an estimated 113.0 feet along the northerly side of Greene Street and 386.5 feet along the westerly side of Simonton Street. The subject site extends westerly to Ann Street with 101.0 feet of frontage. According to the Monroe County Tax Appraiser's records, the subject site contains a total site area of 57,381 square feet.

Simonton Row consists of 8 retail units at the first level with a net rentable area of 22,226 square feet including mezzanines; but, excluding the owner-occupied space for the Old Town Trolleys. Additionally along there are residential units, common area and off street parking. This center is presently only 63.0% occupied based on the net rentable area excluding owner/user space. There is one major, national tenant, the occupant on the corner of Greene and Simonton. The remainder of the units are local retail shops, offices and boutiques.

This comparable is located approximately two blocks westerly along Greene Street from the Key West Historic Seaport. This shopping complex has moderate pedestrian traffic from the Trolley stop on the corner and cruise ship passengers walking along Greene Street. It also draws customers from the Key West Seaport, as well as locals traffic because of the off street parking. All of the tourist attractions, galleries and museums are located within three blocks of this comparable and two blocks easterly from Duval Street, “High Rent” district.

Simonton Row has 8 retail shops ranging in size from 359 to 8,215 square feet. The rental rate ranges from \$12.68 per square foot for storage/warehouse to \$61.18 per square foot per year for a very small retail space. It should be noted that one of these leases is for storage and warehouse area, not retail use. All of the commercial units are leased on a triple net basis. Triple net leases are typical in the downtown high rent district. On triple net terms, the landlord only is responsible for the 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, all utilities, and any other common area related expenses. The appraisers have estimated the CAM fee to be an additional rent of \$4.87 per square foot. This center had a 37% vacancy rate not including the owner-occupied units based on rentable area.

Most of the leases within this complex were for one to five years, except for the major tenant which negotiated a 15-year lease. The typical annual escalators have been CPI or 5% whichever is greater. However, due to the recession and the number of vacancies, annual escalators have been reduced to based on change of the CPI including the major tenant.

LEASE SCHEDULE ANALYSIS								
Simonton Row								
<u>Address/ Unit</u>	<u>Sq.Ft. Per Rent Roll</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent</u>	<u>Annual Rent /Sq. Ft.</u>	<u>Pro-Rata Share</u>	<u>Additional Terms</u>	<u>Annual Increases</u>	<u>Use & Comments</u>
106-110 Simonton Street	1,598				7%	NNN	Vacant	Vacant
114 Simonton Street	2,420	\$ 2,837.21	\$ 34,047	\$ 14.07	11%	NNN		Storage/Office
126 Simonton Street	965	\$ 2,719.20	\$ 32,630	\$ 33.81	4%	NNN	5.0%	Service
130-134 Simonton Street	1,800	\$ 3,750.00	\$ 45,000	\$ 25.00	8%	NNN		Vacant
138-140 Simonton Street	1,970	\$ 4,948.18	\$ 59,378	\$ 30.14	9%	NNN	3.0%	Office
142-150 Simonton Street	4,899	\$ 13,310.85	\$ 159,730	\$ 32.60	22%	NNN	Vacant	Vacant
531 Greene Street	359	\$ 1,830.19	\$ 21,962	\$ 61.18	2%	NNN	5.0%	Retail
535 Greene Street	8,215	\$ 23,662.56	\$ 283,951	\$ 34.56	37%	NNN	3.5%	Retail
Totals Rentable Area:	22,226	\$ 53,058.19	\$ 636,698		100%			
Mean	2,778	\$7,579.74		\$33.05				
Median	1,885	\$3,750.00		\$32.60				
Minimum	359	\$1,830.19		\$14.07				
Maximum	8,215	\$23,662.56		\$61.18				

Market Rent Comparable No. 3 - Greene Street Condominium
412-416 Greene Street



The market rent comparable is commonly known as Greene Street Condos, with street addresses of 412-416 Greene Street and 208 Telegraph Lane, Key West, Florida. The property is presently improved with three commercial and residential buildings containing an estimated gross building area of 4,597 square feet of gross building area and 4,588 square feet of gross leaseable area. The structure located on the northeasterly corner of the site, was originally built before 1872 according to historical sources, while the other buildings were built in 1987 and 1988.

Building "A", commonly known as 416 Greene Street, is the original two-story brick building which was constructed on the site before 1872. According to historical sources, the building was purchased by the International Ocean Telegraph Company in 1872. The building is situated at the northeasterly corner of the site with 22.1 feet of frontage along Greene Street and 47.8 feet of frontage along Telegraph Lane. The brick building is reminiscent of Nineteenth Century American architecture typically used for public buildings. The architectural style is distinguished by the flat roof and massive cornice with dentil. The structure first level is occupied for retail which the second level is being utilized as an apartment. This building contains an estimated gross building area of 2,092 square feet.

Building "B", commonly known as 412-414 Greene Street, was constructed in 1987. The structure was built to complement Building "A"'s architectural style. The building fronts approximately 32.5 feet along Greene Street and contains two units/bays. The structure contains an estimated gross building area of 1,804 square feet, according to the previously mentioned survey.

Building "C", commonly known as 208 Telegraph Lane, was constructed in 1988. The structure fronts an estimated 18.5 feet along Telegraph Lane with a V-shaped front and entrances on either side. This building has 699 square feet of gross building area.

This comparable is located approximately four blocks westerly along Greene Street from the Key West Historical Seaport. This complex has great pedestrian traffic from the cruise port, Mallory Square foot traffic, as well as from all the tourist attractions, galleries and museums, in the immediate surroundings. This comparable has a prime location in the heart of the tourist district one block off of Duval Street and in the highest pedestrian traffic in "Old Town," located in the "High Rent" district.

This property consists of 4 individual retail shops ranging in size from 699 to 1,046 square feet. The rental rate ranges from \$41.30 to \$50.17 per square foot per year on a triple net basis. On triple net terms, the landlord only is responsible for the 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 and any other common area related expenses. The appraisers have estimated the CAM fee, based on triple net, to be an additional rent of \$5.99 per square foot.

LEASE SCHEDULE ANALYSIS						
Greene Street Condos						
412-416 Greene Street & 208 Telegraph Lane, Key West						
Address	Size Sq. Ft.	Monthly Rent	Annual Rent	Ann. Rent Sq. Ft.	Use	Terms
412 Greene Street	943	\$3,500	\$42,000	\$44.54	Retail	NNN
414 Greene Street	861	\$3,600	\$43,200	\$50.17	Retail/Storage	NNN
416 Greene Street/ Retail	1,046	\$3,600	\$43,200	\$41.30	Retail	NNN
208 Telegraph Lane	699	\$2,700	\$32,400	\$46.35	Retail	NNN
Gross Leasable Area	3,549	\$13,400	\$160,800	\$45.31		
Mean	887	\$3,350		\$45.59		
Median	902	\$3,550		\$45.45		
Minimum	699	\$2,700		\$41.30		
Maximum	1,046	\$3,600		\$50.17		

Market Rent Comparable No. 4 - Kino Plaza
413-419 Greene Street



The market rent comparable is commonly known as Kino Plaza, with street addresses of 413-419 Greene Street and 107-121 Fitzpatrick Street, Key West, Florida. The improvements consist of three, one and one-half story CBS/masonry structures, two are attached and one detached. The property has frontages along the easterly side of Fitzpatrick Street and northerly side of Greene Street. The plaza is a downtown shopping complex consisting of thirteen retail shops with a total of 12,946 square feet of rentable area plus 258 square feet of common area for a total of 13,204 square feet of gross building area. The improvements are situated on a rectangular-shaped corner parcel with 110.0 feet of frontage along the northerly side of Greene Street and 200.0 feet in depth along Fitzpatrick Street for a total site area of 22,000 square feet. The common area within the building structure consists of two restrooms. There is also a brick-covered walkway in front of all the stores plus a large open brick courtyard area fronting on Fitzpatrick Street. There is no off street parking available, other than the alley which provides delivery access via a utility easement. According to the Monroe County Property Appraiser’s records, the subject property was constructed in 1978.

This property was built by the anchor tenant, Kino’s Sandals, with a tenant mix of retail, jewelry and clothing. This comparable is located approximately four blocks north westerly along Greene Street from the Key West Historical Seaport. This center enjoys superb pedestrian traffic from the cruise port, Mallory Square foot traffic, as well as from all the tourist attractions, galleries and museums, in the immediate surroundings. This property has a prime location in the heart of the tourist district one block off of Duval Street and in the highest pedestrian traffic in “Old Town,” located in the “High Rent” district.

This downtown strip center consists of 13 individual shops ranging in size from 317 to 2,191 square feet. The rental rate ranges from \$13.41 to \$68.59 per square foot per year on a modified gross basis, with the tenant paying their own utilities and interior maintenance. The appraisers have estimated the CAM fee, if it were triple net, to be an additional rent of \$6.98 per square foot. Most of the leases within this complex were for five years with five year option periods and had a 5% annual escalator.

It should be noted that the long term leases within this center are at the lower end of the range of market rents within this high rent neighborhood. This is because the owner is the anchor tenant that has not kept pace with the rental market and has maintained some of the original tenants when the center opened. Furthermore, some of these units do not have main, Greene Street, frontage. This center had a 100% occupied not including the owner-occupied unit.

LEASE SCHEDULE ANALYSIS									
Kino's Plaza									
Unit No.	Unit Use	Unit Size per S.F.	Monthly Rent	Annual Rent	Rent/S.F.	Annual C.A.M.	Prorata Percent	Additional Rent	Option Period
107 Fitzpatrick St.	Owner	1,622					12.5%	NNN	
109-111 Fitzpatrick St.	Jewelry	1,438	\$2,315.24	\$27,782.88	\$19.33	None	11.1%	N	1 X 5 Yrs.
113 Fitzpatrick St.	Retail	805	\$900.00	\$10,800.00	\$13.41	None	6.2%	N	None
115 Fitzpatrick St.	Retail	805	\$1,157.62	\$13,891.44	\$17.25	None	6.2%	N	None
117 Fitzpatrick St.	Retail	805	\$1,399.13	\$16,789.50	\$20.84	None	6.2%	N	None
119 Fitzpatrick St.	Retail	317	\$598.96	\$7,187.50	\$22.69	None	2.5%	N	None
121 Fitzpatrick St.	Retail	623	\$1,098.88	\$13,186.50	\$21.17	None	4.8%	N	1 X 5 Yrs.
417 Greene St.	Jewelry	560	\$3,200.00	\$38,400.00	\$68.59	None	4.3%	N	1 X 5 Yrs.
419 Greene St.	Retail	1,493	\$3,095.58	\$37,146.96	\$24.89	None	11.5%	N	1 X 5 Yrs.
415 Greene St.	Jewelry	725	\$1,960.68	\$23,528.19	\$32.47	None	5.6%	N	1 X 5 Yrs.
413 Greene St.	Retail	2,191	\$4,000.00	\$48,000.00	\$21.90	None	16.9%	N	None
103 Fitzpatrick St.	Jewelry	1,009	\$2,550.00	\$30,600.00	\$30.33	None	7.8%	N	None
105 Fitzpatrick St.	Jewelry	553	\$1,661.71	\$19,940.48	\$36.04	None	4.3%	N	1 X 5 Yrs.
Totals Rentable Area:		12,946	\$23,937.80	\$287,253.45	\$22.19	\$0.00	100.0%		
	Mean	996	\$1,994.82		\$27.41				
	Median	805	\$1,811.20		\$22.29				
	Minimum	317	\$598.96		\$13.41				
	Maximum	2,191	\$4,000.00		\$68.59				

Market Rent Comparable No. 5 - Clinton Square Market
291 Front Street



This rent comparable includes a two-story, rehabilitated, historic building. The structure was originally built in 1852 by the U.S. Navy; it was subsequently used as a Lighthouse in the 1930's and most recently by the U.S. Coast Guard. It was purchased by the present owner in 1991 with major renovations, including conversion, completed between 1992 and 1993. The building was known as Building No. 1 and is presently commonly known as Clinton Square Market, located at 291 Front Street, Key West, Florida.

Clinton Square Market is a two-story retail mall. It consists of 16 retail units at the first level. This level includes 7,486 square feet of net rentable area within the retail bays. Additionally along the central corridor, there are six kiosk units occupying an estimated 480 square feet. At the first level, there are 5,610 square feet of common area including central corridor, entry/exit foyers, restrooms, and equipment/electrical rooms. The second level has two rental units containing an estimated 8,458 square feet, plus eleven (11) storage units with 495 square feet. The second level has a total of 8,953 square feet of net rentable area, plus 4,623 square feet of common area including restrooms elevator shaft, stairway, emergency exits and central corridor.

The retail mall is presently 100.0% occupied. This retail mall includes 16,919 square feet of net rentable area and 27,152 square feet of gross building area, a 62.3 percent efficiency ratio. There are two major occupants at the second level. The Key Encounter tenant has occupied its unit for more than 15 years and has indicated that it will exercise one of its 5-year renewal options this year. The second major tenant, the Key West Toy Factory, was completed last year and has two, five-year options at the end of its lease period.

This comparable is located approximately five blocks northwesterly along Greene Street from the Key West Historical Seaport. This shopping mall boasts an excellent pedestrian traffic from the cruise port where the passengers disembark. It also enjoys being adjacent to the Mel Fisher Museum, Custom House Museum, Westin Hotel, Key West Aquarium, as well as rear access to Mallory Square foot traffic. All of these tourist attractions, galleries and museums contribute to the high pedestrian traffic. This property also has a prime location, being only two blocks westerly from the lower-end of Duval Street, "High Rent" district.

This downtown mall consists of 13 individual shops ranging in size from 250 to 5,239 square feet. The rental rate ranges from \$13.85 to \$73.88 per square foot per year on a triple net basis. Triple net leases are typical in the downtown high rent district. On triple net terms, the landlord only is responsible for the 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 and any other common area related expenses. As noted on the following lease schedule analysis the mean CAM fee was \$20.41 per square foot of rentable area. However, the CAM fee in the mall includes central air-conditioning, utilities, garbage, janitorial, building insurance and real estate taxes, which is atypical.

Most of the leases within this complex were for one to two years with a three to five year option periods and had a CPI annual escalator. Only one tenant has three, five year option periods because of his high cost of build-out.

It should be noted that these leases were adjusted downward about 15%, two years ago and then stabilized for the next year due to the downturn in the economy. Hence, there has been an overall decrease in rents over the past two years. Furthermore, should be aware that two of these leases are large, second-story units, which command lower rents. This center was 100% occupied as of the effective date of our survey.

LEASE SCHEDULE ANALYSIS												
<i>Clinton Square Market</i>												
Unit No. Tenant Name	Unit Use	CAM % Prorata	2011 Total					Annual Rent w/ CAM	Annual Rent w/o CAM	Unit Size Sq. Ft.	\$/ Sq. Ft.	Annual CAM \$/SF
			Monthly Rent	Monthly Rent Tax	Monthly Rent	Monthly Rent	Monthly Rent					
Unit 1	Retail	5.40%	\$2,254.29	\$169.07	3,225.63	38,707.56	\$27,051.48	404	\$66.96	\$20.22		
Unit 2	Retail	6.55%	\$2,503.64	\$187.77	3,715.03	44,580.36	\$30,043.68	490	\$61.31	\$22.85		
Unit 3	Retail	6.63%	\$2,456.62	\$184.25	3,540.00	42,480.00	\$29,479.44	496	\$59.43	\$20.07		
Unit 4	Retail	5.46%	\$2,010.21	\$150.77	2,902.03	34,824.36	\$24,122.52	409	\$58.98	\$20.18		
Unit 5	Snacks	6.63%	\$2,251.04	\$168.83	3,319.00	39,828.00	\$27,012.48	496	\$54.46	\$20.07		
Unit 6-7	Retail	12.96%	\$3,255.81	\$244.19	3,500.00	42,000.00	\$39,069.72	970	\$40.28	N/A		
Unit 8	Retail	6.63%	\$2,456.07	\$184.21	3,539.41	42,472.92	\$29,472.84	496	\$59.42	\$20.07		
Unit 9	Retail	6.63%	\$2,222.83	\$166.71	3,288.67	39,464.04	\$26,673.96	496	\$53.78	\$20.07		
Unit 10	Retail	6.63%	\$2,325.90	\$174.44	3,399.47	40,793.64	\$27,910.80	496	\$56.27	\$20.07		
Unit 11	Retail	6.63%	\$2,325.90	\$174.44	3,399.47	40,793.67	\$27,910.80	496	\$56.27	\$20.07		
Unit 12	Retail	13.28%	\$4,587.79	\$344.08	6,732.87	80,794.44	\$55,053.48	994	\$55.39	\$20.23		
Unit 14	Retail	3.36%	\$1,539.20	\$115.44	2,191.07	26,292.84	\$18,470.40	250	\$73.88	\$23.76		
Unit 15-16	Retail	13.27%	\$4,102.51	\$307.69	6,500.00	77,999.98	\$49,230.12	993	\$49.58	\$46.66		
		13.27%										
Unit No. 18	Attraction	50.38%	\$4,000.00	\$0.00	6,052.00	72,624.00	\$48,000.00	3,219	\$14.91	\$7.65		
Unit No. 17	Retail	49.62%	\$6,046.51	\$453.49	8,294.71	99,536.55	\$72,558.12	5,239	\$13.85	\$3.82		
Kiosk 1	Kiosk		\$1,196.71	\$89.75	1,501.46	18,017.52	\$14,360.52		\$179.51			
Kiosk 2	Kiosk		\$1,222.18	\$91.66	1,528.84	18,346.08	\$14,666.16		\$183.33			
Kiosk 3	Kiosk		\$1,196.68	\$89.75	1,501.43	18,017.16	\$14,360.16		\$179.50			
Kiosk 4	Kiosk		\$1,542.16	\$115.66	1,899.70	22,796.34	\$18,505.92		\$231.32			
Kiosk 5	Kiosk		\$1,222.18	\$91.66	1,528.84	18,346.08	\$14,666.16		\$183.33			
Kiosk 6	Kiosk		N/A									
Storage Units	Storage		\$810.00	\$60.75	870.75	10,449.00	\$9,720.00		\$21.60			
TOTAL			\$51,528.23	\$3,564.61	\$72,430.38	\$869,164.54	\$618,338.76	15,944	\$39.82			
		Mean	\$2,453.73				\$29,444.70	1,063	\$51.65	\$20.41		
		Median	\$2,254.29				\$27,051.48	496	\$56.27	\$20.07		
		Minimum	\$810.00				\$9,720.00	250	\$13.85	\$3.82		
		Maximum	\$6,046.51				\$72,558.12	5,239	\$73.88	\$46.66		

Market Rent Comparable No. 6 - The Bottling Court
Front and Simonton Street



This comparable property consists of three connected, CBS/masonry commercial use structures that contain a total of gross building area of 11,491 square feet of commercial net rentable area. These buildings were totally renovated in the early 1990's, which included major additions, a division of existing space, installation of individual air-conditioning units, and the addition of several restrooms, common areas and a parking lot, as well as new signage and decorative additions to the building facade. The structures, which had previously been subdivided as a Coca Cola bottling plant was re-configured into 7 storefront retail/office rental units of various sizes, plus owner/user office space on the second story. The retail units are one-story some with very high ceilings.

This comparable is situated on an "L" shaped parcel which fronts an estimated 204 feet along the northerly side of Front Street and 135 feet along the easterly side of Simonton Street. According to the Monroe County Tax Appraiser's records, the site contains a total area of 22,528 square feet.

The Bottling Court consists of 7 retail units at the first level with a net rentable area of 11,491 square feet excluding mezzanines. Additionally, there are office units, common area and off street parking. This center is presently only 49.0% occupied based on the net rentable area excluding the office space. There is one major, national tenant, the occupant on the corner of Front and Simonton. The remainder of the units are local retail shops, offices and boutiques.

This comparable is located approximately three blocks northwesterly from the Key West Historical Seaport, and one block from the Greene Street corridor. This shopping complex has fair pedestrian traffic from the local waterfront hotels, as well as the adjacent A & B Restaurant complex. It also draws customers from local residence because it offers off street parking. All of the tourist

attractions, galleries and museums are located within three blocks of this comparable and one block from Duval Street, “High Rent” district.

The Bottling Court individual shops range in size from 460 to 5,400 square feet. The rental rate ranges from \$33.08 to \$46.00 per square foot per year. All are on a triple net basis. Triple net leases are typical in the downtown high rent district. On triple net terms, the landlord only is responsible for the 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 and any other common area related expenses. The appraisers have estimated the CAM fee to be an additional rent average of \$7.55 per square foot.

Most of the leases within this complex were for five to ten years. The typical annual escalator has been CPI or 5% whichever is greater. However, due to the economy and the number of vacancies annual escalators have been based on CPI including the major tenant. This center had a 51% vacancy rate due to one large vacant unit, based on rentable area.

LEASE SCHEDULE ANALYSIS									
Bottling Court									
Unit No.	Unit Use	Unit Size per S.F.	Monthly Rent	Annual Rent	Annual Rent/S.F.	Annual C.A.M.	Prorata Percent	Additional Terms	Option Period
600 Front Street	Retail	1,737	\$6,658.50	\$79,902.00	\$46.00	\$7.42	13.10%	NNN	No
103 Simonton	Retail	1,250	\$3,663.98	\$43,967.76	\$35.17	\$7.42	9.00%	NNN	No
606 Front Street	Retail	822	\$3,123.60	\$37,483.20	\$45.60	\$7.11	6.20%	NNN	1 X 5 Yrs.
610 Front Street	Vacant	460					3.39%	NNN	
614 Front Street	Retail	1,230	\$3,601.37	\$43,216.44	\$35.14	\$10.72	9.30%	NNN	No
107 Simonton Street	Vacant	5,400						NNN	
608 Front Street	Retail	592	\$1,631.70	\$19,580.40	\$33.08	\$5.10	4.00%	NNN	No
Totals Rentable Area:		11,491	\$18,679.15	\$224,149.80	\$19.51		45.0%		
	Mean	1,642	\$3,735.83		\$39.00	\$7.55			
	Median	1,230	\$3,601.37		\$35.17				
	Minimum	460	\$1,631.70		\$33.08				
	Maximum	5,400	\$6,658.50		\$46.00				

The following comparables rent analysis are individual miscellaneous downtown retail shops and kiosk, as well as active properties on the market “for lease”.

Summary of Commercial Downtown Rental Comparables						
<i>Triple Net Terms</i>						
Address	Unit Use	Unit Size (SF)	Annual Base Rent (NNN)	Monthly Base Rent (Avg.)	Base Lease Rent/SF	Term
503 Front Street	Retail	3,354	\$ 179,184	\$ 14,932	\$ 53.42	Triple Net
524 Front Street	Pending	7,836	\$ 195,900	\$ 16,325	\$ 25.00	Triple Net
109 Duval Street	Retail	1,770	\$ 96,120	\$ 8,010	\$ 54.31	Triple Net
408 Greene Street	Retail	1,412	\$ 78,000	\$ 6,500	\$ 55.24	Triple Net
540 Greene Street #1 (Expired Lease)	Retail	2,299	\$ 120,000	\$ 10,000	\$ 52.20	Triple Net
540 Greene Street #2 (Expired Lease)	Retail	1,246	\$ 45,600	\$ 3,800	\$ 36.60	Triple Net
540 Greene Street #3 (Expired Lease)	Retail	794	\$ 31,824	\$ 2,652	\$ 40.08	Triple Net
Mean			\$ 106,661	\$ 8,888	\$ 45.26	
Median			\$ 96,120	\$ 8,010	\$ 52.20	
Minimum			\$ 31,824	\$ 2,652	\$ 25.00	
Maximum			\$ 195,900	\$ 16,325	\$ 55.24	

Summary of Commercial Kiosk Comparables					
<i>Gross Terms</i>					
Units	Unit Use	Unit Size (SF)	Annual Base Rent (NNN)	Monthly Base Rent	Base Rent/SF
606 Duval	Kiosk	40	\$ 18,000	\$1,500	\$ 450.00
305 Duval Street	Cart	40	\$ 30,000	\$2,500	\$ 750.00
629 Duval	Kiosk	44	\$ 18,000	\$1,500	\$ 409.09
221 Duval Street (Courty	Booth/Kiosk	60	\$ 22,285	\$1,857	\$ 371.42
220 Duval Street	Booth/Kiosk	66	\$ 27,012	\$2,251	\$ 409.28
291 Front Street	Retail/Booth	80	\$ 16,200	\$1,350	\$ 202.50
Mean			\$ 21,916	\$ 1,826	\$ 432.05
Median			\$ 20,143	\$ 1,679	\$ 409.18
Minimum			\$ 16,200	\$ 1,350	\$ 202.50
Maximum			\$ 30,000	\$ 2,500	\$ 750.00

Summary of Commercial Active Listings "For Lease"						
<i>Triple Net Terms</i>						
Address	Unit Use	Unit Size (SF)	Annual Base Rent (NNN)	Monthly Base Rent	Base Rent/SF	Lease Term
408-B Duval Street	Retail	2,000	\$ 106,000	\$ 8,833	\$ 53.00	Triple Net
107 Simonton Street	Retail	5,400	\$ 140,670	\$ 11,723	\$ 26.05	Triple Net
201 Simonton Street	Retail	5,775	\$ 190,560	\$ 15,880	\$ 33.00	Triple Net
203 Simonton Street	Retail	2,284	\$ 75,372	\$ 6,281	\$ 33.00	Triple Net
213 Simonton Street	Retail	1,420	\$ 35,500	\$ 2,958	\$ 25.00	Triple Net
328 Simonton Street	Retail	1,460	\$ 29,200	\$ 2,433	\$ 20.00	Triple Net
Mean			\$ 96,217	\$ 8,018	\$ 31.67	
Median			\$ 90,686	\$ 7,557	\$ 29.52	
Minimum			\$ 29,200	\$ 2,433	\$ 20.00	
Maximum			\$ 190,560	\$ 15,880	\$ 53.00	

These rent comparables include various sized restaurants in the downtown neighborhood, as well as active restaurant listing “for lease.”

Summary of Restaurant Rent Comparables								
Tenant's Name	Address	Size Sq.Ft.	Annual Rent	Monthly Rent	Annual Rent/ Sq. Ft.	No. Lic'd. Seats	Annual Rent/ Seat	Lease Terms
The Grand	314 Duval Street	5,258	\$318,270	\$26,523	\$60.53	150	\$2,122	Triple Net
Fogarty House	229 Duval Street	8,234	\$465,295	\$38,775	\$56.51	225	\$2,068	Triple Net
Hog's Breath	400 Front Street	7,188	\$285,449	\$23,787	\$39.71	131	\$2,179	Triple Net
Irish Kevin's	211 Duval Street	6,364	\$524,509	\$43,709	\$82.42	130	\$4,035	Triple Net
Cheeseburger Key West	215 Duval Street	3,215	\$297,756	\$24,813	\$92.61	150	\$1,985	Triple Net
Alice's Restaurant	1114 Duval Street	3,059	\$142,500	\$11,875	\$46.58	45	\$3,167	Triple Net
Roof Top Café	310 Front Street/2nd Level	5,594	\$180,000	\$15,000	\$32.18	150	\$1,200	Triple Net
Eat & Grin	926 Simonton Street	1,697	\$50,245	\$4,187	\$29.61	52	\$966	Triple Net
Azur Restaurant	425 Grinnel Street	1,272	\$60,569	\$5,047	\$47.62	60	\$1,009	Triple Net
Bobalu (Meteor Grill)	404 Southard Street	2,863	\$108,000	\$9,000	\$37.72	150	\$720	Triple Net
Quizno's	722 Duval Street	1,500	\$67,200	\$5,600	\$44.80	30	\$2,240	Triple Net
Subway's	536 Truman Avenue	1,161	\$34,556	\$2,880	\$29.76	20	\$1,728	Triple Net
Mean				\$17,600	\$55.02	108	\$2,215	
Median				\$24,300	\$51.55	141	\$2,095	
Minimum				\$4,187	\$29.61	45	\$966	
Maximum				\$43,709	\$92.61	225	\$4,035	

Active RentalRetail.Restaurant Listings										
MLS Number	Location	Name	Status	Seating	G.B.A.	Asking Price	Monthly Rent	Price/SF G.B.A.	Price/Seat	Days On Market
111499	107 Simonton Street	Bottling Court	Active	N/A	5,600	\$145,600	\$12,133	\$26.00	N/A	692
114530	409 Caroline Street	Former Grunt's	Active	N/A	1,079	\$102,000	\$8,500	\$94.53	N/A	123
114719	218 Whitehead Street	Former Teapot	Active	22	455	\$19,205	\$1,600	\$42.21	\$873	91
114807	920 Caroline Street	Former PT's Restaurant	Active	150	4,866	\$102,000	\$8,500	\$20.96	\$680	76
112556	1900 Flagler Ave.	Shanna Key	Expired	150	5,061	\$78,600	\$6,550	\$15.53	\$524	363
						Mean	\$89,481	\$7,457	\$39.85	\$692
						Median	\$102,000	\$8,500	\$26.00	\$680
						Minimum	\$19,205	\$1,600	\$15.53	\$524
						Maximum	\$145,600	\$12,133	\$94.53	\$873

Most leases in the downtown neighborhood are on a triple net basis, as noted above. Triple Net terms require the landlord to be responsible for property management and reserves, while the tenant pays real estate taxes, insurance, maintenance, and all utilities. Upon research of recently negotiated leases, these terms appear to be more prevalent within the subject’s immediate area. However, because of the current economic conditions, on some existing leases the landlords have either reduced the ongoing rents or negotiated the triple net terms. On the other hand, a new lease would likely be at market rent based on triple net terms.

Retail rents per square feet are typically inversely related to rentable area. In other words, the smaller the net rentable area the higher the rent per square foot. However, location is the greatest factor that influences market rent; the more pedestrian traffic, the higher the rent. For instance, the one hundred block of Duval Street has rents per square foot at 15 to 20 percent more than the five or six hundred blocks. Furthermore, second level comparables typically rent at a discount of 20% to 30% of the first rental level, except for multi-story office buildings with a sufficient amount of elevators.

2. Annual Market Rent Escalators:

Market research and interviews with commercial real estate brokers, associates, and landlords indicated that typical rent escalators are based on the greater of the increase in the Consumer Price Index (CPI) or 3 to 5 percent annually. Though it appears that 3% was most common subsequent to the economic crisis and it is slowly beginning to increase to 5 percent. However, when there are extensive tenant improvements (build-out) in a long term lease, the tenant will typically negotiate to have stepped increases or a lower escalator.

3. Triple Net or Common Area Maintenance Fees:

As previous mentioned, triple net lease are predominating in this market area. This fee could include the tenant portion of real estate taxes, insurance, common area maintenance, and all utilities. The

major factors that determine the amount of CAM fees depend on the building type, whether it is a single tenant or multi-tenant complex that included common area that must be maintained on a daily basis, i.e., janitorial, public restrooms, etc. Our analysis indicated that triple net fee for units that did not include common area utilities or maintenance, but rather only real estate taxes, building hazard insurance and building maintenance, ranged from \$4.74 to \$7.55 per square foot. It should be noted that the triple net fees does not include the individual tenant's utilities, which are typically paid separately. It appears that most single tenant buildings are about \$6.00 per square foot in this market area, but it varies based on the building condition, quality and insurance risk. However, as the common area services increase, so do the fees depending on the services provides. For instance, the Common Area Maintenance fee at Clinton Square Market was an estimated \$20.00 per square foot because it includes janitorial service, common area air conditioning, all utilities plus security service. This would set the upper end of the range.

Common area maintenance fee prorations are generally based on the ratio of unit size to gross rentable area; thus, including the pro-rata share of the common area.

4. Late Fees:

The charge for late fees widely varies between the individual leases in this market. Our analysis indicated a flat fee of \$25 to \$100 per month after the grace period to the State's maximum compounded interest rate of 18 percent. Yet some leases only provides for the maximum interest after the grace period without an added fee.

5. Percentage Rents:

Most retail shops in this market area do not include a gross sales percent-rent clause because the rents are generally so high that it exceeds the break point. Our survey indicated that a few of the retail leases did include a 5 to 7 percent of gross sales as additional rent. However, in the case of restaurant leases, percentage leases are more ordinary. Some of the comparable restaurant rents include a percentage rent based on gross sales. The typical range is from 5 to 10 percent of gross annual sales, with 5 to 6 percent being more common. Another good indicator of market rent for restaurants are the dollars per licensed seat, including outside seating.

6. Market Conditions:

All of the commercial brokers/associates that the rental market has been more active since the beginning of this years winter season. Properties that have been in the rental market for over two years have been leased this year. However, the rents are about 15 to 40 percent less than the height of the market, in late 2006. It appears that landlords have become more negotiable with the terms of lease, escalator clauses and tenant improvement allowances. Overall the market has begun to rebound; however, the strength of the national economy will determine the rate at which it increases.

ASSUMPTIONS AND LIMITING CONDITIONS

1. This is a restricted 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 for a restricted appraisal report. As such, it does not include all of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's work file. The appraisers are not responsible for the unauthorized use of this report.
2. This report is set forth as a market study of the "Old Town" neighborhood surrounding the Key West Historic Seaport and downtown Key West.
3. No responsibility is assumed by the Appraisers 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.
4. The comparable properties have been analyzed 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.
5. The management of the property is assumed to be competent and the ownership in responsible hands.
6. The Appraisers herein are not required to give testimony in court unless arrangements have been previously made thereof.
7. The Appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors.
8. Information, financial operating statements, 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 Appraisers can be assumed by the Appraisers. Information used in the preparation of this report was provided from personal interviews with Mr. Peter Batty, Sr., SBX Commercial Real Estate, Ms. Joyce A. Unke, Location 3 Real Estate, Mr. Claude Gardner, Prudential Knight & Gardner Realty, and Mr. Curtis Skomp, Coldwell Bankers Schmitt Real Estate.

9. 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 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. An experienced Contractor should be hired in order to confirm conformity or nonconformity, as the appraisers are not experts in the field.
10. 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.
11. The undersigned Appraisers has no present or contemplated future interest in the property and the compensation is in no manner contingent upon the value reported.
12. 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 appraisers or the applicant.
13. 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.
14. We do hereby certify that to the best of my 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.
15. 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.

CERTIFICATION OF MARKET STUDY

WE HEREBY CERTIFY THAT UPON APPLICATION FOR ANALYSIS BY:

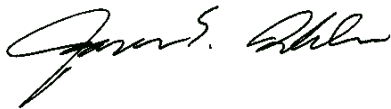
**MS. MARILYN WILBARGER, RPA, CCIM
SENIOR PROPERTY MANAGER
CITY OF KEY WEST
P.O. BOX 1409
KEY WEST, FLORIDA 33041**

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 Richard Padron have made a personal inspection of the comparable properties that are the subject of this report.
- 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.
- As of the date of this report, James E. Wilson has completed the professional standards and ethics education requirement of the Appraisal institute for Associate Members.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

APPRAISAL COMPANY OF KEY WEST



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



Richard Padron, CCIM, MSA
State certified general real estate appraiser
RZ 544

ENGAGEMENT LETTER



CITY OF KEY WEST
 P.O. BOX 1409
 KEY WEST, FL 33041-1409
 PHONE: 305-809-3700

PURCHASE ORDER	
P.O. #:	069580
DATE:	7/28/2011

VENDOR # : 217
 VENDOR : APPRAISAL CO OF KEY WEST
 ADDRESS : 3229 FLAGLER AVE 101
 KEY WEST, FL 33040

SHIP TO : KEY WEST BIGHT
 201 WILLIAMS STREET
 KEY WEST, FL 33040

VENDOR PHONE : (305)296-4568
 VENDOR FAX : (305)296-0493

THE P.O. # **MUST APPEAR ON ALL INVOICES, PACKAGES, AND CORRESPONDANCE**

SPECIAL INSTRUCTIONS				
JIM OR MARIA WILSON				
DELIVER BY	REQUISITION #	REQUISITION DATE	REQUISITIONED BY	
08/01/2011	0000083133	07/25/2011	MARGARET	
FOB	ACCOUNT NUMBER	PROJECT NUMBER	TERMS	
KEY WEST, FL	40575045753100		45 DAYS FROM RECEIPT OF INVOICE	
ITEM #	QUANTITY/ UNIT	DESCRIPTION ARTICLE OR SERVICE	UNIT COST	EXTENDED COST

1	3,200.00 /	MARKET RENT STUDY-SIMONTON, FRONT, GREENE, DL	1.0000	3,200.00
---	------------	--	--------	----------

TOTAL PURCHASE AMOUNT	\$3,200.00
------------------------------	-------------------


 AUTHORIZED SIGNATURE

ABOVE PURCHASE ORDER NUMBER IS TO BE REFERENCED ON ANY DOCUMENT RELATING TO THIS ORDER.