APPRAISAL REVIEW MEMORANDUM

FLAGLER CROSSROADS PROPERTY
901 EAST MOODY BOULEVARD
BUNNELL, FLAGLER COUNTY, FLORIDA
GGC FILE NO. 13096

APPRAISALS PREPARED BY

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DATE OF VALUE

HAMILTON – JUNE 20, 2013
COOKSEY – JUNE 20, 2013

DATE OF REVIEW MEMORANDUM

JULY 22, 2013

REVIEW PREPARED BY

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PREPARED FOR

FLAGLER COUNTY BOARD OF COUNTY COMMISSIONERS
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EXECUTIVE SUMMARY/APPRAISAL COMPARISON

PROPERTY NAME	**FLAGLR CROSSROADS PROPERTY**
OWNER:	**FLAGLER CROSSROADS**
TAX PARCEL NOS.	10-12-30-0850-00180-0000

APPRAISER	HAMILTON	COOKSEY
DATE OF VALUATION	June 20, 2013	June 20, 2013
DATE OF REPORT	July 5, 2013	July 2, 2013
PROPERTY SIZE		
Land	6.34 Acres 276,044 SF	6.34 Acres 276,044 SF
Improvements	61,900 SF	61,900 SF
HYPOTHETICAL CONDITIONS	The appraisal was made under the Hypothetical Condition that the building improvements on the subject property are in a "shell" condition. Shell condition is defined as inclusive of the structural interior and exterior walls, concrete floor slab, roof structure with covering in its present condition and the current fire walls. The appraisal is made as though all mechanical, electrical and plumbing items have been removed and that all interior, non-load bearing walls have been removed. The appraisers assume that no further interior or exterior demolition work is required. The appraisers understand that this is the basis for the current purchase negotiations.	The appraisal was made under the Hypothetical Condition that the building improvements on the subject property are in a "shell" condition. Shell condition is defined as inclusive of the structural interior and exterior walls, concrete floor slab, roof structure with covering in its present condition and the current fire walls. The appraisal is made as though all mechanical, electrical and plumbing items have been removed and that all interior, non-load bearing walls have been removed. The appraisers assume that no further interior or exterior demolition work is required. The appraisers understand that this is the basis for the current purchase negotiations.
EASEMENTS/ENCUMBRANCES	Based on a 2006 survey, the property is divided into three parcels that are separated by a number of "paper" street that have been vacated over the years. There are no other easements/encroachments that would have any affect on the property value.	There are no known adverse encumbrances or easements. Drainage and utility easements were noted along the east and west boundaries of the parking lot parcels. A utility easement was noted on the hospital site at the east portion in an area that was formerly an alley that was vacated. A possible easement was also noted at the southeast corner of the hospital site.
ZONING	The improved building site is zoned O-1, Office and the parking lot sites are zoned B-2, Business. The existing improvements appear to be a legal non-conforming use. The non-conformance is because the building is not fire sprinklered. If renovated an converted to another use, the building would be required to have fire sprinklers.	The subjectsite is zoned B-2, Business District and O-1, Office, Medical and Related Services District.
LAND USE	The improved building site has a Future Land Use (FLU) of Public (Bunnell). A discussion with Dennis Fischeer, Bunnell Building Official, indicated that this designation was instituted specifically for the former hospital's use and that it may eventually be changed to allow more commercial uses. A Future Land Use of Commercial High Intensity may be possible since the parking lot sites have this FLU.	The front portion along Moody Boulevard has a Future Land Use designation of High Intensity Commercial. The improved portion has a Future Land Use designation of Public, which was adopted for the former use. No change would be necessary if the County purchased the property for public use. The estimated land value asumes commercial use would be permitted.
FEMA MAP #	12035C0207D	12035C0207D
DATE	July 17, 2006	July 17, 2006
FLOOD ZONES	The vast majority of the subject site is located in Zone X, which is an area outside the 500-year flood plain. There is a very small portion of the site at its southeast corner that is located within Zone A, an area within the 100-year flood plain. It is a small area and not expected to have a negative impact on the property value.	The vast majority of the subject site is located in Zone X, which is an area outside the 500-year flood plain. There is a very small portion of the site at its southeast corner that is located within Zone A, an area within the 100-year flood plain.
IMPROVEMENTS	The subject property is improved with a shell building that was once a hospital, and an auxillary building that was formerly a maintenance/storage building. The hospital is a one-story structure that was constructed in 1979 and contains a total of 57,800 square feet. The former maintenance/storage building is a one-story structure that was built in 1985 and contains a total of 4,100 square feet.	The improvements consist of a former hospital building that was constructed in 1979 and contains 57,800 square feet and a building that contains 4,100 square feet and was constructed in 1985. This building is currently occupied by a community outreach center. Both buildings are one-story.
REAL ESTATE TAXES		
Year	2012 / 2013 (Working)	2012 / 2013 (Working)
Land	$353,951 / $510,653	$353,951
Improvements	$1 / $150,800	$1
Total Assessed Value	$353,952 / $661,453	$353,952 / $661,453
Taxable Value	$353,952 / $389,347	$353,952
Millage Rate	23.1754	23.1754
Gross Ad Valorem Taxes	$8,202.97	$8,202.97
Non-Ad Valorem Taxes	$0.00	$0.00
Total Gross Taxes	$8,202.97	$8,202.97
Past Due Taxes	None	None
HIGHEST & BEST USE	Continue to hold as shell buildings until there is market demand for redevelopment of the property. The type of development will not become clear until the market begins to recover.	Hold for redevelopment when feasible for an investor, or immediate redevelopment by an owner-user.
ESTIMATED VALUE	Approach	Approach
Cost Approach	Not Considered	$1,540,000
Sales Comparison Approach	$1,490,000	$1,420,000
Income Approach	Not Considered	Not Considered
Reconciled Value Conclusion	**$1,490,000**	**$1,500,000**
Divergence	**0.67%**	

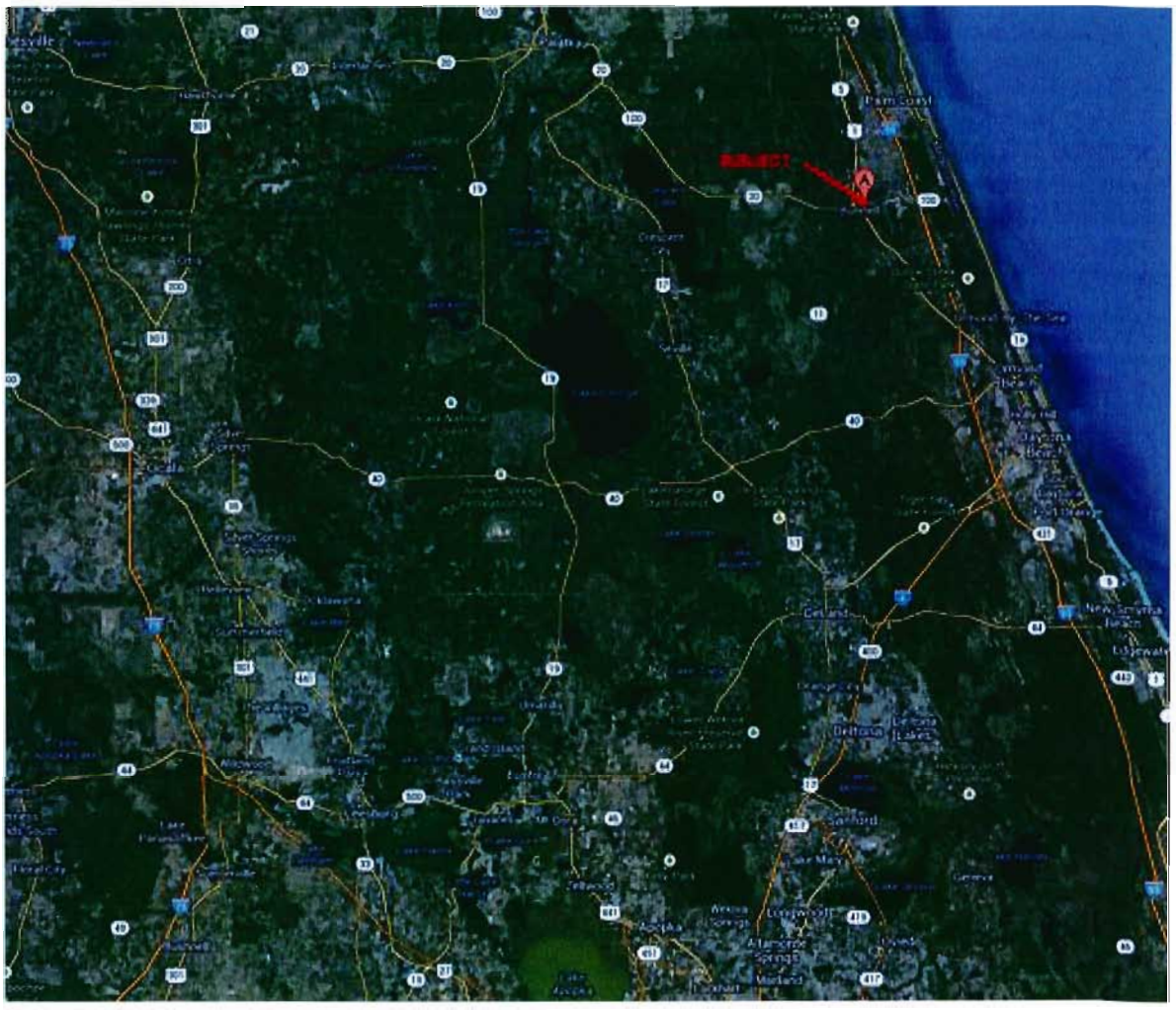
APPRAISAL REPORTS REVIEWED

I have reviewed the appraisal reports of the property known as The Flagler Crossroads Property prepared by Alfred A. (Chip) Hamilton, MAI and Russell J. Hamilton, MAI of Hamilton & Jacobs, LLC and T. James Cooksey, MAI, CCIM and Howard Cooksey, MAI of Cooksey & Associates, Inc. The reports were prepared in a self-contained format. The date of valuation of both reports was June 20, 2013. The date of the Hamilton report was July 5, 2013 and the date of the Cooksey report was July 2, 2013.

PROJECT OVERVIEW

The subject property consists of a 6.34-acre (276,044 SF) site that is divided into three separate sites by streets. The three sites are identified as the improved building site, the east parking lot area and the west parking lot area. The subject property is improved with a shell building that was once a hospital, and an auxiliary building that was formerly a maintenance/storage building. The hospital is a one-story structure that was constructed in 1979 and contains a total of 57,800 square feet. The former maintenance/storage building is a one-story structure that was built in 1985 and contains a total of 4,100 square feet.

SUBJECT LOCATION



PURPOSE OF THE REVIEW

The purpose of the review was to insure that the appraisal report conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) effective January 1, 2012, as to the following:

1. Completeness of the reports;
2. Apparent accuracy and relevance of the data and propriety of any adjustments to the data;
3. Appropriateness of appraisal methods and techniques;
4. Appropriateness and reasonableness of the analyses, opinions and conclusions.

INTENDED USE/USER OF THE REVIEW/APPRAISAL REPORTS

This review memorandum is to be utilized by the Flagler County Board of County Commissioners in determining the adequacy and appropriateness of the data, valuation methods and conclusions of values within the appraisal reports. The appraisal reports are to be utilized to determine a market value to be used in the possible purchase of the subject property.

SCOPE OF THE REVIEW

The scope of this review involved a thorough desk review as well as a field review in which the appraisers' opinions and conclusions were analyzed. I inspected the subject property on June 20, 2013 with the appraisers and representatives of the property owner and Flagler County. As part of the review process, errors, discrepancies and inconsistencies in the appraisals were resolved with the appraisers.

It is my opinion that both appraisers correctly and appropriately identified and analyzed this market.

The review is limited to analysis of the information provided and is intended to result in an opinion as to the adequacy and relevance of the data, the quality of the work product provided, and to assure compliance with the previously mention standards. The review process also resulted in my forming an opinion as to the appropriateness of the appraisal methods and techniques. Finally, the review process resulted in my forming an opinion as to whether the analysis, opinions and conclusions in the reports under review are appropriate and reasonable. This review should not be construed or represented as an additional independent opinion of value or an additional appraisal.

DEFINITION OF MARKET VALUE

Market Value is defined by the Supplemental Appraisal Standards for Board of Trustees Land Acquisitions, Standards A-2.00, and the Uniform Standards of Professional Appraisal Practice, 1999, as follows:

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

a. Buyer and seller are typically motivated;

b. Both parties are well informed or well advised, and acting in what they consider their best interests;

c. A reasonable time is allowed for exposure in the open market;

d. Payment is made in terms of cash in US 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."

Both appraisers have utilized this definition of Market Value.

PROPERTY RIGHTS OR INTEREST APPRAISED

The appraisals estimate the market value of the fee simple interest in the property.

HISTORY OF OWNERSHIP

The legal title to the subject property is held in the following ownership:

Flagler Crossroads, Inc.
880 Airport Road, # 108
Ormond Beach, FL 32174

There have been no transfers of ownership of the subject property in the past three years. The subject has been listed on and off for many years. It is currently listed for sale with Margaret Sheehan-Jones with Parkside Realty (Palm Coast, FL), as noted on the Loopnet commercial multiple listing service, for $1,750,000. Additionally, according to the Flagler County website, Flagler County has a purchase option on the subject property for $1,230,000. As of the effective date of value of this report, Flagler County was still within its due diligence period of the purchase option agreement.

EXTRAORDINARY ASSUMPTIONS/HYPOTHETICAL CONDITIONS OF THE APPRAISALS REVIEWED

Neither appraiser included any extraordinary assumptions. However, under instructions from Flagler County they appraised the property based on the Hypothetical Condition that the building is a shell. The Hypothetical Condition verbiage was discussed among the appraisers, this reviewer and Flagler County, resulting in the following:

HYPOTHETICAL CONDITION

This appraisal is made under the Hypothetical Condition that the building improvements on the subject property are in a "shell" condition. Shell condition is defined as inclusive of the structural interior and exterior walls, concrete floor slab, roof structure with covering in its present condition and the current firewalls. The appraisal is made as though all mechanical, electrical and plumbing items have been removed and that all interior, non-load bearing walls have been removed. We assume that no further interior or exterior demolition work is required. We understand that this is the basis for the current purchase negotiations.

In my opinion, the above hypothetical condition is reasonable and appropriate.

AREA AND NEIGHBORHOOD DESCRIPTION

The subject property is located in the City of Bunnell, which is the County Seat of Flagler County, Florida. Bunnell is a city with a population of about 2,700, which is surrounded on the north, south and east by Palm Coast with a population of over 75,000.

The subject property is situated on State Road 100 (Moody Boulevard), which runs in a generally east/west direction through the county. It is just east of U.S. Highway 1, which is the primary north-south thoroughfare in the neighborhood, extending through the State of Florida. It intersects with I-95 near Palm Coast, approximately 12 miles north of Bunnell and near Ormond Beach, which is approximately 10 miles south of Bunnell. Moody Boulevard (SR 100) has an exit off of I-95 and has become one of the major east/west corridors through the Palm Coast/Flagler County area over the last few years.

Typical uses along Moody boulevard and U.S. Highway 1 include automotive, service shops, offices, numerous strip shopping centers, mini-storage warehouses, a manufactured home community, churches and government offices. Residential uses are located mostly inland from the highway, both to the north and south of State Road 100. The City of Bunnell annexed property to the east along State Road 100 up to Belle Terre Parkway and north along U.S. Highway 1 a number of years ago, totaling over 87,000 acres. The annexation of properties along both U.S. 1 and Highway 100 has been done to accommodate future commercial and multi-family growth along these routes.

There are shopping facilities within downtown Bunnell and some along Moody Boulevard, but this is mostly local, secondary commercial type uses. The area east of Belle Terre Parkway, just beyond the primary subject neighborhood, is a more primary commercial area with the new Palm Coast Landings shopping area which includes a Target, Books-a-Million, Ross Dress for Less, a Walgreens and numerous others. A Publix-anchored shopping center is located just north of State Road 100 along the east side of Belle Terre Parkway.

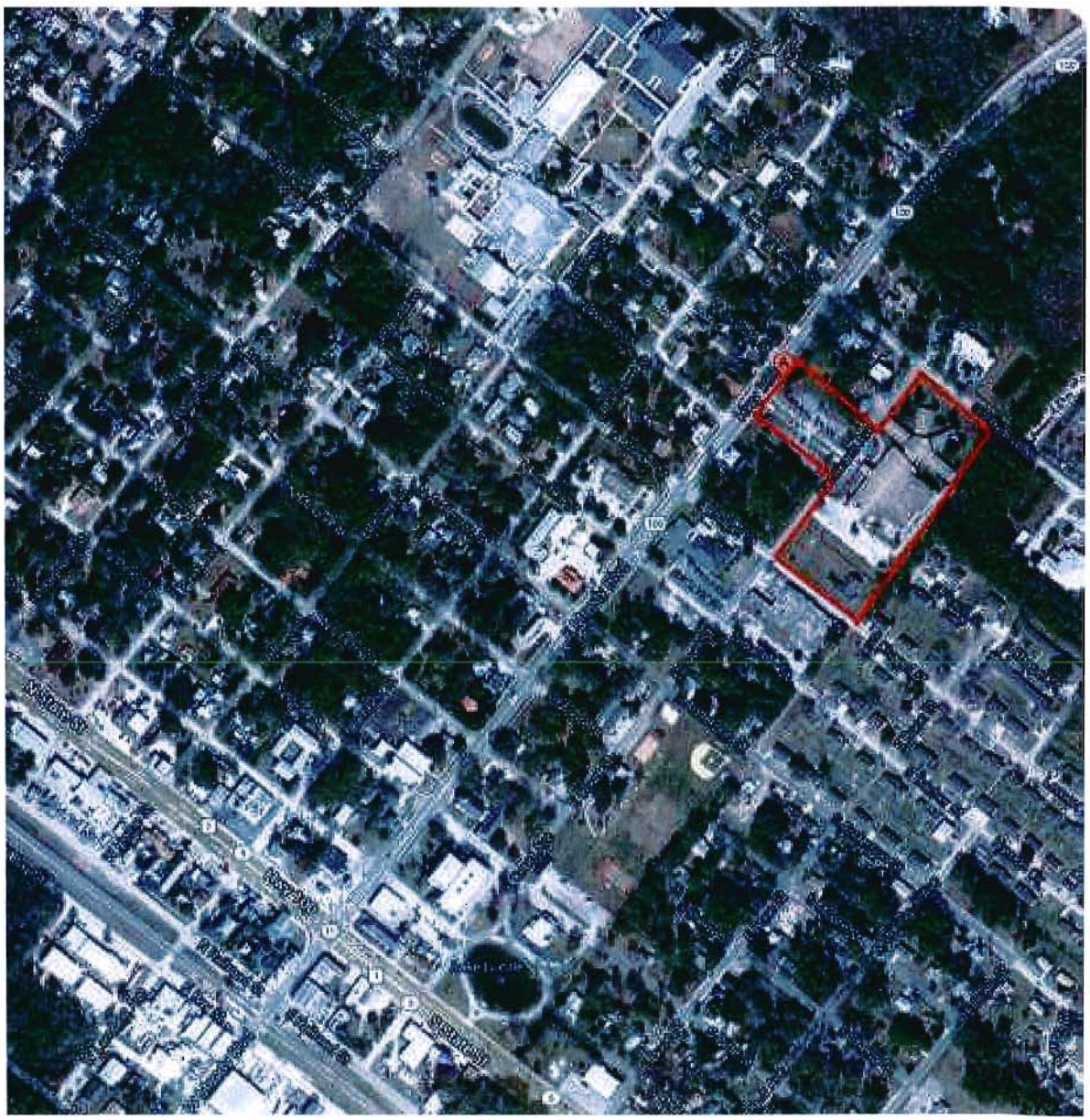
The new county courthouse and government services facilities are located within the subject neighborhood, a short distance east of the subject on Moody Boulevard. City of Bunnell furnishes police and fire protection and city water, sewer and garbage service. Electrical service is provided by Florida Power and Light Company (FPL) and AT&T and others provide telephone service.

There has been minimal growth in the subject area over the last five years or so, but this mirrors the overall economy. The most recent development includes a new Wendy's restaurant on State Road 100 near the county administrative center, a combination Red Lobster/Olive Garden restaurant just outside the neighborhood boundaries in the Palm Coast Landing shopping center and a Panera Bread closer to I-95, also outside the neighborhood. Commercial development in downtown Bunnell has historically been limited, although an 8,000± square foot Family Dollar retail store was recently completed at the southwest corner of East Moody Blvd and South Bacher Street in downtown Bunnell. Two other projects are making their way through approvals in downtown Bunnell. The first is the United Cerebral Palsy project planned for the 1200 block of East Moody Blvd. UCP just received site plan approval for an 8,000-9,000 square foot office/classroom building and hopes to start construction by the end of 2013. Additionally, a veterinary office is planned for a former single-family residence located at the corner of East

Moody Blvd and North Palmetto St. Renovation of this structure is planned for the near future. These are welcome additions to the downtown area.

Currently the neighborhood would be considered in a stability stage of development. But with a considerable amount of vacant land in the area for future development, there is definitely the potential to the return of growth. Bunnell and the subject neighborhood area are poised for continued growth once the overall economy - nationally, regionally and locally – begins to improve.

SUBJECT PROPERTY AREA



PROPERTY DESCRIPTION

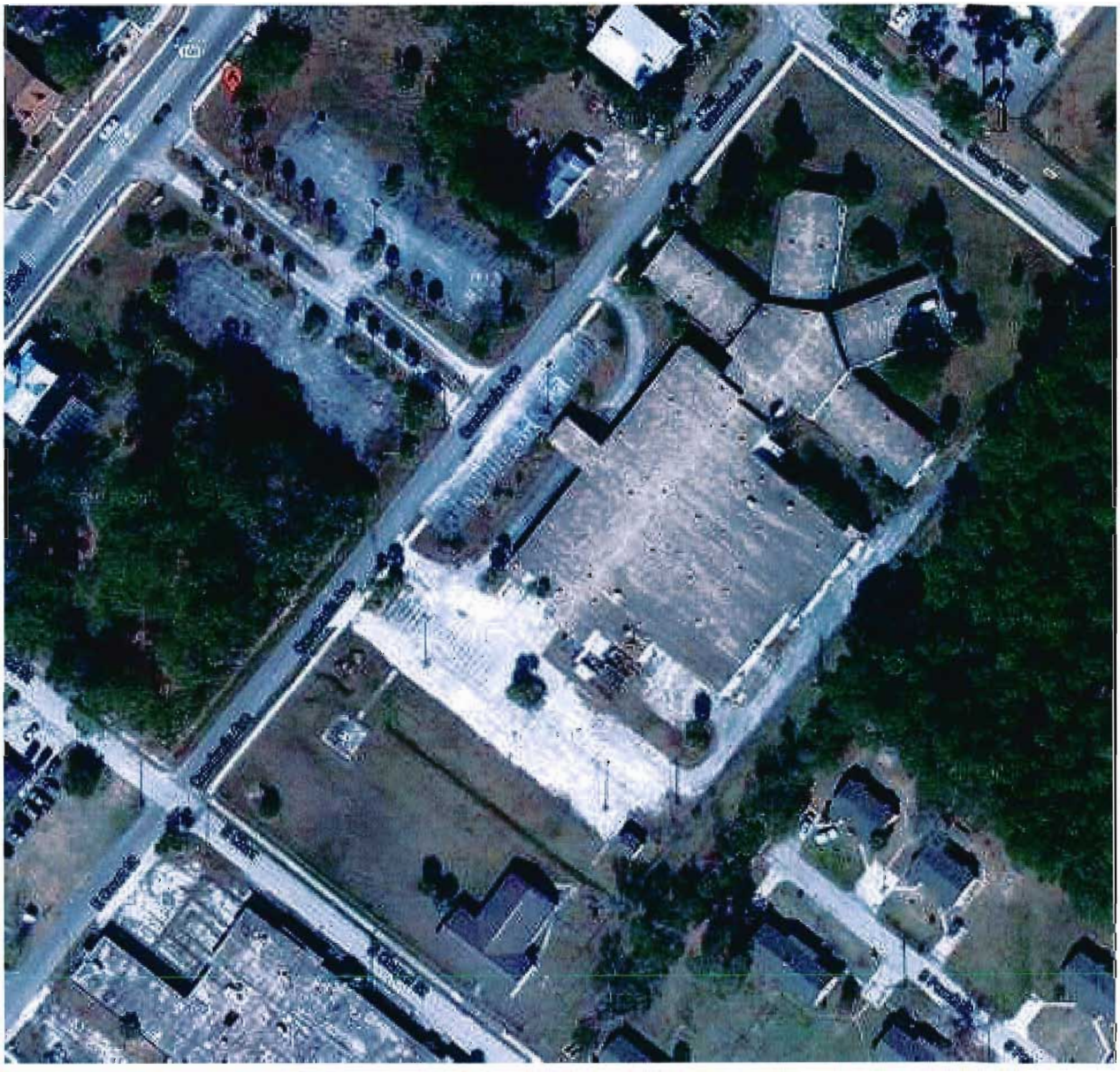
Size/Location/Shape

The subject property consists of a total of 6.34 acres (276,044 SF) and is divided into three rectangular sites: (1) the improved building site, (2) the east parking site, and (3) the west parking site. The two parking sites are located on the southeast side of Moody Boulevard and are separated by Hospital Drive. The improved building site is located southeast of the two parking sites and is separated from them by Canakaris Street. The improved building site also has frontage on Chapel Street to the west and Lemon Street to the east. Mr. Hamilton estimated the size of the improved building site to be 219,044 square feet and the two parking sites to be 57,000 square feet.

Mr. Hamilton and Mr. Cooksey included a complete legal description of the property in their reports.

The property is illustrated in the following aerial map.

AERIAL MAP OF THE SUBJECT PROPERTY



Access
The improved building site has frontage along South Chapel Street, Canakaris Street and South Lemon Street. Access to the former hospital building is currently from Canakaris Street and South Lemon Street; access to the former maintenance/storage building (now a non-profit community center) is from South Chapel Street.

The parking lot sites have frontage along, but no direct access from both Moody Boulevard and Canakaris Street. The do, however, have frontage along and direct access from Hospital Drive.

Easements/Encumbrances/Reservations
Mr. Hamilton indicated that they were provided a copy of a 2006 survey that includes all three parcels. There are a number of former paper streets within the subject sites that have been vacated over the years. This survey does not show any easements or encroachments that would have an adverse impact on the value of the subject as concluded in this report. They assumed that an up- to-date survey would not reveal any adverse easements or encroachments on these sites.

Mr. Cooksey indicated that there no known adverse encumbrances or easements. Drainage and utility easements were noted along the east and west boundaries of the parking lot parcels. A utility easement was noted on the Hospital site at the east portion in an area that was formerly an alley that was vacated. A possible easement was also noted at the southeast corner of the hospital site.

Flood Zone
The subject property is located in FEMA Community Panel 12035C0207D dated July 17, 2006. The vast majority of the subject is located in Zone X, an area outside the 500-year flood plain. Only a very small portion of the subject at its southeast corner is located within Zone A, an area within the 100-year flood plain.

Utilities
All municipal utilities are available and connected; these include water, sewer and garbage service by the City of Bunnell, electrical service by FPL (fka Florida Power & Light Company) and telephone service by AT&T and others.

Zoning/Land Use
Improved Building Site
The improved building site is zoned O-1, Office, Medical & Related Services District. Permitted uses include various types of professional and business offices, medical and dental offices, drug stores in connection with medical clinics, public buildings, banks and other financial institutions, and other uses similar in character to those enumerated above, and any use permitted in the R-1 Single-Family Residential District. This site has an existing Future Land Use (FLU) designation of Public (City of Bunnell). This designation was instituted specifically for the former hospital's use and may eventually be changed to allow more commercial uses.

Parking Lot Sites
The parking lot sites are zoned B-2, Business. Permitted uses include any use permitted in the R-1 single-family residential district, and any use permitted within the O-1) Office, Medical and Related Services District.

The permitted density (FAR) is 40%. The actual density is 22%, which is within the permitted density.

Assessment/Taxes
The 2012 assessment and taxes are summarized as follows:

ASSESSMENT & TAX SUMMARY 2012				
PARCEL NUMBER	ASSESSED LAND VALUE	ASSESSED BUILDING VALUE	TOTAL ASSESSMENT	GROSS TAXES
10-12-30-0850-00180-0000	$353,951	$1	$353,952	$8,202.97
TOTAL	**$353,951**	**$1**	**$353,952**	**$8,202.97**

Reportedly the 2012 real estate taxes have been paid.

Improvements
The subject property is improved with a shell building that was once a hospital, and an auxiliary building that was formerly a maintenance/storage building. The hospital is a one-story structure that was constructed in 1979 and contains a total of 57,800 square feet. The former maintenance/storage building is a one-story structure that was built in 1985 and contains a total of 4,100 square feet.

As previously discussed, the subject buildings were appraised under the hypothetical assumption that they were in shell condition.

HIGHEST AND BEST USE

A critical part of the valuation process is the analysis of highest and best use. Highest and best use is described as "that reasonable and probable use that supports the highest present value as defined, as of the effective date of the appraisal."[1]

Alternatively, highest and best use is: "the use, from among reasonably probable and legal alternative uses found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value."[2]

In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

There was ample discussion as to the physically possible uses, the legally permissible uses, and the financially feasible uses of the property. The Hamilton report concluded that the highest and best use of the property as if vacant was to hold for future commercial development. The report also concluded that the highest and best use of the property as improved was to hold the shell buildings until there is market demand for redevelopment of the property.

The Cooksey report concluded that the highest and best uses of the property as if vacant was to hold for future office use when demand and rent levels are sufficient. The report also concluded that the highest and best use of the property as improved was to hold the shell buildings until redevelopment is feasible for an investor.

Both appraisers provided sufficient data and analysis to provide a well supported, logical and reasonable conclusion.

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1 *Real Estate Appraisal Terminology, Revised Edition, January, 1982, American Institute of Real Estate Appraisers and Society of Real Estate Appraisers, page 126.*

2 *The Appraisal of Real Estate, Revised Eleventh Edition, Appraisal Institute, Copyright 1996, page 297.*

VALUATION

Hamilton Appraisal

In order to estimate the value of the subject property Mr. Hamilton utilized the sales comparison approach only. He selected seven closed sales and five current listings for comparison to the subject property. All of the properties were either shell buildings, needed extensive renovation or had minimal interior build out. Four of the sales and one of the current listings were also used by Mr. Cooksey. All of the properties have a similar highest and best use and are summarized as follows:

Hamilton - Summary of Shell Building Sales/Listings

Sale No.	Date of Sale	Grantor/ Grantee	Location	Land Size (SF)	Building Size (SF)	Sale Price/ List Price	Sale Price/ SF of Bldg. Area
1	Jun-13	Eagle FL I SPE, LLC/ Unknown	Palm Coast Pkwy. Flagler County	174,240	55,042	$1,550,000	$28.16
2	Mar-13	Kitty Scott's Furniture/ HDH Investments 2, LLC	S. Yonge Street Volusia County	85,550	40,584	$575,000	$14.17
3	Jul-12	GoldStar Trust Company/ Rainbow Development Group, LLC	S. Williamson Blvd. Volusia County	349,787	24,015	$427,800	$17.81
4	Mar-12	Pinnacle Bank/ Hinton Properties	S. Volusia Avenue Volusia County	47,637	18,000	$581,500 (1)	$32.31
5	Dec-11	Sand Capital IV, LLC/ Highway 44, LLC	State Road 44 Volusia County	231,304	44,713	$1,800,000	$40.26
6	Apr-11	Regal Cinemas, Inc./ Port Orange Investors, LLC	Eagle Lake Trail Volusia County	216,667	23,111	$500,000	$21.63
7	Jul-10	499 N Nova Road. LLC/ Bright Beginnings Ormond, LLC	S. Nova Road Volusia County	199,000	49,097	$2,000,000	$40.74
List 1		Harbor Community Bank	N. Ridgewood Ave. Volusia County	46,375	20,813	$596,000	$28.64
List 2		100 East Granada LLC	E. Granada Blvd. Volusia County	67,082	44,526	$1,990,000	$44.69
List 3		Prescription for Investments	E. Moody Blvd. Flagler County	59,851	16,988	$1,200,000	$70.64
List 4		Maverick Properties of Lee County, RLLP	S. Palmetto Ave. Volusia County	45,355	26,000	$799,000	$30.73

(1) The sale price was $525,000 but the buyer paid $56,500 in back taxes, increasing the total purchase to $581,500.

Mr. Hamilton first considered possible adjustments for property rights conveyed, advantageous financing, conditions of sale and market conditions (time). None of the sales was adjusted for property rights conveyed, financing, or conditions of sale. The closed sales occurred from October 2010 to June 2013, and the appraisers concluded that no market conditions adjustment was necessary.

The sales were then compared to the subject with regard to location, site utility, interior build out, building size, age/condition, and construction quality. Quantitative adjustments were made, ranging from -25% to +15% and the adjusted value range was $17.00 to $30.63 per square foot of building area, with an average of $23.55 per square foot.

In the reconciliation, Mr. Hamilton gave weight to all of the sales transactions and concluded that the value of the subject was near the average of the sales. The value was then estimated to be $24.00 per square foot of gross building area or $1,485,600, which was rounded to $1,490,000.

In my opinion, the adjustments considered and analyzed by the appraiser are relevant and the rationale leading to the value conclusion is sound.

Cooksey Appraisal

In order to estimate the value of the subject property Mr. Cooksey utilized both the cost approach and the sales comparison approach.

Cost Approach

In order to estimate the value of the subject site as if vacant Mr. selected two closed sales and two current listings for comparison to the subject site. All of the sales are located in Flagler and Volusia Counties and all of the properties have a similar highest and best use. The land sales/listings are summarized as follows:

Cooksey - Summary of Land Sales/Listings						
Sale No.	Date of Sale	Grantor/ Grantee	Location	Land Size (Usable Acres)	Sale Price	Sale Price/ Usable Acre
List 1		Old Dixie Cattle Co, LLC	U.S. Hwy 1 Flagler County	4.000	$450,000	$112,500
2	May-13	Wells Fargo Bank, N.A./ DS US1 Property, LLC	N. U.S. Hwy 1 Volusia County	4.905	$275,000	$56,065
List 3		Bunnell Winds, LLC	Steel Rail Dr. Flagler County	4.550	$290,325	$63,808
4	Jan-13	Memorial Health Systems/ Ormond King Center, LLC	Sterthaus Drive Volusia County	27.875	$2,000,000	$71,749

Mr. Cooksey first considered possible adjustments for property rights conveyed, financing, conditions of sale and economic trends (time). None of the sales was adjusted for property rights conveyed or financing. Comparable 2 is a bank sale and was adjusted upward by 15% because banks typically sell properties at a discount to get them off their books. The closed sales occurred in January 2013 and May 2013, and the appraisers concluded that no market conditions adjustment was necessary.

The sales were then compared to the subject with regard to location, size, frontage, utilities, zoning, topography and other considerations. Quantitative adjustments were made, ranging from -20% to +20% and the adjusted value range was $58,028 to $101,250 per usable acre, with an average of $69,505 per usable acre.

In the reconciliation, Mr. Hamilton gave greatest weight to Sales 2 and 4 (closed sales), which indicated an adjusted range of $58.028 to $64,562 per usable acre. With some weight given to the listings, the appraisers opined to a land value of $65,000 per usable acre or $412,100, which was rounded to $410,000.

The replacement cost new of the subject buildings was estimated separately using the Marshall Valuation Service. The appraisers concluded that the site improvements added only nominal value due to the condition. They then estimated and added soft costs of 2.5% of the total building cost and entrepreneurial profit of 15%. The total cost before depreciation was estimated to be $3,767,271. The appraisers estimated depreciation using the age/life methodology. They estimated the effective age of the improvements to be 35 years and the economic life to be 50 years, indicating total depreciation of 70%.

Subtracting the estimated depreciation of $2,637,090 resulted in the depreciated cost of the improvements of $1,130,181. Adding the previously estimated land value indicated a value via

the cost approach of $1,540,181, which was rounded to $1,540,000.

Sales Comparison Approach

In the sales comparison approach Mr. Cooksey selected four closed sales and one current listing for comparison to the subject property. All of the properties were either shell buildings, needed extensive renovation or had minimal interior build out. All of the sales/listing were also used by Mr. Hamilton. All of the properties have a similar highest and best use and are summarized as follows:

Cooksey - Summary of Shell Building Sales/Listings							
Sale No.	Date of Sale	Grantor/ Grantee	Location	Land Size (SF)	Building Size (SF)	Sale Price/ List Price	Sale Price/ SF of Bldg. Area
1	Jul-10	499 N Nova Road. LLC/ Bright Beginnings Ormond, LLC	S. Nova Road Volusia County	199,000	49,097	$2,000,000	$40.74
List 2		Harbor Community Bank	N. Ridgewood Ave. Volusia County	46,375	20,813	$596,000	$28.64
3	Mar-13	Kitty Scott's Furniture/ HDH Investments 2, LLC	S. Yonge Street Volusia County	85,550	40,584	$575,000	$14.17
4	Jun-13	Eagle FL I SPE, LLC/ 515 Palm Coast, LLC	Palm Coast Pkwy. Flagler County	174,240	55,042	$1,550,000	$28.16
5	Jul-12	GoldStar Trust Company/ Rainbow Development Group, LLC	S. Williamson Blvd. Volusia County	349,787	24,015	$427,800	$17.81

Mr. Cooksey first considered possible adjustments for property rights conveyed, financing, conditions of sale and economic trends (time). None of the sales was adjusted for any of these conditions.

The sales were then compared to the subject with regard to location, building size, land size, age/condition/construction quality, use, shell interior and parking. The appraisers did not make specific qualitative adjustments but chose to make qualitative adjustments based on a similar, inferior or superior comparison.

In the reconciliation, the appraisers gave greatest weight to Sales 2, 4 and 5, which would indicate a market range of $17.81 to 28.16 per square foot. The value was then estimated to be $23.00 per square foot of gross building area or $1,423,700, which was rounded to $1,420,000.

In my opinion, the adjustments considered and analyzed by the appraiser are relevant and the rationale leading to the value conclusion is sound.

REVIEWER'S CONCLUSIONS

Both appraisal reports provided sufficient data and analyses to derive reasonable estimates of market value for the subject parcel. Factors relevant to the market value were adequately considered in the appraisals and were discussed in the neighborhood data, site description, and highest and best use analysis. Both appraisers used direct sales comparison approaches to value, and the sales that both used were considered relevant. Mr. Cooksey also included the cost approach, but gave it secondary weight in the value conclusion because of the large depreciation deduction, which weakens the reliability.

In the Sales Comparison Approach both appraisers used the price per square foot of gross building area as the most appropriate unit of comparison. All of the sales were fairly recent, and both appraisers included at least one current listing as additional support.

The following table summarizes the value conclusions of each appraiser.

COMPARISON OF CONCLUDED VALUES					
	HAMILTON VALUE		COOKSEY VALUE		%
SCENARIO/VALUE	TOTAL	$/SF BLDG.	TOTAL	$/SF BLDG.	DIVERGENCE
Estimate of Value	$1,490,000	$24.07	$1,500,000	$24.23	0.67%

As seen in the summary, the divergence is minimal. In my opinion, both appraisers utilized appropriate methodologies, and their value conclusions are considered reasonable.

COMPLIANCE WITH USPAP AND COMPLETENESS OF THE REPORT

My review of each report indicates that the appraisals satisfy the requirements of the Uniform Standards of Professional Appraisal Practice dated January 1, 2012. Both reports are complete in content and both provide the reader with assurance that the value estimates derived are reasonable and supported.

REVIEW APPRAISER'S RECOMMENDATIONS

I recommend that both of the appraisals be accepted and approved for negotiations.

REVIEW APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- the facts and data reported by the review appraiser and used in the review process are true and correct.

- the analyses, opinions and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, impartial, unbiased professional analyses, opinions, and conclusions.

- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

- my engagement in this assignment was not contingent upon developing or reporting predetermined results.

- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review report.

- my analyses, opinions and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice, and the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;

- I personally inspected the subject property of the report under review.

- no one provided significant professional assistance to the person signing this review report unless otherwise stated.

- I have not provided appraisal, appraisal review and any other service involving the subject property in the preceding three years.

Date: July 22, 2013

George D. Goodman, MAI
State-Certified General Appraiser RZ 529

QUALIFICATIONS OF GEORGE L. GOODMAN, MAI

EDUCATION:

Bachelor of Arts Degree in Business Administration, Bellarmine College, Louisville, KY

Society of Real Estate Appraisers:
Course 101 - Principles of Real Estate Appraising, Louisville, Kentucky
Course 201 - Principles of Income Property Appraising, Louisville, Kentucky

Appraisal Institute (fka American Institute of Real Estate Appraisers):
Course II - Urban Properties: Case Studies & Report Writing, Athens, Georgia
Course VI - Financial Analysis, Chicago, Illinois

Appraisal Institute (fka American Institute of Real Estate Appraisers): Other Courses and Seminars including Standards of Professional Appraisal Practice A & B, Timberland Valuation, Analyzing Operating Expenses, Discounted Cash Flow Analysis, Florida Commercial Construction, Limited Appraisals, Less Than Fee Acquisition, Understanding Wetlands for Appraisal Purposes, Mitigation Banking as a Highest & Best Use, Intermediate & Advanced Pro-Ject Seminars, Depreciation & Methods of Applying, Rate Extraction, Litigation Valuation, Environmental Considerations on Real Estate Appraisals.

WORK HISTORY:

1972 - 1980	Vice President of Goodman & Hambleton, Inc. Realtors; licensed real estate brokers involved in sales, leasing, property management, and appraisal assignments.
1977 - 1981	President of G & H Homes - A Registered Homebuilder Member of Home-builders Assoc. of Louisville; involved in speculative and contract single and multi-family construction.
1980 - 1985	Staff appraiser with Chapman & Company, Louisville, Kentucky; specializing in the appraisal of all types of income producing properties, market studies, highest & best use studies, and consulting assignments.
985 - 1987	Appraisal Associate with Real Property Analysts, Inc., Winter Park, Florida; involved in the appraisal of all types of properties.
1987 - 1996	Vice President of Real Property Analysts, Inc., involved in the appraisal of all types of properties, and supervision and training of appraisal associates
1996 -1999	Principal of The Lentz-Goodman Group, Inc. - involved in the appraisal of all types of properties, real estate consulting, and supervision and training of appraisal associates

QUALIFICATIONS OF GEORGE L. GOODMAN, MAI - CONTINUED

2000-2003	Principal/Secretary-Treasurer Integra Realty Resources - Orlando, involved in the appraisal of all types of properties, real estate consulting, and supervision and training of appraisal associates
2003 -	President of George Goodman Consulting, Inc., involved in the appraisal of all types of properties and real estate consulting

MEMBERSHIPS:

American Institute of Real Estate Appraisers - M.A.I. Certificate Number 7413
State-Certified General Real Estate Appraiser - State of Florida 0000529

APPRAISAL EXPERIENCE

Mr. Goodman has had experience in appraising the following types of properties.

Single and multi-family residence
Apartment developments
Condominium developments and conversions
All types of vacant land
Planned Unit Developments
Industrial warehouses, distribution and manufacturing
Industrial value in use
Oil refineries
Rock quarries
Sanitary land fills
Borrow pits
Office buildings
All types of environmentally sensitive land
Shopping centers
Retail build-to-suit
Restaurants
Service stations and special use automotive
Subdivisions
Truck stops
Truck terminal and public warehouses
Banks
Churches
Nursing homes/congregate living facilities
Hotels/Motels
Bowling alleys
Mini warehouses
Regional Malls

Mr. Goodman also has experience appraising partial ownership interests such as leased fee, leasehold, equity, and various mortgage positions.

CONSULTING EXPERIENCE:

Consulting experience includes market feasibility studies on various types of properties including apartments, office/service developments, planned unit developments encompassing various residential property types and price ranges, and retail commercial.

Land development alternatives
Zoning consultation and testimony
Highest and best use studies