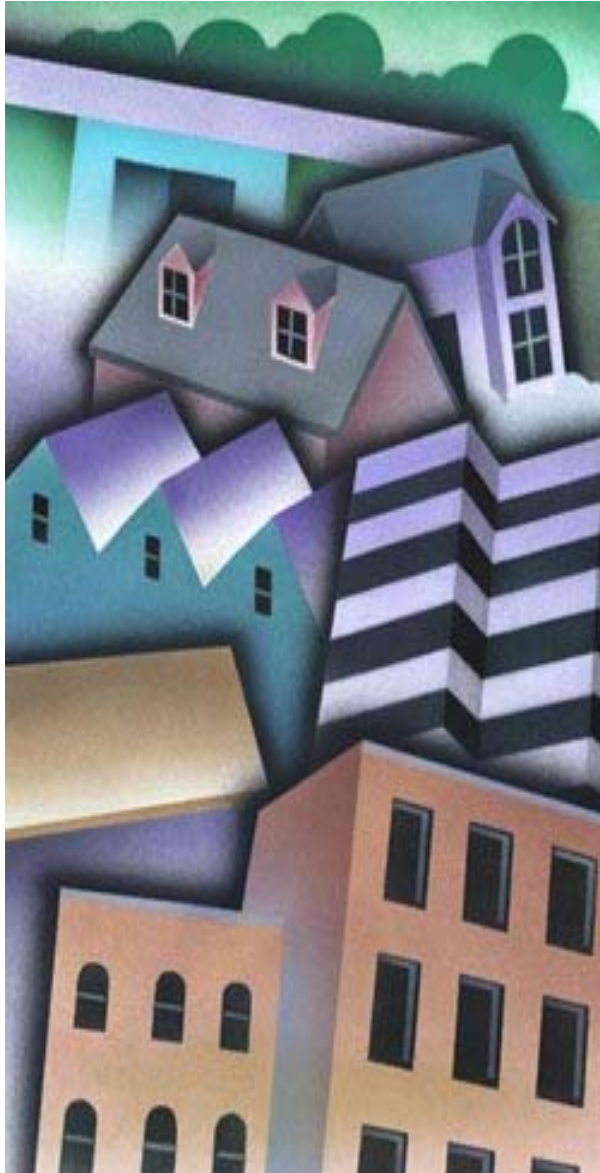


**CURETON JOHNSON &  
ASSOCIATES, LLC  
REAL ESTATE SERVICES**



***Residential and Commercial  
Real Estate Appraisal Services***

***Telephone: 850.386.3720***

***Fax: 850.385.7626***

***An Appraisal Report***

***Of***

***An Existing  
Recovery Center/Office Property***

***Located at  
1212 19<sup>th</sup> Street West  
Panama City, Bay County, Florida***

***For***

***Darwin Investments LLC***

***Effective Date of Value:  
March 6, 2017***

***Date of Report:  
March 13, 2017***

***Cureton Johnson File #: 170141***

# CURETON JOHNSON & ASSOCIATES, LLC

REAL ESTATE SERVICES

1358 Thomaswood Drive, Tallahassee, Florida 32308

Phone: 850-386-3720 Fax: 850-385-7626

PAUL T. CURETON, CREA  
STATE-CERTIFIED GENERAL APPRAISER  
NO. RZ0001827

WAYNE R. (CHIP) JOHNSON, MAI  
STATE-CERTIFIED GENERAL APPRAISER  
NO. RZ0002407 (FL)  
NO. 297403 (GA)

CHRISTOPHER D. JOHNSTON  
STATE-CERTIFIED GENERAL APPRAISER  
NO. RZ0003152 (FL)  
NO. 346005 (GA)

JASON HART  
STATE-CERTIFIED RESIDENTIAL APPRAISER  
NO. RD0007028

CHAD TAYLOR  
STATE-CERTIFIED RESIDENTIAL APPRAISER  
NO. RD0007284

March 13, 2017

Darwin Investments, LLC

Re: An **Appraisal Report** of an existing two-story, office-recovery center property, located at 1212

West 19<sup>th</sup> Street, Panama City, Bay County, FL. The building contains approximately 19,419 SF of gross building/net leasable area and is situated on a 1.156 +/- acre parcel of land. This valuation concerns the leased fee estate and the property is more particularly described within this appraisal report.

At your request we have completed the appraisal of the aforementioned property located in Bay County, Florida. The property is more specifically described in the body of this report. The purpose of this appraisal is to estimate the market value of the fee simple and leased fee interest in the subject property. Market value and leased fee interest are defined in the accompanying report.

It should be mentioned that this is an **Appraisal Report**, which contains several specific assumptions that may impact the value reported. The assumptions made are set forth within the attached report along with the general assumptions and limiting conditions. By accepting our report, you agree to the assumptions and conditions as noted. We hope that you find the enclosed appraisal report clear, logical and adequately documented in the conclusions reached.

Based on the inspection of the subject property and the investigation and analysis undertaken, we have formed the opinion that, as of the date of value stated herein; subject to the assumptions and limiting conditions set forth in this report, the subject property has a market value as follows:

MARKET VALUE CONCLUSION				
Appraisal	Interest Appraised	Date of Value	Exposure	Value
As-Is	Leased Fee Estate	March 6, 2017	6-12 Months	\$6,050,000

Should you have any questions, please contact us at your convenience. We appreciate having had the opportunity to be of service to you.

Respectfully submitted,



W.R. Chip Johnson, MAI  
State-Certified General Appraiser RZ2407

**CURETON JOHNSON & ASSOCIATES, LLC**

Real Estate Appraisals • Real Estate Consulting • Real Estate Sales • Litigation Support • Expert Witness • Feasibility Studies

## PREFACE TO REPORT

We have been asked by the client to value the leased fee interest of an existing, two-story recovery center/ office property, located at 1212 West 19<sup>th</sup> Street; in Panama City, Bay County, Florida.

Our reporting presentation is an **Appraisal Report**, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. As such, detailed discussions and explanations of data extrapolation and conclusions are absent from this report, as supporting documentation and analyses is held within the appraisers 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 this report. We are not responsible for any unauthorized use of this report. The appraiser is not responsible for unauthorized use of this report. It should be noted, however, that this report is an Appraisal as defined by the Uniform Standards of Professional Appraisal Practice. Information contained in this report is felt to be accurate, however, the information extracted from public records is not guaranteed. All reasonable attempts to verify the information have been made.

Upon request by the client, we have been asked to value the subject property using all of the applicable approaches to value (i.e. The Cost Approach, the Direct Sales Comparison and Income Capitalization Approaches to value) and in Appraisal Report format. Due to the nature of the clients request and existing market circumstances, only the Direct Sales Comparison and Income Approaches were utilized. The Cost Approach was not used in this valuation, due to the fact that the subject is over 12 years old, estimation of physical depreciation is somewhat subjective. In addition, this valuation is of the leased fee estate, with a long-term lease in place, with most emphasis placed on leased fee sales and the analysis of the income generated by the leased fee estate (10-year lease in place). *In summary, utilization of only the Direct Sales Comparison and Income Capitalization Approaches is not misleading and does not jeopardize the credibility of this appraisal, as these are the most applicable approaches to value.*

**Note:** *It should be noted that we were not provided a recent survey or title abstract of the subject property. Therefore, we assume that the subject site size is correct and that no negative encroachments or easements exist on the subject property. We utilized the Bay County Public Records in assisting our firm with obtaining factual information regarding the subject property. If found other such data may find otherwise, this report may be subject to revision.*

**Note:** *As noted previously, this valuation is only concerned with real property components (land, building, bundle of rights, etc.). Thus, no fixtures, furniture or equipment associated with the ongoing business operations are included in this valuation.*

**Note:** *It should be noted that we were provided an unsigned lease (by the listing agent: Gail Bowden). Since this valuation is solely based on the lease in-place, we are left to assume that the unsigned lease provided is, in fact, the actual lease to be signed. Thus, should any changes be made to the lease, from that which is provided to the appraiser (and included in the appendix of this report), this valuation may be subject to revision.*

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- Subject Photos
- Copy of Leases
- Copy of Land Sales
- Copy of Improved Sales
- Assessor Information
- Engagement Letter
- Qualifications

## SUMMARY OF SALIENT FACTS &amp; CONCLUSIONS

<b>DATE OF INSPECTION:</b>	March 6, 2017		
<b>DATE OF VALUE:</b>	March 6, 2017		
<b>DATE OF REPORT:</b>	March 13, 2017		
<b>PROPERTY TYPE:</b>	Existing Two-Story, Office-Recovery Center Property		
<b>LEGAL DESCRIPTION:</b>	Lengthy metes and bounds description, in Section 31, Township 3 South, Range 14 West. See appendix for full legal.		
<b>PROPERTY LOCATION:</b>	<p>The subject property is located on the north side of West 19<sup>th</sup> Street, between Lisenby Avenue (west) and Northside Drive (east), approximately two blocks northeast of the intersection of U.S. Highway 98 (W. 15<sup>th</sup> Street) and Lisenby Avenue. More generally, the property is located one mile north of Downtown Panama City (Bay County Seat).</p> <p>The subject's physical address is: 1212 West 19<sup>th</sup> Street, Panama City, FL 32405</p>		
<b>APPRAISAL OBJECTIVE:</b>	To estimate the market value of the leased fee estate in the subject property.		
<b>OWNER OF RECORD:</b>	<p>According to the Bay County Public Records, the subject property is currently owned by:</p> <p><i>Darwin Investments LLC</i>  2106 N. Orange Avenue, Suite 200  Orlando, FL 32804</p>		
<b>NEIGHBORHOOD:</b>	The subject neighborhood is generally described as the commercial corridor of U.S. 98 in Panama City, Bay County, FL.		
<b>TAX I.D. NUMBER:</b>	13784-040-000		
<b>LAND-USE/ZONING CATEGORY:</b>	<i>General Commercial-2 (GC-2) District</i>		
<b>SITE SIZE:</b>	50,355 Square Feet or 1.156 ± Acres		
<b>IMPROVEMENT DESCRIPTION:</b>	The subject building is a wood-frame structure, with stucco exterior finish, a corrugated metal roof and containing a total of 19,419 SF of gross building/net leasable area. Ancillary site improvements include: concrete-paved parking, concrete curb and gutter, landscaping and street signage. Although the building was originally constructed in 2005, the subject property was recently (totally) renovated and is in "like-new" condition.		
<b>MARKET VALUE:</b>	<b>Value Premise</b>	<b>Date of Value</b>	<b>Value</b>
	<b>As Is Value - Leased Fee</b>	<b>March 6, 2017</b>	<b>\$6,050,000</b>
<b>HIGHEST AND BEST USE:</b>	<b>As Though Vacant:</b>	Office or Neighborhood Commercial Use	
	<b>As Improved:</b>	Continued Office-Recovery Center Use	
<b>MARKETING/EXPOSURE PERIOD:</b>	<b>6-12 Months</b>		

We 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, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions.
- ▶ We have no present or prospective interest in the property that is the subject of this report and we have no personal interest or bias with respect to the parties involved.
- ▶ Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- ▶ Our analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- ▶ As of the date of this report, Wayne R. Johnson, MAI, has completed the requirements of the continuing education program required by the Florida Department of Business and Professional Regulation and for the Appraisal Institute.
- ▶ W.R. Chip Johnson, MAI, personally inspected the subject site on September 4, 2015.
- ▶ The appraiser has provided a sketch in the appraisal report to show approximate dimensions of improvements and the sketch is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.
- ▶ No personal property, unless specifically indicated, has been included in our value conclusion. Only the real estate has been considered.
- ▶ No engineering survey was made or caused to be made by the appraisers and any estimates of fill or other site work are based on visual observation. Therefore, accuracy is not guaranteed.
- ▶ No soil tests were made or caused to be made by the appraisers. Soil of the subject parcel appears to be firm and solid, typical of the area; and subsidence in the area is unknown or uncommon. The appraisers, however, cannot warrant against such condition or occurrence.
- ▶ The description and condition of physical improvements, if any, described in this valuation are based on visual observation. Since engineering tests were not conducted, no liability can be assumed for soundness of structural members.
- ▶ All value estimates are contingent on zoning regulations and land-use plans in effect as of the date of appraisal and based on information provided by governmental authorities and employees. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use has been stated, defined and considered in the valuation.
- ▶ A concerted effort was made to verify each comparable sale noted in this report. Since many principals, however, reside out of the area, or entities for which no agent could be contacted within the allotted time for completion of this report, certain sales may not have been verified.
- ▶ No responsibility is assumed for legal matters concerning this report, nor is any opinion rendered concerning title, which is assumed to be good and merchantable. The property is assumed to be free and clear of all liens or encumbrances, unless specifically enumerated within this report.

- ▶ No one provided significant real property appraisal or appraisal consulting assistance to the person signing this certification.
- ▶ The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
- ▶ No responsibility is assumed for the flood maps used in this report. These maps lack detail. Only licensed surveyor can determine the subject property's flood zone status with precise accuracy.
- ▶ It is assumed that the utilization of the land and improvements is within the boundaries of property lines of the property described and that there is no encroachment or trespass unless in the report.
- ▶ The value estimated in this report is base on the assumption that the property is not negatively affected by any hazardous substances or detrimental environmental conditions. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the subject property, did not develop any information that indicated any apparent, significant hazardous substances or detrimental environmental conditions which would affect the property negatively. It is possible that the test and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials and environmental conditions on, or around, the property that would negatively affect its value.
- ▶ The reported analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- ▶ The use of this report is subject to the requirements of the Appraisal Institute relating to review by it's duly authorized representatives.
- ▶ I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- ▶ I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within a three-year period immediately preceding acceptance of this assignment.
- ▶ 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.
- ▶ This certificate is in accordance with the Uniform Standards of Professional Appraisal Practice Standard Rule 2-3. It is not certification under Florida Real Estate License Law Chapter 475. W.R. Chip Johnson, however, is a Florida State-Certified General Real Estate Appraiser RZ2407.

Based on the inspection of the subject property and the investigation and analysis undertaken, we have formed the opinion that, as of the date of value stated herein; subject to the assumptions and limiting conditions set forth in this report, the subject property has a market value as follows:

MARKET VALUE CONCLUSION				
Appraisal	Interest Appraised	Date of Value	Exposure	Value
As-Is	Leased Fee Estate	March 6, 2017	6-12 Months	\$6,050,000



W.R. Chip Johnson, MAI  
State-Certified General Appraiser RZ2407



<b>GENERAL VALUE CONDITIONS:</b>	<p>Unless otherwise specifically stated, the value given in this appraisal report represents our opinion of the market value as of the date specified. The market value of the real estate is affected by market and economic conditions, both local and national and will vary as these conditions change. This value, unless so stated, is gross, without consideration given to any encumbrance, restriction or question of title.</p> <p>The value for land and improvements as contained within this report are constituent parts of the total value reported and neither is to be used in making a summation appraisal by combination with values derived from other sources.</p>
<b>USE OF THE APPRAISAL:</b>	<p>Possession of this report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by any one but the client for whom it was made without the consent of our office and undersigned or the client. Unauthorized printing, copying or duplication of any part or in total of this report is specifically prohibited by the undersigned and Cureton &amp; Associates, Inc. Copies may be obtained from the undersigned upon approval of the undersigned, the firm, or our client.</p> <p>Acceptance of and/or use of this appraisal in any way, constitutes acceptance of the General Assumptions and Limiting Conditions on which it was based. Our responsibilities are complete upon delivery and acceptance of the appraisal report.</p>
<b>DATA:</b>	<p>The description of the improvements to the property as well as any income and expense information of the subject property as submitted by the client or his assignees for this appraisal or has been obtained by our office is considered to be accurate and reflects the subject as of the date of this appraisal. We assume no responsibility for the accuracy of information supplied by others.</p> <p>The information contained in this report including any information furnished by others to our office is not guaranteed but was gathered from reliable sources which are believed to be accurate. We reserve the right to reconsider any value estimate to the extent justified by subsequent discovery of any inaccuracies in any data or the discovery of any new data which could result in a revised value estimate.</p>
<b>LEGAL CONSIDERATIONS:</b>	<p>The legal description used in this report is assumed to be correct. However, it may not necessarily have been confirmed by survey. No responsibility is assumed in connection with a survey or for encroachments, overlapping or other discrepancies that might be revealed thereby. We have not made a survey and assume no responsibility for any survey which may be presented.</p> <p>We assume no responsibility for matters legal in nature and title to the property is assumed to be marketable. In addition, unless stated to the contrary, the property is appraised as an unencumbered fee simple estate which is not used in violation of acceptable ordinances, statutes or other governmental regulations.</p> <p>All mortgages, liens and any other encumbrances to the title of the subject property have been disregarded unless specified within the appraisal report. The subject property has been appraised as though managed under responsible ownership and competent management.</p>

<p><b>CONDITIONS UNAPPARENT TO THE APPRAISER:</b></p>	<p>We assume that no hidden or unapparent conditions of the property, subsoil or structure, contamination by hazardous material of any type exist which would render it more or less valuable than the comparable properties used in this report.</p>
<p><b>ZONING AND LICENSES:</b></p>	<p>It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use has been stated, defined and considered in the valuation. Unless otherwise noted, it is assumed that no encroachments or violations exist within the subject property. Furthermore, it is assumed that the subject property complied with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.</p> <p>This appraisal is based upon the assumption that all required licenses and/or permits, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based in a timely manner and without unusual cost.</p>
<p><b>AMERICAN WITH DISABILITIES ACT (ADA) :</b></p>	<p>The American with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the varied 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 impact on the value of the property. Since we do not have direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.</p>

**Appraisal Development and Reporting Process:** The appraisal process encompasses the necessary research and analysis to prepare a complete appraisal in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

This appraisal involved inspecting the subject site, the general comparable market area and the subject neighborhood. Investigations were made of various economic indicators and other market sources to determine the strengths and weaknesses of the economy as it affects the value of the subject property. Adequate economic and market data was sought and used if found, for a basis of supported market conclusions. Judgement was used in the absence of available data, or in instances when the collection of data was uneconomic in relation to its importance to the valuation problem. The property was inspected by W.R. Chip Johnson, MAI, as of the stated date of value. The inspection consisted of both an interior/exterior inspection of the subject premises. In addition, an exterior inspection was made of all sales and lease comparable properties as well.

Market data compiled for this report included a variety of rent comparables and improved sales. These data are a result of research specific to the Tallahassee market and pertinent to the subject. The available data was verified with those affiliated with each transaction or lease, including: buyers, sellers, brokers, managers, closing agents, etc. In preparing this appraisal, the appraiser inspected the subject and gathered information from the subject's neighborhood and from comparable areas to the subject property.

The valuation of the property consisted of utilizing all two of the three traditional methods of valuation: the Income Capitalization and Sales Comparison Approaches. The Cost Approach was deemed to not be applicable.

The **Cost Approach** (Replacement Cost New Less Depreciation): This approach entailed valuing the subject land as though vacant and then estimating the depreciated value of the existing improvements. We utilize the Marshall Valuation service to estimate replacement cost new less depreciation. The *Calculator Cost* Program maintained by Marshall & Swift is a nationally recognized source for cost data. Depreciation was extracted from the market. The Cost Approach consists of adding the value of the subject land (as though vacant) to the depreciated value of improvements. *In this case, however, the Cost Approach was not used in this valuation, due to the fact that the subject property is over 12 years old and physical depreciation is substantial, estimation of such is somewhat subjective. Moreover, due to the lack of incentive for new construction of office space in the subject market and the fact that there are very few comparable office land sales within the past five years of this valuation date, the Cost Approach was deemed by the appraiser to not be applicable. Thus, adding the depreciated value of the improvements to the land value could be conjectural and misleading. Finally, given the fact that the existing facility has a long-term lease in place and since this lease creates substantial entrepreneurial incentive, estimation of this entrepreneurial incentive is difficult as well.*

The **Sales Comparison Approach** is based primarily upon the principle of substitution, which implies that a prudent individual will pay no more for a property than it would cost the individual to purchase a comparable substitute property. Units of comparison are components into which a property may be divided for purposes of comparison. All appropriate units of comparison should be analyzed for the property type being appraised and the resulting value indications reconciled to a single indicated value or value range. The sales are analyzed and adjusted for differences in elements of comparison, which are characteristics of properties that cause the prices paid for real estate to vary. Sales requiring lesser degrees of adjustment are typically the most comparable and are given greater weight than sales requiring greater degrees of adjustment. However, other factors must be considered including the reliability of the sales data and the degree of support of the required adjustments. After consideration of these factors, a final point value or value range is set forth.

The **Income Capitalization Approach** is a set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment and change in the value of the investment (known as direct capitalization). Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate (known as yield capitalization). The estimation of income, vacancy, operating expenses, capitalization rates and yield rates is extracted from the market. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only a single year's income is used. Yield and value changes are implied but not identified. The yield capitalization method is used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change and yield rate. Since the subject would be typically purchased by an investor or an owner occupant (leasing the residual space), development of the direct capitalization and yield capitalization methods were considered applicable in the final value estimation.

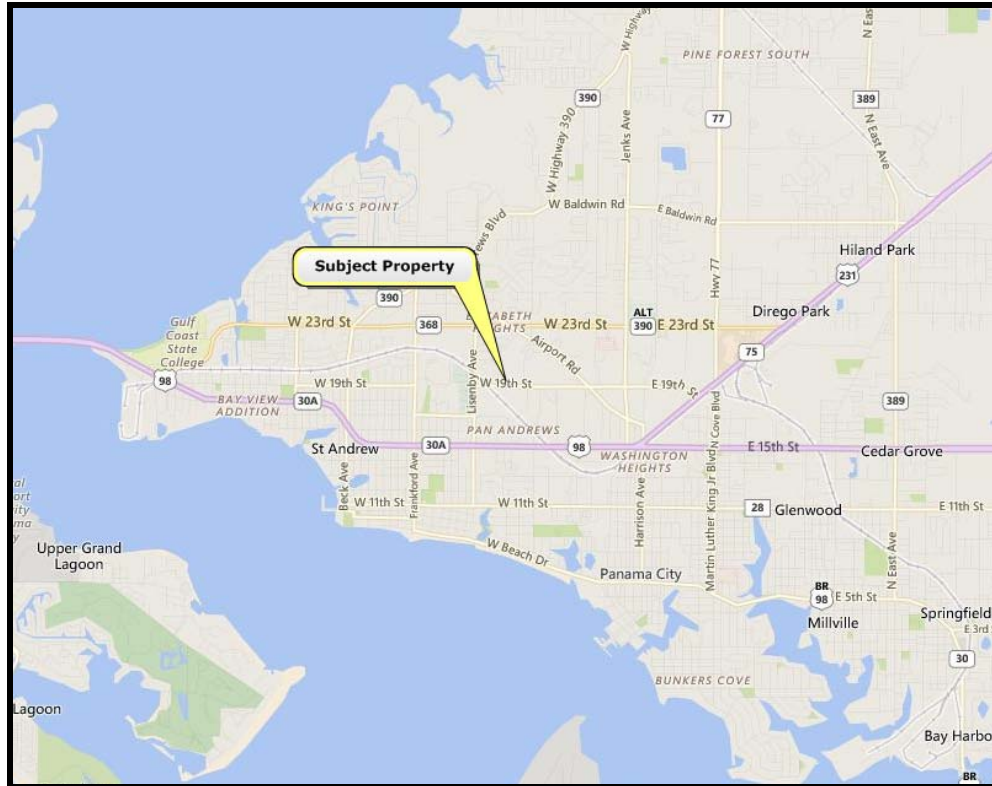
<b>DEFINITION OF MARKET VALUE:</b>	<p>The most probable price which a property should bring in an open and competitive market under all conditions requisite to fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in 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:</p> <ul style="list-style-type: none"> <li>▶ buyer and seller are typically motivated</li> <li>▶ both parties are well informed or well advised and acting in what they consider their own best interest</li> <li>▶ a reasonable time is allowed for exposure in the open market</li> <li>▶ payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto</li> <li>▶ the price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.<sup>1</sup></li> </ul>
<b>APPRAISAL OBJECTIVE:</b>	To estimate the market value "as-is", of the leased fee interest in the subject property, as defined by the Office of the Controller of the Currency under 12 CFR, Part 34, Subpart C.
<b>INTENDED USE OF REPORT:</b>	For the sole purpose of assisting the clients in evaluating the subject property's market value for internal evaluation purposes.
<b>INTENDED USER (CLIENT):</b>	This report was prepared for Darwin Investments LLC; and/or their assigns.
<b>EFFECTIVE DATE OF VALUE:</b>	March 6, 2017
<b>DATE OF REPORT:</b>	March 13, 2017
<b>PROPERTY INSPECTION PERFORMED BY:</b>	W.R. Chip Johnson, MAI, State Certified General Appraiser #RZ2407 performed an inspection of the subject premises on March 6, 2017.
<b>PROPERTY RIGHTS APPRAISED:</b>	The interest appraised represents the leased fee interest (estate).
<b>DEFINITION OF FEE SIMPLE ESTATE:</b>	Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. <sup>2</sup>
<b>DEFINITION OF LEASED FEE ESTATE:</b>	An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

<sup>1</sup>[The Appraisal Foundation. Uniform standards of Professional Appraisal Practice. United States of America: The Appraisal foundation, 2003; 7] [Rules and Regulations, Federal Register, Volume 55, No. 165, Page 34696]

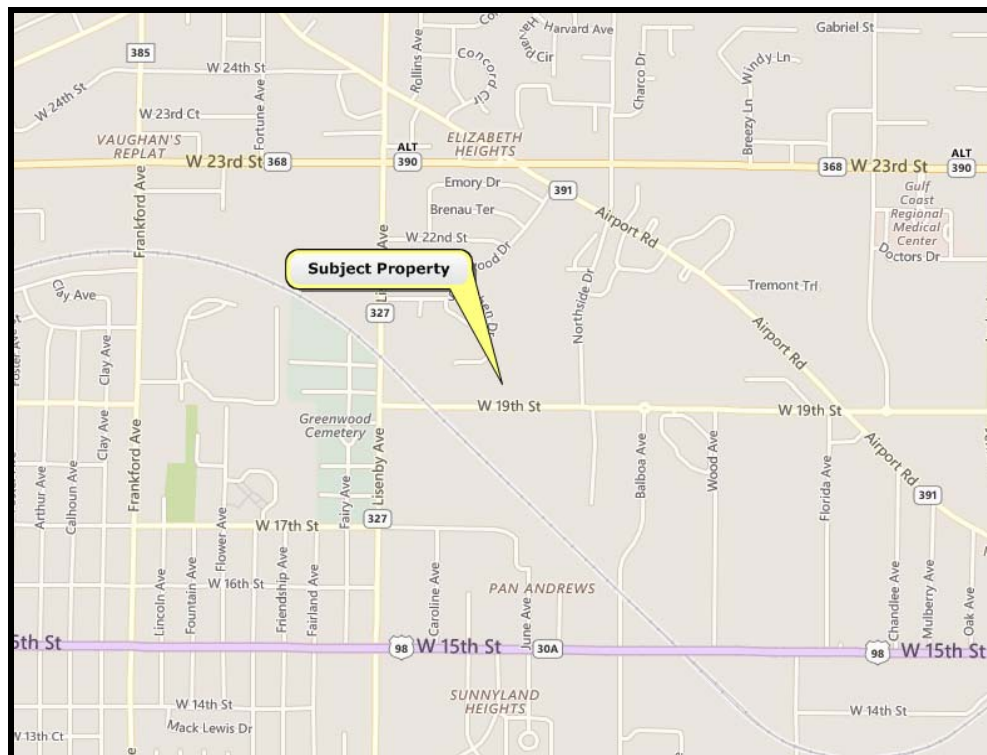
<sup>2</sup>The Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, The Appraisal Institute, 2001.

<p><b>EXPOSURE PERIOD</b></p>	<p><b>Exposure period</b> is the general length of time that a property would have to be exposed for sale on the market, given that the property sold at market value. Exposure period is best defined in the <i>Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, 2002</i>, as:</p> <ol style="list-style-type: none"> <li>1. <i>The time a property remains on the market.</i></li> <li>2. <i>The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal.</i></li> </ol>
<p><b>MARKETING PERIOD:</b></p>	<p>In an advisory opinion, the Appraisal Standards Board (ASB) of the Appraisal Foundation <i>Advisory Opinion 7 (A)-7, Uniform Standards of Professional Appraisal Practice, 2001 Edition, page 128</i>, defines <b>marketing period</b> as:</p> <p><i>an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal</i></p>
<p><b>CONCLUSION:</b></p>	<p>Based on previous sales information found in our appraisal files and based on conversations with local real estate brokers, the estimated exposure and marketing period for the subject property is estimated at <b>6 to 12 months</b>.</p>
<p><b>EXTERNAL FORCES AFFECTING MARKET VALUE:</b></p>	<p>There were no factors found in our research or inspection that would indicate that conditions external to the subject site, were found that would negatively affect the value of the subject property.</p>

<b>GENERAL PROPERTY DESCRIPTION:</b>	<p>The subject of this valuation report consists of a former professional office building recently renovated and reconfigured into an office-recovery center property. The facility is in "like-new" condition and has been renovated as a "build-to-suit" for a new long-term tenant (Panama City Springs Wellness &amp; Recovery Inc.).</p> <p>The building contains 19,419+/- SF of gross building/net leasable area and is situated on a 50,355 SF, or 1.156 ± acre parcel of land.</p> <p>The subject property is located on the north side of West 19<sup>th</sup> Street, between Lisenby Avenue (west) and Northside Drive (east), approximately two blocks northeast of the intersection of U.S. Highway 98 (W. 15<sup>th</sup> Street) and Lisenby Avenue. More generally, the property is located one mile north of Downtown Panama City (Bay County Seat).</p> <p>The subject's physical address is: 1212 West 19<sup>th</sup> Street, Panama City, Bay County, FL 32405</p>
<b>ASSESSOR PARCEL #:</b>	13784-040-000
<b>LEGAL DESCRIPTION:</b>	Lengthy metes and bounds description in Section 31 Township 3 South, Range 14 West, Bay County, FL. Please note the appendix for the full legal description (deed).
<b>CURRENT OWNERSHIP:</b>	<p>According to the Bay County Public Records, the subject property is currently owned by:</p> <p><i>Darwin Investments LLC</i>  2106 N. Orange Avenue, Suite 200  Orlando, FL 32804</p>
<b>FIVE YEAR HISTORY OF OWNERSHIP:</b>	<p>According to the Bay County Public Records, the subject property was acquired by the current owner of record on February 19, 2016, at a reported purchase price of \$930,000. The grantor is listed as WCI ORE, LLC and the grantee is listed as Darwin Investments LLC. This sale is recorded in OR Book 3772, Page 1991. Due to the fact that the property has been totally renovated since this sale and since a long-term lease has subsequently been put in place, no consideration was given to this sale.</p> <p>Prior to the above transaction, the subject transferred on September 8, 2015 for \$0 consideration, via Certificate of Title, from Tital Global 19, LLC (grantor) and WCI ORE, LLC (grantee), recorded in OR 3731/795.</p> <p>Please refer to the appendix of this report for a brief sales history of the subject property.</p>
<b>LISTING AND/OR CURRENT AGREEMENT FOR SALE:</b>	The subject property is currently listed for sale with Gail Bowden of MS & C (Michael Saunders & Company), at a reported list price of \$6,350,000, which represents an 8.01% capitalization rate off of the pure net operating income. A copy of this listing/offering memorandum can be found in the appendix of this report. We are unaware of any recent offers or contracts for sale on the property.



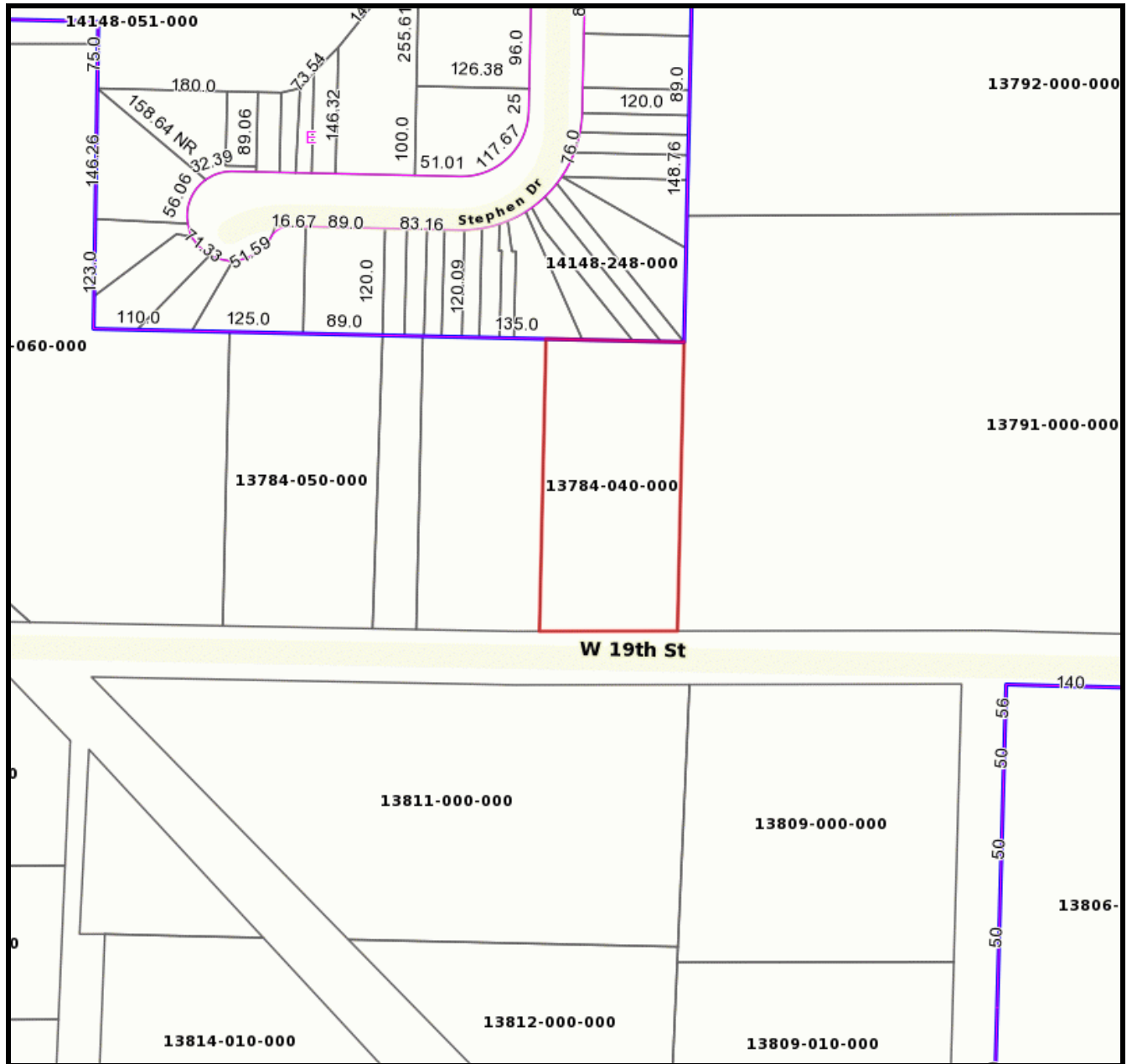
Subject Location Map - General



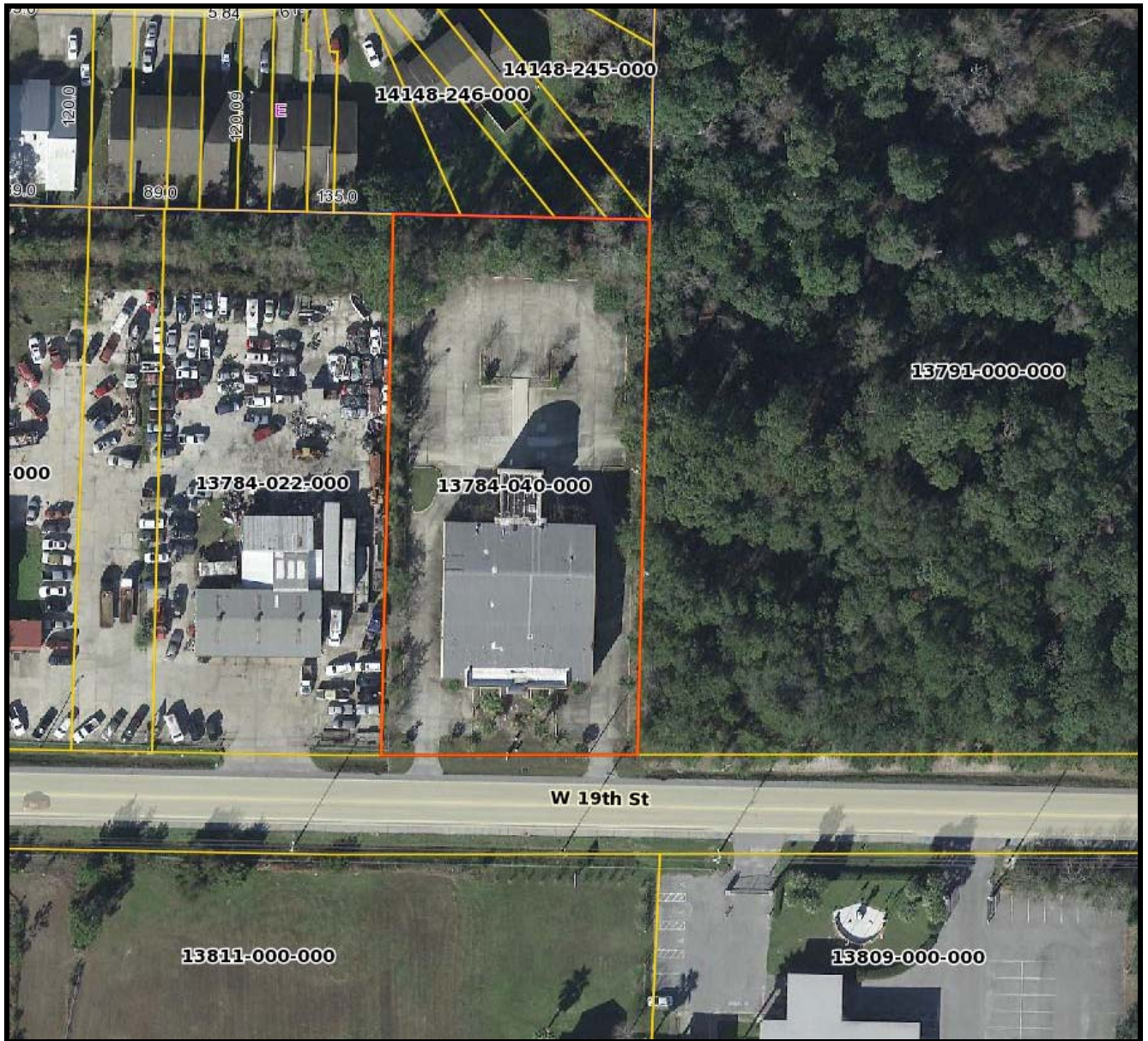
Subject Property Location Map - Specific



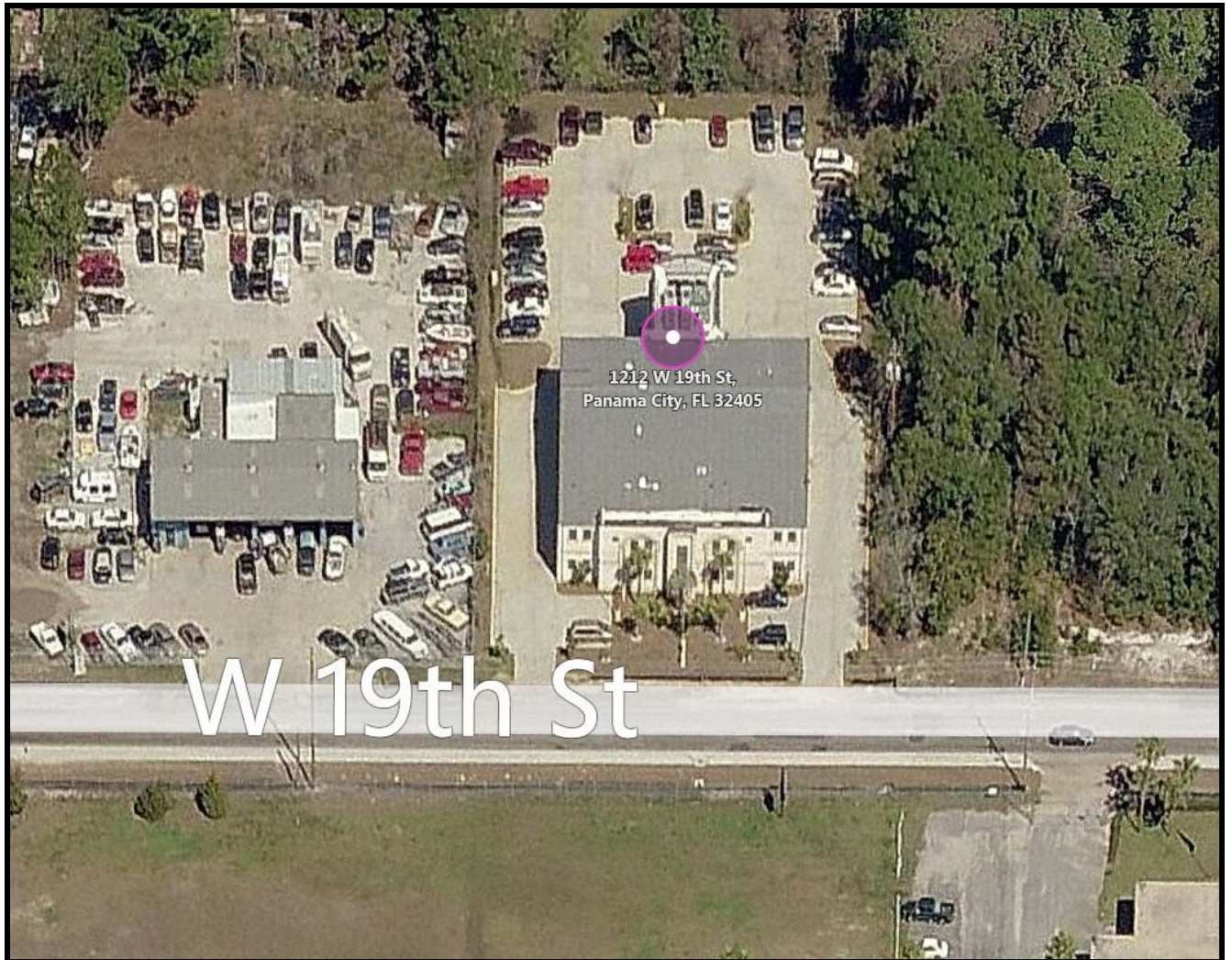
<b>LAND SIZE:</b>	50,355 Square Feet or 1.156 ± Acres
<b>SHAPE:</b>	Generally Rectangular (See Plat Map)
<b>ACCESS &amp; VISIBILITY:</b>	<p>The site is accessed via two driveway connections on West 19<sup>th</sup> Street, where the site encompasses approximately 155 +/- linear feet of frontage on this asphalt-paved, two-laned, city-maintained roadway. This roadway only yields modest traffic counts.</p> <p>The property is only located approximately four blocks south of West 23<sup>rd</sup> Street and two blocks north of West 15<sup>th</sup> Street (U.S. Highway 98).</p> <p>Overall, access and visibility of the site is considered to be average, due to its physical location, it's frontage on a public street and proximity to other arterials.</p>
<b>TOPOGRAPHY:</b>	The subject site is at road-grade level along West 19 <sup>th</sup> Street and then has a generally level topography.
<b>SOILS:</b>	A soil analysis for the site has not been provided for the preparation of this appraisal. In the absence of a soil report, it is a specific assumption that the site has adequate soils to support the highest and best use.
<b>DRAINAGE:</b>	Upon inspection, we found no evidence of poor drainage or standing water. Per FEMA flood plain maps, we found no evidence of wetlands or floodplain on the property and assume that the entire site is uplands.
<b>STORMWATER RETENTION FACILITY:</b>	The stormwater retention for the property is handled via an on-site facility servicing the subject property and located on the rear of the site. We assume this facility is functioning as intended, as we are not qualified to assess such.
<b>ENVIRONMENTAL &amp; ENGINEERING ISSUES:</b>	Unless otherwise stated in this report, we have no knowledge of any hidden or unapparent conditions of the subject site, (including wetlands or unsuitable soil), or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the subject site more or less valuable. It should be stated that Cureton Johnson & Associates are not engineers and are not qualified to provide a soil assessment or detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. For purposes of this analysis, Cureton Johnson & Associates has specifically assumed that the property is not affected by any unsuitable soils, wetlands, or hazardous materials and/or underground storage tanks that may be present on or near the property.



Subject Plat Map



Subject Aerial Plat Map



Bird's Eye Aerial View



FRONT VIEW OF SUBJECT PROPERTY



SIDE VIEW OF SUBJECT PROPERTY



REAR VIEW OF SUBJECT BUILDING



STREET SCENE - 19<sup>TH</sup> STREET WEST



VIEW OF STREET SIGNAGE AREA



VIEW OF REAR PARKING AREA



VIEW OF OPEN SITTING/LOUNGE AREA



VIEW OF DINING/CAFÉ AREA



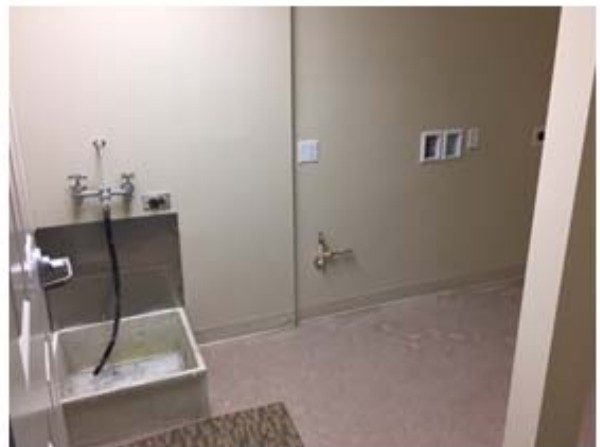
VIEW OF OPEN WORKSPACE AREA



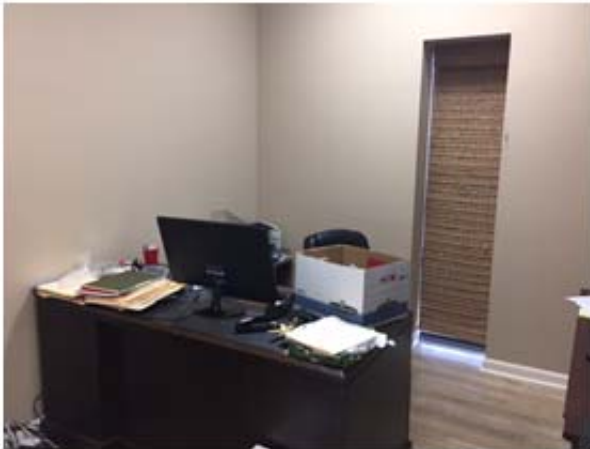
VIEW OF TYPICAL UNISEX BATH



VIEW OF KITCHEN/BAR AREA



VIEW OF LAUNDRY ROOM



VIEW OF TYPICAL OFFICE



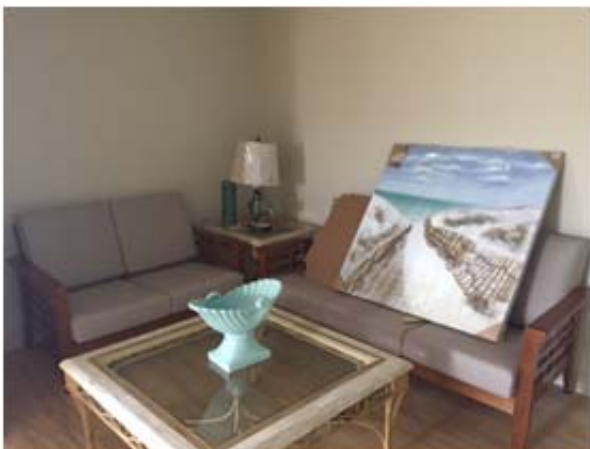
VIEW OF TYPICAL RESTROOM AREA



VIEW OF TYPICAL IT/SUPPORT ROOM



VIEW OF REAR RECEPTION AREA



VIEW OF TYPICAL WAITING ROOM AREA



VIEW OF TYPICAL RECREATION ROOM AREA



VIEW OF TYPICAL RECREATION ROOM AREA



VIEW OF ELEVATOR ACCESS AREA



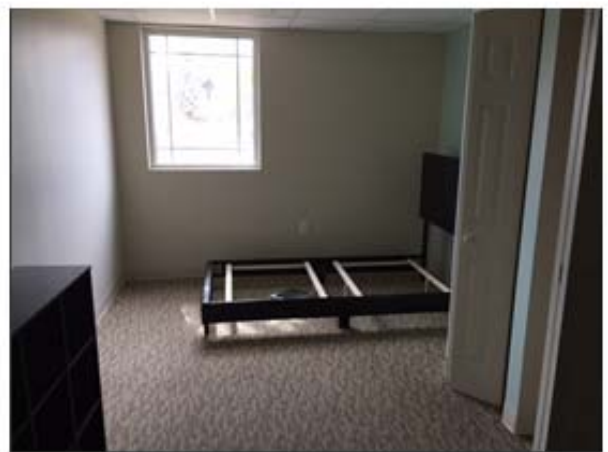
VIEW OF INTERIOR STAIRWELL AREA



VIEW OF TYPICAL KITCHEN/BREAK AREA



VIEW OF TYPICAL OFFICE



VIEW OF TYPICAL BEDROOM



**Flood Zone Status and Elevation:**

Address (from parcels)	1212 19TH ST W
FEMA Data Source	DFIRM - Digital Flood Information Rate Map
Inside Special Flood Hazard Area?	OUTSIDE SPECIAL FLOOD HAZARD AREA
Risk Level	MODERATE TO LOW RISK AREAS
Flood Zone(s)	X
Description(s)	X = OUTSIDE FLOODPLAIN
Base Flood Elevation	-9999.000000000
NFIP Community Name	CITY OF PANAMA CITY
County	BAY
State	Florida
NFIP Community Number	120012
NFIP Map Number or Community Panel Number	12005C0341H
Inside CBRA?	FALSE
CBRA Type	N/A
Map Panel Effective Date	6/2/2009



<b>FEMA Map #:</b>	12005C0341H
<b>FEMA Flood Zone Map Date:</b>	06/02/2009
<b>FEMA Flood Zone:</b>	Zone X

**Note:** Due to the fact the flood zone maps lack detail, we recommend that a licensed surveyor or engineer be consulted to certify the Flood Zone Status of the site.

**Definitions:**

**Zones B, C and X** are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, No BFEs or depths are shown within this zone.

**Zone A** corresponds to areas within the 100-year floodplains; Base Flood Elevations or depths are shown.

**Zones AE and A1-A30** correspond to the 100-year floodplains with Base Flood Elevations determined.

**Zone AH** corresponds to the areas of 100-year shallow flooding (usually areas of ponding) where average depths are between 1 and 3 feet. The BFEs have been determined within this zone.

**Zone AO** corresponds to the areas of 100-year shallow flooding (usually sheet flow on sloping terrain) where average depths are between 1 and 3 feet. Average flood depths have been determined.

**Zone A99** identifies areas inundated by the 100-year floodplains that will be protected by a Federal flood protection system where construction has reached specified statutory milestones. No BFEs or depths are shown within this zone.

**Zone D** designation is used for areas where there are possible but undetermined flood hazards.

**Zone V** identifies areas inundated by the 100-year coastal floodplains that have additional hazards associated with storm waves with no BFEs determined.

**Zone VE** locates areas inundated by 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs have been determined.

<b>EASEMENTS AND ENCROACHMENTS:</b>	A title policy for the property has not been provided for the preparation of this appraisal. Based on our visual inspection and review of the plat map, the property does not appear to be adversely affected by any easements or encroachments. It is recommended the client/reader obtain a current title policy outlining all easements and encroachments on the property, if any, prior to making a business decision.
<b>COVENANTS, CONDITIONS AND RESTRICTIONS:</b>	There are no known covenants, conditions and restrictions impacting the site that are considered to affect the marketability or highest and best use, other than zoning restrictions.
<b>UTILITIES AND SERVICES:</b>	The site is within the jurisdiction of the City of Panama City and is provided electrical, water, sewer, telephone and fire/police service. Overall, the present utilities and services provide adequate quality and quantity to service the highest and best use "as if vacant" and "as improved".
<b>ZONING:</b>	<p>According to the Panama City Planning &amp; Zoning Department, the subject property is currently zoned <i>General Commercial (GC-2)</i> zoning district.</p> <p>GC-2 zoning allows for a diversity of land usage including , office, commercial and industrial. Per the Panama City Planning &amp; Zoning Department, AC is best characterized as:</p> <p><i>The purpose of this land use classification is to provide areas for intensive commercial activity including retail sales and services, wholesale sales, shopping centers, professional offices and services and other compatible land uses. An additional purpose is the facilitation of community redevelopment and preservation.</i></p> <p>Development standards include: no maximum building height, a maximum impervious surface area ratio of 90% and a maximum floor area ratio of 3.0. Setbacks are: front (15 feet), rear (20 feet) and side (7 feet).</p> <p>Note: The subject's use as an office building appears to be legally conforming.</p> <p>Note: Please note the attached literature found in the appendix of this report, which outlines the permitted uses and development standards for both zoning classifications.</p>
<b>SURROUNDING LAND USES:</b>	The immediate surrounding uses consist of a diversity of uses, including: low to medium density residential, religious facilities, light industrial (self-storage), professional and medical office and service uses. Commercial uses are located closer to the West 15 <sup>th</sup> Street and West 23 <sup>rd</sup> Street corridors.
<b>OVERALL SITE ANALYSIS CONCLUSION:</b>	The site is well located and afforded good access and visibility from roadway frontage. The size of the site is typical for the area and use and there are no known detrimental uses in the immediate vicinity. Overall, there are no known factors considered to prevent the site from development to its highest and best use, as if vacant, or adverse to the existing use of the site.

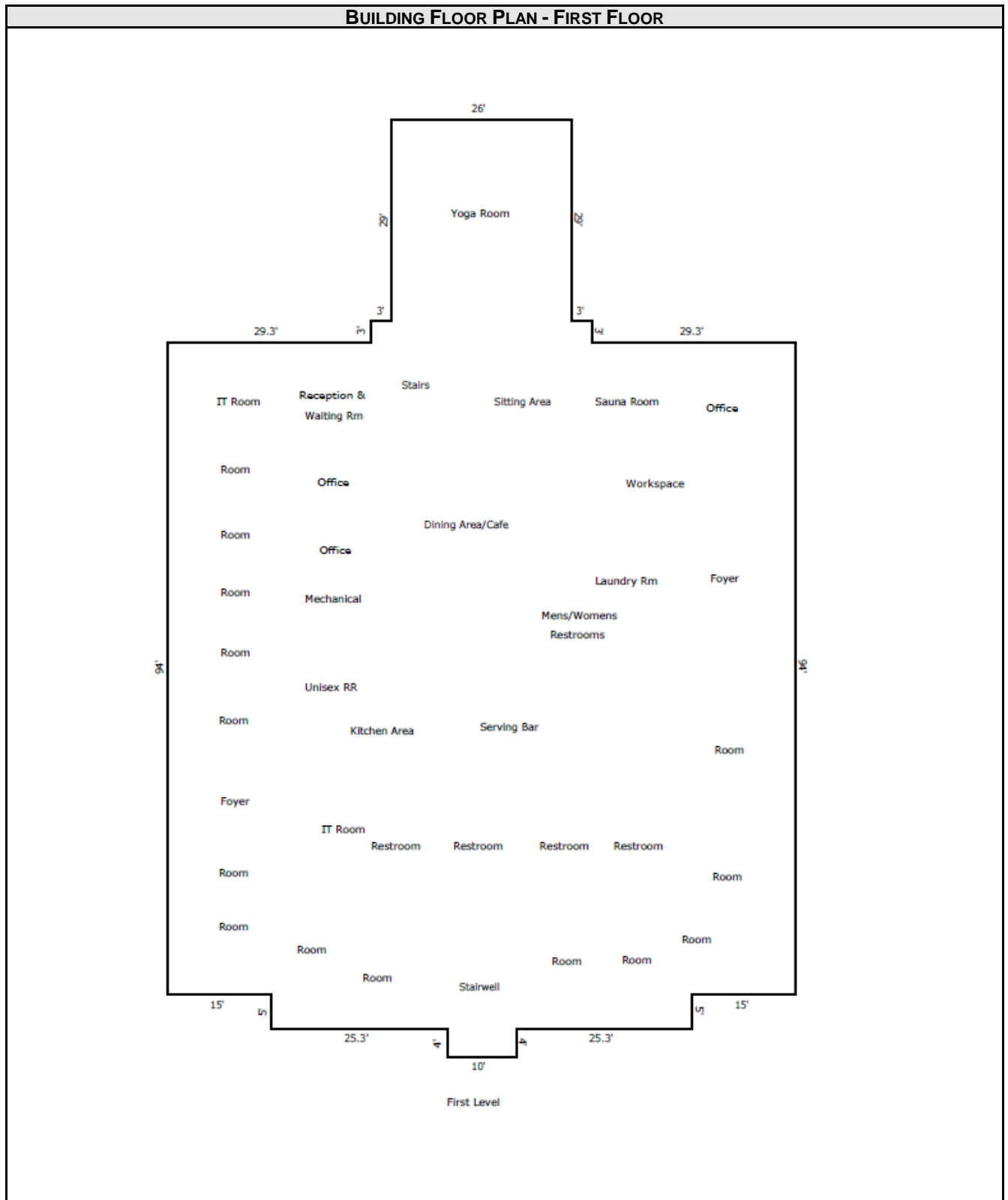
IMPROVEMENT DESCRIPTION

<b>IMPROVEMENT DATA:</b>	<p><b>Number of Buildings:</b> 1</p> <p><b>Number of Stories:</b> 2 Stories</p> <p><b>Type:</b> Recovery Center/Office Property</p> <p><b>Construction Type:</b> Stucco Exterior over Wood-Frame Construction</p> <p><b>Construction Class:</b> Class "D" , Very Good Quality Cost, Recovery Center/Office Building (Per Marshall &amp; Swift Cost Service)</p> <p><b>General Description:</b> The subject building contains a total of 19,419 SF of gross building/net leasable area. Ancillary site improvements include: concrete-paved parking, concrete curb and gutter, landscaping and street signage. Although the building was originally constructed in 2005, the subject property was recently (totally) renovated and is in "like-new" condition.</p>
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<b>Building Area Summary:</b>	<table border="0"> <tr> <td style="padding-right: 20px;"><b>Building Component</b></td> <td style="text-align: right;"><b>Building Area</b></td> </tr> <tr> <td><i>Total Net Leasable Area</i></td> <td></td> </tr> <tr> <td>    <i>First Floor:</i></td> <td style="text-align: right;"><b>9,709 SF</b></td> </tr> <tr> <td>    <i>Second Floor:</i></td> <td style="text-align: right;"><b>9,709 SF</b></td> </tr> <tr> <td><i>Total Net Leasable Area</i></td> <td style="text-align: right;"><b>19,419 SF</b></td> </tr> <tr> <td><i>Plus Common Area (Foyers, Stairwells, Elevator)</i></td> <td style="text-align: right;"><b><u>Included</u></b></td> </tr> <tr> <td><b>Total Gross Building Area</b></td> <td style="text-align: right;"><b>19,419 SF</b></td> </tr> </table>	<b>Building Component</b>	<b>Building Area</b>	<i>Total Net Leasable Area</i>		<i>First Floor:</i>	<b>9,709 SF</b>	<i>Second Floor:</i>	<b>9,709 SF</b>	<i>Total Net Leasable Area</i>	<b>19,419 SF</b>	<i>Plus Common Area (Foyers, Stairwells, Elevator)</i>	<b><u>Included</u></b>	<b>Total Gross Building Area</b>	<b>19,419 SF</b>
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<b>Total Gross Building Area</b>	<b>19,419 SF</b>														

<b>Age and Condition of Improvements:</b>	<p><b>Year Built:</b> 2005 (Renovated in 2017)</p> <p><b>Actual Age:</b> 12 Years</p> <p><b>Effective Age:</b> 2-5 Years</p> <p><b>Economic Life:</b> 50 Years</p> <p><b>Remaining Economic Life:</b> 45-48 Years</p> <p><b>Physical Condition:</b> Upon inspection, the subject property was found to be in very good condition (like-new). It is our understanding the building has been totally renovated in and out and has totally updated: HVAC systems, roof, windows, interior trim, interior doors, interior/exterior paint, updated drywall and trim, updated fixtures &amp; appointments, updated doors, updated and additional bath fixtures, etc.</p> <p>In addition, we do not warrant the condition of the exterior stucco finish. We assume that the exterior contains no structural deficiencies, as we are not qualified to assess this condition. We also assume that all systems are in good working order.</p>
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<b>CONSTRUCTION COMPONENTS:</b>	<b>Exterior Wall:</b>	<b>Roof Type/Cover:</b>	<b>Roof Frame:</b>	<b>Wall Height:</b>
	Stucco over Wood-Frame Construction	Corrugated Metal Roof, Slight Pitch to Gutter Systems	Steel-Frame	8-9 Foot Ceilings 8 Foot Predominant
	<b>Foundation:</b>	<b>Exterior Windows:</b>	<b>Exterior Doors:</b>	<b>Interior Doors:</b>
	Cast In Place Concrete Columns With Bearing Walls.  Concrete with assumed 6 x 6-10/10 wire mesh on 4-mil polyethylene vapor barrier on 2" sand bed or 4" washed stone.	Anodized Aluminum w/ Fixed Glass (Insulated)	Aluminum & Glass (Commercial-Grade) Door, Rear Metal/Steel Doors	Solid Masonite Doors
	<b>Heating/Cooling:</b>	<b>Interior Walls/ Ceiling:</b>	<b>Interior Floor</b>	<b>Fire Protection</b>
	Multiple HVAC Heat Pump Systems, Controlled by Floor Level	Walls: Hardcoat Drywall & Plaster.  Ceilings: Acoustic Tile Drop Ceiling.	Commercial-Grade Laminate (Faux Wood) and Vinyl.  Ceramic Tile Floor in Restrooms.	Fire alarm system Security System 100% Fire Sprinkled
<b>Restrooms:</b>	<b>Stairwell System</b>	<b>Electrical/Lighting</b>	<b>Other</b>	
Each Floor has Men's/Women's Restroom Facilities  Plus Additional Unisex Baths	Adequate. Two Sets of Interior Stair Systems and One Central Elevator System (2-Landing and 2,500 LB Hydraulic)	Lighting via recessed box type fluorescent fixtures and incandescent lighting.	Faux Wood Flooring Solid Masonite Doors Full Gutter System Rubber Baseboards Wood/Steel Trim	
<b>OTHER PERTINENT FEATURES:</b>	<p>The first floor serves multiple functions, with office space, patient rooms, dining areas and the yoga area. The second floor is configured primarily with patient rooms, a large recreation room and office space in the rear.</p> <p>The subject facility is a built-to-suit as a substance abuse/recovery center facility, as the tenant has secured a 10-year lease on the facility, with options. As noted previously, the current owner totally renovated the building and spent over \$2,400,000 in renovations (not including soft costs). These renovations included specialized tenant buildout needed.</p>			
<b>FLOOR CONFIGURATION:</b>	<p>Upgraded features include: upgraded acoustic tile ceilings, some upgraded trim, some chair railings, extensive stucco bandwork, fixed-glass windows, an exterior gutter system, 100% fire-sprinkled, wood privacy fencing, two interior stairwells, elevator system, irrigation system, extensive built-in cabinetry and countertop systems, etc.</p>			





<b>QUALITY AND STRUCTURAL CONDITION:</b>	Based on the field inspection, the interior finish for the building is considered to be good and representative of current local standards for a typical office or recovery center. The overall quality of the subject building is considered to be good relative to typical properties for the neighborhood, while generally above average in quality with buildings of similar age in the region. Cureton Johnson & Associates is not qualified to determine structural integrity and it is recommended that the client/reader retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making any business decisions.												
<b>FUNCTIONAL UTILITY:</b>	<p>The first floor is configured with: a reception/foyer area, fifteen (15) patient rooms, four communal restrooms (three-fixture with shower, commodes, sinks), various mechanical and IT rooms, a sauna room, a yoga room, four offices, a dining area/café, a kitchen area and an open workspace.</p> <p>The second floor is configured with: eighteen (18) patient rooms, four communal restrooms, an open recreational room, various storage and mechanical areas, IT rooms, three offices and an open workspace area.</p> <p>It should be noted that the patient rooms are very basic with no major buildout and have no internal plumbing or individual (independent) heating/cooling. The rooms have the appearance of a typical bedroom or office room.</p>												
<b>SITE IMPROVEMENTS:</b>	Concrete-Paved Parking (61 +/- Spaces) Landscaping Concrete Curb/Gutter & Sidewalks												
<b>PERTINENT RATIOS:</b>	<table border="0"> <tr> <td><b>Parking Information:</b></td> <td>61 Lined Spaces</td> </tr> <tr> <td><b>Land Size:</b></td> <td>50,355 SF</td> </tr> <tr> <td><b>Building Size:</b></td> <td>19,419± Square Feet (Net Leasable)</td> </tr> <tr> <td><b>Land to Building Ratio:</b></td> <td>2.59 to 1</td> </tr> <tr> <td><b>Site Coverage Ratio (Footprint Only):</b></td> <td>19.28% (9,728 SF Building Footprint)</td> </tr> <tr> <td><b>Parking Spaces Per SF Of GBA</b></td> <td>1 Space Per 318 SF (Slightly Below Typical)</td> </tr> </table>	<b>Parking Information:</b>	61 Lined Spaces	<b>Land Size:</b>	50,355 SF	<b>Building Size:</b>	19,419± Square Feet (Net Leasable)	<b>Land to Building Ratio:</b>	2.59 to 1	<b>Site Coverage Ratio (Footprint Only):</b>	19.28% (9,728 SF Building Footprint)	<b>Parking Spaces Per SF Of GBA</b>	1 Space Per 318 SF (Slightly Below Typical)
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<b>ADA COMPLIANCE:</b>	<i>The American with Disabilities Act (ADA), enacted on January 26, 1992, requires that commercial properties serving the general public, honor specific guidelines which enable commercial buildings to be more accommodating to disabled individuals. We have not made a specific compliance survey and analysis of this property to determine whether or not the property is in compliance with the requirements set forth by this act. It is possible that a compliance survey of the property may reveal that the property is not in compliance with this act. If this is so, this issue could result in a negative impact upon the value of the property. Since we</i>												
<b>FIXTURES, FURNITURE AND EQUIPMENT:</b>	The subject value stated herein does not include any trade fixtures or personal property. The final estimated value of the subject pertains to the real property components only.												
<b>CONCLUSION OF IMPROVEMENTS:</b>	The improvements are considered to be in very good (like-new) condition and functional for their current use as an office facility building. There are no known factors that could be considered to adversely impact the marketability of the improvements.												

**PROPERTY TAX ANALYSIS**

**Tax Assessment Analysis:** Real estate taxes for properties located in Bay County are based on the assessed value of real property, hence the term ad valorem (which means according to value) taxes. The assessed value is typically based on, but not necessarily equivalent to, its market value. Florida law mandates that all property be assessed by the county at full market value. The full market value, however, is generally not assessed and Florida's property taxes are considered low in relation to the rest of the nation. The Cost Approach to Value is the main valuation approach used by the assessor to determine the market value. The millage rates for Bay County tend to fluctuate from year to year. The millage rate is adjusted each year in relation to the total assessed value of all properties located in Bay County. If the total taxable value is higher than the previous year, the millage rate will typically be equal or lower; the opposite is true as well. Therefore, it is difficult to determine whether the millage rate will increase since we do not know what the total taxable value will be for the future. The following is a brief description of the tax information found concerning the subject property.

<b>CURRENT ASSESSMENT &amp; TAX INFORMATION</b>	<b>Tax I.D. #:</b>	<b>Land Value</b>	<b>Improvement Value</b>	<b>Total Assessed Value</b>
	13784-040-000	\$190,740	\$766,153	\$956,893
	<b>Just (Market) Value</b>	\$190,740	\$766,153	\$956,893
	<b>Total Assessed Value</b>			\$956,893
	<b>Millage Rate</b>			0.015769
	<b>Gross Tax Liability (Before 4% Discount for Early Payment)</b>			\$15,089
	<b>Discounted Tax Liability</b>			\$14,485

<b>Millage Rates</b>		
Taxes are levied in Bay County by the taxing authorities empowered to do so by the State Legislature. The value of each real estate and tangible personal property is established by the County Property Appraiser. The Board of County Commissioners set the millage or rate of taxation for the county; the School Board for the schools; the city council for each municipality. The governing bodies of other independent special taxing districts and authorities set the millage rates for those areas.		
Listed below are the millage rates		
<b>Description</b>	<b>Rate</b>	<b>Year</b>
BEACH MOSQUITO	.00029550	2016
CALLAWAY	.00225000	2016
CO MOSQUITO	.00020000	2016
COUNTY	.00465000	2016
DOWNTOWN IMP.	.00300000	2016
FC-BAY CO FIRE	.00138000	2016
FG-BAY CO FIRE-BEACH	.00138000	2016
LYNN HAVEN	.00390000	2016
MEXICO BEACH	.00518400	2016
NW FL WATER MGT	.00003660	2016
PANAMA CITY	.00397400	2016
SCHOOL DISC	.00194800	2016
SCHOOL RLE	.00452700	2016
SPRINGFIELD	.00346500	2016

**2016 Bay County Millage Rates**

*Note: The current taxes appear to be reasonable and in-line with competing properties in the subject market area. However, since the subject was recently renovated, we would assume (based on newer or renovated office type properties that the assessment should escalate substantially. Assuming a total assessment of \$2,000,000, the annual taxes would escalate to approximately \$31,500 (rounded).*



**AREA ANALYSIS - BAY COUNTY**

**General Information:** Bay County was incorporated in 1913 and named after the nearby St. Andrews Bay that surrounds much of Panama City. From a geographical perspective, the county is 1,033± square miles and is approximately 36± miles wide and 44± miles long. Water covers 26% of the county’s total area. This abundance of water and Bay County’s average of 320 days of sunshine a year is an attractive lure to residents and visitors alike making Bay County.

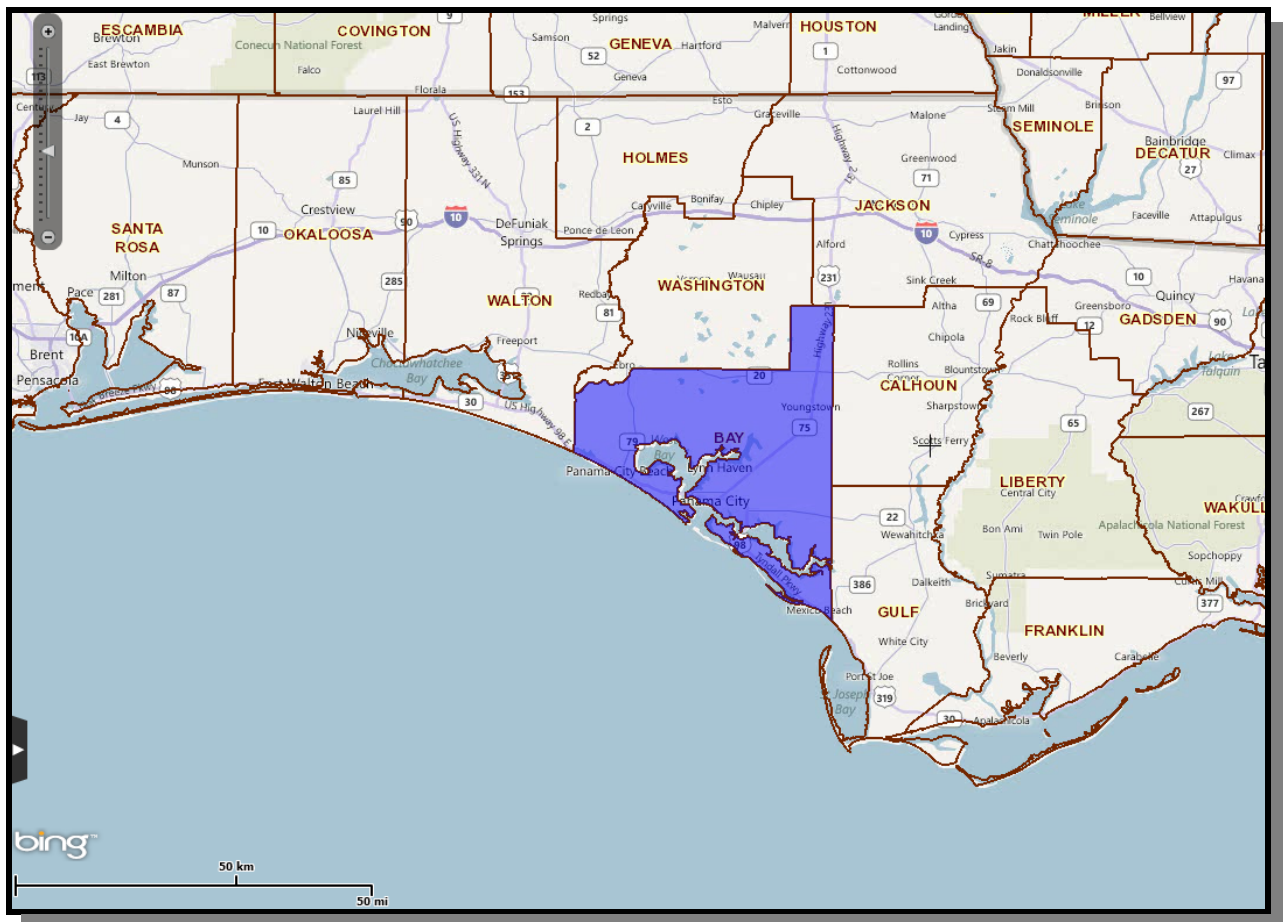
Panama City, the county seat and principal city of Bay County. Other municipalities in the county include the cities of Callaway, Lynn Haven, Mexico Beach, Panama City Beach, Parker and Springfield.

Located in northwest Florida, Bay County is bound to the south by the Gulf of Mexico. Because of its location on the Gulf, the county averages an estimated seven million visitors a year.

Bay County is bound by the following counties: Washington County (north), Jackson County (northeast corner), Calhoun County (east), Gulf County (southeast) and Walton (west).

The map below shows the geographical position of Bay County in relation to neighboring counties in northwest Florida.

**BAY COUNTY/REGIONAL MAP**



**Population Characteristics:** Bay County is Florida's 28<sup>th</sup> most populous county with 0.9% of the state's population. According to the Office of Economic & Demographic Research - The Florida Legislature, Bay County's 2010 population is 168,852. The projected the 2015 and 2020 population is 179,229 and 190,190 persons, respectively. The population growth for Bay County is estimated at 6.15% over the next five years (1.23% per year). The projected population growth in ten years is 12.64%, or 1.26% per year.

The following chart shows historic and projected population growth for the county:

2020	2015	2010	2000	1990
190,190	179,229	168,852	148,217	126,994

Source: Office of Economic & Demographic Research - The Florida Legislature

Per the U.S. Census, the population growth rate from 2000 to 2010 equated to 1.39% per year for Bay County as a whole. In comparison to the state of Florida as a whole (1.76% per year), these growth rates are in-line with the median percentile. The median age of Bay County's population is 39.5 years which is on par with the state average (40.7 years).

**Employment Characteristics:** Per the U.S. Department of Labor, Bureau of Labor Statistics (as of December 2012), 7.9 percent of eligible workers in Florida were without jobs, which is a decrease from 9.7% unemployed in December 2011.

There were 733,000 people out of work in Florida. Florida's unemployment total is 0.3% higher than the national average of 7.6 percent. In relation to the rest of the state, Bay County ranks 47<sup>th</sup> with respect to unemployment rate. Furthermore, the county unemployment rate is lower than the statewide average but on par with the national average. The following indicates the most recent labor statistics for the county (December 2012):

Labor Force:	87,591
Employed:	80,172
Unemployed:	7,419
<b>Unemployment Rate:</b>	<b>8.5%</b>

**Employment Composition:** Employment percentages by industry are as follows:

Industry	Bay County	Florida
Natural Resource & Mining	0.3%	1.2%
Construction	5.7%	4.9%
Manufacturing	4.4%	4.3%
Trade, Transportation & Utilities	18.9%	20.5%
Information	2.0%	1.9%
Financial Activities	6.0%	6.6%
Professional & Business Services	10.6%	14.7%
Education & Health Services	11.5%	14.8%
Leisure & Hospitality	16.4%	12.9%
Other Services	3.6%	3.2%
Government	20.6%	15.0%

Source: Census Bureau, 2010

Based on the above tables, Bay County's economic center is based around retail trade and services. We attribute the high percentage to these sectors to the tourist economy of Bay County. With regards to unemployment, Bay County figures seem to be consistent with the statewide average.

**Major Employers:** Tyndall Air Force Base and the Naval Coastal Systems Lab are major employers. Tyndall Air Force Base (TAFB) is located in the southeastern portion of the county, along the Gulf of Mexico. TAFB encompasses nearly 29,000 acres and houses three operational runways. The base has 5.23 million square feet of space throughout its 1,212 buildings that include family housing units and dormitory beds. The Naval Coastal Systems Lab (NCSL) is located on 648 acres of waterfront property along St. Andrews Bay and the Gulf of Mexico in Panama City Beach. NCSL is the Navy's premier diving and salvage research, development, testing and training site. The facility supports 212 owned buildings and leases 9 other structures.

**Income Characteristics:** The following two tables represent the per capita personal income and the median household effective buying income for Bay County:

Location	Median HH Income (2009)	Per Capita Income (2009)
Florida	\$44,755	\$26,503
Bay County	\$43,930	\$24,858

Source: U.S. Census Bureau State and County QuickFacts - Bay County, Florida

**Housing:** Per the U.S. Census and the Economic Development Intelligence System (EDIS), Bay County contained a total of 68,632 households (as of 2009). The homeownership rate for this period is 64.8% which is on par with the statewide average of 69.7%. The median value of owner occupied housing was \$178,100. The total number of all housing units was 99,263.

**Government, Education and Transportation:** Bay County has eight incorporated municipal governmental jurisdictions; each municipality has a mayor/commission form of government. The Board of Bay County Commissioners governs the unincorporated areas of Bay County.

Education is a dominant factor in the make-up of Bay County, home of Gulf Coast Community College, The Florida State University/Panama City Campus, Tom P. Haney Technical Center, a highly regarded public school system and several private and parochial schools.

Bay District Schools: serve a population of 150,000+/- and educates 27,000 students in 37 schools. Bay District Schools include 22 elementary schools, seven middle schools, five senior high schools, two adult education centers and one vocational school. Bay County School Board employs over 5,500 people to operate the school district, including 1,696 certified teachers and administrators. It should be noted that with regards to state averages, SAT, ACT and FCAT scores are all above state-levels.

Private Schools: Bay County has several private schools affiliated with religions organizations. Registration times, fees and tuition vary with each school.

Secondary Education: Gulf Coast Community College (21,000 students) and FSU/Panama City Campus (800 students) are the two most recognized. In addition Troy State and Embry Riddle (Aeronautical) both have affiliates at Tyndall Air Force Base.

**Deepwater Port Access:** Port Panama City, USA/Foreign Trade Zone #65 has 4,200 feet of deepwater berthing space and six berths. The mean depth of the water is 36 feet with a concrete apron 60 feet tall. The port is equipped with a 100 ton gantry crane and a 300 ton fixed crane. A complete fleet of lift trucks serve the port, lifting anywhere from 6,000 to 15,000 pounds. Container handling equipment and bulk transfer equipment are also available. With these fixtures, Port Panama City specializes in breakbulk cargo and dry bulk products. They also export linerboard, woodpulp, machinery and miscellaneous general cargo. Some of their imports are steel plate, steel coils, lumber, copper and bulk aggregates. Port Panama City's hinterland areas served include Florida, Alabama, Georgia, Mississippi, Tennessee, North Carolina and Virginia. They have also developed trading partnerships with Central America, South America, China, Europe and the Mediterranean.

**Transportation Routes:** Bay County's local highway network is complemented by US Highways 98 and 231 and Florida Routes 20,22,77 and 79. Interstate Highway 10 is located 13 miles from the northern portion of Bay County. Interstate 10 is approximately 40 miles from the center of Panama City. Southern Greyhound provides inter-city transportation. Small package express service is available through Airborne Express, Federal Express, Purolator and UPS. Commercial airline service is available at the Panama City/Bay County International Airport, provided by Northwest Airlinck to Memphis, USAir Express to Tampa/Orlando and Delta-Atlantic Southeast Airlines to Atlanta. The 55,000 square foot airport terminal comfortably accommodates passengers wishing to utilize the airport facility. Rail service is provided by Bay Line Railroad and interconnects to CSX Railroad and Norfolk Southern Railroad. Port Panama City has 2500 linear feet of deep water berth space and 600 linear feet of barge berthing space for water transportation needs.

**Northwest Florida Beaches International Airport:** The Northwest Florida Beaches International Airport is the new international airport that recently opened in May 2010 north of Panama City Beach, Florida on Highway 79 near West Bay. The new airport is replaced the older Panama City-Bay County International Airport, located in Panama City. The state of the art facility houses a 10,000' x 150' foot runway and a 5000' x 100' crosswind runway. The new airport features a modern terminal totaling 120,000± square feet with seven gates. The terminal has three jet bridges and the airport authority will add more as needed. The new airport will houses a U.S. Customs and Border Protection inspection facility to process arriving international flights. The terminal building is the first airport terminal to attain a LEED rating for eco-efficiency. General aviation services are located at a new aviation facility located south of the main passenger terminal. The airport also has an air cargo facility for use by cargo airlines such as FedEx. Airlines servicing the new airport include Delta and Southwest Airlines.

The 4,000-acre airport includes 1,400± acres of commercial and industrial land available for development with favorable zoning. Opportunities include parcels of all sizes with direct runway access, as well as select off-runway parcels to accommodate both traditional airfield and compatible non-traditional airfield based users.

The Northwest Florida Beaches International Airport anchors the 75,000-acre West Bay Sector Plan, a long term land use plan for mixed-use residential, commercial and business development. It features permanent protection of 41,000 acres of environmentally sensitive land, including 33 miles of shoreline on West Bay and 44 miles of local creeks and tributaries.

**Healthcare:** Bay County is served by two major hospitals, Bay Medical Center (BMC) and Gulf Coast Medical Center (GCMC). Bay Medical Center, located at the southeastern intersection of Highway 77/MLK Boulevard and E. 7<sup>th</sup> Street in Panama City, is a 413 bed regional referral center as well as the area's largest hospital. Serving seven counties, BMC has over 200 physicians covering virtually every medical specialty and a support staff of over 2,000 employees. Originally chartered in 1949 as Memorial Hospital of Bay County, BMC has been serving Bay County for more that 56 years. Now it provides a wide range of medical-surgical services, including inpatient and outpatient surgery, the only open-heart surgery program within 100 miles, state-of-the-art intensive care units, gastroenterology, a sleep disorders center, a pediatric unit, obstetrics and gynecology, radiation/oncology services and 24 hour emergency services staffed with board certified emergency physicians. BMC also has many support services including childhood communications disorders clinic, rehabilitation facilities and respiratory therapy. BMC's Outpatient Center has the latest in diagnostic services available, including open and closed magnetic resonance imaging systems (MRI), a CT scanner, ultrasound, mammography equipment and full diagnostic x-ray equipment.

Gulf Coast Medical Center, located on 23<sup>rd</sup> Street between Jenks Avenue and State Avenue, is a 176 bed full-service medical and surgical facility. GCMC has more than 750 full-time equivalent professional, technical and service personnel. GCMC also has strong affiliations with the Cancer Treatment Center and local nursing homes. GCMC is committed to providing its patients with the highest caliber of medical care available. Their staff of highly-trained, compassionate professionals are proud to offer a comprehensive array of services using today's most sophisticated technology. These services include a 24-hour emergency room, general medical and surgical care, general intensive care, neurology, pediatric medical and surgical care, obstetrics, as well as orthopedics.

**Taxes:** According to the Bay County Tax Collectors Office, unincorporated county 2015 taxes were at 11.7005 mills, or \$11.701 per \$1,000 of assessed value. In comparison to other nearby comparable counties, this millage rate is in-line with competing areas.

By statute, property is assessed at 100% of estimated market value. In reality, assessments fall below 100% of estimated market value. A \$25,000 homestead exemption is available to all residential property owners who homestead their property. Additional exemptions are available for certain agricultural property and for handicapped and elderly tax payers. A trend of steadily increasing millage rates has occurred over the past five years and is anticipated to continue in the near future.

**Recreation:** Bay County offers numerous recreational opportunities, most of which are centered around the Gulf of Mexico and connecting waterways. Nationally known for the sugar-white sand beaches and deep blue waters, Panama City Beach is a highly desirable area for vacation seekers. In the area surrounding Bay County, there are lakes and rivers, which provide some fishing and boating opportunities. St. Andrew State Park offers excellent recreational facilities in it's 1,260 acres of beach dunes and pine forests.

Saltwater fishing enthusiasts find Bay County's coast to be one of the finest fisheries in the state of Florida. Both inshore and offshore species can be targeted, with both resident and seasonal opportunities. Fishing can be done from party boats or from one of the many bridges or piers located along the coastline.

It should be noted that approximately 21,000 total units exist for Bay County beach tourists, with a conservative occupancy of 56% an average of 3.8 guests per accommodation and an average stay of four days.

The end result of the large degree of tourism is approximately \$547 million dollars spent and an overall impact of approximately \$1.5 billion per year (including industry). In addition tourism accounts for approximately 14,000 employees in the Bay County area.

**Area Data Conclusion:** With the economy of Bay County centered around tourism, the state of the local economy is typically relative to the general economy. Hence, fluctuations can occur more in this area than in other areas with a more stable environment. In recent years, both the general state of the economy has been strong making the economic environment in Bay County strong as well. It should be mentioned, however, that with Tyndall Air Force Base and Navy Coastal Systems Station employing approximately 9,000 people, the fluctuations of the tourism economy are somewhat offset. In addition, Bay County has proven to be actively pursue private industry, as evidenced by industrial parks such as Industrial Park, Port Panama City, Lynn Haven Commerce Park and Pay Industrial Parks

In summary, Bay County is an attractive area for those who seek the opportunities offered by the Gulf of Mexico coast. With an affordable cost of living (as compared to other state counties) and strong local economy, we foresee continued employment growth and a continued positive influx of dollars to this area.

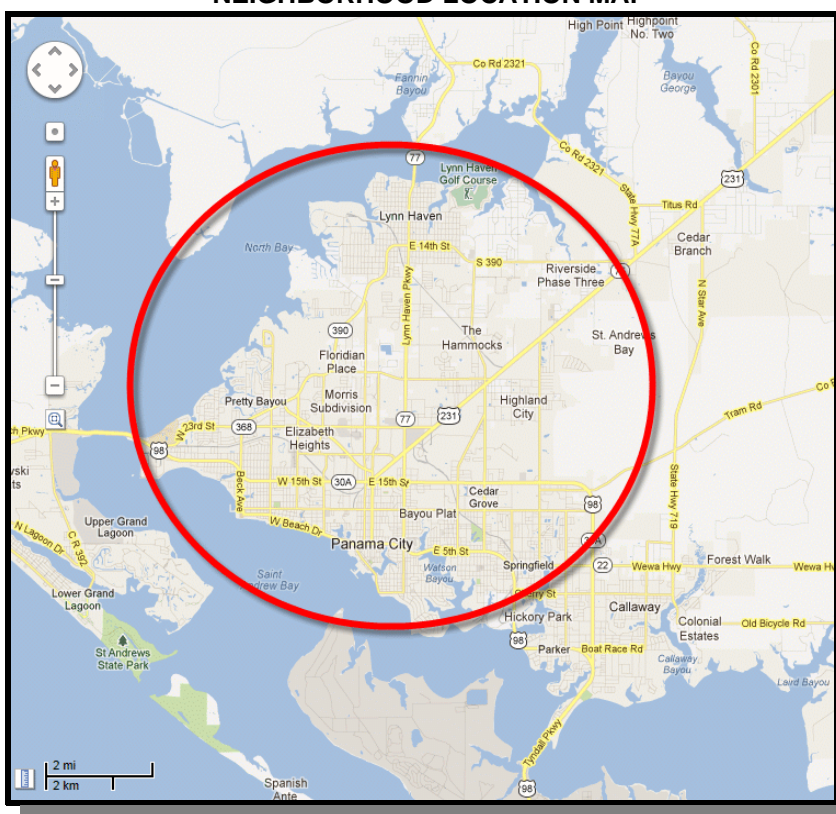
## NEIGHBORHOOD ANALYSIS

**Definition:** Although physical characteristics of real estate are important elements in determining value, external influences on a real property must be considered as well. These forces (economic, social, physical and governmental) play a major role in determining the trends in real estate. The neighborhood, although not easily defined, can best be described as:

*A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.<sup>3</sup>*

Based on the above definition, a neighborhood can be considered as a grouping of complementary land uses that are similarly affected by the various physical, economic, social and governmental forces. Additionally, the neighborhood overview assists in the determination of future land uses and value trends within the defined boundaries.

### NEIGHBORHOOD LOCATION MAP



**Location:** The subject property is located within the city limits of Panama City, FL. Panama City is the county seat for Bay County and is located in the south-central portion of the county.

**Boundaries:** The neighborhood boundaries are best defined as the geographical and political boundaries of Panama City and its outlier areas in Bay County, Florida.

<sup>3</sup> Source: Appraisal Institute, **The Dictionary of Real Estate Appraisal**, 5th ed. (Chicago: The Appraisal Institute, 2010).

**Predominant Land Uses:** There are a diversity of land uses in the neighborhood ranging from commercial uses in the downtown areas and along the busy corridors (15<sup>th</sup> Street/U.S. Highway 98, 23<sup>rd</sup> Street, Highway 77). Most residential uses are located in ancillary areas off the commercial corridors and along the bayous and bay areas. Light industrial and marine affiliated uses are generally located on the bay and bayou areas in the southeastern and southwestern portions of the city. The residential areas are all older districts which represent the full spectrum of housing types, including: low, middle and upper income housing for Bay County.

With respect to the rural (outlier) areas, most of these areas are a mixture of agricultural/silvicultural, recreational and low-density residential uses. Rural homesites in the area generally range from 3 to 10+ acres. Most undeveloped tracts are 10-250+ acres in size, with some tracts actually in excess of 1,000+ acres.

**Predominant Value Trends:** Most commercial land values range from \$5.00 per square foot to \$25.00 per square foot (relative to site characteristics, zoning, location, etc.). Improved commercial property values typically range from \$75.00 per square foot to \$250.00 per square foot (relative to location and building characteristics). Commercial lease rates typically range from \$8.00 per square foot to \$25.00 per square foot (including office, retail, restaurant, etc.).

Most rural and agricultural tracts range in value from \$1,000 per acre to a high of \$15,000 per acre. The lower portion is occupied by tracts with 200+ acres, a large portion of wetlands and having marginal location. The middle end is occupied by 50-100 acre tracts, with average location and a minor percentage of lowland areas. The upper end is occupied by the 1-50 acre tracts with good location and a low percentage of wetlands.

Demand for coastal real estate (from 1999 to 2005) was extremely high and consequently, values rose at unprecedented figures as well (15%+ per year). High property appreciation rates and shorter than typical marketing periods proved as evidence that this tourism-based district responded well to the needs and preferences of both full-time and vacation residents.

That all changed in 2005, as the subject market area (generally, those areas located close to the Gulf coast of Florida) experienced a tremendous slowdown. As a result of numerous damaging hurricanes (i.e. Katrina, Dennis, Wilma, Ivan, etc.) in 2004 & 2005, rising insurance rates and rising interest rates (short-term bank rates rising in 2005-2006), demand for coastal property waned to less than 1/4 (of sales activity) of what took place in previous years. In addition, demand from investors seeking high short-term returns also created a "false" market, as the demand from these investors became almost non-existent. Given the high number of listings and price reductions, it was almost eminent that further price reductions occur in the future, as owner-occupants and end-users ultimately dictated the end price for coastal real estate. Value depreciation from 2008-2012 was approximately 40-60% since the mid-2005 price surge.

The market finally bottomed out in 2012/2013 and since 2013, values leveled and now signs of price appreciation are forming. As the economy has strengthened and unemployment rates have tempered, the national and local economies have rebounded. The beach markets have seen decreases in tourism numbers (mostly affecting hotels and restaurants), as a result of the ban on alcohol consumption on the beaches. However, the economy should settle-in after a few years of this ban.

*Based on an analysis of improved/unimproved sales within the past three to five years, annual appreciation was 5-10% from 2000-2005, but flattened from 2006-2007 and from 2008-2012 actually decreased at rates proportionate to the previous years upswings. Most value decreases were associated with residential housing, however, commercial followed suit and all property types have experienced at least some decline from the peak. The most recent trends have been that of a leveling off of prices, as the market appears to have reached it's bottom (with some isolated examples of price appreciation). Given existing economic conditions, we foresee this trend to continue for the next 6-12 months, as residential building activity (a stable base of Bay County) has seen a tremendous slowdown and "trickle-down" economics of such fallout are still taking place throughout the area. Moreover, the recession resulted in a decrease in consumer spending, a contraction of most businesses and a demand slowdown in the residential housing markets. Signs moving forward are much more positive, however, as the economy strengthens and growth begins to occur again.*

*Overall, the neighborhood may experience stagnation or minor growth through 2016, with values remaining level through the short-term horizon and a rebound is expected sometime in late 2017 or 2018. In addition, the neighborhood is well positioned to provide a low level of risk for investment for both owner-occupants and investors over the long-term, with appreciation to remain flat or at negative levels for the near term*



## HIGHEST AND BEST USE ANALYSIS

**Introduction:** The basic economic forces of supply and demand are basic tools for analyzing the relationships between economic behavior and the appraisal process. The interdependent factors that influence value are also economic in origin because modern value and appraisal theory have evolved from neoclassical economic thought. The relationship between economic behavior and appraisal are clearly evident in real estate markets. An understanding of market behavior is essential to the concept of highest and best use. The forces of supply and demand create market value, so the interaction between market forces and highest and best use is of crucial importance. When the purpose of an appraisal is to estimate market value, highest and best use analysis identifies the most profitable, competitive use to which the property can be put. Therefore, highest and best use is a market-driven concept and is the foundation on which market value rests. Generally, the price a buyer is willing to pay for real estate is directly related to the most profitable use of the site or property.

**Definition:** A property's highest and best use is defined as:

*"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.."*<sup>4</sup>

The existing use of the site may or may not coincide with the determined highest and best use of the property. In order for the property to achieve its highest and best use it must meet the following four criteria and be: *legally permissible, physically possible, financially feasible and maximally productive.*

If an existing use fails to meet any of the criteria, it is discarded and another use is reviewed. In the following section of this valuation report, the highest and best use is determined first for the site as though vacant and available to be put to its highest and best use. No considerations are given to any of the existing improvements. A second analysis considers the site as improved, taking into account the present improvements and their effect on market value. The highest and best use of both land as though vacant and property as improved must meet these criteria.

### HIGHEST AND BEST USE AS THOUGH VACANT

**Legally Permissible:** Both public and private legal restrictions must be observed in determining the whether the use is legally permissible. Private legal restrictions are limitations that run with the land and are passed from owner to owner (primarily concerned with developments). No restrictive conveyances were found on the subject property, therefore, only public legal restrictions are relative.

Public legal restrictions (i.e. general and comprehensive plan zoning) must be observed since they may prevent otherwise potential uses. As indicated in the Land Use section of this valuation, the subject is zoned GC-2 Commercial. GC-2 zoning allows for a diversity of land usage including , office, commercial and industrial. Per the Panama City Planning & Zoning Department, GC-2 is best characterized as:

*The purpose of this land use classification is to provide areas for intensive commercial activity including retail sales and services, wholesale sales, shopping centers, professional offices and services and other compatible land uses. An additional purpose is the facilitation of community redevelopment and preservation.*

Development standards include: no maximum building height, a maximum impervious surface area ratio of 90% and a maximum floor area ratio of 3.0. Setbacks are: front (15 feet), rear (20 feet) and side (7 feet).

It should be mentioned, however, that any permissible use must adhere to building requirements and development standards within these zoning codes.

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<sup>4</sup>[Source: The Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition (Chicago, Illinois: The Appraisal Institute, 2001)].

**Physical Possibility:** The size, shape, area and terrain of the parcel affect the available uses as well. Physical limitations must be observed since construction may be either unfeasible or physically impossible.

The subject parcel is 1.156± acres in size. The site's shape, topography and size are conducive to development of the site for most legally permissible uses. It should also be noted that the subject is located on a street that yields modest traffic counts (less than 10,000 VPD), , but has good access and street exposure. In addition, the property offers close proximity to shopping, other employment centers and to an abundance of nearby housing and population. In addition, Bay Medical Center is located just a short distance of the subject as well. As noted previously, the site is 100% uplands, with no known wetlands or flood-prone areas.

Utilities, drainage and other physical characteristics appear positive relative to development. In addition, the slope of the site does appear to be significant enough to warrant significant fill or excavation. No adverse site conditions are known nor were any observed that would tend to preclude or severely limit utilization according to according to the subject's highest and best use as determined herein.

**Financial Feasibility:** The financial feasibility of a specific use for the subject property is a function of the conformity of surrounding uses within the neighborhood and the strength of the local market. Financially feasible uses produce a positive return to the land. At present, uses in the immediate subject area are varied and include: residential, commercial (retail and restaurant) and office uses. The uses are scattered, with most commercial/office uses located on U.S. Highway 98 (Business 98 or 15<sup>th</sup> Street). These streets yield the highest traffic counts and/or the most pedestrian traffic. Most residential and office uses are found in more remote areas of the neighborhood, just off this corridor. As noted previously, commercial and office uses are allowed under this zoning.

A survey of surrounding properties revealed that most all are occupied (either tenant or owner-occupied), with values and leasing rates are figures which make development of neighborhood-oriented commercial use or office use as being feasible. In addition, this area has traditionally yielded strong occupancy rates, relatively stable property values and reasonable marketing/absorption periods for both use types. Given the existing occupancy rates, lease rates and values and relative to the cost to construct, office or commercial use was found to be the financially feasible use.

**Maximum Profitability:** The maximally productive use is the use which generates the highest return to the land and the highest land value. After completing a residual land analysis for the three financially feasible uses, our research has concluded that the maximally productive use is for highway-oriented commercial use.

Taking into consideration, the amount of traffic generated along this area of central Panama City, the close proximity to necessary support facilities and residential housing and in light of the current supply/demand characteristics of the aforementioned financially feasible uses, we estimate that the maximally productive use is for neighborhood-oriented commercial or office use, to the highest intensity allowed under existing zoning.

**HIGHEST AND BEST USE AS IMPROVED**

There are two primary reasons to analyze the highest and best use of the subject property as improved. The first reason is to identify the use of the property that can be expected to produce the highest overall return on investment. The second is to assist in identifying comparable properties, which will be explored later in the Direct Sales Comparison Approach. A property's highest and best use as improved must meet the same four criteria as for its highest and best use as if vacant.

When determining the highest and best use of the subject property as improved, it is necessary to determine whether it is most feasible to demolish the existing improvements, renovate or reconfigure the improvements, or leave the improvements as is.

The subject building is a wood-frame structure, with stucco exterior finish, a corrugated metal roof and containing a total of 19,419 SF of gross building/net leasable area. Ancillary site improvements include: concrete-paved parking, concrete curb and gutter, landscaping and street signage. Although the building was originally constructed in 2005, the subject property was recently (totally) renovated and is in "like-new" condition. The building represents a "build-to-suit" for a regional entity that has secured a 10-year lease agreement to operate the building as a recovery center for substance addiction.

In our analysis of the effects of each scenario, we feel that demolition or reconfiguration of the existing improvements would not be feasible since they represent value to the property and since the design, quality and condition of the improvements are conducive to the highest and best use as though vacant. Moreover, the current improvements are well maintained, in very good physical condition and consistent with the ideal improvements (mentioned previously).

Therefore, the highest and best use as improved is for the existing use as an office-recovery center facility.

## DIRECT SALES COMPARISON APPROACH

**Methodology:** Market value is achieved through this approach by direct comparisons of the property being appraised to similar properties that have sold in the same or in a similar market. The price that a typical buyer pays is often a result of a "shopping process", in which an informed buyer compares available alternatives. This approach, is based on the principle of substitution, which implies that a prudent person will not pay more to buy a property than it will cost to buy a comparable substitute property.

One of the most significant factors in price determination is the current sales market. In order to estimate the value of the property using this approach, it was necessary for this appraisal group to search the subject market area (Panama City, Bay County, FL) public records to locate the most comparable sales transactions to the subject (Only arms-length transactions were used in this valuation). All sales were verified with a party involved in the transaction (i.e. buyer, seller, agent or representative of either side). Verification included sale price and date, specifications of the improvements, terms of sale, etc. In addition, real estate professionals were interviewed to determine market conditions and to observe the available competing properties.

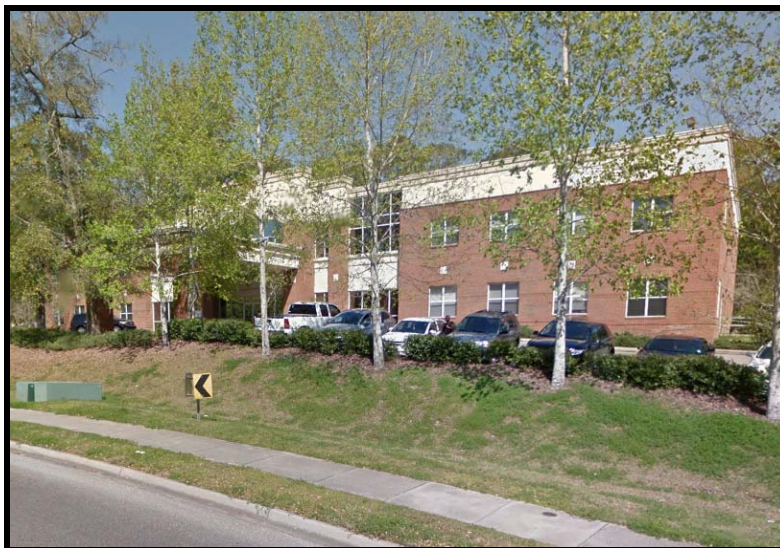
Once market data is compiled and verified, comparisons are made between the subject and the recent comparable sales to determine the similarities and dissimilarities. When necessary, adjustments are made to each comparable so that each comparable becomes as close to identical to the subject as possible. These adjusted comparable sales are consequently reconciled to form a value estimate using the Direct Sales Comparison Approach. The following pages describe pertinent aspects of each comparable property, the necessary adjustments made to them and the reconciliation of their adjusted values. Proximity of these properties to the subject can be found in the addenda of this report.

**Due to the lack of recent sales of specialized office space or recovery/wellness centers (in the United States) that were net leased (with long-term lease in place - leased fee estate sales), it was necessary to utilize sales of net-leased medical facilities across the state of Florida. This was unavoidable, given the specialized nature of the subject property and the lack of recent (leased fee estate) sales. We were able to locate some recovery/wellness center sales, however most all were associated with multi-parcel portfolio transactions.**

**IMPROVED SALE #1:**

<b>Address:</b>	9375 66 <sup>th</sup> Street North; Pinellas Park, Pinellas County, FL
<b>Property Type:</b>	Single-Tenant Medical Office Building
<b>Tax Assessor I.D.:</b>	20-30-16-69804-300-4005
<b>Grantor:</b>	Timber Assets I, LLC
<b>Grantee:</b>	Tatiana Sedochenkova
<b>Sale Date:</b>	November 30, 2016
<b>Arms Length Transaction:</b>	Normal Market Transaction
<b>O.R. Book/Page:</b>	19430/556
<b>Terms/Financing:</b>	Cash to Seller
<b>Property Rights:</b>	Leased Fee
<b>Sale Price:</b>	<b>\$2,850,000</b>
<b>Price Per SF (Of Building Area):</b>	<b>\$273.01/SF</b>
<b>Land Size:</b>	1.15± Acres, or 49,911± Square Feet
<b>Building Size:</b>	10,439± Square Feet of Net Leasable Building Area.
<b>Land To Building Ratio:</b>	4.78
<b>Construction Type:</b>	Brick & Concrete Block, With Single-Ply Membrane Roof (Rigid Bar Joist)
<b>Year Built:</b>	1991
<b>Quality:</b>	Good
<b>Condition:</b>	Good
<b>Verification:</b>	Verified with Tatiana Sedochenkova (Grantee); by W.R. Chip Johnson, MAI of Cureton Johnson & Associates.

**Comments:** This sale represents a net-leased medical office building, leased by a local physicians group (with personal guarantees by each doctor). Property is currently being leased by Eye Associates of Pinellas County. The property has a 15-year lease in place, with 11+/- years remaining and a current lease rate of \$21.00/SF NNN terms; representing a 7.69% capitalization rate. The property has great visibility, at the corner of 66<sup>th</sup> Street and 94<sup>th</sup> Avenue. The property was on the market for approximately 60 days before being contracted on, at a list price of \$2,965,000 (96% sale-to-list price ratio). Property sold for \$2,700,000 in December of 2008 (OR 16444/1379).

**IMPROVED SALE #2:**

<b>Address:</b>	1803 Miccosukee Commons Drive
<b>Property Type:</b>	Single-Tenant Medical Office Building
<b>Tax Assessor I.D.:</b>	11-21-20-464-0000
<b>Grantor:</b>	Miccosukee Commons Investment LLC
<b>Grantee:</b>	GASCO Real Estate Holdings LLC
<b>Sale Date:</b>	August 30, 2013
<b>Arms Length Transaction:</b>	Normal Market Transaction
<b>O.R. Book/Page:</b>	4571/2342
<b>Terms/Financing:</b>	Cash to Seller
<b>Property Rights:</b>	Leased Fee Estate
<b>Sale Price:</b>	<b>\$7,384,000</b>
<b>Price Per SF (Of Building Area):</b>	<b>\$225.41/SF</b>
<b>Land Size:</b>	2.94± Acres, or 128,066± Square Feet
<b>Building Size:</b>	32,758± Square Feet of Gross/Net Leasable Building Area.
<b>Land To Building Ratio:</b>	3.91
<b>Construction Type:</b>	Brick Veneer over Wood-Frame, with Standing Seam Metal Roof
<b>Year Built:</b>	2003
<b>Quality:</b>	Good (Substantial Medical Build-out)
<b>Condition:</b>	Good
<b>Verification:</b>	Verified with Carlton Dean (Transactional Broker: Sperry Van Ness Southland Commercial), by W.R. Chip Johnson of Cureton Johnson & Associates.

**Comments:** This is a two-tenant property, with Tallahassee Primary Care Associates as the anchor tenant. This property is located within close proximity of both Capital Regional Medical Center and Tallahassee Memorial Healthcare Hospitals. Rents in-place at the time of sale were approximately \$23.00/SF-\$24.00/SF (with 3% annual escalations), gross terms; which equated to an 8.02% capitalization rate. This transaction was part of a two-property portfolio sale (other property was 1701 Hermitage Boulevard, Tallahassee, FL). Seller was the actual developer who built the building as a built-to-suit for the original tenant. Property included 180 onsite parking spaces as well.

**IMPROVED SALE #3:**

<b>Address:</b>	3280 Greenwald Way North; Kissimmee, Osceola County, FL
<b>Property Type:</b>	Multi-Tenant Medical Office Facility
<b>Tax Assessor I.D.:</b>	032529459100010020
<b>Grantor:</b>	Atco Limited Partnership VII
<b>Grantee:</b>	Parkway Office Plaza, LLC
<b>Sale Date:</b>	June 29, 2016
<b>Arms Length Transaction:</b>	Normal Market Transaction
<b>O.R. Book/Page:</b>	4984/2967
<b>Terms/Financing:</b>	Cash to Seller
<b>Property Rights:</b>	Leased Fee Estate
<b>Sale Price:</b>	<b>\$5,275,000</b>
<b>Price Per SF (Of Building Area):</b>	<b>\$243.85/SF</b>
<b>Land Size:</b>	4.61± Acres, or 200,812± Square Feet
<b>Building Size:</b>	21,632± Square Feet of Gross/Net Leasable Building Area.
<b>Land To Building Ratio:</b>	9.28 to 1
<b>Construction Type:</b>	Concrete Block Stucco Barrel Tile Roof (Hip Roof with Slight Pitch)
<b>Year Built:</b>	2008
<b>Quality:</b>	Good
<b>Condition:</b>	Good
<b>Verification:</b>	Verified with Maureen Escalante (Representative of Grantee); by W.R. Chip Johnson, MAI of Cureton Johnson & Associates.

**Comments:** This sale represents the transfer of a multi-tenant medical office building, located in Kissimmee, FL. Parkway Office Plaza has benefitted from the rapid growth of Hunters Creek and the recent development of The Loop commercial corridor. This offering represents a well-located property in one of Central Florida's most active commercial corridors. Based on an in-place net operating income of \$449,823, this sale equates to an 8.53% "going-in" capitalization rate. Property was on the market for approximately 12 months, with an original list price of \$5,485,000 (96% sale-to-list price ratio).

**IMPROVED SALE #4:**

**Address:** 12651 Whitehall Drive; Fort Myers, Lee County, FL  
**Property Type:** Single-Tenant Medical Office Building  
**Tax Assessor I.D.:** 14-45-24-00-00005.0280  
**Grantor:** Urolandoco LLP  
**Grantee:** Whitehall Medical LLC  
**Sale Date:** November 10, 2016  
**Arms Length Transaction:** Normal Market Transaction  
**O.R. Book/Page:** 2016000239520  
**Terms/Financing:** Cash to Seller (Bulk Sale Mortgage - \$4,032,000: Farm Bureau LIC)  
**Property Rights:** Leased Fee  
**Sale Price:** **\$2,210,000**  
**Price Per SF (Of Building Area):** **\$270.77/SF**  
**Land Size:** 0.92± Acres, or 40,146± Square Feet  
**Building Size:** 8,162± Square Feet of Gross/Net Leasable Building Area.  
**Land To Building Ratio:** 4.92 to 1  
**Construction Type:** Lap Siding over Wood-Frame Construction with Corrugated Metal Roof  
**Year Built:** 1993  
**Quality:** Good  
**Condition:** Good  
**Verification:** Verified with Joel Miller (Representative of Grantee); by W.R. Chip Johnson, MAI of Cureton Johnson & Associates. Additional verification via Cureton Johnson appraisal at the time of the sale.

**Comments:** This Class A medical office represents the sale of a NNN leased building with a credit-rated tenant in place (and doctor's personal guarantee on the lease). The tenant is Southwest Florida Urological Associates (leading urology group in Lee County, FL), which was recently purchased by a billion dollar corporation. Property is located in Fort Myers, FL and close to College Parkway & S. Cleveland Avenue. This property is leased for \$23.00/SF NNN, with 5 years left on the lease; represented as an 8.50% capitalization rate, based on going-in net operating income. This property was on the market for approximately 7 months and sold at full list price as well.

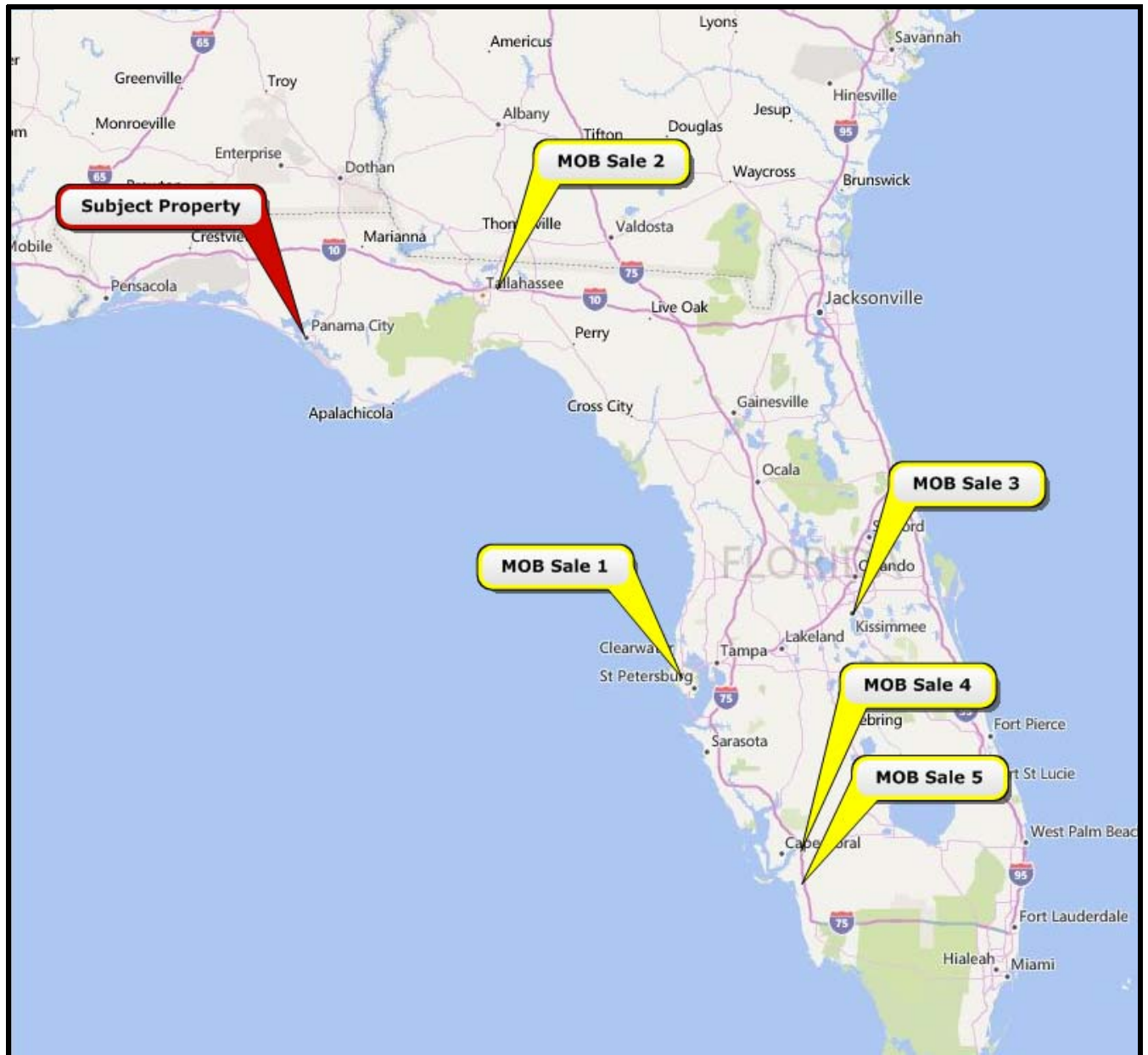


**IMPROVED SALE #5**

<b>Address:</b>	10201 Arcos Avenue; Estero, Lee County, FL
<b>Property Type:</b>	Multi-Tenant Medical Office Building
<b>Tax Assessor I.D.:</b>	35-46-25-E1-3100G.0000
<b>Grantor:</b>	Estero Medical Center LLC
<b>Grantee:</b>	Estero Medical Properties LP
<b>Sale Date:</b>	April 18, 2016
<b>Arms Length Transaction:</b>	Normal Market Transaction
<b>O.R. Book/Page:</b>	2016000082182
<b>Terms/Financing:</b>	Cash to Seller (Via \$8,000,000 1 <sup>st</sup> Mortgage: Healthcare Financial Sol. LLC)
<b>Property Rights:</b>	Leased Fee Estate
<b>Sale Price:</b>	<b>\$10,000,000</b>
<b>Price Per SF (Of Building Area):</b>	<b>\$254.88/SF</b>
<b>Land Size:</b>	4.10± Acres, or 178,596± Square Feet
<b>Building Size:</b>	39,234± Square Feet of Gross/Net Leasable Building Area.
<b>Land To Building Ratio:</b>	4.55 to 1
<b>Construction Type:</b>	Stucco over Concrete Block Construction, with Bitumen Membrane Roof
<b>Year Built:</b>	2006
<b>Quality:</b>	Good
<b>Condition:</b>	Good
<b>Verification:</b>	Verified with Knowledgeable Third Party; by W.R. Chip Johnson, MAI of Cureton Johnson & Associates.

**Comments:** This is the sale of the Estero Medical Center, which is an existing 2-story, Class A, medical office building, anchored by: Radiology Regional Center, Urgent Care Center of SW Florida and Institute of Orthopedic Surgery and Sports Medicine. Property is located at the northeast corner of Corkscrew Road and Three Oaks Parkway, just west of Interstate 75 Exit 123, in Estero, FL. Parking was exceptionally good, with less than 170 SF per parking space.

This property had net operating income in-place, at the time of the sale of \$880,947, which resulted in a "going-in" capitalization rate of 8.80% (average lease rate of \$22.45/SF, NNN). Property was listed for approximately 7 months, at a final list price of \$11,750,000. The existing tenant had approximately 3 years left on the lease.



Comparable Sales Location Map

**SUMMARY OF SALES COMPARISON APPROACH  
1212 W. 19<sup>TH</sup> STREET - PANAMA CITY, FL**

	Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #45
<b>Location</b>	1212 W. 19 <sup>th</sup> Street Panama City, FL	9375 66 <sup>th</sup> St. North Pinellas Park, FL	1803 Miccosukee Com Tallahassee, FL	3280 Greenwald Way Kissimmee, FL	12651 Whitehall Drive Ft. Myers, FL	10201 Arcos Avenue Estero, FL
<b>Sales Price</b>	N/A	\$2,850,000	\$7,384,000	\$5,275,000	\$2,210,000	\$10,000,000
<b>Sales Date</b>	03/2017 (DOV)	11/2016	08/2013	06/2016	11/2016	04/2016
<b>Property Rights</b>	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
<b>Building Size (NLA)</b>	19,419± SF	10,439± SF	32,758± SF	21,632± SF	8,162± SF	39,234± SF
<b>Year Built</b>	2005-Renovated	1991	2003	2008	1993	2006
<b>Condition</b>	Very Good-New	Good	Good	Good	Good	Good
<b>Quality</b>	Good-Medical	Good-Medical	Good - Medical	Good-Medical	Good-Medical	Good-Medical
<b>Location</b>	Good	Good	Good	Good	Good	Good
<b>Land Size</b>	50,355± SF 1.16± Acres	49,911± SF 1.15± Acres	128,066± SF 2.94± Acres	200,812± SF 4.61± Acres	40,146± SF 0.92± Acre	178,596± SF 4.10± Acres
<b>Land-to-Building Ratio</b>	2.59	4.78	3.91	9.28	4.92	4.55
<b>Price Per SF Building</b>	N/A	\$273.01	\$225.41	\$243.85	\$270.77	\$254.88
<b>Market Conditions Adjustment</b>						
<b>Market Conditions (No Change)</b>		-0-	-0-	-0-	-0-	-0-
<b>Market Adjusted Price per SF Of Building Area</b>		\$273.01	\$225.41	\$243.85	\$270.77	\$254.88
<b>Property Characteristics Adjustments</b>						
<b>Location:</b>		0.00%	0.00%	0.00%	0.00%	0.00%
<b>Age/Condition:</b>		15.00%	15.00%	15.00%	15.00%	15.00%
<b>Building Size:</b>		0.00%	0.00%	0.00%	0.00%	0.00%
<b>Quality of Construction:</b>		0.00%	0.00%	0.00%	0.00%	0.00%
<b>Parking (Site Size):</b>		0.00%	0.00%	0.00%	0.00%	0.00%
<b>Occupancy:</b>		0.00%	0.00%	0.00%	0.00%	0.00%
<b>Final Gross Adjustments</b>		15.00%	15.00%	15.00%	15.00%	15.00%
<b>Final Adjusted Price Per SF</b>		<b>\$313.97</b>	<b>\$259.22</b>	<b>\$280.43</b>	<b>\$311.38</b>	<b>\$293.11</b>

**Explanation of Adjustments:** All five comparables contained relatively similar quality of construction and location with respect to the subject property. The following is a brief explanation of the adjustments made to the comparables for the pertinent elements of comparison.

**Market Conditions:** Since no major changes have occurred in the market (with respect to values) from the time of each sale to each date of value, no adjustment was warranted to any of the sales for market conditions. As noted previously, the local market appears to be leveling and stabilizing. The sales used all occurred within two years of this valuation date.

**Age/Condition:** The subject was recently renovated with over \$2million in recent updates. Since all of the sales were in inferior condition relatively to the subject (relative to updating and general maintenance and to the year built), these sales required upward adjustments for being inferior in this regard.

No other adjustments were considered to be necessary. As noted previously, all five sales were net-leased medical office buildings, at 100% occupancy, with at least some remaining term left on each respective lease (of each sale).

**Reconciliation of the Comparable Sales:** The five sales used were found to be the most similar to the subject at the time of this valuation. Moreover, no other comparables could be found that would warrant fewer adjustments than those used in this valuation.

After market adjustments, the comparables price per square foot figures ranged from a low of \$259.22 per square foot to a high of \$313.97 per square foot. The gross adjustments of the five sales were 15% for all five sales.

In addition, two measures of central tendency were also utilized in this analysis, the mean and median. The following are the figures yielded by each.

PRICE PER SQUARE FOOT VALUES	
<i>Mean of Sales:</i>	\$291.62
<i>Median of Sales:</i>	\$293.11
<i>Range of Sales:</i>	\$259.22-\$313.97
<b><i>Reconciled Value, Rounded:</i></b>	<b>\$300.00</b>

In light of the aforementioned criteria, we have estimated that the final value of the subject property, subject to the limiting conditions found in this report, as of the stated valuation date is:

ESTIMATED VALUE - SALES COMPARISON APPROACH		
INDICATED PRICE PER SF	TIMES # SF	EQUALS INDICATED VALUE
\$300.00	19,419±	\$ 5,825,700
<b>Indicated Value Via Sales Comparison Approach (Rounded)</b>		<b>\$ 5,800,000</b>

## INCOME CAPITALIZATION APPROACH

**Introduction:** When property is typically purchased for its income-producing capabilities, The Income Capitalization Approach becomes a basic tool for the valuation of such real estate. It is based on the principle of anticipation, which states that the value of a property is defined in terms of future benefits accruing to ownership. These future benefits are described in terms of monetary value, or annual net income. This approach to value, essentially converts these benefits into an indication of current market value.

We interviewed owners of income-producing properties, property managers and real estate professionals. We have determined that the subject property would typically be purchased for its income-producing potential. Therefore, the Income Capitalization Approach is applicable in this present case. To determine the value using this approach, it was necessary to first determine the potential gross income capabilities of the subject property. By locating comparable office properties to the subject that are currently leased and by interviewing parties affiliated with those properties, we were able to determine the potential gross income of the subject. Additionally, it was necessary to determine the approximate percentage of vacancy and credit loss per these interviews. With vacancy and credit loss deducted from potential gross income, effective gross income is determined.

To form the net operating income of the subject property it is necessary to deduct operating expenses from effective gross income. These expenses consist of: real estate taxes, management fees (when applicable), general maintenance, building insurance and miscellaneous expense. General maintenance is considered in this report instead of replacement reserves, since income-producing property owners typically do not account for these expenses until the property needs repair or replacements. Once Net Operating Income has been achieved, the final step in this approach is to convert the net operating income of the subject property to value. This is done by determining a relationship, in the current comparable market, between value and income. This relationship is expressed in terms of a capitalization rate. By locating recent comparable sales of income-producing properties and observing their sales price in relation to net operating income, we can reconcile various comparable properties to establish a capitalization rate based on the current market. The determination of the capitalization rate is very important in determining value. This method, however, is less reliable if audited financial statements are not available for the appraiser to use in properly analyzing the sale. This approach is termed the direct-capitalization approach.

**Valuation Format:** The following pages summarizes our projection of revenues, expenses, capitalization rates and many other assumptions which are incorporated in the Income Capitalization Approach. The discussion on the following pages is listed in sequential order:

- ▶ Overview of Existing Subject Leases
- ▶ Comparable Leasing Analysis
- ▶ Forecasts of appropriate projection of revenues, expenses and capital items

**Current Lease Information:** The subject property is currently encumbered by a 10-year lease agreement, between Great Southern Land LLC (landlord) and Panama City Springs Wellness & Recovery, Inc. (tenant). The lease commencement (rent commencement) date is listed as November 1, 2016 and expires ten years after rent commencement.

The lease is a triple-net agreement, with the tenant responsible for all operating expenses (total cost and expense incurred in operating, managing, insuring, maintaining, cleaning, repairing, modifying, improving and replacing Common Areas and the Project and all improvements, portions and components thereof).

The first year lease rate is set at \$42,400 per month, or \$508,800 per year. This rate equates to \$26.20 per square foot. The lease estimates a leasable square footage of 21,200 SF, however, we actually measured the building at 19,419 SF of net leasable/gross building area. In addition, the rental rate is stipulated (in the lease) to escalate at a rate of 3% per year. There is also a 10-year option renewal and that 10-years has 3% annual rent escalations as well.

**Overview of Tenant:** Panama City Springs serves as a high-end luxury resort facility that provides a safe environment for total recovery after detoxification absent of potential outside negative stressors. The company is headed by CEO Warren James Pearson, JD, LHRM (graduate of College of William & Mary Law & University of Florida Healthcare Risk Management Program; Bachelors Degree in Economics from Florida State University). Warren is currently the Executive Director of the American Controlled Substance Foundation (ACSF).

Chairman of the Board of Directors is Henry Thomas Fletcher (Gateway Community Services in Jacksonville, FL). The Nursing Director is Leilani Kicklighter, RN, ARM, MBA, DFASHRM, CHSP, CPHRM, LHRM, a 35-year veteran of healthcare risk management. Medical Director is Daniel Jacobs, MD, currently serving as Medical Director at the Florida Coast Recovery Center, All Care Family Health & Summer House Recovery Center).

Per information provided by Gail Bowden (Listing Agent: Michael Saunders & Company), this tenant is a regional tenant and has several locations in Florida.

**Market Rent Analysis - Office Rates (Panama City):** The foregoing rate comparables are a representative sample of competitive rental properties found in the subject market area. The following presents a brief description of the comparable rentals used in this report. The following presents a brief description of the comparable rentals used in this report.

Comp. #	Address	Leasable Area	Condition	Terms	Lease Rate
1	3811 Frankford Avenue Panama City, FL (U.S. Dept of Justice)	22,221± SF	Good	10 Years	\$20.06/SF (Full Service) 3% Annual Increases
2	1003 Jenks Avenue Panama City, FL	2,200± SF	Average	1 Year	\$10.90/SF (Gross) \$14.50/SF (FS -Converted)
3	1430 Harrison Avenue Panama City, FL (Lifeguard Ambulance)	2,961± SF	Average	2 Years	\$10.75/SF (Gross) \$14.25/SF (FS -Converted) 3% Annual Increases
4	1022 W. 23 <sup>rd</sup> Street Panama City, FL (Hancock Center)	10,194± SF of 95,228 SF	Good (Class A)	17 Months	\$22.00/SF (Full Service)
5	2232 24 <sup>th</sup> Street Panama City, FL	5,038± SF	Above Average	3 Years	\$9.25/SF (Triple Net) \$16.25/SF (FS Converted)
6	455 Harrison Avenue Panama City, FL	1,500± SF	Good	For Lease	\$13.00/SF (Triple Net) \$20.00/SF (FS Converted)
7	16901 Panama City Beach Parkway Panama City Beach, FL	12,916± SF	Good	10 Years	\$23.35/SF (Triple Net) \$30.35/SF (FS Converted)
8	700 West 23 <sup>rd</sup> Street Panama City, FL (Tech Strategies)	2,000± SF	Good	5 Years	\$12.00/SF (Modified Gross) \$15.50/SF (FS Converted)
9	469 W. 23 <sup>rd</sup> Street Panama City, FL (Regions Bank Building)	2,190± SF	Good	10 Years	\$20.00/SF (Full Service)
10	910 Harrison Avenue Panama City, FL (Big Bend Comm. Based Care)	49,013± SF	Good	10 Years	\$21.07/SF (Full Service) 2% Annual Escalations
11	230 N. Tyndall Highway Panama City, FL (FL Dept of Health)	18,548± SF	Good	10 Years	\$25.84/SF (Full Service)

**Market Rent Analysis - Medical Office Rates (Across State of FL):** The foregoing rate comparables are a representative sample of competitive rental properties found in the subject market area. The following presents a brief description of the comparable rentals used in this report. The following presents a brief description of the comparable rentals used in this report.

Comp. #	Address	Leasable Area	Condition	Terms	Lease Rate
1	2010 S. Orange Avenue Orlando, FL (Pavlik Professional Center)	18,200± SF	Good	Varies	\$21.17/SF (Triple Net)
2	10201 Arcos Avenue Estero, FL (Estero Medical Center)	39,234± SF	Good	3 Years Remain	\$22.45/SF (Triple Net)
3	12651 Whitehall Drive Ft. Myers, FL (SW Urological Associates)	8,162± SF	Good	10 Years	\$23.00/SF (Triple Net)
4	9375 66 <sup>th</sup> Street North Pinellas Park, FL (Eye Associates of Pinellas)	10,439± SF	Good	15 Years	\$21.00/SF (Triple Net)
5	1803 Miccosukee Commons Tallahassee, FL Tallahassee Primary Care Assoc.	32,758± SF	Good	N/A	\$23.00-\$24.00/SF (Gross)
6	3280 Greenwald Way North Kissimmee, FL Parkway Office Plaza	21,632± SF	Good	Varies	\$20.79/SF (Triple Net)

**Reconciliation of Market Rent:** The rent comparables used represent a mix of professional and medical office space, both in the immediate subject market and across the state of Florida.

As noted previously, the subject lease rate equates to \$26.20/SF, NNN. Since this is a leased fee estate valuation, we will use the actual terms of the lease in the valuation of the property, given that the property is encumbered by a brand new 10-year lease agreement. However, it is necessary to assess whether the existing lease rate (at \$26.20/SF) is below, at, or above market lease levels.

In general, the market lease rates range from a low of \$9.25/SF to a high of \$25.00/SF+. Most lease rates for general office are either gross or full service agreements, while most of the medical office leases are triple net agreements.

In general, the subject should be placed towards the upper level of rates for the following reasons: 1) the subject is newly renovated space, 2) the subject has above-average to good quality of construction and 3) the subject has good location and good proximity to support facilities. On the contrary, the building is two-stories, has 8 foot ceilings and is larger than typical space for Panama City, FL.

*In summary, the existing lease rate appears to be reasonable, but slightly higher than typical medical or professional space in the subject market area. However, since the lease is in place, the actual rental income (based on lease terms) will be used, but keeping in mind that the lease rate is slightly above market levels.*

**The subject market lease rate is estimated to be \$26.20/SF, Triple Net Terms.**

**Market Vacancy Levels:** Based on our analysis and research of the current professional office market in the subject market area, we have determined that, up until the past 6-18 months, there was an oversupply of office space in many areas of Bay County. However, as lease rates have declined over the past 5 years (approximately 10-20%), occupancy levels have increased. Current surveys have revealed occupancy rates increasing as well. Our survey of the subject market area revealed typical vacancy rates for mid to larger sized offices to be in the 5-15% range. The subject should enjoy better-than-typical occupancy, as the building is recently (totally) renovated and in "like-new" condition and is a "build-to-suit" specifically to the needs of the current tenant.

Considering that the subject property has a 10-year lease in place, but is prone to vacancy (since the subject tenant is not a national tenant), we have concluded a market vacancy rate of **1%** to be considered reasonable.

**Operating Expenses:** The market operating expenses and reserves reflect typical figures that the subject property should experience if the property were available on the open market for rent under competent management. The figures used in the operating income statement are estimated utilizing information from our appraisal files and conversations with various property managers of similar properties. Real estate taxes are based on current millage rates and assessments, while insurance is based on interviews with local insurance agents.

**Net Operating Income Statement:** The following table shows the net operating statement for the subject property.

**PROJECTED OPERATING INCOME STATEMENT**  
**1212 W. 19<sup>TH</sup> STREET - PANAMA CITY, FL**

<b>Potential Gross Income</b> (19,419 SF)	\$508,800
Less Vacancy and Collection Loss @ 1%	(5,088)
<b>Equals Effective Gross Income</b>	<b>\$503,712</b>
<b>Operating Expenses</b>	
Taxes (Estimated @ \$1.62/SF)	Tenant Pays
Insurance (Based on \$0.30/SF)	Tenant Pays
Management @ 4% of EGI	Tenant Pays
Maintenance & Repairs (Estimated @ x \$0.75/SF)	Tenant Pays
Janitorial (Based on \$1.00/SF)	Tenant Pays
Utilities (Based on \$1.75/SF)	Tenant Pays
Legal, Audit, Miscellaneous	(\$1,000)
Tenant Improvements & Leasing Commissions	N/A
Replacement Reserves (Estimated @ \$0.20/SF)	(\$3,884)
<b>Less Operating Expenses:</b>	<b>0.97% of EGI</b>
	<b>(4,884)</b>
<b>NET OPERATING INCOME</b>	<b>\$498,828</b>



**Direct Capitalization:** Several capitalization techniques are available in the appraisal of real estate. Direct capitalization is a method used in the income capitalization approach to convert a single year's income estimate into a value indication. This conversion is accomplished in one step, either by dividing the income estimate by an appropriate income rate or by multiplying it by an appropriate income factor. Direct capitalization is simple and easily explained, making it a widely utilized method in the market.

The most appropriate method of capitalization is through comparable sales. It is important for the appraiser to consider whether the comparable's net income estimate is based on income before or after an allowance for reserves for replacement. Other methods of forming a credible capitalization rate include financially abstracted methods such as: the Band of Investment method and the Debt Coverage Ratio (Mortgage Underwriters) method. For the purpose of this valuation, the market oriented method and the Band of Investment methods will be utilized.

Direct Capitalization converts a single year's income into a value estimate. To derive an overall Rate (Ro) from sales, the net operating income (NOI) is divided by the sales price.

$$\frac{\text{NOI}}{\text{Price}} = \text{Ro}$$

Next, the subject's NOI is divided by the overall rate selected to give a value indication. In selecting a capitalization rate, it is important to consider the quality and quantity of the income stream. The appraiser must also exercise professional judgement in the selection process. The sales were considered reasonably comparable to the subject and exhibited similar income characteristics.

The following contains a summary of the overall rates yielded by each sale:

## CAPITALIZATION RATE COMPARABLES

#	Property	Property Type	Year Built	Sale Date	Overall Rate
1	12651 Whitehall Drive Ft. Myers, FL	Medical Office (5 Years Remaining)	1993	11/2016	8.50%
2	10201 Arcos Avenue Estero, FL	Medical Office (3 Years Remaining)	2006	04/2016	8.81%
3	2010 S. Orange Avenue Orlando, FL	Medical Office	1960	05/2015	7.92%
4	9375 66 <sup>th</sup> Street North Pinellas Park, FL	Medical Office (11 Years Remaining)	1991	11/2016	7.69%
5	3280 Greenwald Way North Kissimmee, FL	Medical Office	2008	06/2016	8.53%
6	1300 Thomas Drive Panama City, FL	Professional Office	2007	11/2014	8.51%
7	3811 Frankford Ave - US DEA Panama City, FL	Professional Office (8 Years Remaining)	2002	09/2014	10.00%
8	625 N. 9 <sup>th</sup> Avenue Pensacola, FL	Professional Office (1 Year Remaining)	1985	11/2014	9.70%
9	1705 Metropolitan Boulevard Tallahassee, FL	Professional Office	1998	10/2012	8.50%
10	1701 Hermitage Boulevard Tallahassee, FL	Professional Office	2004	08/2013	8.26%
11	1803 Miccosukee Commons Tallahassee, FL	Professional Office Medical	2002	08/2013	8.02%
12	1820 East Park Avenue Tallahassee, FL	Professional Office	2002	12/2013	8.50%
13	2073 Summit Lake Drive Tallahassee, FL	Professional Office	2009	12/2013	7.50%
14	1004 U.S. Highway 92 Auburndale, FL	Professional Office (Bright House NW)	1998	07/2014	7.44%
15	3611 Alex Muxi Boulevard Homestead, FL	Professional Office (US DEA)	2008	01/2014	7.79%

**Conclusion of Market Extracted Rate:** The above sales range from a low of 7.44% to 10.00% with a mean of 8.38% and a median of 8.50%. It should be noted that these sales represent sales of professional offices at stabilized occupancy. The sales are from the immediate area as well as other markets throughout Florida, with the first two sales being in the Panama City market area. The sales of leased office buildings in the Panama City market area have been somewhat limited in the past few years. While the subject building is a large structure and has minimal traffic exposure, the building is totally renovated.

The low end of the range is occupied by low-risk (national credit/municipal-tenant) properties, which sold relatively recently. The high end is occupied by older sales with more risky tenants. In this case, the subject building is larger, but renovated and is occupied on a long-term basis, by a local/regional tenant, with 3% annual rent escalations as well.

In light of the aforementioned criteria, we have reconciled the capitalization rate using Direct Capitalization to be: **8.25% (Rounded)**.

**Cost of Capital Derived Rates:** According to surveyed sources, loan terms generally include a 15-25 year amortization with a debt coverage ratio of 1.1 to 1.4 and typically averaging 1.25. Interest rates range from a low of 4% to 7%, while loan-to-value ratios range from 70% to 80%.

The remaining component of the band of investment technique is the equity dividend rate or the cash on cash return for a particular property. Equity dividend rates typically range from 8.00% to 12.00% for facilities such as the subject. We believe a 10.00% equity dividend rate is adequate for the subject, given current financial scenarios and current economic conditions. Utilizing estimated loan terms of 4.75%, 20 year amortization and 75% loan-to-value, we have constructed the following band of investment calculations:

Band of Investment Method				
<b>Criteria:</b>				
Loan to Value Ratio:				75%
Interest Rate on Loan:				4.75%
Amortization on Loan:				20 Years
Mortgage Loan Constant:				7.7241%
Equity Ratio:				25%
Equity Dividend Rate:				10.00%
<b>Weighted Average of Mortgage/Equity Requirements</b>				
Mortgage Component	75.00%	X	7.72%	5.79%
Equity Component	25.00%	X	10.00%	2.50%
<b>Financially Abstracted Capitalization Rate</b>				<b>8.29%</b>

**Debt Coverage Ratio Method:** When there is lack of recent comparable sales of currently leased properties, the financially abstracted capitalization rate provides a reliable source of value conversion. This method is primarily influenced by current market financing rates and terms. The financially abstracted rate is derived from the following formula:

$$\begin{array}{r}
 \text{Appropriate } R_o = \\
 \text{DCR (Debt Coverage Ratio)} \times \text{LTVR (Loan to Value Ratio)} \times \text{MLC (Mortgage Loan Constant)} \\
 1.25 \qquad \qquad \qquad \times \quad 75\% \quad \times \quad 0.077241 \quad = \quad 7.24\%
 \end{array}$$

**Reconciliation of Capitalization Rate:** The following are the rates calculated by the methods for estimating the capitalization rate.

CAPITALIZATION RATE METHOD	RATE YIELDED
Comparable Sales (Market)	8.25%
Band of Investment (Financial)	8.29%
DCR Method (Financial)	7.24%

All three methods are valid forms of estimating a capitalization rate. The market approach is market driven and is most supportive since the purpose of this report is to estimate market value. The Band of Investment is particularly useful since it represents the most recent data (as of date of survey) and is most representative of current market rates as is the DCR Method. In light of the foregoing, most weight has been given to the market approach with the other approaches used for supportive purposes. Thus, a reasonable overall capitalization rate is determined to be **8.25% (Rounded)**.

**Conclusion - Income Capitalization Approach - (Direct Capitalization):**

VALUE EQUALS	INCOME ÷ RATE
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$$\begin{array}{r}
 \$498,828 \\
 \hline
 0.0825 \\
 \text{Rounded}
 \end{array}
 =
 \begin{array}{r}
 \$6,046,400 \\
 \\
 \$6,050,000
 \end{array}$$

VALUE USING INCOME DIRECT CAPITALIZATION APPROACH (ROUNDED) ..... \$6,050,000

**Valuation of Leased Fee Interest:** The lease fee interest is defined as, "An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease."<sup>5</sup>

The value of the Leased Fee estate basically represents the discounted value of the net operating income realized by the landlord over the holding period (in this case considered the enduring terms of the lease -13 years).

**Discount Rate Rationale:** Typically yield capitalization rates for properties are comprised of: the current capitalization, plus/minus a premium (or discount) for speculated changes in the market over the lease term. In this case, the subject rents contain substantial escalations, with the leases escalating 3% every year. With a direct capitalization rate established at 8.25%, we feel that the yield capitalization rate should incur a risk premium, since the rents have escalations during the lease term. In addition, the property reversion value is estimated at a slight increase from the current value. Based on these circumstances, an in light of other comparable economic indicators, we have chosen to utilize a 2.25% risk premium and a leased fee yield rate of 10.50%.

**Income and Expense Growth:** We have used the actual terms of the lease for income & expense increases. As noted previously, the rents are escalated 3% every year. Since expenses are triple net for the tenant, only a minimal increase in expenses is applicable. We have attributed a slight increase per year for expenses over the projection period of ten years.

**Terminal Capitalization Rates -** We have reviewed the national surveys provided which show that investors for properties similar to the subject are projecting terminal capitalization rates of 7.00% to 10.50%. We have projected the subject's terminal capitalization rate to be 9.00%, which is 75 basis points higher than the direct capitalization rate of 8.25%. This risk premium is based on the escalated rents and the estimated increase in cap rates as inflationary measures take place.

**Cost of Sale:** The cost of sale associated with the subject are the fees charged for brokerage commissions, appraisals, attorneys, environmental surveys, engineering studies, advertising and any closing costs. Generally, depending upon the size of the property, the costs of sale for commercial real estate can range from 1% to 7%. It is our belief that a cost of approximately 2.0% of the sales price is appropriate for the subject.

**Projection Period:** We have used a ten year projection period within our discounted cash flow analysis, since this represents the term of the lease. This is similar to the current lease structure of the subject.

DCF Parameters	
Discount Rate	10.50%
Growth Rate	
Income	Escalates 3% Every Year
Expenses	Commensurate
Terminal Capitalization Rate	9.00%
Sales Expenses	2.00%

<sup>5</sup>The Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition (Chicago: Appraisal Institute, 2001).

Year(s)	Potential Gross Income	Less Marginal Vacancy & CL (1%)	Less Operating Expenses (1%)	NOI Total Cash Flows
2017	\$508,800	(\$5,088)	(4,884)	\$498,828
2018	\$524,064	(\$5,241)	(\$5,241)	\$513,582
2019	\$539,786	(\$5,398)	(\$5,398)	\$528,990
2020	\$555,980	(\$5,560)	(\$5,560)	\$544,860
2021	\$572,659	(\$5,727)	(\$5,727)	\$561,206
2022	\$589,839	(\$5,898)	(\$5,898)	\$578,042
2023	\$607,534	(\$6,075)	(\$6,075)	\$595,383
2024	\$625,760	(\$6,258)	(\$6,258)	\$613,245
2025	\$644,533	(\$6,445)	(\$6,445)	\$631,643
2026 + Reversion	\$663,869	(\$6,639)	(\$6,639)	\$650,591 \$7,296,740

\*Note: Reversion value at Year 2027 income capitalized at 9.00% terminal cap rate (off of Year 11 NOI), less 2% cost of sale adjustment.

**Value Via Leased Fee Discounted Cash Flow:** The present value of the cash flows over the remaining ten year lease term is \$6,044,968, or **\$6,050,000, rounded.**

### FINAL VALUE RECONCILIATION

**Reconciliation of Value (Leased Fee Estate):** In this last phase of the appraisal process, the appraiser considers the appropriateness of each value approach to the subject, the quality of available data and the amount of judgmental adjustments required to reach each estimate. Following this review, the appraiser settles on an estimate of value. In the process of reconciliation, each of the indicated values must be weighed in light of its dependability as a reflection of the probable actions of users and investors in the market. The final estimate of value may coincide with one of the indicated values from the approaches or it may reflect a weighting of the relative merits of each approach and a final estimate at some adjusted amount. There may be situations where the property has unique or unusual features that require a reconciliation of differing indicated values into one estimate of value. The reconciliation procedure brings together the facts and fits them into a cause-and-effect relationship, which culminates in a final estimate of value. The following summarize values using each approach.

FINAL VALUATION INDICATORS	TOTAL	PER SF
<b>COST APPROACH TO VALUE</b> Replacement Cost Less Depreciation (Plus Land Value)	N/A	N/A
<b>MARKET APPROACH TO VALUE</b> Sales Comparison Approach	\$5,800,000	\$298.68
<b>INCOME APPROACH TO VALUE</b> Direct Capitalization Approach Yield Capitalization Approach	\$6,050,000 \$6,050,000	\$311.55 \$311.55
<b>FINAL VALUE OF SUBJECT PROPERTY</b> Leased Fee Estate	<b>\$6,050,000</b>	<b>\$311.55</b>

The **Cost Approach** is typically given substantial weight when improvements have a low effective/actual age and when recent comparable land sales are available. Due to the nature of the clients request (leased fee valuation) and existing market circumstances, only the Direct Sales Comparison and Income Approaches were utilized. The Cost Approach was not used in this valuation, due to the fact that the subject is over 12 years old, estimation of physical depreciation is somewhat subjective. In addition, this valuation is of the leased fee estate, with a long-term lease in place, with most emphasis placed on leased fee sales and the analysis of the income generated by the leased fee estate (10-year lease in place). Thus, the Cost Approach was not included in this valuation.

The **Sales Comparison Approach** is considered to be a very reliable indication of market value when recent comparable sales are available. In this case, we were able to locate comparable sales of similar office/commercial buildings (throughout the State of Florida), with long-term leases in place. Given the fact that the sales are very similar to the subject (medical oriented buildings with leases in place) and since all of the sales closed within a reasonable time-frame of this valuation, the Sales Comparison Approach is given substantial consideration.

The **Income Capitalization Approach** is a reliable indication of value when the subject property would be purchased for its income-producing capabilities. In this case, the subject building is configured as single-tenant building and is currently owned by an investment group. Moreover, given the fact that the building is configured for tenant occupancy and the fact that a survey of nearby office owners revealed that many of the office buildings in the area being leased or purchased for investment, this approach is particularly useful. Finally, we were able to find adequate office lease comparables. In addition, we were also able to obtain vacancy and expense data for such properties and were also able to formulate a credible, market-extracted capitalization rate. Most importantly, given that the subject is currently leased on a 10-year basis, with an additional 10-years of options and is a leased fee estate valuation, the Income Approach is given primary consideration in this valuation.

Therefore, by placing primary consideration on the Income Approach and secondary consideration on the Direct Sales Comparison, the estimated leased fee value of the subject property, as of the stated valuation date, is **\$6,050,000 (rounded)**.

**APPENDIX**



**RESUME OF APPRAISER(S)**

## **QUALIFICATIONS OF W.R. "CHIP" JOHNSON, MAI**

### **EXPERIENCE:**

- October 1993 - April 1994: Associate Appraiser with Shadden & Associates, Inc., Tallahassee, FL  
(Vaden Shadden, Jr., MAI)
- April 1994 - August 2002: Associate Appraiser with Cureton and Associates, Inc., Tallahassee, FL  
(Paul T. Cureton)
- August 2002- Present: Cureton - Johnson & Associates, Inc. Tallahassee, FL

### **EDUCATION:**

Associates of Arts Degree, Manatee Community College, Bradenton, FL, 1990.

Bachelor of Science Degree-Business/Real Estate, Minor-Economics, Florida State University,  
Tallahassee, FL, December 1992.

### **PROFESSIONAL EDUCATION:**

Successful completion of:

#### **General Continuing Education:**

- Uniform Standards of Professional Appraisal Practice - July 1994, (Lee & Grant - Tallahassee)
- Appraising 1-4 Family Residential Properties - July 1994, (Lee and Grant - Tallahassee)  
From the Appraiser to the Underwriter - July 1994, (Lee and Grant - Tallahassee)
- USPAP/LAW Update - May 1996 [REES] (Steve Williamson), Tallahassee, FL.  
Appraisal Methods and Applications - May 1996 [REES] (Steve Williamson), Tallahassee, FL.
- USPAP/LAW Update - March 2000 [REES] (Steve Williamson), Tallahassee, FL.
- USPAP/LAW Update - November 2002 [NW FL Chapter of the Appraisal Institute] (Steve Griffith, MAI), Tallahassee, FL
- Feasibility, Market Value, Investment Timing - October 2004: Option Value [Appraisal Institute], Chicago, IL
- Analyzing Operating Expenses - October 2004; [Appraisal Institute], Chicago, IL
- Eminent Domain and Condemnation - October 2004; [Appraisal Institute], Chicago, IL
- National USPAP Update and Florida Laws & Regulation - October 2004; [McKissock Schools], Online Education.
- Small Hotel/Motel Valuation, November 2004; [Appraisal Institute], Chicago, IL

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Appraising Blueprints & Specifications, November 2006; [Appraisal Institute], Chicago, IL

Appraisal of Nursing Facilities, November 2006; [Appraisal Institute], Chicago, IL

Using Your HP 12C Financial Calculator, November 2006; [Appraisal Institute], Chicago

National USPAP Update and Florida Laws & Regulation - October 2006; [Appraisal Institute]; Tallahassee, FL.

USPAP 7-Hour National Update Course - August 2012; McKissock Education

Florida Appraisal Laws & Regulations - August 2012; McKissock Education

USPAP 7-Hour National Update Course - October 2014; McKissock Education

**Certification Preparatory Courses:**

Florida State Certification for General Appraiser Status - Exam Preparatory Course - October 1998 (Steve Williamson)

**Appraisal Institute Courses:**

Course 410: Standards of Professional Appraisal Practice- Part A, February 2000, Atlanta, GA.

Course 420: Standards of Professional Appraisal Practice - Part B, December 2000, Chicago (On-line).

Course 510: Advanced Income Capitalization, July 2001, Tallahassee (Challenge)

Course 520: Highest and Best Use Analysis, October 2000, Tampa, FL.

Course 530: Advanced Sales Comparison and Cost Approaches, May 2000, Tampa, FL.

Course 540: Report Writing and Valuation Analysis, July 2000, Tampa, FL.

Course 550: Advances Applications, April 2001, Tampa/Tallahassee, FL.

Comprehensive Appraisal Workshop (Ted Whitmer, MAI), July 2001, Tampa, FL.

General Demonstration Report Workshop (Rick Borges, MAI), April 2003, Atlanta, GA.

Florida Law Update and National USPAP (Don Emerson), August 2006, Tallahassee, FL

Appraisal of Nursing Facilities, October 2006, Chicago, IL

Using Your HP12C Financial Calculator, November 2006, Chicago, IL

Appraising From Blueprints and Specifications, November 2006, Chicago, IL

Supervisor Trainee Roles and Rules, September 2008, Tallahassee, FL

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Florida Law Update - September 2008, Tallahassee, FL  
USPAP: Hypothetical Conditions and Extraordinary Assumptions, September 2008, FL  
National USPAP Update - September 2008, Tallahassee, FL  
Introduction to GIS Applications for Real Estate Appraisal, October 2008, Chicago, IL  
Business Practices and Ethics, October 2008, Tampa, FL  
Residential Design & Functional Utility, October 2008, Tampa, FL  
Small Hotel/Motel Valuation - October 2009, Chicago, IL  
National USPAP Update - October 2009, Chicago, IL  
Condominiums, Co-ops, and PUD's - October 2009, Chicago, IL  
Online Analyzing Distressed Real Estate - October 2010, Chicago, IL  
Online Business Practices and Ethics - April 2011, Chicago, IL  
15 Hour National USPAP Equivalent Course - April 2011, Chicago, IL  
Feasibility, Market Value & Investment Timing: Option Value - August 2012, Chicago, IL  
Analyzing Operating Expenses - October 2012, Chicago, IL  
FHA and The Appraisal Process - October 2012, Chicago, IL  
Real Estate Finance Statistics & Valuation Modeling - October 2013, Chicago, IL  
Analyzing Operating Expenses - October 2014, Chicago, IL  
FHA and The Appraisal Process - November 2014, Chicago, IL  
Using Your HP12C Financial Calculator - November 2014, Chicago, IL  
Florida Appraisal Laws and Regulations - November 2014, Online  
National USPAP Update - October 2014, Online  
Appraisal of Self-Storage Facilities - October 2016, Appraisal Institute Online  
National USPAP Update - October 2016, McKissock Online  
Florida Appraisal Laws & Regulations - October 2016, McKissock Online

**Primary Course Work:**

FLORIDA STATE UNIVERSITY (1992) - Department of Real Estate  
REE 3043 Real Estate Principles  
REE 4204 Real Estate Finance  
REE 4103 Real Estate Appraisal  
REE 4143 Real Estate Market Analysis  
REE 4313 Real Estate Feasibility Analysis  
REE 4433 Legal Environment of Real Estate

**(Johnson Page 4) - Continued**

**PRACTICAL EXPERIENCE:**

Appraisal experience in the following types of residential property:

Single-Family Residential	Condominium
2-4 Family Dwellings	Eminent Domain
Vacant Land	Subdivision Analysis
Relocation Appraisals	Partial Interest Valuations
Construction Litigation Support	Condo/Townhouse Project Analysis
Temporary Construction Easements	Permanent Drainage Easements

Appraisal experience in the following types of other property:

Vacant Land (Various)	Daycare Facilities
Office	Motel/Hotel
Retail	Restaurant
Warehouse	Industrial
Mini-Storage Warehouse	Ground-Rent Analysis
Retail/Office	Seafood Processing Facilities
Carwash Facilities	Church
Partial Interest Valuations	Leased-Fee/Leasehold Interest Valuations
Full-Service Marina Facilities	Grocery Store Facilities
Special-Purpose Properties	Automotive Sales/Service
Temporary Construction Easements	Permanent Drainage Easements
Submerged Land Leases	Submerged Dredging Easements
Gas-Line Easement	Schools (Vocational & Charter)
Borrow Pits	Recreational/Shooting Plantations
Various Agricultural Property Types	Various Mineral/Water Rights Valuations
Nursery Operations & Facilities	Airport Facilities (Market Value & Ground Rent)
Conservation Easements	Assisted Living & Memory Care Facilities
Hospital/Healthcare Uses	RV Parks
Parking Garage Facilities	Cemetery Facilities
Nightclub Facilities	Utility Companies/Utility System Uses

**CIVIC AFFILIATIONS:**

**Member of:**

The Appraisal Institute (Member)  
Northwest Florida Chapter of The Appraisal Institute (Board of Directors, 2002-2008)  
Coastal Conservation Association (Board of Directors/Big Bend Chapter, 1998-2007)  
Florida State University/ Real Estate Networking Association  
Tallahassee Coalition for Positive Growth Management (2000-2010)  
Florida State University - Varsity Club  
Holy Cross Anglican Church (Vestry Member & Capital Campaign Chair, 2007-Present)

**PROFESSIONAL LICENSES:**

Florida State Certified General Real Estate Appraiser #2407

Georgia State Certified General Real Estate Appraiser #297403

**(Johnson Page 5) - Continued**

**PROFESSIONAL AFFILIATIONS:**

Member of the Appraisal Institute, Designated Member #406283

Approved Appraiser - City of Tallahassee/Real Estate Division

Approved Appraiser- Federal Housing Administration/U.S. Department of Housing and Urban Development

**EXPERT WITNESS:**

Qualified as an Expert Witness (for eminent domain, divorce and/or construction litigation proceedings) in the following Circuit Courts:

- Leon County, FL (Judges: Dekker, Clark, Smith, Gary, Sjostrom, Shelfer, Lewis)
- Wakulla County, FL (Judges: Sauls & Dodson)
- Gadsden County, FL (Judges: Reynolds, Shelfer)
- Franklin County, FL (Judge Hankinson)
- Jefferson County, FL (Judge Geivers)
- Bay County, FL
- Gulf County, FL
- Madison County, FL (Judge Dekker)
- Washington County, FL
- Walton County, FL
- Santa Rosa County, FL
- Tift County, GA

Qualified as Expert Witness in Federal Bankruptcy Court (Judge Killian, retired and Judge Specie: Tallahassee, FL)

Qualified as Expert Witness in U.S. Federal District Court (Judge Smoak, Panama City, FL)

Report Description 1212 19th Street West, Panama City, FL 32405

ASSIGNMENT INFORMATION	Client	Darwin Investments, LLC		FILE NUMBERING		
	Lender			Internal Order Number	170141	
	Appraiser	Wayne (Chip) R. Johnson		Lender Case Number		
PROPERTY	Supervisor			Client File Number		
	Order Date	3/6/2017	Due Date	3/15/2017	RHA / VA Case Number	
	Priority		Loan Amount		Main File Number on Form	170141
	Job Type	Narrative	Sale Price		Other File Number on Form	
	Property Type	Office	Sale Date			
	Loan Type		Refinance			
Form Type		Owner Est. Val.				
Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (Describe)						
PROPERTY	Property Address	1212 W 19th St				
	City	Panama City	Slate	FL	Zip Code 32405	
	County	Bay	APN	13784-040-000		
	Legal Description					
	Map Ref.	37460	Tax Yr.		Taxes	Special
	Year Bld.		Tot. Rms.		Tot. Bdrms.	Sq. Ft.
Instructions from Client			Exceptions, Releases, Etc.			
Name Work Phone Home Phone Mobile Phone						
INSPECTION CONTACTS & ACCESS INFORMATION	Borrower					
	Co-Borrower					
	Owner	Darwin Investments, LLC				
	Occupant					
	Agent					
	Appointment Date		Time		<input type="checkbox"/> Owner Occupied <input type="checkbox"/> Pets on Property <input type="checkbox"/> Call Occupant First <input type="checkbox"/> Tenant Occupied <input type="checkbox"/> Lock Box <input type="checkbox"/> Hostile Occupant <input type="checkbox"/> Vacant <input type="checkbox"/> Appointment Required <input type="checkbox"/> New Construction <input type="checkbox"/> Key with Agent	
	Duration		Appointment Notes	Access Notes		
Scheduled by		# of Attempts				
Appointment Contact	Justin Wright: 850-814-9384					
Directions to Property						
FEMA Special Flood Hazard Area <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unk. FEMA Zone <input checked="" type="checkbox"/> X FEMA Map # 12005C0341H Map Date 06/02/2009 Census Tract 0015.02						
MAPPING & FEMA / CENSUS DATA						