

TSG

The Sage Group

*Real Estate, Equipment
& Business Appraisers*

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APPRAISAL REPORT

On A

RETAIL BUILDING

Located At

**6451 MCFARLAND BOULEVARD
NORTHPORT, ALABAMA 35476**



www.sageappraisal.com



March 13, 2019



Mr. Steve Wilson
Florida Business Development Corporation & United States Small Business Administration
6801 Lake Worth Road, Suite 209
Lake Worth, Florida 33467
Phone: 561-433-0233 Fax: 561-433-8545
Email: steve@fbdc.net

RE: An appraisal report of a retail building located at 6451 McFarland Boulevard, Northport, Alabama 35476. SBA Loan #: 3706305004. Appraiser's File No. 19075.

Dear Mr. Wilson:

In accordance with your request, **THE SAGE GROUP** prepared an appraisal report on the above referenced property.

The property's legal description, together with the definitions of value, is presented in this report. Your attention is also directed to the subsection titled "Assumptions and Limiting Conditions" which further identifies the scope and use of the report. A copy of the engagement letter is included in the Addenda.

This appraisal report has been prepared by Larry G. Sage, MAI, AI-GRS, CEA, ASA who is recognized and acknowledged by individual qualifications and signatures on the Certification in this report.

In addition to a physical inspection, an analysis of the appraised property, as well as other matters considered pertinent to and indicative of value are examined. These include social, economic, governmental, and environmental characteristics of the neighborhood, as well as an assessment of pertinent market trends and sales. The accompanying appraisal report sets forth these findings, which are considered essential to explain the basis for the final conclusion of value.

Description of the Appraisal Process

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, each written real property appraisal report must be prepared under one of the following two options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.

The appraisal analysis and conclusions in this report were developed in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. This report conforms to Standard Rule 2-2.



Additionally, this report complies with regulations of Title IX of the Federal Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA), the Interagency Appraisal and Evaluation Guidelines, as well as the guidelines set forth by the Comptroller of Currency (OCC) Standards of 12 CFR Part 34, the Gramm-Leach-Bliley Act of 1999, and the SBA SOP 50-10 5(J) effective January 1, 2018. The report also complies with the guidelines set forth by OTS, as well as **Florida Business Development Corporation**. The undersigned representative of the appraisal company is aware of the penalty under 18 USC No. 1001 for making false statements and proposals. This appraisal complies with minimum FDIC requirements as set forth in 12 C.F.R, Banks and Banking paragraph 323, "Appraisals" in the Federal Register.

Subject to the definition of market value as set forth in this report, along with the General Assumptions and Limiting Conditions, it is my opinion that the "as is" values of the fee simple interest are as follows:

FINAL VALUE SUMMARY			
Effective Date	Type of Value	Portion	Value
3/4/19	Market Value	Real Estate Only	\$2,580,000
3/4/19	Insurable Value	Improvements	\$2,615,000

Should you have any questions regarding this appraisal report, please do not hesitate to contact my office.

Respectfully submitted,

THE SAGE GROUP



Larry G. Sage, MAI, AI-GRS, CEA, ASA
State-Certified General
Real Estate Appraiser G00809
State of Alabama
lsage@sageappraisal.com
904-215-6623



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SUMMARY OF APPRAISAL

Property Type:	Retail Building
Address:	6451 McFarland Boulevard Northport, Alabama 35476
County:	Tuscaloosa
Effective Date of Appraisal:	March 4, 2019
Date of Inspection:	March 4, 2019
Date of Report:	March 13, 2019
Interest Appraised:	Fee Simple
Site Data:	
<ul style="list-style-type: none">• Site Size:• Zoning:• Jurisdiction:• Flood Zone:• Frontage:	128,022± Square Feet or 2.94± Acres C6, Commercial Highway City of Northport X Airport Road McFarland Boulevard
Building Data:	
<ul style="list-style-type: none">• Building Area:• Year Constructed:• Remaining Economic Life:	41,656± Square Feet 2010 40 Years
Estimated “As Is” Fee Simple Market Value of the Real Estate Only :	
<ul style="list-style-type: none">• Cost Approach:• Sales Comparison Approach:• Income Approach:	Not Necessary \$2,580,000 \$2,570,000
Reconciled “As Is” Fee Simple Market Value of the Real Estate Only :	\$2,580,000
Estimated Marketing Time:	12 Months or less
Estimated Exposure Time:	12 months or less
Hypothetical Conditions:	No
Extraordinary Assumptions:	Yes (Page 23)

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CERTIFICATION

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, this appraisal report contains the following certification:

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analysis, opinions, and conclusion.
3. I have no present or prospective interest in the property, which is the subject of this report, and no personal interest with respect to the parties involved.
4. Larry G. Sage has not performed services as an appraiser or in any other capacity that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analysis, opinions, and conclusion were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Gillan JC Mills-Bishop provided non-valuation assistance to the person(s) signing this certification.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Larry G. Sage, MAI, AI-GRS, CEA, ASA is a State-Certified General Appraiser for the State of Alabama.
12. The values expressed in this report are not based in whole or part upon race, color, or national origin of the current and/or prospective owners or occupants.

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13. As of the date of this report, Larry G. Sage, MAI, AI-GRS, CEA, ASA had completed the requirements under the continuing education program of the Appraisal Institute.
14. As of the date of this report, Larry G. Sage, MAI, AI-GRS, CEA, ASA has completed the requirements under the continuing education program of the American Society of Appraisers.
15. The appraisal assignment is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Respectfully submitted,

THE SAGE GROUP



Larry G. Sage, MAI, AI-GRS, CEA, ASA
State-Certified General
Real Estate Appraiser G00809
State of Alabama
lsage@sageappraisal.com
904-215-6623



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SUBJECT PHOTOGRAPHS



Exterior view of the north side of the subject



Exterior view of the east side of the subject

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SUBJECT PHOTOGRAPHS (Continued)



Exterior view of the south side of the subject



Exterior view of the west side of the subject

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SUBJECT PHOTOGRAPHS (Continued)



Additional exterior view of the south side of the subject



Interior view of sales floor. Photograph taken through window.

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SUBJECT PHOTOGRAPHS (Continued)



Interior view of the sales floor, before business closed. Picture from Keller Williams listing.



Interior view of the office area, before business closed. Picture from Keller Williams listing.

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SUBJECT PHOTOGRAPHS (Continued)



Interior view of the warehouse area, before business closed. Picture from Keller Williams listing.



Interior view of the bathrooms, before business closed. Picture from Keller Williams listing.

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SUBJECT PHOTOGRAPHS (Continued)



View of subject utility room. Picture provided by Keller Williams Commercial.



View facing east along McFarland Boulevard

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SUBJECT PHOTOGRAPHS (Continued)



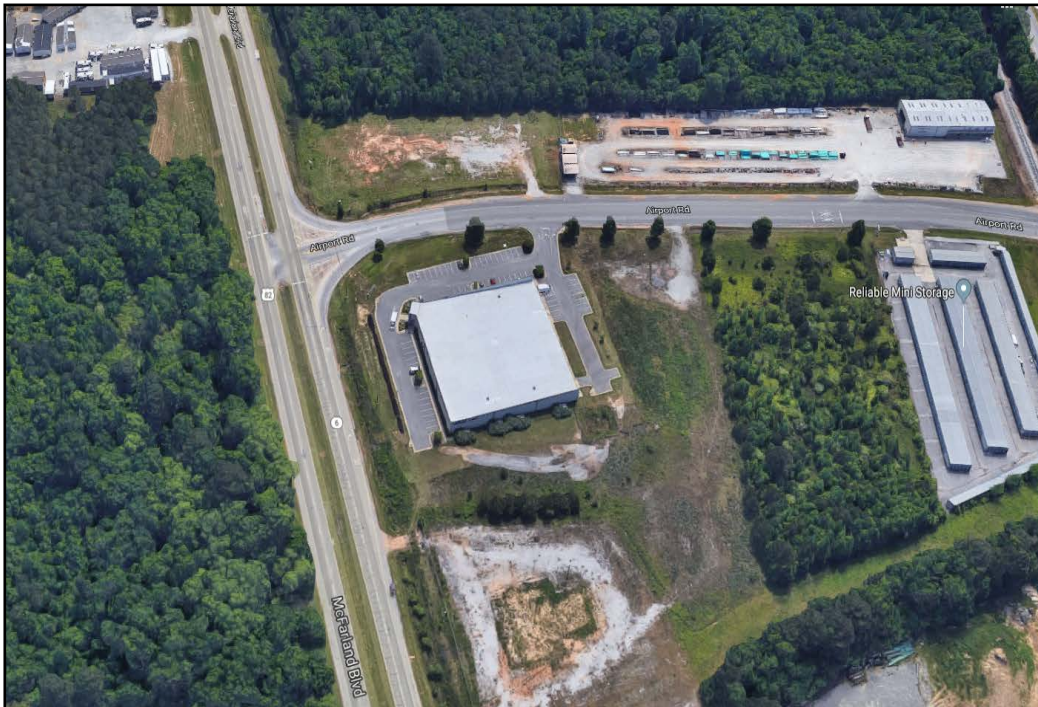
Aerial view of subject facing north



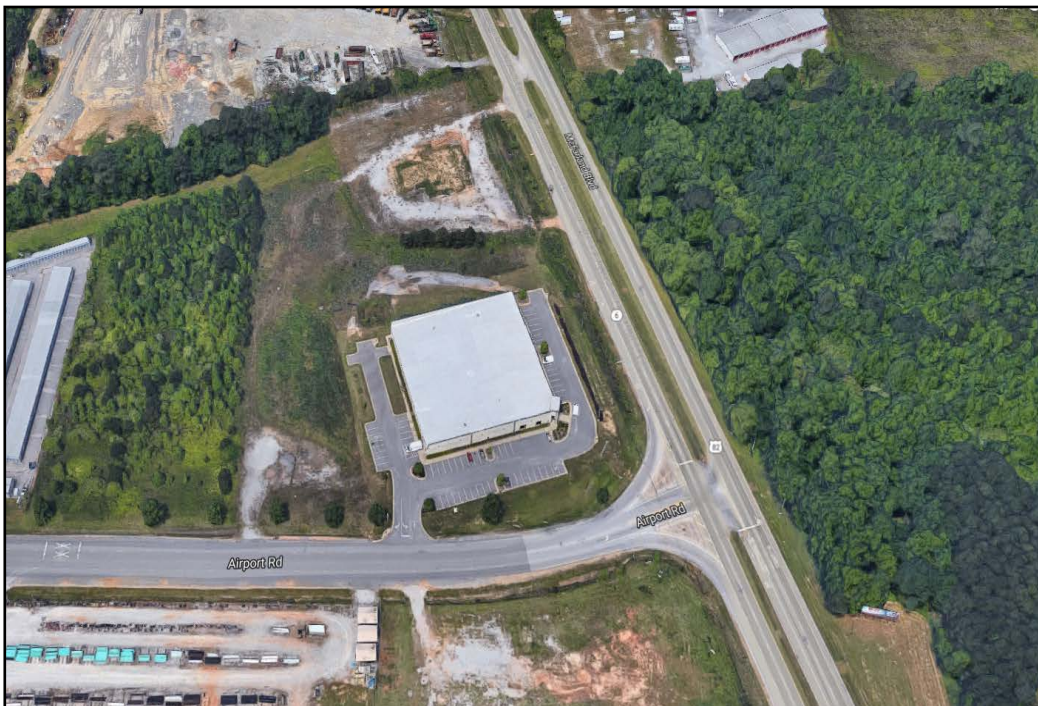
Aerial view of subject facing south

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SUBJECT PHOTOGRAPHS (Continued)



Aerial view of subject facing east



Aerial view of subject facing west

SCOPE OF WORK

Definition

The scope of work is defined in the Uniform Standards of Professional Appraisal Practice (USPAP) as “the type and extent of research and analyses in an assignment”.

For each appraisal, appraisal review, and appraisal consulting assignment, the appraisers must:

1. identify the problem to be solved;
2. determine and perform the scope of work necessary to develop credible assignment results; and
3. disclose the scope of work in the report.

Purpose of the Appraisal

The purpose of this appraisal is to estimate the “as is” fee simple interest of the following:

- Market Value of the Real Estate Only
- Insurable Value of the Improvements

Scope of Work Necessary

The scope of work describes the research and analyses that are necessary to develop credible assignment results. The scope of work is acceptable when it meets or exceeds:

- The expectations of parties who are regularly intended users for similar assignments.
- What an appraiser’s peers’ actions would be in performing the same or a similar assignment. A peer is someone at the same level as the appraisers’ that performed the appraisal. Generally speaking my peers are fee appraisers of commensurate professional qualifications and abilities.

The methodology of the work presented has been accepted by over 2,500 intended users for similar assignments by TSG. In preparing this appraisal, the following have occurred:

- I inspected the subject and surrounding neighborhood.
- I researched the overall market within the subject’s market area, including recent trends in occupancy and new development.
- I gathered and confirmed information on comparable improved sales and market rental information in order to estimate appropriate value for the subject.
- I performed the Sales Comparison and Income Approaches.

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The 2018-2019 USPAP requires appraisers to only consider the approaches to value that are “**necessary.**” I have utilized the Sales Comparison and Income Approaches to determine the “As Is” market value of the real estate only. In this instance, the Cost Approach was not necessary given the age of the improvements, the difficulty in accurately estimating depreciation and lack of investor reliance.

This appraisal report will identify the subject property, state the interest being appraised, the purpose and intended use of the appraisal, state the date of value, and define market value. This section describes the extent and process of collecting, confirming and reporting data, and is followed by the assumptions and limiting conditions of the report.

Additionally, this report will provide factual data about the subject marketing area and the subject property, present a Highest and Best Use Analysis, my Valuation Methodology and each of the applicable approaches to market value and reconciliation thereof.

Intended Use

The intended use of this appraisal is to assist the client in evaluating the subject as it relates to asset/collateral determination in connection with an existing SBA loan.

Client(s) of this Appraisal

The client(s) of this appraisal is identified as follows:

- Florida Business Development Corporation

Intended Users of the Report

The following can rely on this appraisal:

- Florida Business Development Corporation
- United States Small Business Administration

Property Rights Being Appraised

The property rights being considered are those of Fee Simple Estate, as defined in *The Appraisal of Real Estate*, (14th Edition, 2013), sponsored by the Appraisal Institute, as:

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.

Marketing Time

According to USPAP Advisory Opinion 7, *Marketing Time Opinions* is defined as:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

Marketing time is estimated at 12 months or less.

Exposure Time

As indicated in the Definitions section of the 2018-2019 USPAP, *Exposure Time* is defined as:

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 opinion based on an analysis of past events assuming a competitive and open market.

Exposure time is estimated at 12 months or less.

Definition of Market Value

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently 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:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Legal Description

Please refer to the Addenda for the complete legal description.

¹ *Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472.*

Communication

Communication between the lender, brokers and seller and TSG is essential for the exchange of appropriate information relative to the valuation assignment. I have procedures and methods for communication that ensure independence in the collateral valuation function. These policies and procedures should foster timely and appropriate communications regarding the assignment and establish a process for responding to questions from the client.

Subcontracting

TSG does not subcontract for appraisal services. The administrative staff, appraisers, and managers are long-term W-2 employees of TSG. Employees at the firm do not work from home or remotely. All of the appraisals are completed “in office” either by or under the direct supervision of, Larry G. Sage, MAI, AI-GRS, CEA, ASA.

Appraiser Independence

For both appraisal and evaluation functions, TSG maintains standards of independence as part of an effective valuation program for all of my appraisal activity. The valuation program is an integral component of the appraisal process and, therefore, is isolated from influence of the lender (client). As an appraiser I am independent of the loan production and have no direct, indirect or prospective interest, financial or otherwise, in the property or transaction.

Competency of the Appraiser

My specific qualifications are included within the body of this report. These qualifications serve as evidence of my competence for the completion of this appraisal assignment in compliance with the *competency provision* contained within the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Standards Board of the Appraisal Foundation. My knowledge and experience, combined with my professional qualifications, are commensurate with the complexity of this assignment.

Larry G. Sage, MAI, AI-GRS, CEA, ASA has provided consultation and value estimates on similar properties Alabama since 1986 and meets the competency requirements per USPAP. Larry G. Sage, MAI, AI-GRS, CEA, ASA has successfully completed the Appraisal Institute's Course 833: Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets, and meets the SBA Guidelines as stipulated by the most recent Standard Operating Procedures.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following assumptions and limiting conditions and to special assumptions set forth in various sections of the appraisal report. These special assumptions are considered necessary by the appraisers to make a proper estimate of value in accordance with the appraisal assignment and are made a part herein, as though copied in full.

1. **REPORT DISTRIBUTION** – This report is to be used in whole and not in part. If this report is submitted to the United States Small Business Administration it will become property of the United States and may be used for any legal and proper purpose. This report will be distributed upon request under the Freedom of Information Act.
2. **CONFIDENTIALITY** - This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis, which are set forth in the report, were prepared by the appraisers whose signatures appear on the appraisal report. No change of any item in the report shall be made by anyone other than the appraisers, and the appraisers and firm shall have no responsibility if any such unauthorized change is made.
3. **INFORMATION USED** - No responsibility is assumed for accuracy of information furnished by or from others, the client, his designee, or public records. The appraisers are not liable for such information. The comparable data relied upon in this report is confirmed with one or more parties familiar with the transaction, or from affidavit; all are considered appropriate for inclusion to the best of the appraisers' factual judgment and knowledge.
4. **TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICES** - The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The appraisers or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing, because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with the client or third parties, except under separate and special arrangement and at an additional fee.
5. **EXHIBITS** - The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos are included for the same purpose and are not intended to represent the property in other than actual status, as of the date the photographs were taken.
6. **LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL, MECHANICAL NATURE, HIDDEN COMPONENTS, SOIL** - No responsibility is assumed for matters legal in character or nature, nor matters of survey, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report.

The legal description is assumed to be correct, as used in this report, as furnished by the client, his designee, or as derived by the appraisers. The appraisers have inspected, by observation, the land and the improvements thereon. It is not, however, possible to personally observe conditions beneath the soil or hidden structure, or other components, or any mechanical components within the improvements; no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause a loss of value.

The land or the soil of the area being appraised appears firm; however, the degree of subsidence in the area is unknown. The appraisers do not warrant against this condition or occurrence of problems arising from soil conditions.

The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type.

Condition of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.

7. **THE EXISTENCE OF HAZARDOUS SUBSTANCES** - No judgment is made as to adequacy of the type of insulation or energy efficiency of the improvements or equipment. Furthermore, unless otherwise stated in this report, the appraisers have no knowledge of the existence of hazardous waste products or any resultant contamination, including without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, agricultural chemicals, or lead base paint, which may or may not be present on the property, or other environmental conditions which were not identified by the appraisers during the inspection.

The appraisers are not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation, lead base paint, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property, or in such proximity thereto, that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate to determine such conditions.

Also, the appraisers have not commissioned an environmental audit of the property being appraised, nor has such a report been provided that would indicate the presence or absence of hazardous materials and/or contamination. The appraisers represent that they are not qualified to appraise insulation or other products banned by the Consumer Products Safety Commission, which might render the property more or less valuable, and in connection with this appraisal, the appraisers have not inspected for, tested for, nor taken into consideration in any respect, the presence or absence of insulation or other products described above.

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Therefore, the appraisers assume no responsibility in the event the presence or absence of insulation, hazardous waste contamination, or other products, increase or decrease the value of the property from the value assessed in this report. The value conclusions contained in this report are based on the assumption that no hazardous materials exist within the subject property or the surround area.

8. **LEGALITY OF USE** - The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report, and furthermore, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report. It is also assumed that all required licenses, consents, permits, or other legislative or administrative authority from local, state, federal and/or private entities or organizations have been or can be obtained or renewed for any use considered in the value estimate.
9. **COMPONENT VALUES** - The distribution of the total valuation in this report between land and improvements applies only under the existing program of use. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
10. **AUXILIARY AND RELATED STUDIES** - No environmental or impact study, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report. The appraisers reserve the unlimited right to alter, amend, revise or rescind any of the statements, findings, opinions, values, estimates, or conclusions upon any subsequent such study, or analysis, or previous study, or analysis subsequently becoming known to them.
11. **DOLLAR VALUES, PURCHASING POWER** - The market value estimated, and the costs used, are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate.
12. **PROPOSED IMPROVEMENTS, CONDITIONED VALUE** - Improvements proposed, if any, on or off-site, as well as any repairs required, are considered, for purposes of this appraisal, to be completed in a professional manner according to information submitted and/or considered by the appraisers. In cases of proposed construction, the appraisal is subject to change, upon inspection of the property, after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operating at levels projected.
13. **VALUE CHANGE, DYNAMIC MARKET, INFLUENCES** - The estimated market value is subject to change with market changes over time; value is highly related to exposure time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace. The "Estimate of Market Value" in the appraisal report is not based in whole, or in part, upon the race, color or national origin of the present owners, or occupants, of the properties in the vicinity of the property appraised.

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In cases of appraisals involving the capitalization of income benefits, the estimate of market value is a reflection of such benefits, and the appraisers' interpretation of income and yields, and other factors, derived from general and specific market information.

Such estimates are as of the date of the estimate of value, they are thus subject to change, as the market is dynamic and may naturally change over time.

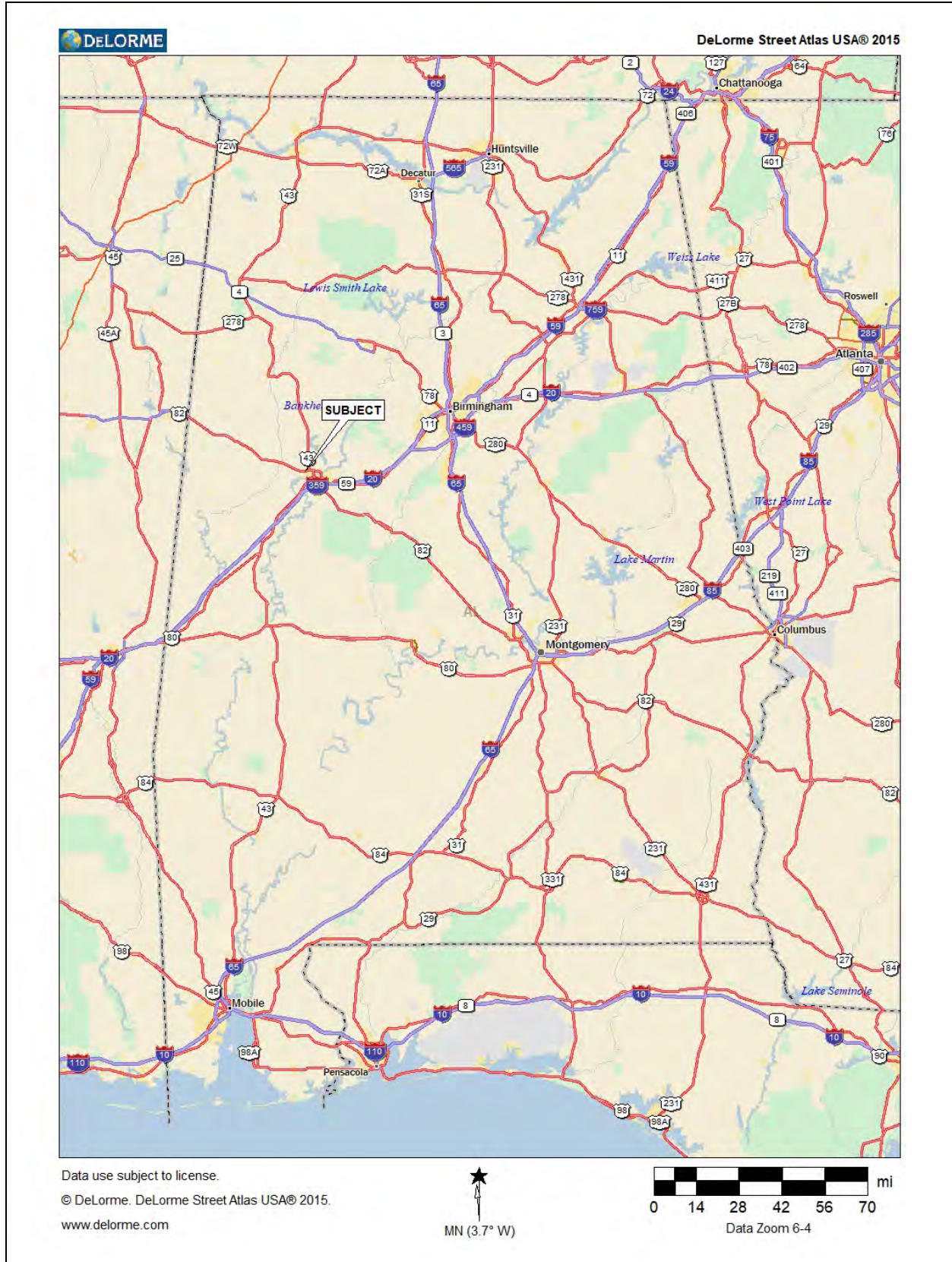
14. **MANAGEMENT OF THE PROPERTY** - It is assumed that the property, which is the subject of this report, will be under prudent and competent ownership and management, neither inefficient nor super-efficient.
15. **GENERAL CONDITIONS** –
 - A. The Appraisal Institute conducts a mandatory program of continuing education for its designated members. MAI's and SRA's who meet the minimum standards of this program are awarded a periodic education certification. As of the date of this report, Larry G. Sage has completed the requirements under the continuing education program of the Appraisal Institute.
 - B. The fee for this appraisal, or study, is for the analysis rendered and not for the time spent on the physical report.
16. **THE AMERICANS WITH DISABILITIES ACT (ADA)** became effective January 26, 1992. I have not made a specific survey, or analysis, of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost to cure the property's potential physical characteristics, the real estate appraisers cannot comment on compliance to ADA. A brief summary of physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. A specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
17. **EASEMENT/ENCROACHMENTS** - No adverse easements or encroachments were disclosed or discovered from the public plat map of record; however, a review of a title policy is recommended as it is unknown if there are any adverse easements in place or of record. The appraised value is based on the belief that no adverse easements, encumbrances, or encroachments exist which would adversely impact the subject's value or marketability.
18. **DEED RESTRICTIONS** - No study concerning deed restrictions was conducted. A detailed search by a title company or an attorney is suggested to determine if any restrictions in place.
19. No one, other than the named client or intended users may rely upon this report. Anyone, other than the client or intended users may be misled by the contents of this report. It is written to be understood and relied upon only by any named client or intended users.

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20. The appraiser will not offer testimony in any other case based upon this appraisal review report unless agreed upon by written contract with the original client. Receipt of this Report does not imply services beyond transmittal of the report to the client or intended users. This includes providing any additional documents, meetings or testimony.
21. The appraisal and appraiser's entire work file are considered confidential and will not be released to anyone other than the defined Client unless required under subpoena.
22. The valuation process is not a finding of fact. It is a good faith finding of opinion. The opinion is supported by reasonable amount of research and analysis, but is ultimately only the informed and unbiased judgment of the appraiser.
23. This appraisal is not a legal or tax opinion. Its purpose is to estimate value according to the applicable standard of value. The appraiser assumes no responsibility whatsoever for legal or tax matters relative to its finding. Values are stated without reference to applicable legal or tax claims unless noted.
24. This report is not to be construed, directly or indirectly, as a recommendation to invest, divest, or to lend; it is strictly my independent opinion for the purpose described herein, based upon the information, explanations and materials provided to us and subject to the assumptions and qualifications noted herein. Potential investors and/or lenders should perform or obtain their own analysis of the Company's financial position for their particular purposes.
25. If any changes or additions to the reported income, or expenses are made subsequent to the submission and production of this report, I reserve the right to make necessary modifications to this appraisal report.
26. The value assumes competent management and no significant adverse changes in the market that would affect the value of the subject.
27. Public information and industry and statistical information have been obtained from sources I deem to be reputable; however, I make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
28. I do not provide assurance on the achievability of the results forecasted because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
29. **HYPOTHETICAL CONDITIONS** - None.
30. **EXTRAORDINARY ASSUMPTIONS** - Contact with the owner could not be established and interior access of the subject was not available. Only a portion of the interior was visible through a window. We have assumed that the quality and condition (Average) of the entire interior is similar to the quality and condition of the exterior and the interior that was visible through the window. The use of these assumptions may have affected the assignment results.

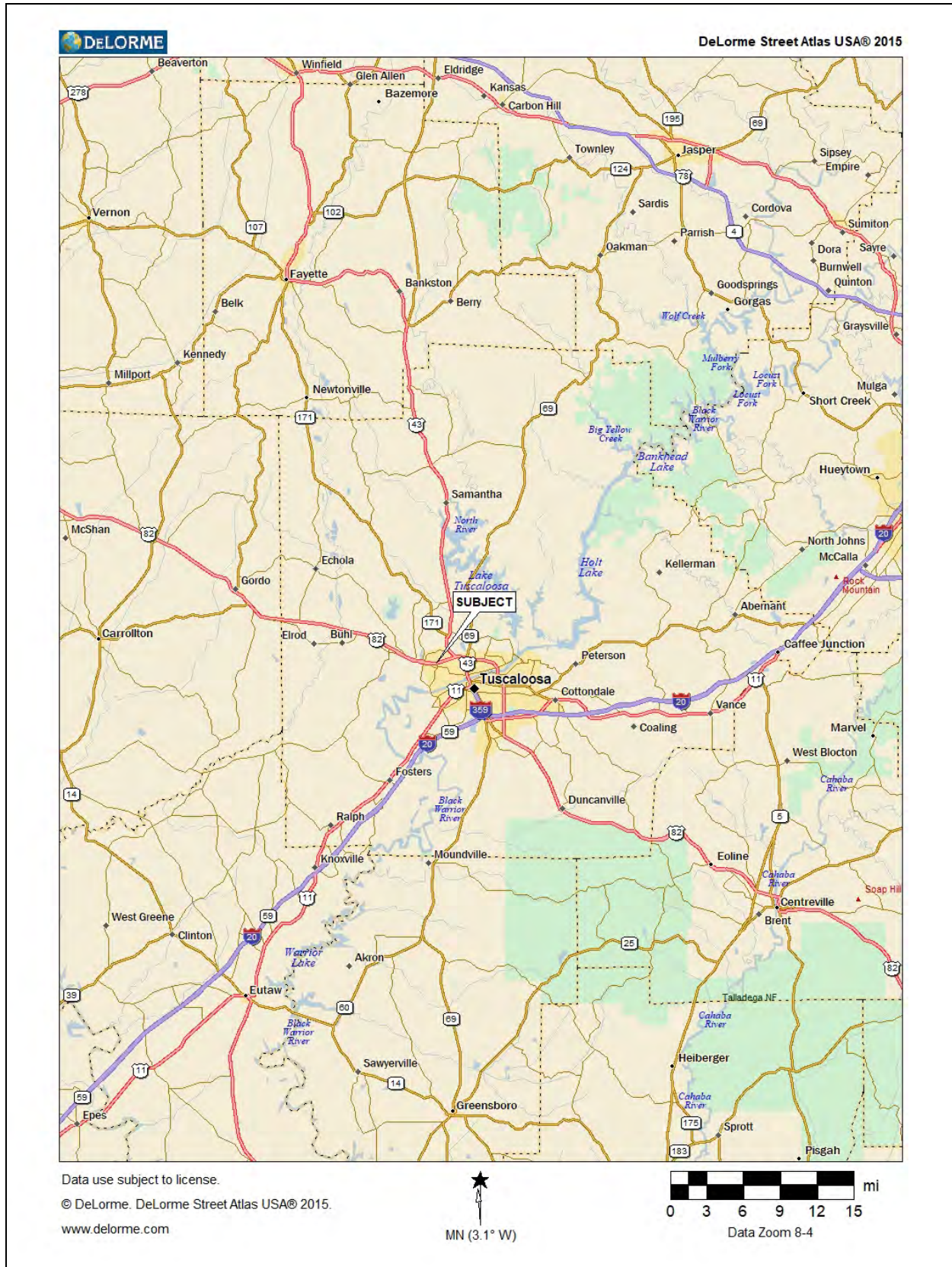
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STATE MAP



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COUNTY MAP



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NEIGHBORHOOD AERIAL MAP



TUSCALOOSA COUNTY ANALYSIS

Overview

The subject is located in Northport, Tuscaloosa County, Alabama and is influenced by the Tuscaloosa County Statistical Area.

Tuscaloosa County

Tuscaloosa County is a county in the U.S. state of Alabama. As of the 2016 census, its estimated population was 206,102. Its county seat and largest city is Tuscaloosa, the former state capital from 1826 to 1845. The county is named in honor of Tuskaloosa, a paramount chief of the Mississippian culture, who are considered ancestors of the historic Choctaw people of the region.

Economy

The following information was obtained from the Tuscaloosa Chamber of Commerce.

Tuscaloosa County's progressive business climate has attracted international attention and investment. With an innovative public-private partnership in place, Tuscaloosa County has emerged as one of Alabama's most dynamic and diverse economies.

The Tuscaloosa/Birmingham region is among the best places in the nation to start and grow a business, according to numerous economic development and business sources including Forbes and Kiplinger's Personal Finance magazines. Tuscaloosa County and its surrounding area offer all of the components necessary for a business to succeed and grow.

In 2015, The Shoppes at Legacy Park opened in the heart of Tuscaloosa's retail corridor. A \$55 million, 218,000-square-foot shopping venue, the center is anchored by retailers that include Fresh Market, Bed Bath & Beyond and Dick's Sporting Goods. The Shops at City Center, also located in the McFarland Boulevard retail corridor, also broke ground.

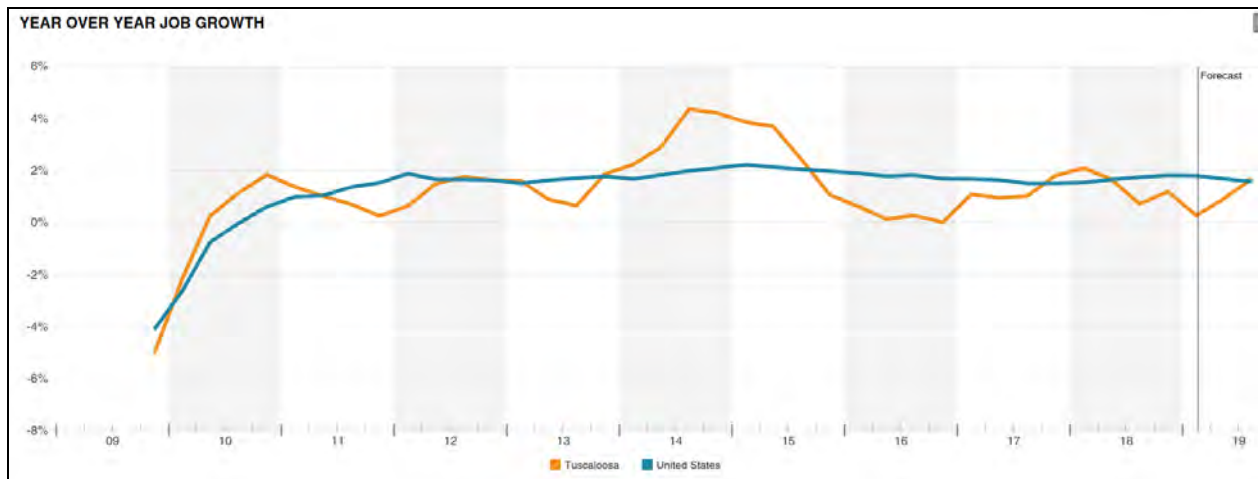
Growth in the downtown area included a new luxury hotel, the 154-room, \$31 million Embassy Suites, as well as a new extended stay hotel, the \$113-room Hilton Home2Suites. A third downtown hotel – Hotel Indigo – is scheduled to open on the Black Warrior River in 2016.

Business and industry in Tuscaloosa County continue to thrive on diversity. With the University of Alabama, Stillman College, Shelton State Community College, two large public school systems and a number of private schools, education is big business in Tuscaloosa County. The University of Alabama alone has an economic impact on the Tuscaloosa Metro Area that in the billions of dollars, with the average impact of a home football game averaging approximately \$18 million.

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Healthcare is also huge. DCH Health System has two hospitals; DCH Regional Medical Center and Northport Medical Center. The Veterans Administration Hospital is a large complex, and Bryce Hospital serves mentally-challenged patients.

Approximately 30 percent of the non-agricultural workforce has jobs in government, healthcare and education. Sixteen percent of the 95,000 non-agricultural workforce finds itself in manufacturing. Those manufacturers include BFGoodrich, Nucor Steel, JVC, Johnson Controls, ZF Lemforder, Mercedes-Benz, Hunt Refining, Westervelt and many others. Automotive, electronics, plastic injection molding, steel, wood products, food products and chemicals are just some of those manufacturing concerns whose marketplace is the world.



Local Area Employment

The unemployment rate in the Tuscaloosa County was 3.1% in December 2019, which is down from a peak as seen in the following chart. The Tuscaloosa County unemployment rate is lower than the State of Alabama which was 3.9% during the same time period.



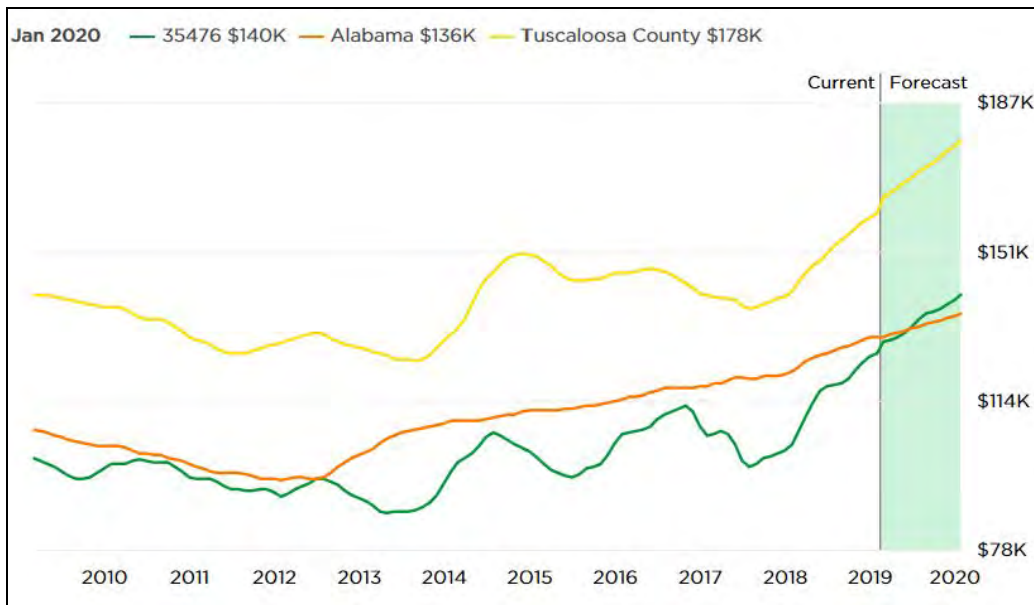
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US Employment

According to the January 2019 Research Brief, published by Marcus & Millichap, the economy added 312,000 positions in December 2018 for an annual total of 2.6 million new roles, outperforming both 2016 and 2017. Employers sustained a higher rate of hiring amid a tighter labor market in part because they filled positions with less-experienced candidates and provided more training to cover the skill gap. A broader range of people finding full-time employment is, in turn, increasing housing demand. Some firms are also raising wages to attract the best talent as average hourly earnings appreciated 3.2 percent last year. Greater take-home pay is increasing retail consumption and consumer spending, and sales over the most recent holiday shopping season improved by the largest margin in six years. Travel spending within the U.S. is up as well, contributing to the best year for hotel occupancy on record dating back to 1988.

Residential Market

It would be difficult to analyze the local economy without addressing the residential market. The following chart compares the change in median, single-family home prices over the past several years for the subject's zip code, Tuscaloosa County and Alabama.



Local Retail Market

The following information was obtained from the CoStar Retail Market Report for the Tuscaloosa area.

Tuscaloosa is virtually synonymous with the University of Alabama. The university is far and away the largest employer and has played a central role in the development of the city since its founding in 1831. Similar to many college towns, the employment base leans heavily on the public sector, with only a single private employer in the top five and just three in the top 10.

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Leading the private sector is the 3,700 employees at the Mercedes-Benz U.S. International manufacturing facility. The plant is located about 20 miles east of downtown Tuscaloosa. The publicly operated DCH Regional Medical Center is the third-largest employer in town, with over 3,500 on its payroll. The Veterans Administration Hospital and the Northport Medical Center round out the top 10 largest employers, each providing about 1,000 jobs to the education and health services sector.

Despite the relative stability generally associated with high government employment, Tuscaloosa's job growth has swung around the national average this cycle. Some of this volatility comes from the coal mines found between Birmingham and Tuscaloosa. The coal industry has faced unstable prices as of late, which requires a flexible workforce to meet inconsistent demand. As such, jobs in the mining, logging and construction industry have yet to recover from their pre-recession peak.

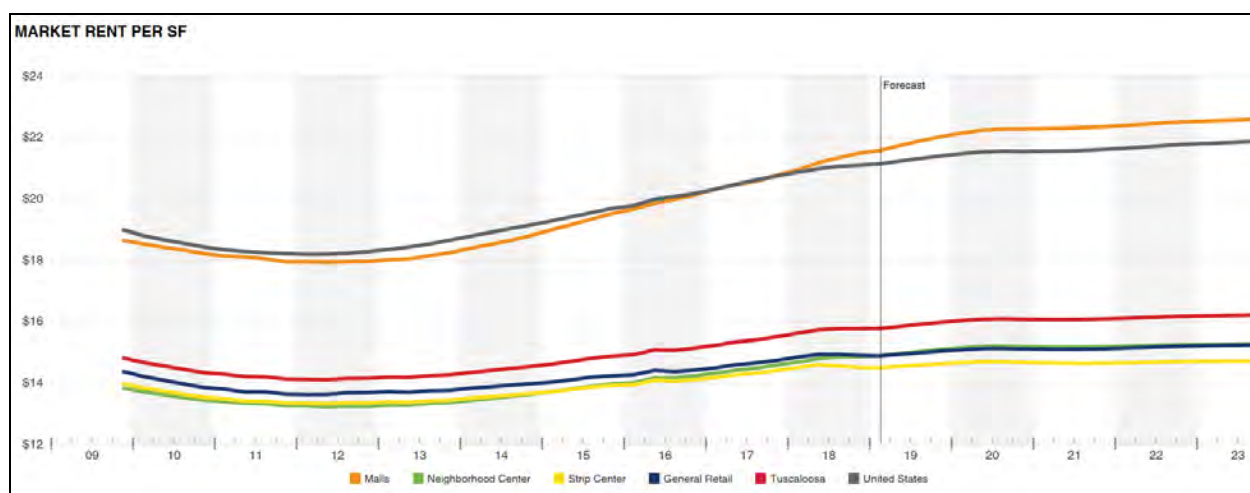
Similar to many Alabama metros, the manufacturing sector has been surging recently. In fact, Alabama ranked sixth nationally for manufacturing job growth in 2018. The state added over 10,500 new jobs in the sector and Tuscaloosa has enjoyed a share of this growth. The industry was re-energized by the \$1.3 billion expansion of the Mercedes-Benz facility, which is projected to add more than 600 full time jobs. This expansion grabbed the attention of automotive suppliers and logistics firms alike, and many are either moving in or expanding their operations in the metro to keep up with increased demand from Mercedes-Benz. As a result, manufacturing employment is up more than 10% compared to the pre-recession peak and represents about 15% of the total employment in the metro.

The subject's is located in the Tuscaloosa market of Alabama. Shown as follows are statistics for the retail market.

SALES	MARKET	NATIONAL INDEX
12 Month Properties Sold	13 ↓	49,860 ↑
Market Sale Price/SF	\$179 ↑	\$232 ↑
Average Market Sale Price	\$1.9 M ↑	\$2.6 M ↑
12 Month Sales Volume	\$18.1 M ↓	\$62.9 B ↑
Market Cap Rate	7.3% ↑	7.1% ↑

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AVAILABILITY	MARKET	NATIONAL INDEX
Market Rent/SF	\$15.73 ↑	\$21.08 ↑
Vacancy Rate	2.1% ↑	4.4% ↓
Vacant SF	235 K ↑	504 M ↓
Availability Rate	3.6% ↑	6.3% ↓
Available SF	392 K ↑	726 M ↓
Sublet SF	32.6 K ↑	24.8 M ↑
Months on Market	5.4	10.5



Neighborhood Analysis

The Neighborhood Analysis also requires identification of boundaries. The boundaries may be defined by complementary land uses, social factors, economic, and physical boundaries. In the case of the appraised property, the relevant neighborhood is identified by its physical boundaries and surrounding land uses, which are identified below.

Neighborhood Boundaries		
North	--	Flatwoods Road
South	--	Black Warrior River
East	--	Rice Mine Road Northeast
West	--	Rose Boulevard

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General Demographics

The most significant economic statistic relating to a metropolitan statistical area is population totals. Population totals relate to urban densities and the critical mass of an economic area. New jobs most frequently triggered by population growth include construction, real estate, business and personal services, and retail/ wholesale trade.

The following chart is the demographic profile for the subject. It encompasses a one-, three- and five-mile radius from the subject, and reflects population, households and income as it relates to the subject.

Population	1 Mile	3 Mile	5 Mile
2018 Total Population:	2,130	17,920	61,376
2023 Population:	2,222	18,471	63,418
Pop Growth 2018-2023:	4.32%	3.07%	3.33%
Average Age:	37.70	38.70	35.70
Households			
2018 Total Households:	781	7,002	24,674
HH Growth 2018-2023:	4.10%	2.86%	3.31%
Median Household Inc:	\$47,000	\$48,093	\$38,285
Avg Household Size:	2.70	2.50	2.20
2018 Avg HH Vehicles:	2.00	2.00	2.00
Housing			
Median Home Value:	\$156,010	\$155,784	\$162,928
Median Year Built:	1982	1975	1977

Surrounding Uses

The subject is located within a commercial highway district at the intersection of Airport Road and Highway 82, also known as McFarland Boulevard.

The immediate area consists primarily of industrial and retail properties with residential subdivision located to the north. Directly north of the site is Discount Mini-Storage, Cumberland Homes and Walmart Supercenter, all retail and specialty commercial businesses. Directly south of the site is Reliable Mini Storage, Twisted Design, Eberspaecher North America and Tuscaloosa Regional Airport. Directly west of the site is Warrior Tractor & Equipment and 84 Lumber, both producing large construction and contracting businesses. Directly to the east is Lowe's Home Improvement, Spiller Furniture and Home Accent, all retail focused commercial buildings.

Residential properties are located along secondary roadways to the north, east, west and south. According to Neighborhoodscout.com, the neighborhood real estate primarily consists of medium sized (three or four bedroom) to small (studio to two bedroom) single-family homes and townhomes. Most of the residential real estate is owner occupied.

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Overall, properties in the area range from fair to good condition. The surrounding area is not densely populated with many tracts of vacant land available for future development. There does appear to be signs of new significant development in the area, which may result in a competitive market for vacant land.

Summary of Supporting Neighborhood Characteristics

Neighborhood Characteristic	Rating
Maintenance/Condition	Average
Property Compatibility	Average
Appeal/Appearance	Average
Protection from Adverse Influences	Average
Development Potential	Good
Police/Fire Protection	Average

Trends

	Up	Stable	Down
Residential Value	X		
Office Value	X		
Industrial Value	X		
Multifamily Value	X		
Retail Value	X		
Population	X		
Employment	X		
Vacancy			X

Conclusion

The Tuscaloosa County retail market continues to demonstrate strong market fundamentals as we enter into the first quarter of 2019 based on job and economic growth. I expect market values to continue to improve throughout 2019 as Tuscaloosa County remains a strong retail market within State of Alabama.

I also forecast moderate economic growth in 2019 which allows for the risk that corporate earnings in 2019 are subject to the vagaries of the trade war between the United States and China as continuing tariffs have the potential to trim profit margins if they extend well into the new calendar year.

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PLAT MAP



AERIAL PLAT MAP



SITE ANALYSIS

General Description

The site is identified by the County Property Appraiser's Office as Real Estate Number 31-03-07-4-002-001-001. The site is irregular in shape and, according to the Appraiser's Office, consists of 128,022± square feet, or 2.94± acres, of area. The site has frontage and access along Airport Road. The site has frontage to the Highway 82, also known as McFarland Boulevard. The site consists of one freestanding building, paved parking and landscaping around the perimeter. There is a single curb cut to the east of the site giving access to Airport Road.

Utilities

Utilities available to the site include electric, public water, sewer and telephone, via public and private providers.

Zoning

The property is under the jurisdiction of the City of Northport Planning and Zoning Department and is zoned C6, Commercial Highway District.

The C6 district is established to provide for a broad range of retail and commercial uses consistent with close proximity to major roadways. This district is generally located near major thoroughfares because of the intensity of vehicular traffic visiting these areas. Because of the more intense commercial use, C6 districts are located away from or on the edges of residential districts.

The subject's former use as a retail store is legal and conforming.

Topography/ Flood Zone

The property is located in flood zone X as defined on map 01125 C0501G, dated January 16, 2014. Zone X corresponds to areas of 0.2% annual chance flood. The National Wetland Mapping shows no wetland in or around the site.

Easement

A current survey is suggested to determine the existence of any easements.

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FEMA FLOOD MAP



WETLANDS MAP



OWNERSHIP HISTORY AND DESCRIPTION OF IMPROVEMENTS

Ownership History

The Standards of Professional Practice of the Appraisal Institute require consideration and analysis of any prior sales of the subject within the past three years. I was not provided with a title policy.

The subject is owned by A L, LLC, who took possession of the property in January 2010 for the purpose of operating a furniture retail store. This transaction is recorded in the Tuscaloosa County Public Records Book 2010, Page 75. The site was acquired for \$1,000,000 prior to this and a custom retail building was constructed for \$1,375,126. The total construction (including land) equates to \$2,375,126. A L, LLC mortgaged the property for \$1,083,000 with Florida Business Development Corporation, DBA Alabama Small Business Capital, as recorded in Alabama Records Book 2009, Page 83050. It operated as a furniture store until May of 2018 when it closed for business.

The property has been listed for sale at \$2,700,000 or for lease at \$7.50 per square foot with Keller Williams Commercial, MLS#: 126538, since May 2018. Calls to Keller Williams Commercial were unreturned and the status of the listing is unclear.

Description of Improvements

The following description is based on a personal inspection of the subject property, information on file with Tuscaloosa County. The photographs included in this report show the “as is” condition of the subject.

The site consists of a freestanding retail building that was constructed in 2010 of concrete block and tilt up concrete exterior walls on a concrete slab foundation. The roof is metal with a low pitch. The building contains 41,656± square feet of area as per the County Appraiser Office.

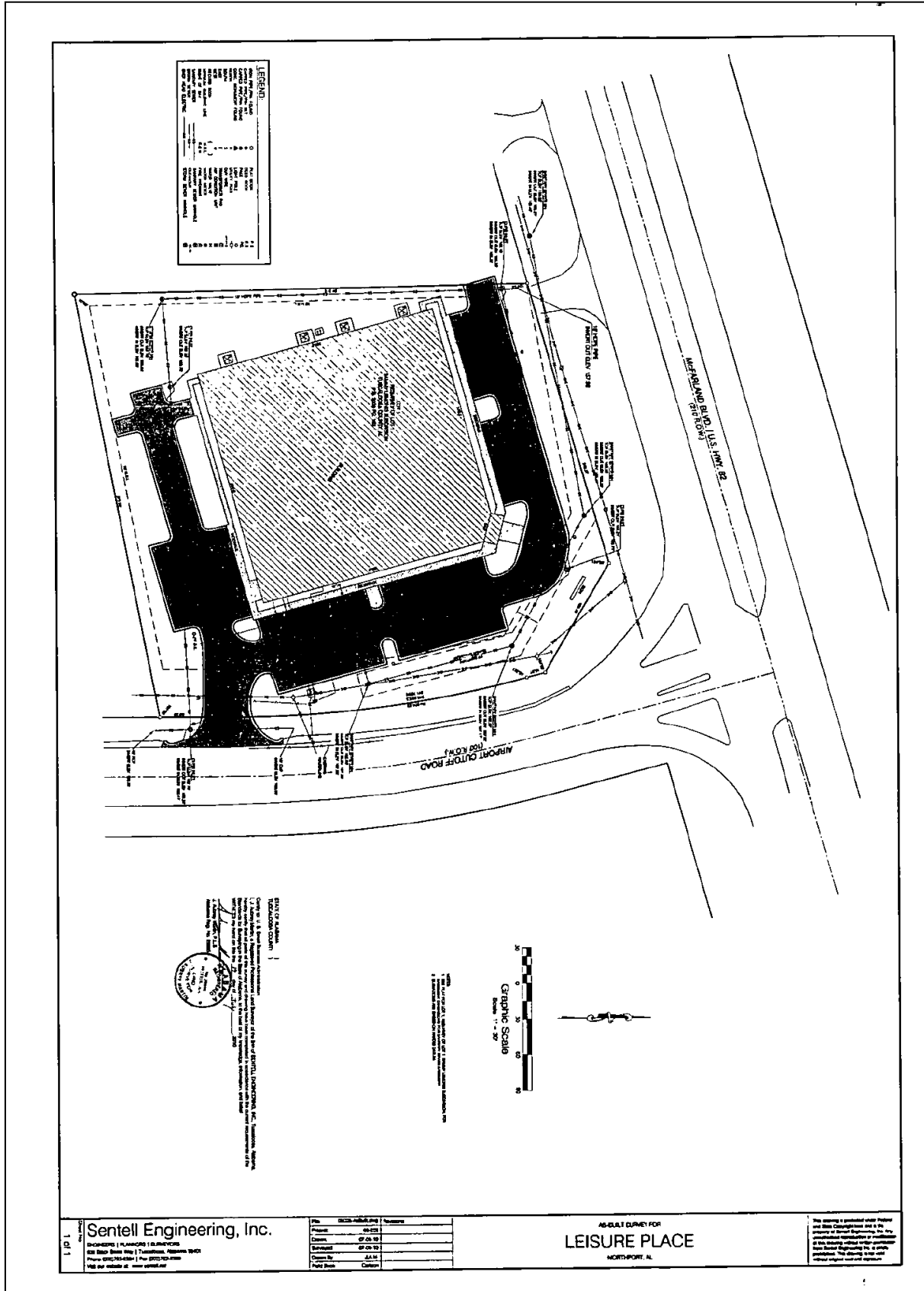
Interior fit-up includes stained concrete flooring, painted drywall walls, painted open ceiling and fluorescent light fixtures. The retail area is open plan with a large showroom. Restrooms with wheelchair access can be found in the southwest corner of the building. An unfinished product storage area is located to the rear of the property which is accessed by a 10' roll-up door.

Mechanical systems include HVAC, overhead sprinkler system, plumbing, electrical and security systems. On-site improvements are typical and include concrete paved parking, drive areas and sidewalks, approximately 70 lined parking spaces, a dumpster area, property signage and landscaping throughout the site.

Overall, the building is in average condition and is similar in design to most owner-occupied retail buildings in immediate area. The remaining economic life is estimated at 40 years.

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SURVEY



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TAX SUMMARY

The Tuscaloosa County Tax Collectors Office is responsible for the collection of taxes on all property (Real and Business Personal Property) that is assessed in Tuscaloosa County, Alabama.

The due date of property taxes is October 1st of each year. A Courtesy Notice is mailed on or before October 1st to the property owner of record. This is mailed so that the correct information can be verified and to make sure they have the correct mailing address.

It is the property owner's responsibility to contact their Mortgage company to confirm that the taxes are being paid through their escrow. Tax bills are not mailed to Mortgage Companies. Most Mortgage payments are processed electronically.

Taxes are delinquent after December 31st of each year. After December 31st penalties and interest will begin to accrue and added to the tax amount. A delinquent tax notice will be mailed out in January with the delinquent amount that is due.

The following chart details the subject's 2018 real estate tax liability.

Tax Liability					
Ad Valorem					
Account Number	Taxable Value	X	Millage Rate	=	Tax Liability
31 03 07 4 002 001 001	\$2,524,800	X	12.987	=	\$19,440.96
Non-Ad Valorem					
None				=	\$0
Total Tax Liability				=	\$19,440.96

According to the Tuscaloosa County Tax Collector's Office, the subject's 2018 taxes have been paid.

In some municipalities, there is often minimal correlation between assessed value and market value. Conversations with local taxing authorities revealed that a sale price higher than the assessed value does not directly warrant an increased assessment.

We have presented the assessed data in this section of the report, but did not rely on assessed value (other than tax calculation) to make a determination of market value.

HIGHEST AND BEST USE ANALYSIS

The Dictionary of Real Estate Appraisal, 6th Edition, by the Appraisal Institute, defines highest and best use as:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

“As Vacant”

The physical characteristics of the land such as size, shape, location, and topography have been considered. In addition, the analysis has included the surrounding developments, existing zoning, access to major transportation routes, availability of utilities, current trends, and demand for property of this type in the real estate market.

There are four tests which are taken into consideration in developing an opinion of highest and best use. These four tests include an examination of those uses that are physically possible, legally permissible, financially feasible, and maximally productive. Each criterion is considered cumulatively and provides the best analysis for the highest and best use of the property.

The subject parcel is irregular in shape and has adequate development potential with no limiting features due to configuration of the parcel or physical characteristics of the soils. The land is zoned C6, which provides for a variety of commercial uses. The site is located at the intersection of Airport Road and McFarland Boulevard, which offers good visibility and access to the high commuter traffic counts on these roads.

The subject's neighborhood is located on the outskirts of the metro area with residential, commercial and industrial developments close by. Based on observed market trends, development in the area, and the overall economy, the highest and best use of the subject land (as vacant) would be for a commercial development.

“As Improved”

The subject property is improved with a freestanding retail building containing 41,656± square feet of area. The building was constructed in 2010. Overall, the building is in average condition.

The land-to-building ratio is average for this type property which is typical of many retail buildings in the market. The subject has adequate access and exposure and is consistent with surrounding uses.

The current use of the subject is in-line with the permitted use under the current zoning. The highest and best use of the subject land, “as improved”, is for single tenant retail use. Alternative uses including a religious or educational facility. There are no current alternative uses that would warrant demolition of the structure and redevelopment of the site.

THE APPRAISAL PROCESS

There are three approaches which may be used in the appraisal of real property. These approaches to value include the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach. These approaches are defined in *The Appraisal of Real Estate*, sponsored by The Appraisal Institute (14th Edition, 2013), as follows:

The **Cost Approach** "is based on the understanding that market participants relate value to cost. In the cost approach the value of a property is derived by adding the estimated value of the land to the current cost of constructing a reproduction or replacement for the improvements and then subtracting the amount of depreciation (i.e., deterioration and obsolescence) in the structures from all causes. Profit for coordination by the entrepreneur is included in the value indication. This approach is particularly useful in valuing new or nearly new improvements and properties that are not frequently exchanged in the market. Cost approach techniques can also be employed to derive information needed in the sales comparison and income capitalization approaches to value.

The current costs to construct the improvements can be obtained from cost estimators, cost estimating publications, builders, and contractors. Depreciation is measured through market research and the application of specific valuation procedures. Land value is estimated separately in the cost approach."

The **Sales Comparison Approach** "is most useful when a number of similar properties have recently been sold or are currently for sale in the subject property market. Using this approach, appraisers produce a value indication by comparing a subject property with similar properties, called comparable sales. The sale prices of the properties that are judged to be most comparable tend to indicate a range in which the value indication for the subject property will fall."

Appraisers estimate the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison (i.e. Real property rights conveyed, Financing terms, Conditions of sale, Market conditions, Location, Physical characteristics, Economic characteristics, Use and Nonrealty components of value).

Dollar or percentage adjustments are then applied to the sale price of each comparable property with consideration for the real property interest involved. Adjustments are made to the sale prices of the comparables because the prices of these properties are known, while the value of the subject property is not.

Data such as income multipliers and income rates may also be extracted through sales comparison analysis.

In the **Income Approach** "the present value of the future benefits of property ownership is measured. A property's income streams and its resale value upon reversion may be capitalized into a present, lump-sum value."

Like the Cost and Sales Comparison Approaches, the Income Approach requires extensive market research. Research and data analysis for this approach are conducted against a background of supply and demand relationships, which provide information about trends and market anticipation.

An investor in a commercial building, for example, anticipates an acceptable return on the investment, as well as a return of the invested funds. The level of return needed to attract investment capital is a function of the risk inherent in the property. Moreover, the level of return required by investors fluctuates with changes in money markets and the returns offered by alternative investments. I must be alert to the changes in investor requirements indicated by the current market for comparable investment properties and by changes in the more volatile money markets, which may suggest future trends.

Applicable Approaches

The 2018-2019 USPAP requires appraisers to only consider the approaches to value that are **“necessary.”** I have utilized the Sales Comparison and Income Approaches to determine the “As Is” market value of the building. In this instance, the Cost Approach was not necessary given the age of the improvements, the difficulty in accurately estimating depreciation and lack of investor reliance. A Cost Model has been included to estimate Insurable Value of the building.

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SALES COMPARISON APPROACH TO VALUE

The Sales Comparison Approach to Value is based upon comparison of the subject property with known sales of other similar properties.

The **price per square foot** element of comparison requires adjustments between the comparable sales and the subject property ($\text{Sales Price} \div \text{Building Size} = \text{Price Per Square Foot}$).

I have selected several sales (shown in the following chart) that were most similar to the subject and have used them in direct comparison. A location map and analysis of the sales and the final conclusion to market value via the Sales Comparison Approach is presented.

IMPROVED SALES SUMMARY

Sale	Sale Date	Sale Price	Building Size (SF)	Price Per SF	Land Size (SF)	Land-To-Building Ratio	Actual Age	Location
1	08/09/18	\$1,314,000	23,500	\$55.91	69,260	2.95	1998	620 South Quintard Avenue Anniston, Alabama
2	11/14/17	\$2,750,000	27,190	\$101.14	99,234	3.65	1995	3943 Airport Boulevard Mobile, Alabama
3	02/13/17	\$1,950,000	25,000	\$78.00	45,999	1.84	1993	5955 Airport Boulevard Mobile, Alabama
4	10/17/16	\$2,445,000	30,550	\$80.03	112,385	3.68	1997	12401 Memorial Parkway Southeast Huntsville, Alabama
Listing	N/A	\$2,200,000	38,798	\$56.70	261,360	6.74	2003	150 East Fleming Road Montgomery, Alabama
Subject	03/04/19	N/A	41,656	N/A	128,022	3.07	2010	6451 McFarland Boulevard Northport, Alabama

I have used quantitative (not qualitative) adjustments. My percentage adjustments presented for each physical component are not rounded, nor are they required to be rounded. It is not implied that every market participant recognizes adjustments that are 1/10th of 1%, nor should it be implied that every market participant recognizes a rounding for each adjustment component. All adjustments or lack of adjustments must be reasonable. The cumulative effect of the total adjustments (rounded or otherwise) is reasonable as presented. The adjustments are reasonable, rational, fair-minded and equitable as shown in the adjustment chart.

Attempts were made to contact parties involved with the transactions (buyers, sellers, and/or brokers). In situations in which I were unable to confirm my sales with parties involved, I have relied on a variety of sources to include multiple data services (CoStar, Loopnet, County Property Appraiser, and secondary sources). TSG has a nationwide subscription and relies on CoStar. CoStar is the largest and most reliable data source available in the appraisal industry. CoStar makes 47,000 calls a day to brokers, owners, developers and other commercial real estate professionals to verify information on sale and rental transactions. CoStar has invested over \$1 billion in research operations and the industry's most comprehensive database of commercial real estate. CoStar is a trusted source of TSG and relied on by my peers in the industry.

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Improved Sale No. 1



Address	620 South Quintard Avenue
City/State	Anniston, Alabama
Parcel Number	21-04-17-2-005-017-000
Grantor	Maple Court, LLC
Grantee	RIA Gatlingburg Properties, LLC
County	Calhoun
Date of Sale	8/9/2018
Book/Page	3236/856
Conditions of Sale	Arm's Length
Financing	Cash Equivalent
Sales History	None qualified in the last three years
Land Size (SF)	69,260
Building Size (SF)	23,500
Building Age	1998
Selling Price	\$1,314,000
Price Per Square Foot	\$55.91
Land-to-Building Ratio	2.95
Confirmation	Costar Comps, County Property Appraiser's Office, Deed and secondary sources deemed reliable
Comments	Improved Sale No. 1 consists of a 23,500 square foot retail building located in the central retail district of the city of Anniston. This comparable sold in August 2018 for \$1,314,000, equating to \$55.91 per square foot. This building was formerly Office Max chain store and is now a general discount retail store housing the business Dirt Cheap.

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Improved Sale No. 2



Address	3943 Airport Boulevard
City/State	Mobile, Alabama
Parcel Number	R-02-28-07-26-1-000-010
Grantor	LL&T Properties, Ltd.
Grantee	Faulkner University
County	Mobile
Date of Sale	11/14/2017
Document Number	20180726000267600
Conditions of Sale	Arm's Length
Financing	Cash Equivalent
Sales History	None qualified in the last three years
Land Size (SF)	99,234
Building Size (SF)	27,190
Building Age	1995
Selling Price	\$2,750,000
Price Per Square Foot	\$101.14
Land-to-Building Ratio	3.65
Confirmation	Costar Comps, Loopnet, County Property Appraiser's Office, Deed and secondary sources deemed reliable
Comments	Improved Sale No. 1 consists of a 27,190 square foot retail building located in the central retail district of the city of Mobile. This comparable sold in November 2017 for \$2,750,000, equating to \$101.14 per square foot. This building was formerly a general retail store and is currently occupied by Faulkner University as a satellite campus building.

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Improved Sale No. 3



Address	5955 Airport Boulevard
City/State	Mobile, Alabama
Parcel Number	28-08-28-1-002-002
Grantor	David S. Mark, III
Grantee	PAM Building Company, LLC
County	Mobile
Date of Sale	2/13/2017
Document Number	2017043982
Conditions of Sale	Arm's Length
Financing	Cash Equivalent
Sales History	None qualified in the last three years
Land Size (SF)	45,999
Building Size (SF)	25,000
Building Age	1993
Selling Price	\$1,950,000
Price Per Square Foot	\$78.00
Land-to-Building Ratio	1.84
Confirmation	Costar Comps, County Property Appraiser's Office, Deed and secondary sources deemed reliable
Comments	Improved Sale No. 3 consists of a freestanding, 25,000 square foot commercial building located in the central retail district of the city of Mobile. This comparable sold in February 2017 for \$1,950,000, equating to \$78.00 per square foot. This building was purchased and renovated for medical office use.

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Improved Sale No. 4



Address	12401 Memorial Parkway Southeast
City/State	Huntsville, Alabama
Parcel Number	23-04-18-0-001-010-000
Grantor	Spirit Master Funding, LLC
Grantee	Freedom Real Estate and Capital, LLC
County	Madison
Date of Sale	10/17/2016
Document Number	20161025000612100
Conditions of Sale	Arm's Length
Financing	Cash Equivalent
Sales History	None qualified in the last three years
Land Size (SF)	112,385
Building Size (SF)	30,550
Building Age	1997
Selling Price	\$2,445,000
Price Per Square Foot	\$80.03
Land-to-Building Ratio	3.68
Confirmation	Costar Professional, County Property Appraiser's Office, Deed and secondary sources deemed reliable.
Comments	Improved Sale No. 4 consists of a freestanding, 30,550 square foot commercial building located in South Parkway Hills subdivision of Huntsville. This comparable sold in October 2016 for \$2,445,000, equating to \$80.03 per square foot. The building is currently being used as a specialty ATV retail store.

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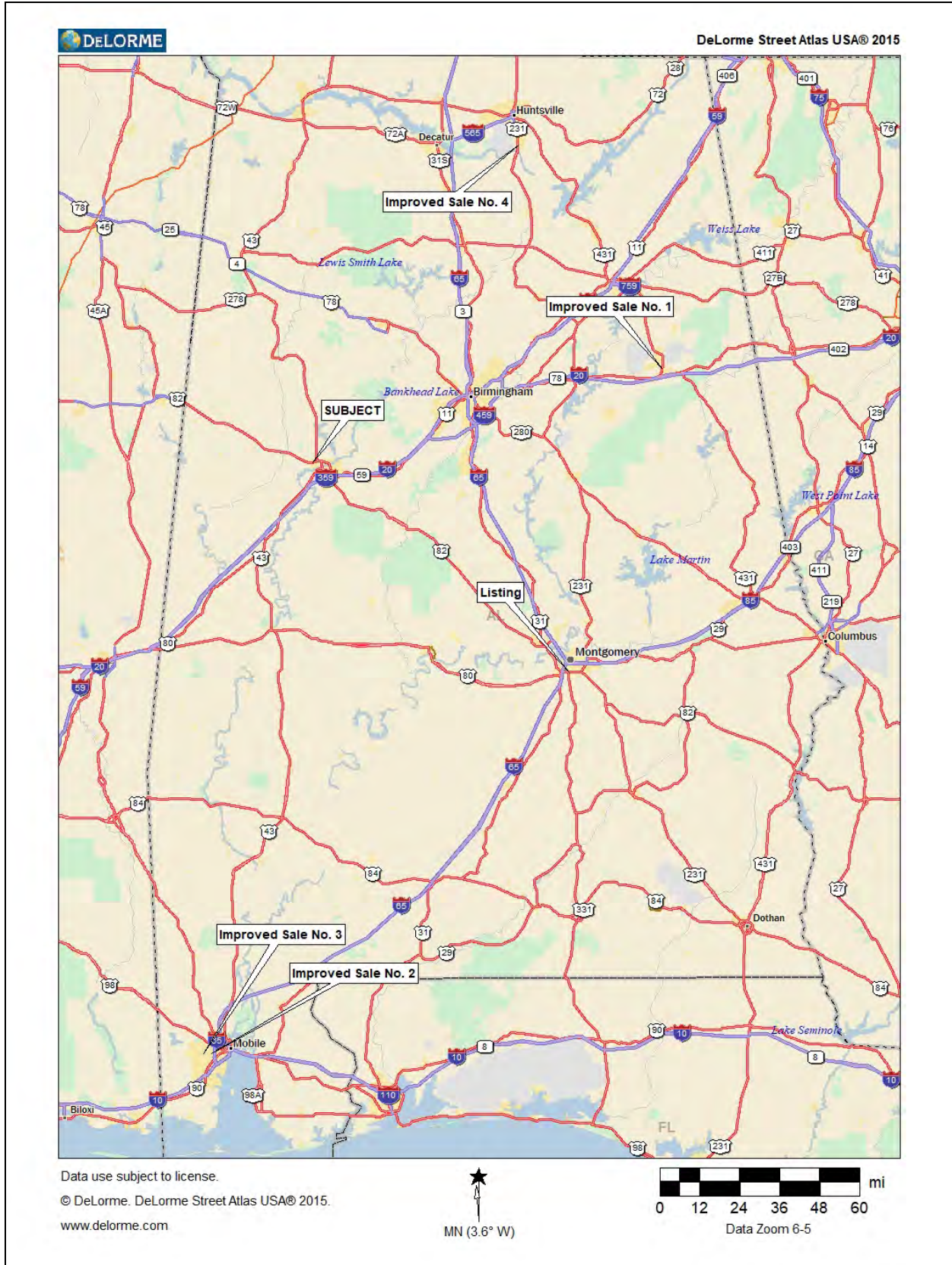
Listing



Address	150 East Fleming Road
City/State	Montgomery, Alabama
Parcel Number	10-09-31-3-001-001-003
Grantor	Fresh Anointing International
Grantee	Methodist Church
County	Tuscaloosa, Alabama
Date of Sale	N/A
Listing ID	10931053
Conditions of Sale	Arm's Length
Financing	Cash Equivalent
Sales History	None qualified in the last three years
Land Size (SF)	261,360
Building Size (SF)	38,798
Building Age	2003
Selling Price	\$2,200,000
Price Per Square Foot	\$56.70
Land-to-Building Ratio	6.74
Confirmation	Loopnet listings, County Property Appraiser's Office and secondary sources deemed reliable
Comments	Improved Listing consists of a freestanding, 38,798 square foot commercial building located east of Interstate 65 in Montgomery. This comparable is being offered for \$2,200,000, equating to \$56.70 per square foot. The building is currently being used as a place of worship.

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IMPROVED SALES MAP



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IMPROVED SALES ADJUSTMENT CHART

	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4	LISTING
Date of Sale	N/A	08/09/18	11/14/17	02/13/17	10/17/16	N/A
Price Per SF	N/A	\$55.91	\$101.14	\$78.00	\$80.03	\$56.70
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Value		\$55.91	\$101.14	\$78.00	\$80.03	\$56.70
Financing	N/A	Cash Eq.	Cash Eq.	Cash Eq.	Cash Eq.	Cash Eq.
Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Value		\$55.91	\$101.14	\$78.00	\$80.03	\$56.70
Conditions of Sale	Arm's-length	Arm's-length	Arm's-length	Arm's-length	Arm's-length	Listing
Adjustment		0.00%	0.00%	0.00%	0.00%	-15.00%
Adjusted Value	N/A	\$55.91	\$101.14	\$78.00	\$80.03	\$48.20
Market Conditions	03/04/19	Inferior	Inferior	Inferior	Inferior	Similar
Adjustment	2.50%	1.42%	3.25%	5.13%	5.95%	0.00%
Adjusted Value		\$56.71	\$104.43	\$82.00	\$84.79	\$48.20
Location		Inferior	Superior	Superior	Superior	Inferior
Adjustment		15.00%	-15.00%	-15.00%	-20.00%	15.00%
Quality/Condition	Average	Similar	Similar	Similar	Similar	Similar
Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%
Land-to-Building Ratio	3.07	2.95	3.65	1.84	3.68	6.74
Adjustment		0.32%	-1.44%	3.08%	-1.51%	-9.16%
Building Size (SF)	41,656	23,500	27,190	25,000	30,550	38,798
Adjustment		-9.08%	-7.23%	-8.33%	-5.55%	-1.43%
TOTAL ADJUSTMENT		6.24%	-23.67%	-20.24%	-27.07%	4.41%
ADJUSTED VALUE	N/A	\$60.24	\$79.71	\$65.40	\$61.84	\$50.33
Adjusted Range (Min, Max):		\$50.33	\$79.71			
Mean:		\$63.50				
Median:		\$61.84				
Selected Value Per Square Foot:		\$62.00				
Total Market Value:		\$2,582,672				
Total Market Value (Rounded):		\$2,580,000				

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EXPLANATION OF ADJUSTMENTS

It is desirable to support adjustments for various items of comparison with sale on sale or sale/resale comparisons. The adjustments shown are my opinion of the market reaction to that particular characteristic.

Property Rights

Property rights consist of both the physical real estate and the rights involved in the ownership of the land. In analyzing the transactions, all involved the exchange of the Fee Simple and no adjustments for property rights are required.

Financing

As stated in the definition of Market Value, one of the implied conditions is that “Payment is made in cash,” and that “the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.” All of the sales transactions were at market terms and no adjustments are required for financing.

Conditions of Sale

Adjustments for conditions of sale reflect the motivations of the buyers and sellers and maybe required when there are driving forces behind the sale of a property that are not typical of the market. These forces include, but are not limited to, expansions, assemblages, distressed sales, and accelerated sales. When the conditions of a sale are atypical, the result may be a price that is higher or lower than that of a normal market transaction.

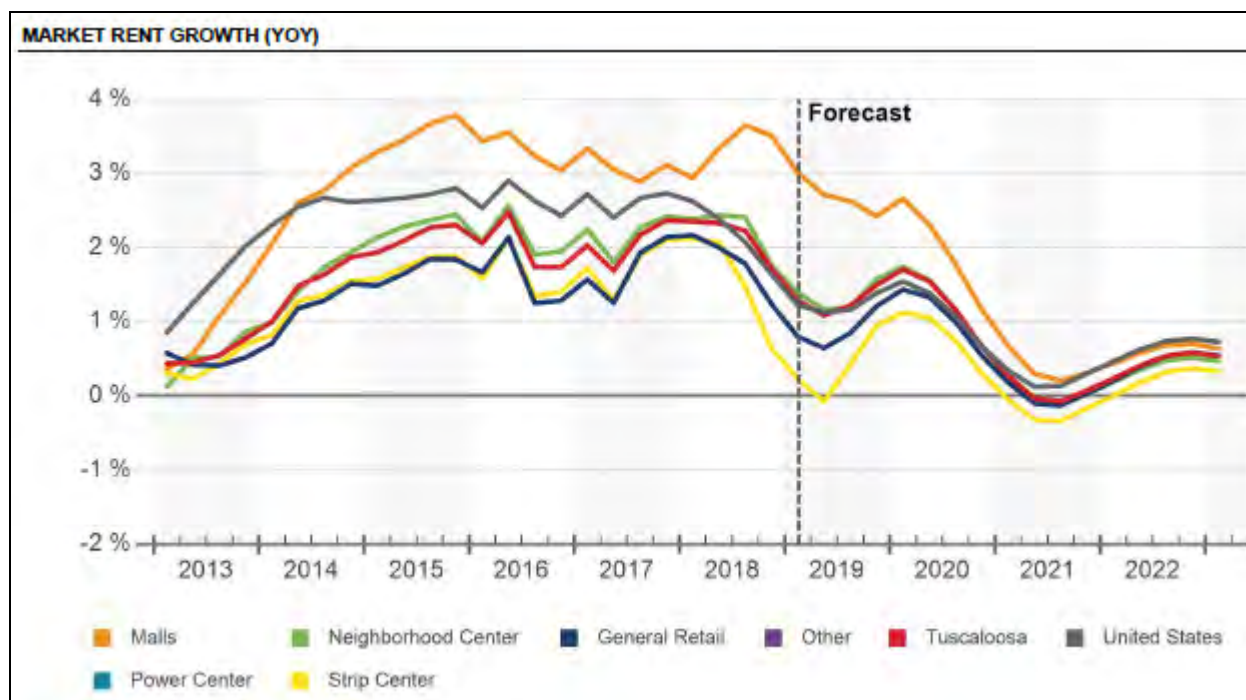
The listing is adjusted based on historical data of list price to sale price for the area and a 15% upward adjustment was applied.

The closed sales are reported to have sold at market and require no adjustments.

Market Conditions (Time)

The time adjustment is an attempt to correlate the present value of the sales price of a comparable sale to the date of appraisal and is reflective of any appreciation and/or depreciation that may have occurred in the market.

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Given the current economic condition in the local market, I have applied a 2.5% annual adjustment for market conditions.

Location

There are site-specific factors that relate to location, including access, visibility from highways, population in the surrounding area and surrounding uses.

The subject is located within a commercial highway district at the intersection of Airport Road and Highway 82, also known as McFarland Boulevard.

Improved Sale Nos. 1 and 5 are inferior in location and a 20% upward adjustment was applied. Improved Sale Nos. 2-4 are superior in location and a 15% downward adjustment was applied. The location data analyzed is summarized in the following chart.

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Three-Mile Population	17,119	24,589	66,441	71,399	25,605	47,866
Avg. Household Income (\$)	51,785	31,691	45,453	48,691	80,444	36,368
Avg. Single-Family Sales Price (\$)	158,617	88,993	154,635	168,239	182,065	84,496
Commercial Frontage	Yes	Yes	Yes	Yes	Yes	No
Locational Adjustment	N/A	15.00%	-15.00%	-15.00%	-20.00%	15.00%

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Quality/Condition Adjustment

Overall, the subject is in average condition. Years ago I adjusted each comparable for effective age as one line item, and then adjusted for quality/condition as an additional line item. After being accused of “double dipping” by numerous reviewers many contemporary appraisers (including the staff at TSG) are now adjusting comparables based on overall quality and condition and not based on effective age.

Each comparable has been adjusted to reflect its inferiority/superiority compared to the subject.

Land-to-Building Ratio

Land-to-building ratio refers to the square footage of land compared to the square footage of the building that is located on the parcel of land. If a property has a high land-to-building ratio, then the property may have surplus land, which can be used to expand the current building.

Adjustments were made for the differences in the land-to-building ratio between the subject and the improved comparables. I utilized a 2.5% adjustment for every one basis point of difference.

Building Size

Larger buildings will generally sell for less per square foot than a smaller building due to economies of scale. However, there are other physical items present in the comparables that when not considered, may skew this comparison.

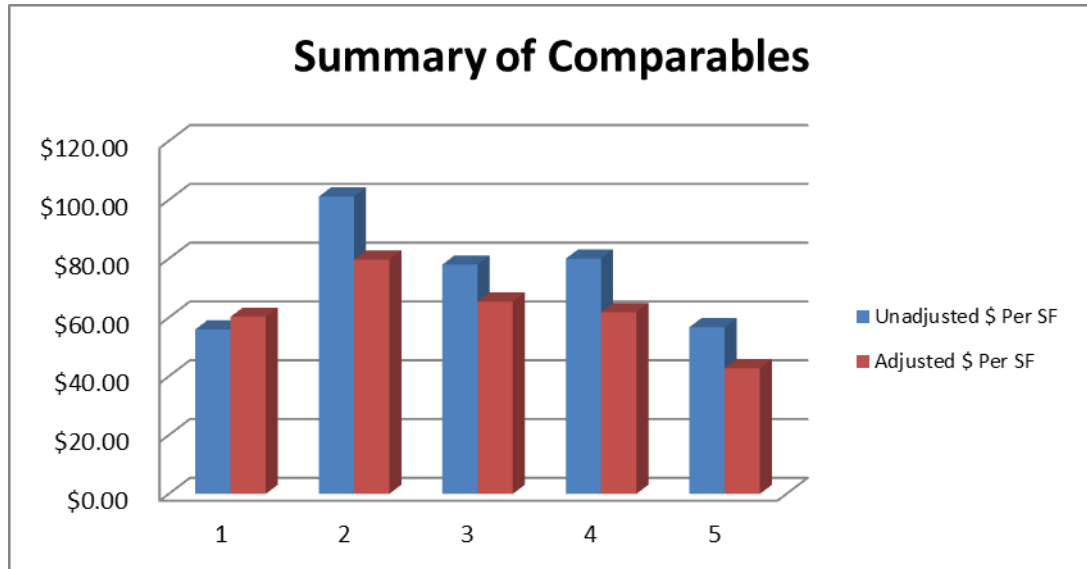
I have implemented an adjustment of 5% for every 10,000 square feet of difference as compared to the subject.

Value Conclusion

The comparable sales have an adjusted range of \$50.33 to \$79.71 per square foot, with a mean of \$63.50 per square foot and a median of \$61.84 per square foot. Placing most weight on the sales deemed most reliable, I have selected a price per square foot of \$62.00.

VALUE CONCLUSION BY PRICE PER SF				
Building Size (SF)	X	Value Per SF	=	Value Indication
41,656	X	\$62.00	=	\$2,582,672
Rounded To:				\$2,580,000

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INCOME APPROACH

Introduction and Methodology

The theory of the Income Approach is that the value of a property is the present worth of its anticipated future cash flows during the period of time the purchaser intends to hold the property as an investment. The market value of the subject property in this appraisal will be estimated using a Direct Capitalization.

First, I will project the gross potential income for the subject property by an analysis of the leases at the property (if applicable), as well as from competitive rental rates being achieved at similar properties within the marketing area.

After estimating the projected gross potential income, deductions will be made for estimated vacancy and collection losses, and projected operating expenses to be incurred for operation of the property. The result is net income before recapture.

The capitalization rate used to convert the reversionary net income into a value indication is a weighted average of the rates of return required to attract all the various forms of capital to a given investment - the subject property.

It takes into account equity build-up from available market financing, as well as changes in the overall property value and income levels. It can be derived from several sources including recent transactions of market sales, national publications, and through mathematical equations known as mortgage-equity formulas.

The projected stabilized NOI will be directly capitalized to estimate market value of the property via direct capitalization.

Lease Structures

The terminology for commercial leasing can prove confusing. I have presented the two most common forms of commercial leasing to their basic fundamentals in an effort to better understand the pros and cons associated with each method.

Gross Lease

A gross lease comprises of the tenant's pro-rata share of operating expenses included within the gross rent. A true gross lease is a full service gross lease which includes everything except sales tax. A modified gross lease is where the tenant will pay the lump sum amount plus electric, janitorial or other direct costs such as parking.

Advantages- Tenants often prefer gross leases because they know their set financial obligation from year to year. Furthermore, increases and inflation in property taxes, building insurance or operating expenses will not affect their obligation.

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Disadvantages- Unfortunately for the tenant, the Landlord can benefit from the previous situation if operating expenses are trending down and they have a tenant locked in at a fixed rate with escalations.

Triple Net (NNN) Lease

A Net lease or Triple Net (NNN) lease breaks out the operating expenses from the base rent. The stated rent excludes the insurance, utilities, operating expenses and real estate taxes for the building. The tenant is then responsible for the payment of these costs either directly or as additional rent. Some market participants use “Net”, “Net Net” and “Net Net Net” as a classification means. However, it’s more concise to just define the tenant’s expense obligation rather than using semantics.

Advantages to Landlord- The landlord can pass through all operating expenses to the property including property management fees, salaries, etc.

Disadvantages- Tenants on this pass through have the ability to audit the operating expenses and make sure there are no discrepancies compared to what is stated in the lease. It’s not a disadvantage, but rather a means to watch over a Landlord’s billing practices.

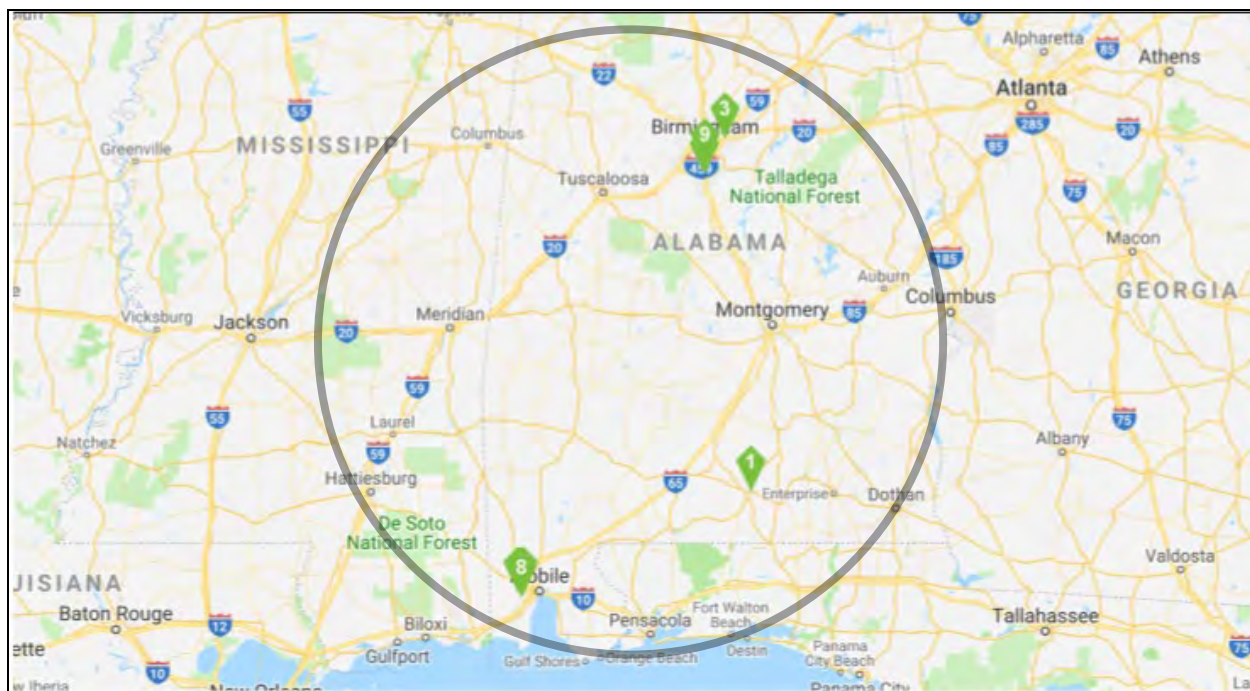
Rent Comparables

The purpose of this rental analysis is to estimate the “most probable” rental income for the subject property. I surveyed properties similar to the subject, noting that various factors contribute to the rent level achievable within the market. Some of the more prominent factors generally affecting rent in the market are the date of the lease, location, size, expenses paid by tenants, condition/quality.

The results of the rental survey are summarized as follows.

SUMMARY STATISTICS					
Rent	Deals	Low	Average	Median	High
NNN Asking Rent Per SF	7	\$6.50	\$7.23	\$7.00	\$10.00
NNN Starting Rent Per SF	1	\$6.50	\$6.50	\$6.50	\$6.50
NNN Effective Rent Per SF	1	\$6.50	\$6.50	\$6.50	\$6.50
Asking Rent Discount	1	0.0%	0.0%	0.0%	0.0%
TI Allowance	1	\$0.00	\$0.00	\$0.00	\$0.00
Months Free Rent	1	0	0	0	0
Lease Attributes	Deals	Low	Average	Median	High
Months on Market	9	8	30	21	114
Deal Size	9	20,000	28,005	25,000	42,545
Lease Deal in Years	3	24.0	48.0	60.0	60.0
Floor Number	9	1	1	1	1

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	Property Name - Address	Rating	SF Leased	Floor	Sign Date	Type	Rent	Rent Type
1	Sanford Station 1413 W Bypass	★ ★ ★ ★ ★	25,000	1st	9/26/2018	New	\$7.00/nnn	Asking
2	Hillcrest Plaza 741-845 Hillcrest Rd	★ ★ ★ ★ ★	20,000	1st	7/16/2018	New	\$6.63/nnn	Asking
3	5350 Grantswood Rd	★ ★ ★ ★ ★	20,000	1st	7/3/2018	New	\$8.25/nnn	Asking
4	314-320 N University Blvd	★ ★ ★ ★ ★	42,545	1st	5/14/2018	New	\$6.50/nnn	Asking
5	Regency Square 314 S University Blvd	★ ★ ★ ★ ★	42,545	1st	5/14/2018	New	\$6.50/mg	Asking
6	Shelby Mart 2740-2764 Pelham Pky	★ ★ ★ ★ ★	25,865	1st	3/27/2018	New	\$6.50/mg	Effective
7	260-300 Azalea Rd	★ ★ ★ ★ ★	20,707	1st	11/7/2017	New	\$10.00/nnn	Asking
8	Cottage Village 5013-5055 Cottage Hill Rd	★ ★ ★ ★ ★	24,000	1st	9/6/2017	New	\$7.00/nnn	Asking
9	1845-1855 Montgomery...	★ ★ ★ ★ ★	31,388	1st	4/1/2017	Renewal	\$6.50/nnn	Effective

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Lease Comparables

1



25,000 SF Retail Lease Signed Sep 2018 for \$7.00 Triple Net (Asking)

1413 W Bypass - 1st Floor Direct, Leased by Dirt Cheap, Inc.

Andalusia, AL 36420

★ ★ ★ ★ ★

Asking Rent:	\$7.00/NNN	Start Date:	Oct 2018	Free Rent:		Deal Type:	New Lease	Property Type:	Retail Class C
Starting Rent:		Term:	5 Years	Escalations:		On Market:	10 Mos	Building Area:	70,220 SF
Effective Rent:		Exp. Date:	Oct 2023	TI Allowance:		Build-Out:		Built/Renov:	1987/
				Position:	In-Line	Dock/Drive In:		Parking Ratio:	

Leasing Rep: Cobalt Realty, LLC - Andre Bruni


Tenant Rep: JLL - Buff Teague

Lease Notes:

Landlord: Cobalt Realty, LLC

Tenant SIC:

2



20,000 SF Retail Lease Signed Jul 2018 for \$6.63 Triple Net (Asking)

741-845 Hillcrest Rd - 1st Floor Direct

Mobile, AL 36695 - West Mobile Submarket

★ ★ ★ ★ ★

Asking Rent:	\$6.63/NNN	Start Date:	Aug 2018	Free Rent:		Deal Type:	New Lease	Property Type:	Retail Class C
Starting Rent:		Term:		Escalations:		On Market:	114 Mos	Building Area:	117,240 SF
Effective Rent:		Exp. Date:		TI Allowance:		Build-Out:		Built/Renov:	2015/
				Position:		Dock/Drive In:		Parking Ratio:	3.15/1,000 SF

Leasing Rep: Cummings & Associates - Marl Cummings IV


Tenant Rep:

Lease Notes:

Landlord: Cummings & Associates

Tenant SIC:

3



20,000 SF Office/Retail Lease Signed Jul 2018 for \$8.25 Triple Net (Asking)

5350 Grantswood Rd - 1st Floor Direct, Leased by Classic Collision

Birmingham, AL 35210 - Trussville Submarket

★ ★ ★ ★ ★

Asking Rent:	\$8.25/NNN	Start Date:	Aug 2018	Free Rent:		Deal Type:	New Lease	Property Type:	Retail Class C
Starting Rent:		Term:		Escalations:		On Market:	18 Mos	Building Area:	20,000 SF
Effective Rent:		Exp. Date:		TI Allowance:		Build-Out:		Built/Renov:	1992/
Amenities:									

Leasing Rep: Engel Realty Company LLC - Michael Johnson, Dan Anderson


Tenant Rep:

Lease Notes:

Landlord: Roll Martha Jane

Tenant SIC:

4



42,545 SF Retail Lease Signed May 2018 for \$6.50 Triple Net (Asking)

314-320 N University Blvd - 1st Floor Direct

Mobile, AL 36608 - West Mobile Submarket

★ ★ ★ ★ ★

Asking Rent:	\$6.50/NNN	Start Date:	Jun 2018	Free Rent:		Deal Type:	New Lease	Property Type:	Retail Class C
Starting Rent:		Term:		Escalations:		On Market:	8 Mos	Building Area:	60,519 SF
Effective Rent:		Exp. Date:		TI Allowance:		Build-Out:		Built/Renov:	1975/
				Position:		Dock/Drive In:		Parking Ratio:	3.78/1,000 SF

Leasing Rep: Cummings & Associates - Marl Cummings IV


Tenant Rep:

Lease Notes:

Landlord: Cummings & Associates

Tenant SIC:

5



42,545 SF Retail Lease Signed May 2018 for \$6.50 Modified Gross (Asking)

314 S University Blvd - 1st Floor Direct

Mobile, AL 36609 - West Mobile Submarket

★ ★ ★ ★ ★

Asking Rent:	\$6.50/MG	Start Date:	Jun 2018	Free Rent:	0 Mos	Deal Type:	New Lease	Property Type:	Retail Class B
Starting Rent:		Term:		Escalations:		On Market:	13 Mos	Building Area:	42,545 SF
Effective Rent:		Exp. Date:		TI Allowance:		Build-Out:		Built/Renov:	
				Position:		Dock/Drive In:		Parking Ratio:	

Leasing Rep: Cummings & Associates - Matthew R. Cummings


Tenant Rep:

Lease Notes:

Landlord:

Tenant SIC:

6



25,865 SF Retail Lease Signed Mar 2018 for \$6.50 Modified Gross (Effective)

2740-2764 Pelham Pky - 1st Floor Direct, Leased by Mike's Merchandise

Pelham, AL 35124 - I-65 Cor/S Shelby County Submarket

★ ★ ★ ★ ★

Asking Rent:	\$8.00/MG	Start Date:	Jun 2018	Free Rent:		Deal Type:	New Lease	Property Type:	Retail Class C
Starting Rent:	\$6.50/MG	Term:	5 Years	Escalations:		On Market:	30 Mos	Building Area:	57,380 SF
Effective Rent:	\$6.50/MG	Exp. Date:	May 2023	TI Allowance:		Build-Out:		Built/Renov:	2002/
				Position:		Dock/Drive In:		Parking Ratio:	6.01/1,000 SF

Leasing Rep: Lumpkin Development LLC - Wade Stubbs

Tenant Rep: Retail Specialists, LLC - Scott Plummer

Lease Notes:

Landlord: Edwin B Lumpkin Jr

Tenant SIC:

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Lease Comparables

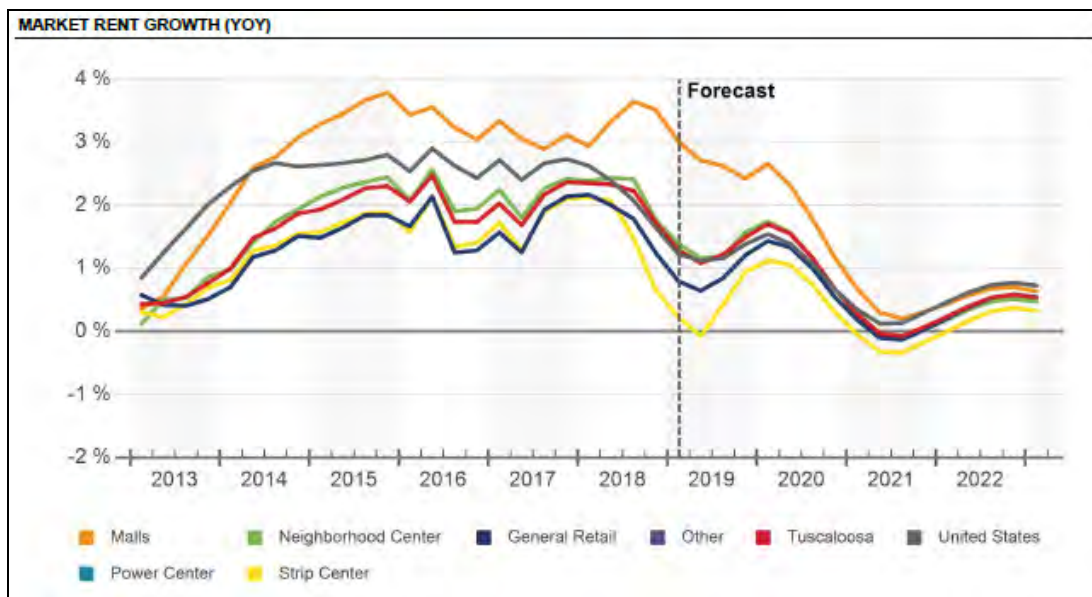
	20,707 SF Retail Lease Signed Nov 2017 for \$10.00 Triple Net (Asking) 260-300 Azalea Rd - 1st Floor Direct, Leased by Pilot Mobile, AL 36609 - West Mobile Submarket			
Asking Rent: \$10.00/NNN Starting Rent: Effective Rent:	Start Date: Dec 2017 Term: Exp. Date:	Free Rent: Escalations: TI Allowance: Position:	Deal Type: New Lease On Market: 22 Mos Build-Out: Full Build-Out Dock/Drive In:	Property Type: Retail Class C Building Area: 131,208 SF Built/Renov: 1964/ Parking Ratio: 3.28/1,000 SF
Leasing Rep: White-Spinner Realty - Mike Reid	Landlord: Wood Belle			
Tenant Rep:	Tenant SIC:			
Lease Notes:	ID# 13334905			

	24,000 SF Retail Lease Signed Sep 2017 for \$7.00 Triple Net (Asking) 5013-5055 Cottage Hill Rd - 1st Floor Direct Mobile, AL 36609 - West Mobile Submarket			
Asking Rent: \$7.00/NNN Starting Rent: Effective Rent:	Start Date: Dec 2017 Term: Exp. Date:	Free Rent: Escalations: TI Allowance: Position:	Deal Type: New Lease On Market: 35 Mos Build-Out: Full Build-Out Dock/Drive In:	Property Type: Retail Class C Building Area: 89,835 SF Built/Renov: 1973/ Parking Ratio: 4.45/1,000 SF
Leasing Rep: White-Spinner Realty - Mike Reid	Landlord: White-spinner Blacksher			
Tenant Rep:	Tenant SIC:			
Lease Notes:	ID# 13197447			

	31,388 SF Retail Lease Signed Apr 2017 for \$6.50 Triple Net (Effective) 1845-1855 Montgomery Hwy S - 1st Floor Direct, Leased by Big Lots Hoover, AL 35244 - Hoover Submarket			
Asking Rent: \$6.50/NNN Starting Rent: \$6.50/NNN Effective Rent: \$6.50/NNN	Start Date: Apr 2017 Term: 2 Years Exp. Date: Mar 2019	Free Rent: Escalations: TI Allowance: Position:	Deal Type: Renewal On Market: 31 Mos Build-Out: Full Build-Out Dock/Drive In:	Property Type: Retail Class B Building Area: 197,328 SF Built/Renov: 1989/ Parking Ratio: 5.22/1,000 SF
Leasing Rep: Folmar and Associates - Bob Sirmon	Landlord: Folmar and Associates			
Tenant Rep:	Tenant SIC: Variety Stores			
Lease Notes:				

Potential Gross Annual Income Estimate

According to CoStar, retail rents in the subject's submarket have decreased in its year-over-year growth rate from 3.5% over the last 12 months to a current rate of 1.25%. Continued decline in growth is producing a flattening of the retail rental rates.



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Most freestanding buildings in the market are owner-occupied as it is more economical for a tenant to lease in a multi-tenant building. The subject is listed with Keller Williams for \$7.50 per square foot on a triple net basis. Given the location, age, quality/condition of the subject in comparison to the local rental comparables, I have determined an appropriate market rental rate to be \$6.50 per square foot on a triple net basis.

POTENTIAL GROSS ANNUAL INCOME				
Size (SF)	X	Rental Rate (PSF)	=	Potential Gross Income
41,656	X	\$6.50	=	\$270,764

Tenant Reimbursements

It has been established that a triple net lease is typical of the market for buildings in the subject neighborhood. As a result, real estate taxes, insurance and maintenance expenses have been reimbursed.

Effective Gross Income

Effective gross income is the income remaining to satisfy operating expenses and other financial requirements. This figure represents the net income remaining after vacancy allowances have been deducted from gross potential income.

Vacancy and Collection Losses

Having arrived at this estimate of full potential income expectancy, I have estimated the probable rent to be received, or the anticipated future effective gross income. In practice, a building is not expected to be fully occupied throughout its useful life or any major portion of it.

Frequently, a new tenant is not found after an old tenant vacates, resulting in a loss of rental income due to vacancy. Rental loss from a tenant's inability or unwillingness to pay may accumulate before the owner can resort to remedial measures, resulting in rent loss. With occasional exceptions, I recognize an allowance, which is usually estimated as a percentage of potential gross income, and which varies according to the type of property, the tenancy and general conditions of the property and the market. Credit allowance takes into consideration the loss in rent due to collections of rent.

According to Costar's most recent retail market reports, the subject's market currently has a vacancy rate of 1.6% for general retail properties, 2.2% overall in the Tuscaloosa market and 4.4% nationwide.

Tuscaloosa is experiencing historic lows in retail vacancy rates. These rates have been declining since their high in 2009 at 6.4%. With low vacancy rates it is common to see new development and deliveries within the market. This is not seen in the retail market as current and new development remains low. Investors focus is on the reemerging auto industry within the local area with significant new construction aimed at custom industrial buildings for this market.

I have utilized a vacancy and collection allowance of 5%. A vacancy and collection allowance does not necessarily mean that an exact percentage of the rent will be lost every year by reason of vacancies and collection.

A property may enjoy full occupancy for several years and then encounter a period of competition when vacancies may increase significantly. However, this does not invalidate the projection as long as the selected vacancy and collection factor is sufficient to cover average vacancies over the life of the subject.

Operating Expenses

Operating expenses include the necessary expenses to maintain the subject property on a daily basis. These expenses include real estate taxes and insurance, which are classified as fixed expenses, and variable expenses, which include management, repairs/maintenance, reserves, and administrative expenses.

Real Estate Taxes

I have utilized the 2018 tax liability as shown in the tax analysis section of this report.

Insurance

The insurance industry in the U.S. and abroad has recently been confronted by unprecedented catastrophic losses resulting from the increased frequency of natural disasters around the globe. As a result, insurance premiums have increased and are expected to continue to increase. Based on information provided by Citizens Insurance Corporation, we have estimated the insurance expense for the subject to be \$0.50 per square foot.

Maintenance and Repairs

Maintenance and Repairs accounts for all items of general maintenance and repair, to include exterior and interior maintenance. Based on other buildings within the area, along with published information, maintenance has been estimated at \$0.50 per square foot.

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Management/Administrative

Management is estimated as a percentage of effective gross income. Discussions with knowledgeable management companies in the area indicated that management expenses are within a range of 3% to 5%. Given the property type, size and nature of the lease, a management fee of 4% of effective gross income is considered appropriate.

Utilities

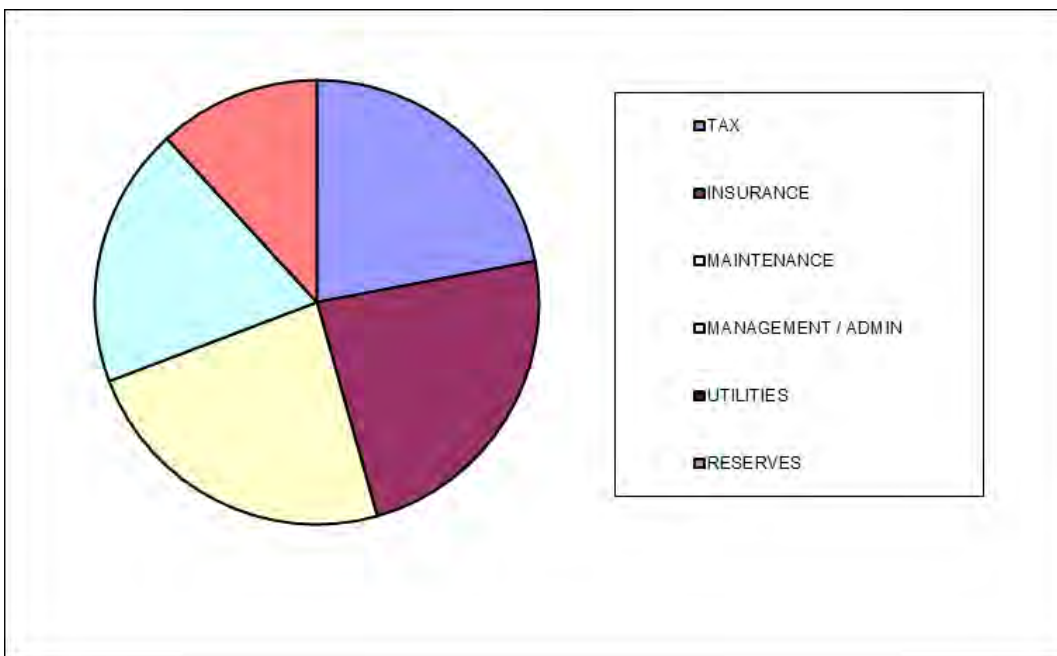
Within the local market, the tenant is responsible for his or her own utilities. If the tenant vacates, it is assumed that the utilities would be shut off; therefore, no utility expense has been utilized.

Reserves for Replacement

Although seldom done, a sinking fund is established for replacement of certain components other than the building itself. The annual amount is based on the cost of replacement, divided by the estimated useful life in years. Many such capital expenditures are recaptured through the maintenance and repairs expense account previously described. I have included a \$0.25 per square foot expense given the condition of the subject.

Total Expenses

Expenses associated with the subject are estimated to be \$84,122, or \$2.02 per square foot of the total building area. The following is an illustration of the expenses in chart form.



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Net Income

By deducting total expenses from effective gross income, the net operating income equates to \$231,146. The following chart is the income and expense summary, which illustrates the previously discussed values.

INCOME AND EXPENSE SUMMARY				
	Size (SF)	Market Rent		Annual Income
SUBJECT	41,656	\$ 6.50		\$ 270,764
PLUS TENANT REIMBURSEMENTS				\$ 61,097
TOTAL INCOME				\$ 331,861
LESS VACANCY		5.00%	\$ 16,593	
EFFECTIVE GROSS INCOME				\$ 315,268
EXPENSES				
TAX		\$ 0.47	\$ 19,441	
INSURANCE		\$ 0.50	\$ 20,828	
MAINTENANCE		\$ 0.50	\$ 20,828	
MANAGEMENT / ADMIN	4.00%	\$ 0.30	\$ 12,611	
UTILITIES		\$ -	\$ -	
RESERVES		\$ 0.25	\$ 10,414	
TOTAL EXPENSES		\$2.02	\$ 84,122	\$ 84,122
NOI				\$ 231,146

METHOD OF CAPITALIZATION

Capitalization of the subject property's estimated net income takes into account the overall physical character of the property itself, the qualitative character of its net income potential, investor requirements, and the availability of capital. In the case of the subject property, the estimated net income is based on forecasted rentals at current market rates.

Prices paid for properties of all types are dramatically affected by the availability of capital. All classes of investments (stocks, bonds, and other liquid assets, as well as real and personal property) compete for their share of the capital market based on the yield that the alternative investments can provide. Therefore, during periods of high interest rates, capital for real estate transactions becomes scarce; resulting in both discounted prices for cash transactions and inflated prices for "investor terms" (seller financing).

Typically, with the recent decline in interest rates reflected in the market today, equity capital, as well as borrowed capital, flows into the real estate market creating an abundant supply of capital competing for prime real estate investments of both land suitable for development and existing properties, driving up prices paid for these investments.

Greater weight is given a property's long term potential, rather than its current yield. In recognition of the changing criteria and the overall character of a specific property, various methods of capitalization are available. The proper technique is usually that which most closely approximates the actions of typical buyers and sellers of that particular type of property, and consideration will be given those techniques, which appear most appropriate to the subject.

The two most common techniques of converting net income into value are direct capitalization and yield capitalization (discounted cash flow analysis). In direct capitalization, net operating income is divided by an overall rate extracted directly from market sales to indicate a value. In yield capitalization, anticipated future net income streams and a reversionary value are discounted to an estimated present value.

Direct Capitalization

In estimating the value of income-producing properties, such as the subject, by the Income Approach, the appraisers must first estimate the annual income that can be expected to be derived from the property, estimate and deduct from estimated income those expenses that will be incurred in producing the income, and finally, capitalize the resulting net operating income into an estimate of value for the property. The capitalization of this income figure, known as direct capitalization, is based upon an overall capitalization rate, which recognizes current economic conditions and current investor criteria.

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Yield Capitalization (Discounted Cash Flow Analysis)

The discount cash flow analysis differs from direct capitalization, in that this method recognizes a property's expected future cash flows over a typical holding period. By forecasting the anticipated income stream and determining a reversion at the termination of the forecasting period, this capitalization procedure may be applied to derive a value that a purchaser would pay to receive the particular income stream. The total value estimate relates to the right to receive these cash flow benefits.

DIRECT CAPITALIZATION

Direct capitalization is most appropriate for the subject because this method represents typical local investor purchase in this market. This technique is simply a direct capitalization of the subject's net income by use of an overall capitalization rate as derived from the market.

I have consulted information published in the First Quarter 2019 RealtyRates.com Investor Survey, summarized in the chart below.

Property Type	Cap Rate Minimum	Cap Rate Maximum	Cap Rate Average
Retail - All Types	4.88%	14.62%	10.01%
Retail - Free Standing	5.29%	13.91%	10.56%

Additionally, the following is a summary of the imputed capitalization rates illustrated by the improved sales. The imputed rates are based on market rental rates and expenses.

Sale	Sale Date	Sale Price	Building Size (SF)	Actual Age	Estimated NOI	Imputed Rate
1	08/09/18	\$1,314,000	23,500	1998	\$149,930	11.41%
2	11/14/17	\$2,750,000	27,190	1995	\$173,472	6.31%
3	02/13/17	\$1,950,000	25,000	1993	\$159,500	8.18%
4	10/17/16	\$2,445,000	30,550	1997	\$194,909	7.97%
5	02/27/19	\$2,200,000	38,798	2003	\$247,531	11.25%
					Average	9.02%

To further support my estimate of an appropriate capitalization rate, a formula known as Mortgage-Equity will be used.

(R₀) By Mortgage-Equity Formula

In general, mortgage-equity analysis involves estimating the value of a property based on both mortgage and equity return requirements.

The mortgage-equity method for deriving an appropriate capitalization rate for the subject property is a mathematical formula, which builds the cap rate to satisfy the mortgage constant requirement of the lender and the pre-tax cash flow requirement of the equity investor. This formula considers equity build-up and projected changes in the overall property value over a typical investor-holding period.

Typical loan and equity requirements, investor holding periods, and overall appreciation or depreciation to the subject property must be projected to build up an applicable capitalization rate using the mortgage-equity formula.

Debt Requirement

I have utilized an interest rate of 6.25% for the subject property based on a 25-year amortization, with a loan-to-value ratio of 70%.

Equity Requirement

Based on the alternative investments available to the investor and the risk involved with the subject property, I believe a pre-tax yield on an equity investment of 15.0% would be required (yield rate) to attract equity capital.

Holding Period

Based on typical investor criteria, I have projected a 10-year holding period for the subject property.

Projected Change in Overall Property Value During the Holding Period

Based on historical trends and economic outlooks, I have projected the market rate of appreciation to be 4% annually over the estimated holding period.

For purposes of this analysis, I have used the market inflation rate or constant rate of change (CR) for establishing a cap rate via mortgage-equity.

The mortgage-equity formula used to build a cap rate in this assignment will be the Akerson Format, and is presented in the following chart.

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OVERALL CAPITALIZATION RATE COMPUTATION									
Factors for these assumptions are:									
Annual Mortgage Constant	6.25%	25 years:							0.079160
Percent Paid Off, Years 1 through		10 years:							0.230637
Sinking Fund Factor	15.00%	10 years:							0.049252
BAND OF INVESTMENT TECHNIQUE, AKERSON FORMAT:									
	Portion	x	Factor/ Rate	=					Weighted Rate
First Mortgage	70.00%	x	0.079160	=					0.055412
Equity Yield Rate	<u>30.00%</u>	x	0.150000	=					<u>0.045000</u>
Subtotal	100.00%								0.100412
Less Credit for Equity Buildup through Loan Amortization									
6.25% Loan @ 0.230637	x	70.00%	x	0.049252	=				<u>-0.007952</u>
Basic Rate for 10 year projection period									0.092461
Less Credit for Property Appreciation:									
10 Years 4.00% Ann. Apprec.	x		0.049252	=					<u>-0.001970</u>
Adjusted Cap Rate									0.090491
OVERALL CAPITALIZATION RATE (ROUNDED):									9.05%

Conclusion of Capitalization Rate

SWOT analysis (or **SWOT matrix**) is a strategic planning technique to assist the appraiser to identify the *Strengths*, *Weaknesses*, *Opportunities*, and *Threats* related to property. It is intended to identify the internal and external factors that are favorable and unfavorable. Strengths and Weakness are frequently internally-related, while Opportunities and Threats commonly focus on environmental placement.

Strengths / Opportunities:

- Low market vacancy
- Access to major corridors
- Overall Alabama commercial real estate market that has experienced significant growth in the last three years

Weaknesses / Threats:

- Real Estate Cycle - Risk of Contraction following eight years of expansion
- Retail Market highly dependent on the automobile industry success.

Considering the age, condition and location of the subject, I have considered a capitalization rate of **9%** applicable to the subject's NOI. By dividing the NOI by the estimated overall capitalization rate, an indication of market value is obtained, as calculated in the following chart.

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VALUE CONCLUSION				
NOI	÷	Overall Rate	=	Value
\$231,146	÷	9.00%	=	\$2,568,292
Rounded To			=	\$2,570,000

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RECONCILIATION AND FINAL VALUE ESTIMATE

Two basic factors in any approach utilized in a value estimate, or appraisal, are immediately apparent based on previously given and widely recognized appraisal definitions. First, rational and informed behavior is primary in the definition of market value. Second, a highest and best use of a property is fundamental in a value estimate. Consideration has been given to the highest and best use analysis, including: accessibility, suitability for development, and current development in the neighborhood, both existing and proposed.

The various approaches to value in a market that is basically "in balance" should give reasonably similar indications of value; in a sound market, the value of a property tends to be at or near the reproduction cost new of the improvements, less physical depreciation plus land value. When demand begins to outrun supply, the value of such properties tends to exceed the depreciated reproduction cost, as purchasers are willing to pay more for the sake of immediate ownership.

The Sales Comparison and Income Approaches to value were utilized to estimate the "As Is" fee simple market value of the real estate only. Most weight has been placed on the Sales Comparison Approach. This weighting reflects, in my opinion, the quality and similarity of the data found in the Sales Comparison Approach over the Income Approach. In addition, the typical buyer of the subject will be an owner user. With this weighting, the value indication is as follows:

Reconciled Market Value of the Real Estate Only					
Approach	Value	X	Weight	=	Value
Sales Comparison	\$2,580,000	X	60%	=	\$1,548,000
Income	\$2,570,000	X	40%	=	\$1,028,000
Total Value				=	\$2,576,000
Rounded To				=	\$2,580,000

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INSURABLE VALUE

The purpose of this analysis is to provide the replacement cost new (no depreciation) of the building improvements (excluding personal property) for insurance purposes. The insurable cost analysis includes all vertical components of the buildings and some necessary soft costs, but does not include such items as impact fees, financing costs, etc. Insurance exclusions or additions are a matter of underwriting and not a matter of valuation.

The Dictionary of Real Estate Appraisal, Sixth Edition, defines Replacement Cost as:

The estimated cost to construct, at current prices as of the effective date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.

The Sage Group (TSG) relies upon Marshall and Swift Valuation Services to estimate replacement cost for the subject. Marshall and Swift Valuation Services is one of the leading cost providers of data and technologies to the appraisal industry, and continually gathers and monitors the latest developments in building cost, components and technologies.

A review of the client's insurance policy is outside the scope of work of this assignment. It is the responsibility of the client to carefully review their own policy and make sure the insurable value provided in this report is in compliance with the provisions of their policy.

In addition to the exclusions, the costs to remove the existing, hypothetically damaged structure have been included as construction after a loss may require added costs before replacement or repairs can be made. This may include complete or partial demolition, gutting and/or debris removal to make the site clear and safe for reconstruction.

This may vary by location, type of catastrophe, type of construction and the extent of the loss. A building completely destroyed by fire may require only simple debris removal, while a partial storm damage loss could require a more complete gutting, cleanup and removal.

After a loss or demolition, while the excavation, foundations and below ground plumbing may still exist, the necessity for repair and modification may (or may not) be required. In this case the cost of excavation and foundation have not been included.

Plans, specifications and engineering are seldom repeated on the same site, since buildings are not usually 100% replicated after loss.

Due to the number of variables possible in the above scenarios, my Cost Model has developed "exclusions" for various classes and costs of structures. In the case of the subject property, the "debris removal" factor averages about \$2.50 per square foot for a property of this type.

Cost does **not** equal market value and insurable value is only included to represent replacement cost for insurance purposes. Replacement cost should **not** be relied upon for collateral, financing or any business decisions other than for insurance underwriting purposes.

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The lender/borrower should rely on their insurance carrier to determine the appropriate insurance coverage. Insurance companies may utilize different cost models or parameters to determine replacement or reproduction cost.

Replacement cost changes substantially over time and is dependent on several factors including cost of labor and materials. As a result, this replacement cost calculation is only valid on the effective date of value.

The base cost of the vertical improvements (exclusive of impact fees and other items) presumed to remain after a catastrophic loss is estimated as follows:

Insurable Value of the Improvements	
Marshall and Swift Section/Page	13/20
Marshall and Swift Construction Type	C
Base Replacement Cost (PSF)	\$88.00
Local Multiplier	0.86
Perimeter Multiplier	0.821
Current Cost Multiplier	0.97
Net Multiplier	0.685
<i>Subtotal Replacement Cost</i>	<i>\$60.27</i>
Debris Removal	\$2.50
<i>Total Replacement Cost</i>	<i>\$62.77</i>
Building Size (SF)	41,656
Insurable Value	\$2,614,717
Insurable Value (Rounded)	\$2,615,000

ADDENDA

LEGAL DESCRIPTION

EXHIBIT A

DESCRIBED PROPERTY IS LOCATED IN TUSCALOOSA COUNTY, AL

Commence at a concrete monument found at the Southwest corner of the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Sec. 7, Township 21 South, Range 10 West, also known as the Point of Commencement; thence run S 85 degrees 53' 24" E, 226.20 feet to a 1" iron pin found, thence run S 32 degrees 55' 20" E, 171.53 feet to a 1" iron pin found, thence run N 22 degrees 25' 13" W, 278.14 feet to a 3" iron pin found on a fence; thence run along a fence N 78 degrees 58' 02" E, 123.77 feet to a 3" iron pin found at a fence corner; thence run along a fence N 00 degrees 30' 04" W, 463.14 feet to a $\frac{1}{2}$ " iron pin set 46 feet South of the edge of pavement of Highway #82 (varying right of way); thence run N 75 degrees 51' 22" E, 106.98 feet to a $\frac{1}{2}$ " iron pin set 46 feet South of the edge of pavement of said highway, also known as the Point of Beginning; thence run N 75 degrees 28' 41" E, 197.58 feet to a $\frac{1}{2}$ " iron pin set at a power pole 39 feet South of the edge of pavement of said highway; thence run N 82 degrees 13' 53" E, 90.38 feet to a concrete monument found 15 feet West of the edge of pavement of said highway; thence run S 21 degrees 24' 21" E, 189.08 feet to a $\frac{1}{2}$ " iron pin set 50 feet West of the centerline of Airport Road (100' right of way); thence run S 01 degrees 19' 41" E, 206.57 feet to a $\frac{1}{2}$ " iron pin set 50 feet west of the centerline of said road; thence run S 80 degrees 28' 33" W, 361.69 feet to a $\frac{1}{2}$ inch iron pin set at a power pole; thence run N 00 degrees 18' 48" E, 380.64 feet to the Point of Beginning. Said herein described tract contains 3.0 acres, more or less, and lies in the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Sec. 7, T-21-S, R-10-W, Tuscaloosa County, Alabama.

The same being a portion of Tract 1 of the Sammy Lemonis Subdivision, a map or plat of which is recorded in the probate office of Tuscaloosa County, Alabama in Plat Book 2007, at Page 70.

Source of Title: Deed Book 2007 Page 9295.

QUALIFICATIONS

QUALIFICATIONS OF LARRY G. SAGE, MAI, AI-GRS, CEA, ASA



The Sage Group
www.sageappraisal.com
904-215-6623



A+ Rating

Member of The Appraisal Institute (MAI No. 9384): The Appraisal Institute conducts a mandatory program of continuing education for its designated members.



Certified Equipment Appraiser (CEA 698) by the Association of Machinery & Equipment Appraisers.



Accredited Senior Appraiser (ASA) by the American Society of Appraisers.



Central Florida
618 East South St. Suite 500
Orlando, Florida 32801
407-434-9042

West Coast Florida
4830 W. Kennedy Blvd. Suite 600
Tampa, Florida 33609
813-803-0026

Northeast Florida
3517 Hwy 17, Suite A
Fleming Island, Florida 32003
904-215-6623

South Florida
801 Brickell Ave. Suite 900
Miami, Florida 33131
305-907-6159

QUALIFICATIONS (Continued)

CERTIFIED GENERAL APPRAISER

- | | |
|---------------------------|----------------|
| • State of Florida | CG No. RZ-2513 |
| • State of Georgia | CG No. 262267 |
| • State of Alabama | CG No. G00809 |
| • State of North Carolina | CG No. A6874 |
| • State of South Carolina | CG No. 6694 |

REAL ESTATE APPRAISAL EXPERIENCE

26 years of appraisal experience on a variety of real estate on a national basis including, but not limited to the following:

Offices	Day Cares	Resort Properties
Shopping Centers	Bowling Centers	Office/Retail Condos
Industrial Buildings	Movie Theaters	Auto Dealerships
Convenience Stores	Marinas	Medical Buildings
Gas Stations	Subdivisions	Hotels/Motels
Car Wash	Vacant Land	Restaurants

EQUIPMENT APPRAISAL EXPERIENCE

Over the last 20 years I have appraised a variety of equipment and personal property on a national basis including, but not limited to the following:

Pressing and Drilling	Specialty Industrial	Tool and Dye
Industrial Automation	Computer	Presses
Foundry	Truck/Tractor	Dry Cleaning
Mining	Roll/Forming	Sound/Lighting
Medical/Hospital/Dental	Electronic	X-ray/MRI

QUALIFICATIONS (Continued)

BUSINESS VALUATION EXPERIENCE

I am a qualified source for the US Small Business Administration, FDIC and USDA to appraise intangible business enterprises. Over the last 20 years I have appraised a variety of closely held businesses on a national basis including, but not limiting to the following:

Law Firms	Hotels	Motels
Accounting Practices	Appraisal Firms	Auto Sales
Restaurants	Truck/Tractor	Dry Cleaning
Auto Service	Daycares	Assisted Living Facilities
Service Business	Carwashes	Engineering Firms
Aviation	Medical	Technical

GEOGRAPHIC AREAS SERVICED

Florida	Virginia	New Hampshire
Georgia	Washington DC	Ohio
South Carolina	Pennsylvania	Illinois
North Carolina	New York	Kansas
Tennessee	Connecticut	Michigan
Texas	Massachusetts	Arizona
Louisiana	Maine	California
Alabama	Vermont	Oregon

EMPLOYMENT

Commercial Appraisers for Gary E. Bullard, MAI and Associates, Inc., Daytona Beach, Florida, February 1987 to December 1988.

Vice President of Hunsicker and Associates, Dallas, Texas, December 1988 to January 1992. Trained under Harry B. Hunsicker, Harvard MBA.

President and Managing Partner of The Sage Group. January 1992 to present with offices in Fleming Island (Northeast Florida), Orlando, Tampa and Miami, Florida.

QUALIFICATIONS (Continued)

EDUCATION

NORTHEASTERN UNIVERSITY, Boston, Massachusetts, 1995/1996, Building Inspection, Mechanical Systems and Building Design.

UNIVERSITY COLLEGE OF SWANSEA, Swansea, Wales, United Kingdom. Post Graduate Studies, 1986/1987 in Economics, Statistics and Finance.

OXFORD UNIVERSITY, Oxford, England. Post Graduate Studies, 1987 in Micro and Macro Economics and Finance.

UNIVERSITY OF NORTH TEXAS, Denton, Texas. B.B.A. in Real Estate/Finance obtained in 1986. Real Estate Courses include: Real Estate Principles, Real Estate Law, Commercial Real Estate Appraisal.

TRAINING

Successfully completing the following courses:

Real Estate Principals	University of North Texas
Real Estate Law	University of North Texas
Real Estate Finance	University of North Texas
Basic Valuation	Duke University
Standards of Professional Practice	Tampa, Florida
Capitalization Theory Part A	Tufts University
Capitalization Theory Part B	Tufts University
Highest and Best Use Analysis	Tampa, Florida
Case Studies	Dallas, Texas
Report Writing	Houston, Texas
Condemnation Litigation	Plano, Texas
Machinery & Equipment MT 201	Los Angeles, California
Machinery & Equipment ME202OL	Columbia, Missouri
Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets	Orange Park, Florida

AFFILIATIONS

- Member of the Appraisal Institute (**MAI Number 9384**)
- Member of the Association of Machinery & Equipment Appraisers (**CEA**)
- Member of the American Society of Appraisers (**ASA**)
- Member of the Institute of Business Appraisers (**Member Number 1010465**)
- Appraisal Institute Review Committee and Review Board
- Toastmasters International

QUALIFICATIONS (Continued)

SPEAKING EXPERIENCE

Guest (Keynote) speaker on numerous occasions to include Civic, University and SBA Lender conferences.

COURT EXPERIENCE

Relied on as expert witness on improved and unimproved properties in various municipalities throughout the southeast, southwest and the northeast.

STATE OF ALABAMA CERTIFICATION



ENGAGEMENT LETTER

THE SAGE GROUP

Real Estate - Business - Equipment Appraisers

3517 Highway 17, Suite A,
Fleming Island, Florida 32003
904-215-6623 office 904-215-6625 fax
www.sageappraisal.com
E-Mail Lsage@sageappraisal.com



A+ Rated

CONTRACT FOR SERVICES

February 11, 2019

Mr. Steve Wilson
Florida Business Development Corporation & United States Small Business Administration
6801 Lake Worth Road, Suite 209
Lake Worth, Florida 33467
Phone: 561-433-0233 Fax: 561-433-8545
Email: steve@fbdc.net

RE: Real Estate Appraisal of Leisure Place, Inc. located at 3451 McFarland Blvd, Northport,
AL 35476. SBA Loan #: 3706305004. Appraiser's File Number 19075.

Dear Mr. Wilson:

The Sage Group (TSG) would like to express our appreciation for the opportunity to represent you in connection with the above-referenced assignment. The purpose of this letter is to set forth our understanding of the services to be performed by TSG, for this engagement and the basis upon which we will be paid for those services.

Please read this letter carefully. It describes the terms and conditions under which we will represent you concerning the above-referenced matter. Our policy requires that each client sign a copy of this letter agreeing to the terms and conditions described below before we can engage in representation. The terms and conditions of our engagement are as stated on the following pages.

Number of Appraisal Copies to be Provided

An electronic copy of the appraisal will be provided in PDF Format. Original hard copies can be provided upon request at \$50 each, plus shipping.

Intended Users

The following is a list of intended user(s) of the appraisal:

- United States Small Business Administration
- Florida Business Development Corporation



Central Florida
618 East South St. Suite 500
Orlando, Florida 32801
407-434-9042

West Coast Florida
4830 W. Kennedy Blvd. Suite 600
Tampa, Florida 33609
813-803-0026

Northeast Florida
3517 Hwy 17, Suite A
Fleming Island, Florida 32003
904-215-6623

South Florida
801 Brickell Ave. Suite 900
Miami, Florida 33131
305-907-6159

Client

The following is the defined client as it relates to this engagement:

- Florida Business Development Corporation

Intended Use of the Appraisal

The intended use of the appraisal is to assist the client in evaluating the subject as it relates to asset/collateral determination in connection with an existing SBA loan.

Purpose of the Appraisal

The purpose of the appraisal is to establish the following:

- As Is Market Value of the Real Estate only
- Insurable Value of the Improvements

Interest Appraised

Fee Simple

Hypothetical Conditions, Extraordinary Assumptions

None noted at the time of engagement.

Delivery Date of the Appraisal

TSG agrees to deliver the appraisal within three weeks of engagement. Delivery is contingent on receipt of a signed copy of this engagement letter.

Compliance

The appraisal report will comply with the Uniform Standards of Professional Appraisal Practice (USPAP) as well as the regulations of Title IX of the Federal Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA), IRS Ruling 59-60, Uniform Standards of Professional Appraisal Practice, as well as the guidelines set forth by the Comptroller of Currency (OCC) Standards of 12 CFR Part 34 and the Gramm-Leach-Bliley Act of 1999 and SBA SOP 50 10 5(j) effective January 1, 2018.

Confidentiality

TSG shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement to, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

Governing Law

The laws of Florida shall govern all actions arising out of the performance of this agreement. This agreement is executed in acknowledgement and agreement with the above terms and conditions. The parties agree that any legal proceeding brought by either party to interpret or enforce this Agreement, or to enforce an arbitration award entered pursuant to this Agreement, shall be brought in a state or federal court having jurisdiction over the location of our office as specified in this Agreement, and the parties hereby waive any objections to the personal jurisdiction of said court.

In the event any provision of this Agreement shall be determined to be void or unenforceable by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

Scope of the Appraisal(s)

TSG will use all approaches necessary to develop a credible opinion of value.

Client's Representation and Warranties

The client represents and warrants to TSG that (1) Client has all right, power and authority to enter into this Agreement; (2) Client's duties and obligations under this Agreement do not conflict with any other duties or obligations assumed by Client under any agreement between Client and any other party; and (3) Client has not engaged TSG, nor will Client use TSG's Appraisal Report, for any purposes that violate any federal, state or local law, regulation or ordinance or common law.

Services Not Provided

The fee set forth in this Agreement applies to the appraisal services rendered by TSG as set forth in this Agreement. Any additional services performed by TSG not set forth in this Agreement will be performed on terms and conditions set forth in an amendment to this Agreement, or in a separate agreement.

Changes to Agreement

Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the client, intended users, or intended uses, date of value, type of value, or property appraised cannot be changed without a new Agreement.

Cancellations

Client may cancel this Agreement at any time prior to TSG's delivery of the Appraisal Report upon written notification to TSG. Client shall pay TSG for work completed on assignment prior to TSG's receipt of written cancellation notice, unless otherwise agreed upon by TSG and Client in writing.

Compensation

The fee for completing the appraisal is \$2,500. The fee is due regardless of the outcome of the Appraisal, and/or end results. This rate is guaranteed for 12 months from contract signing. Subsequent work will be performed at the then prevailing rate. TSG shall provide services reasonably required to represent you as the Client in a professional manner.

Appraiser Independence

We cannot agree to provide a value opinion that is contingent on a predetermined amount. We cannot guarantee the outcome of the assignment in advance. We cannot ensure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective of Client or others or advance any particular cause. Our opinion of value will be developed competently and with independence, impartiality and objectivity.

For both appraisal and evaluation functions, TSG maintains standards of independence as part of an effective valuation program for all of our appraisal activity. The valuation program is an integral component of the appraisal process and, therefore, is isolated from influence of the client. As appraisers we are independent of the loan production and have no direct, indirect or prospective interest, financial or otherwise, in the property or transaction.

However, communication between the lender and TSG is essential for the exchange of appropriate information relative to the valuation assignment. We have procedures and methods for communication that ensure independence in the collateral valuation function. These policies and procedures should foster timely and appropriate communications regarding the assignment and establish a process for responding to questions from the client.

Previous Services

We have not performed services as appraisers regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. This was disclosed to the Client prior to acceptance of the assignment.

Property Contact

Al (Bryant) Chastine – 205-339-3382 / place1@bellsouth.net

Special Note

The business is closed, the property contact has been uncooperative, and an exterior only inspection may be required.

Signature

I discuss the terms and conditions of our engagement so candidly because you are entitled to know all the terms, to avoid any misunderstandings later. Please sign a copy of this letter in the space below, indicating your agreement to the terms and conditions set forth above. Once signed, please send back this engagement letter to my office.

Thank you for your confidence in allowing TSG to assist you in this appraisal assignment.

Respectfully submitted,

THE SAGE GROUP



Larry G. Sage, MAI, AI-GRS, CEA, ASA
Date: February 11, 2019



FBDC



Mr. Steve Wilson
Date: 2-11-19