

XII

RECONCILIATION AND FINAL ESTIMATE OF VALUE

The following Fee Simple value indications have been developed in our analysis of the Market Data.

Reconciliation	
Caribbean Spa Resort	
529 Front Street, Key West, Florida	
Fee Simple Estate	
Valuation Method:	VTAB
Cost Approach	\$6,700,000
Income Approach	\$6,300,000
Sales Comparison Approach	\$6,600,000
"As Is" Market Value of the Fee Simple Estate of the Total Assets of the Business, as of May 1, 2011 (Rounded):	\$6,300,000

Reconciliation	
Caribbean Spa Resort	
529 Front Street, Key West, Florida	
Leasehold Interest	
Valuation Method:	VTAB
Cost Approach	Not Applicable
Income Approach	\$3,600,000
Sales Comparison Approach	Not Applicable
Leasehold Interest Value of the Total Assets of the Business, as of May 1, 2011 (Rounded):	\$3,600,000

Reconciliation	
Caribbean Spa Resort	
529 Front Street, Key West, Florida	
Leased Fee Interest	
Valuation Method:	VTAB
Cost Approach	Not Applicable
Income Approach	\$3,200,000
Sales Comparison Approach	Not Applicable
Leased Fee Interest Value as of May 1, 2011, Based on a New Startup at the End of the Lease (Rounded):	\$3,200,000

The Cost Approach is based on the estimated value of the land (developed through comparison), and the estimated cost of the site improvements. There can be complications in applying this approach, because identifying sales of land to develop a value indication can be difficult. However, in the case at hand the subject is currently licensed for 22 transient units, which is considered an entitlement. The appraisers identified redevelopment land comparables with entitlement rights. The depreciated value of the subject improvements was estimated based on its effective age. Therefore, the Cost Approach was considered applicable in valuing the fee simple estate for the subject property, which set the upper limit of value. This approach was not considered as reliable as the Income Approach; thus, was not weighted in the final value conclusion.

The Sales Comparison Approach is a direct measure of the buying and selling behavior of the participants in the real estate market. This approach directly measures what sellers are accepting and buyers are paying for property. Therefore, if a significant number of comparable sales have occurred and are available for analysis, then the Sales Comparison Approach becomes an important method in developing a value indication. Similar lodging property sales within the Key West market were utilized in valuing the fee simple estate. Though some of these sales were older, they were considered reliable as they were time adjusted for market conditions. Due to the uniqueness of the subject property, this approach was considered, but not weighted. The Sales Comparison Approach well-supported the Income Approach.

The Income Approach to value presumes that no prudent buyer will pay more for the subject property than the capitalized rental value attainable through ownership of the property. The buyer will only be willing to pay the present value of what he/she considers those future benefits to be. This approach is considered to be a strong indicator of current fair market value when the property is purchased as an income-producing property having a reliable historical cashflow. In the case at hand, the appraiser considered the Income approach and weighted it totally, since the subject property is a truly an income producing property.

This Discounted Cash Flow Technique was considered the most reliable approach in valuing the Leased Fee Interest and Leasehold Interest. This approach takes the account the lease payment, potential net income and reversion sale at the end of the lease term. For this reason, the Discounted Cash Flow Technique was considered the most reliable method in valuing the subject property.

The greatest weight is given to that approach in which the appraiser has the highest degree of confidence. This implies a minimum of assumptions and a sufficient quantity of data. Based on analysis of the real estate market activity in the subject property market area, and after considering the applicability and reliability of each of the value indications derived by the Cost Approach, Sales Comparison and Income Approaches. It is the appraisers' opinion that the most accurate indicator of value is by the Income Approach for subject property. Therefore, the Income Approach was weighted totally in all three valuations.

XIII

A D D E N D A



PROFESSIONAL QUALIFICATIONS

JAMES E. WILSON, III

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

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

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

APPRAISAL INSTITUTE

Appraisal Reporting of Complex Residential Properties, October, 1993.
 Persuasive Style in Narrative Appraisal Reports, May, 1994.
 ACE 1779 - "Special Purpose Properties - The Challenge of Real Estate Appraising in Limited Markets", September, 1996.
 410 Standards of Professional Practice, Part A (USPAP), 8/97.
 420 Standards of Professional Practice, Part B, August, 1997.
 520 Highest & Best Use and Market Analysis, October, 1997.
 Non-Conforming Uses Seminar, January, 1998.
 510 Advanced Income Capitalization, May, 1998.
 530 Advanced Sales Comparison & Cost Approach, May, 1998.
 540 Report Writing & Valuation Analysis, August, 1998.
 550 Advanced Applications, February, 1999.
 Regression Analysis in Appraisal Practice: Concepts & Applications, Seminar, March, 2000.
 General Demonstration Appraisal Report Writing Seminar, March, 2000.
 800 Separating Personal & Real Property from Intangible Business Assets, March, 2002.
 Successful Completion of the General Comprehensive Examination for the Appraisal Institute
 Uniform Appraisal Standards for Federal Land Requisitions, March, 2007
 General Demonstration Appraisal Report Writing Seminar, August, 2007
 Valuation of Conservation Easements, January, 2008.
 Appraising Distressed Commercial Real Estate, June, 2009
 Oil Spills and Property Values, Webinar, August, 2010
 Business Practices and Ethics, September, 2010

Professional Qualifications of James E. Wilson, III (Continued)**GOLD COAST SCHOOL OF REAL ESTATE (Continued)**

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

McKISSOCK DATA SYSTEMS

Automated Valuation Models, October, 2000.
Uniform Standards of Professional Appraisal Practice, October, 2000.
Factory Built Housing, October, 2000.
Appraiser Liability, September, 2002.
Appraising Nonconforming & Difficult Properties, September, 2002.
Appraiser Liability, USPAP, September, 2002.
Appraising for the Secondary Market, October, 2004.
Appraising High-Value Residential Properties, October, 2004.
Florida Laws and Regulations, October, 2004.
Limited Appraisals and the Scope of Work Decision, October, 2004.
National USPAP Equivalent, October, 2004.
Florida Laws and Regulations, September 2006.
Disclosures and Disclaimer, September, 2006.
Appraisal Trends, September 2006.
National USPAP Update Equivalent(2008-2009), November, 2008.
Introduction to Expert Witness Testimony, November 2008.
Mortgage Fraud-Protect Yourself, November, 2008.
Florida Appraisal Supervisor-Trainee Roles and Relationships, November, 2008.
Florida Laws and Regulations, November, 2008.
National USPAP Update Equivalent (2010-2011), August, 2010.
Risky Business: Ways to Minimize Liability, August, 2010.
Florida Laws and Regulations, August 2010.
Florida Appraisal Supervisor-Trainee Roles and Relationships, August, 2010.
The Changing World of FHA Appraising, August, 2010.

VALUE INFORMATION TECHNOLOGY, INC.

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

NORTH BROWARD BOARD OF REALTORS

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

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

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

Professional Associations:

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

Affiliations:

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

Experience:

WILCO VALUATIONS, P.A. d/b/a APPRAISAL COMPANY OF KEY WEST, James Wilson, President and his wife, Maria Virginia Wilson, also a State Certified General Real Estate Appraiser purchased the Appraisal Company of Key West from Mr. Richard Padron in April, 2004. Mr. Padron has continued to be a Fee Commercial Real Estate Appraiser with the Appraisal Company of Key West, which has ensured continuity and quality control.

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

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

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

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

APPRAISER CERTIFICATION

AC# 5171203		STATE OF FLORIDA	
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION		FLORIDA REAL ESTATE APPRAISAL BD	
		SEQ# L10090703406	
DATE	BATCH NUMBER	LICENSE NBR	
09/07/2010	100117199	RZ2164	
The CERTIFIED GENERAL APPRAISER Named below IS CERTIFIED Under the provisions of Chapter 475 FS. Expiration date: NOV 30, 2012			
WILSON, JAMES E 3229 FLAGLER AVE #101 KEY WEST		FL 33045-2152	
CHARLIE CRIST GOVERNOR		CHARLIE LIEM SECRETARY	
DISPLAY AS REQUIRED BY LAW			

Professional Qualifications

Richard Padron, CCIM, MSA, AAR, SRC

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

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

Education: Real Estate Certificate from Florida Keys Community College

**Professional
Activities:**

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

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

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

Experience: Appraisal Company of Key West, Inc. (Since 1987)

Richard Padron & Associates, Inc. (Since 1984)
 Michael A. Padron, Inc. (1978-1984)
 Riviera Enterprises, Inc. (1968-1984)

Area of Expertise:

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

APPRAISER CERTIFICATION

AC# 5249160		STATE OF FLORIDA	
		DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION FLORIDA REAL ESTATE APPRAISAL BD	
		SEQ# L10093006962	
DATE	BATCH NUMBER	LICENSE NBR	
09/30/2010	100162762	RZ544	
The CERTIFIED GENERAL APPRAISER Named below IS CERTIFIED Under the provisions of Chapter 475 FS. Expiration date: NOV 30, 2012			
PADRON, RICHARD 3229 FLAGLER AVE #101 KEY WEST		FL 33040	
CHARLIE CRIST GOVERNOR		CHARLIE LIEM SECRETARY	
DISPLAY AS REQUIRED BY LAW			

SUBJECT PHOTOGRAPHS



Exterior View of Subject Property Main Entrance from Parking Lot Looking Easterly



Exterior View of Westerly Side of Subject Property Looking Northerly from Parking Lot

SUBJECT PHOTOGRAPHS



Exterior View of Southerly Side of Subject Property Looking Northerly from Front Street



Exterior View of Easterly Side of Subject Property Looking Northerly from Simonton and Front Streets

SUBJECT PHOTOGRAPHS



Exterior View of Northerly Side of Subject Property Looking Southwesterly from Simonton Street



Interior View of Spa Office Area

SUBJECT PHOTOGRAPHS



Interior View of Fitness Room



Interior View of Spa Salon Room

SUBJECT PHOTOGRAPHS



Interior View of Spa Restroom



Interior View of Typical Guest Room

SUBJECT PHOTOGRAPHS



Interior View of Typical Guest Room



Interior View of Typical Guest Bath Room

SUBJECT PHOTOGRAPHS



Interior View of Typical Suite Bedroom



Interior View of Typical Suite Living Room

SUBJECT PHOTOGRAPHS



Interior View of Conference Meeting Room



Interior View of Conference Men's Restroom

SUBJECT PHOTOGRAPHS



Street Scene Looking Southerly Along Simonton Street



Street Scene Looking Northerly From the Corner of Simonton and Front Street

SUBJECT PHOTOGRAPHS

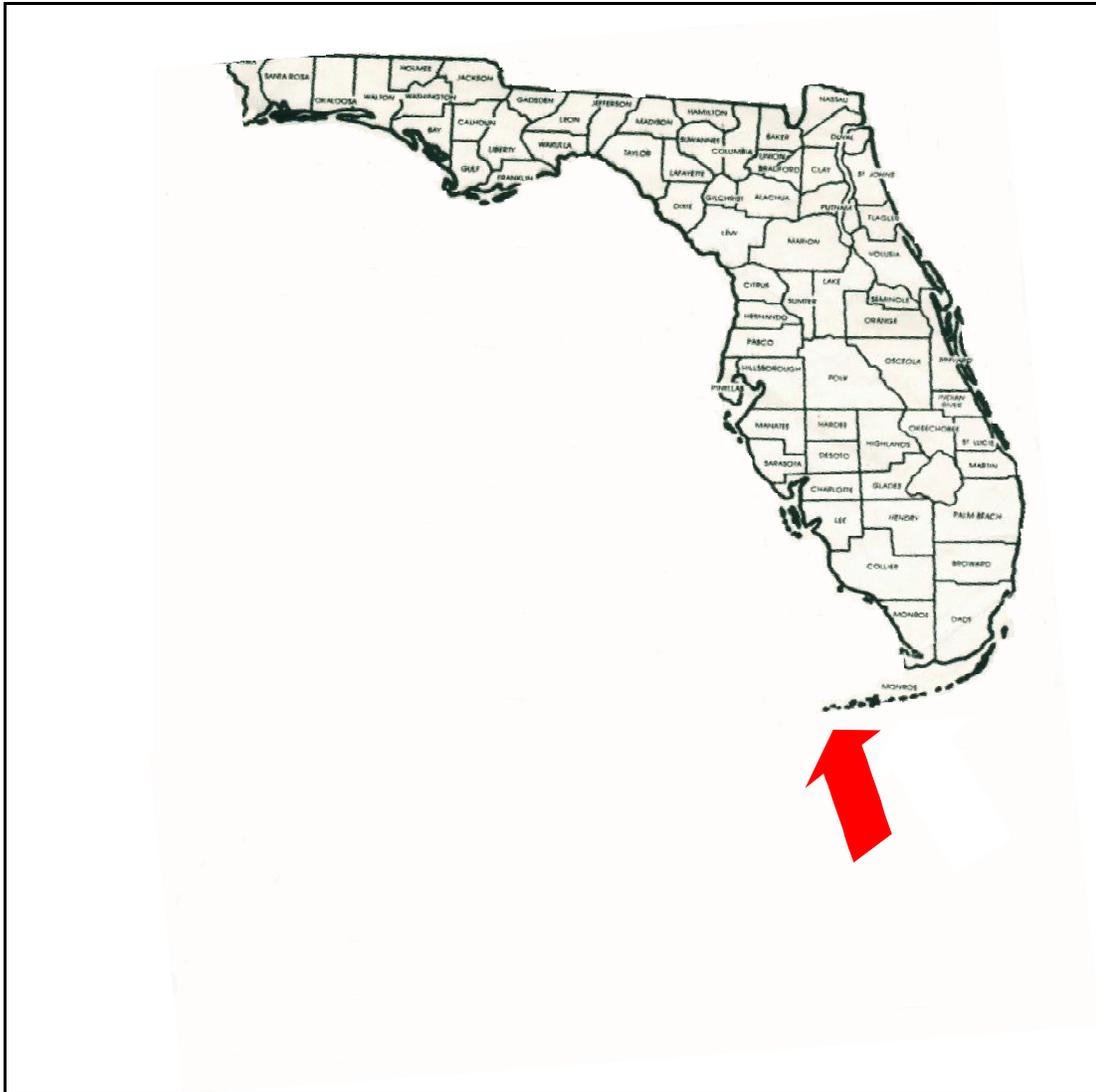


Street Scene Looking Easterly Along Front Street

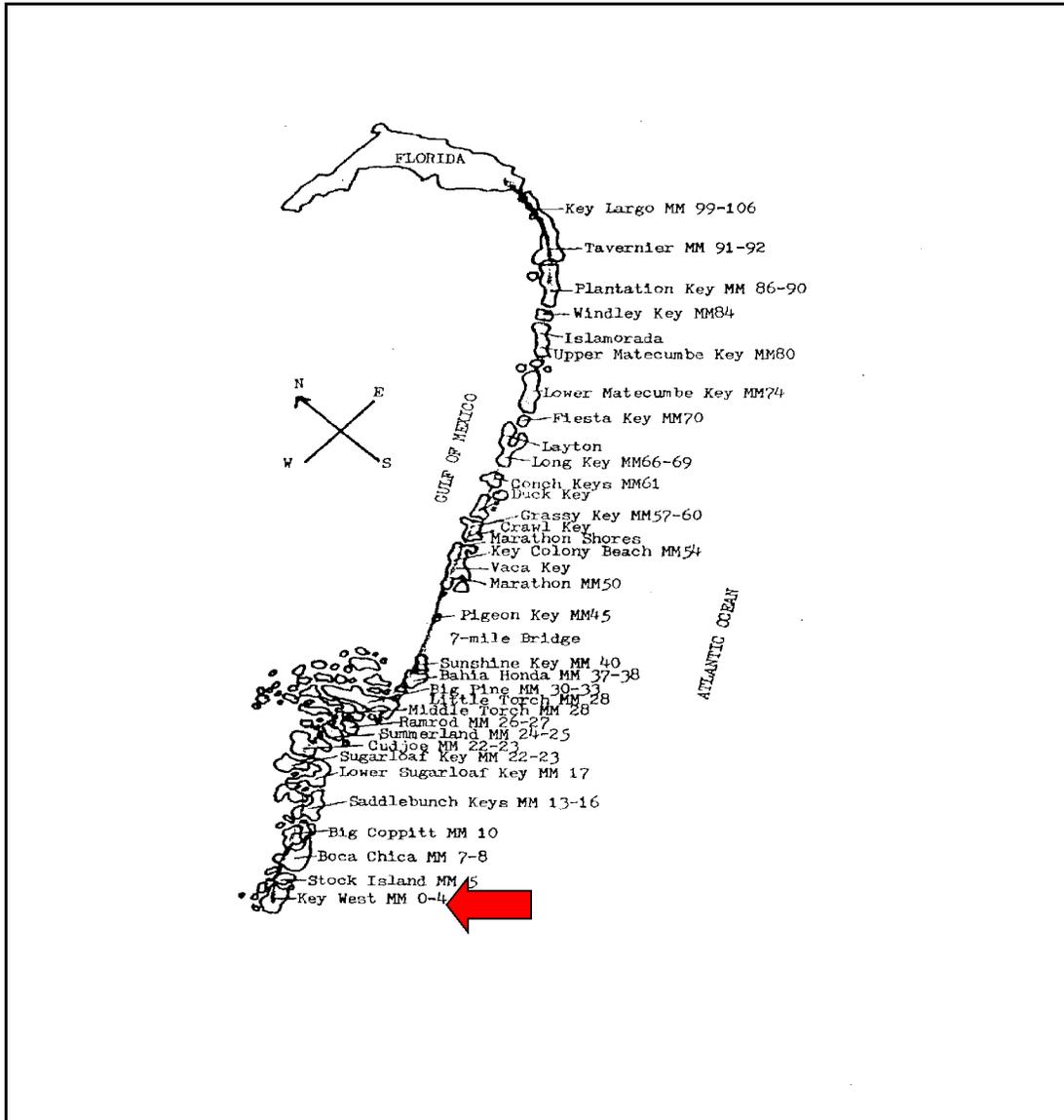


Street Scene Looking Northerly Along Simonton Street from Rear of Subject Property

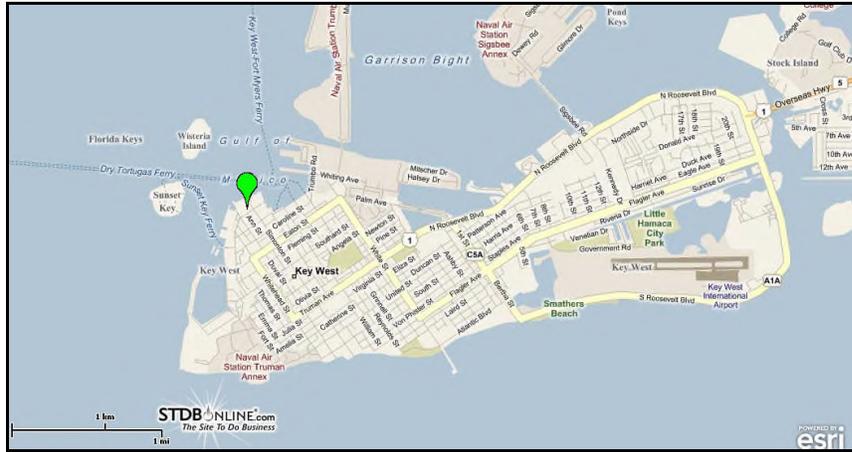
STATE MAP



FLORIDA KEYS MAP



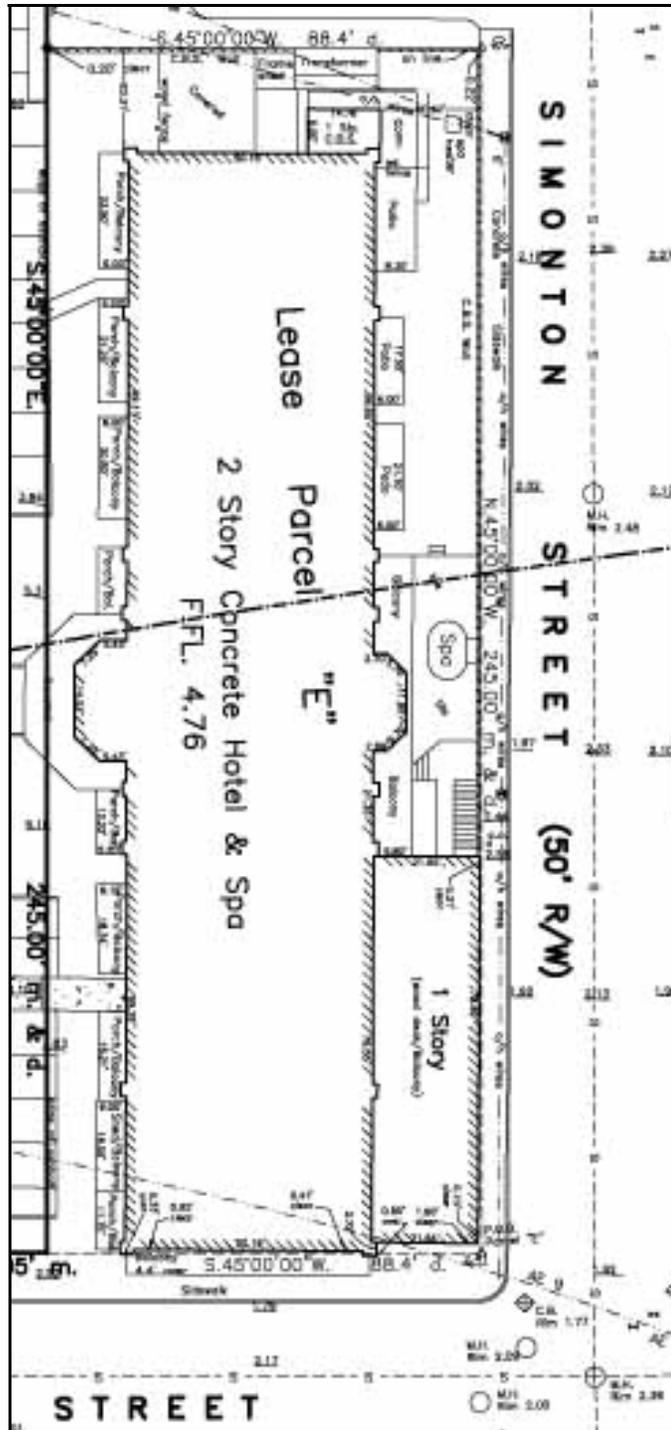
LOCATION MAP



AERIAL PLAT MAP



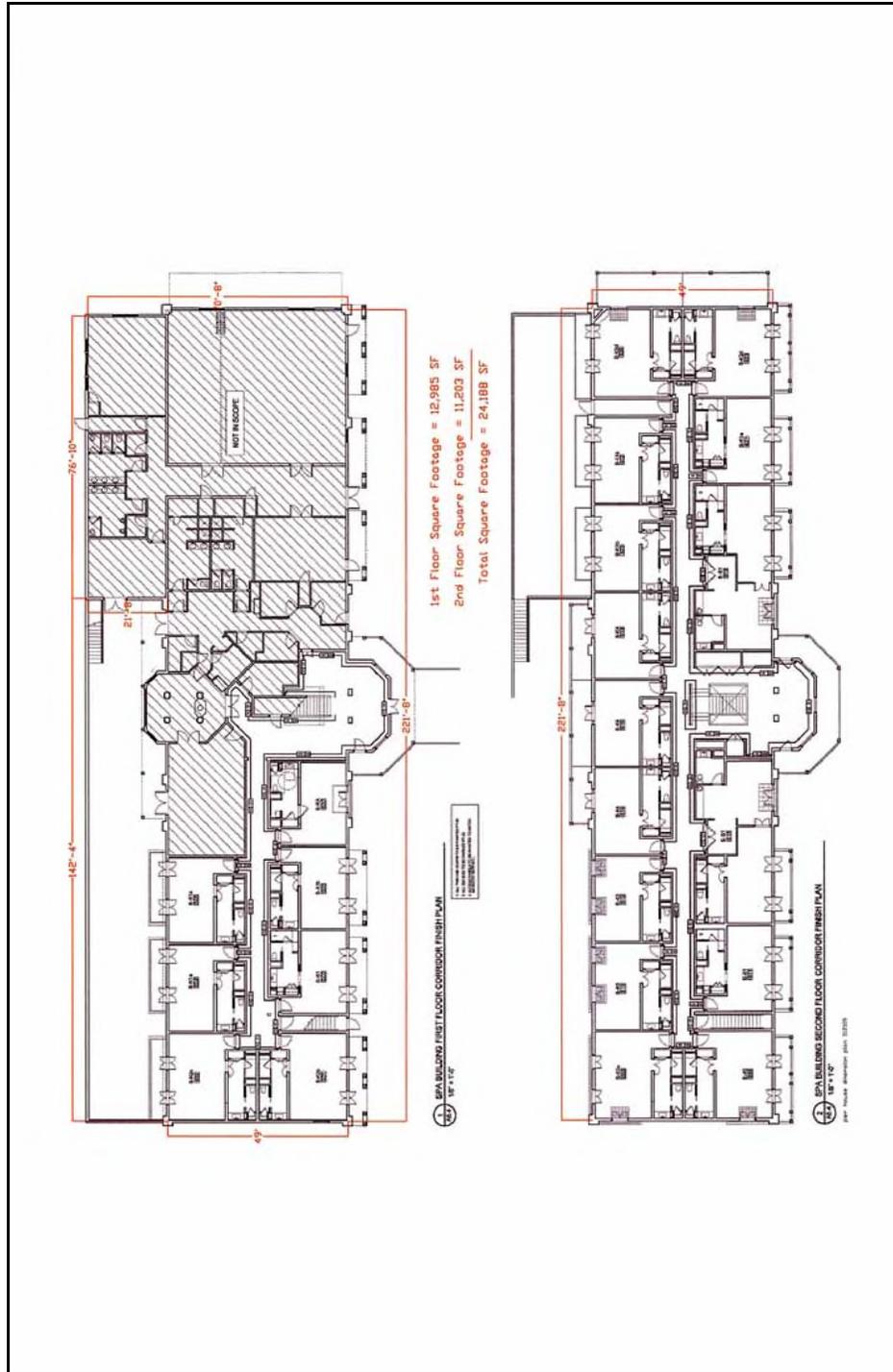
SURVEY OF SUBJECT PROPERTY



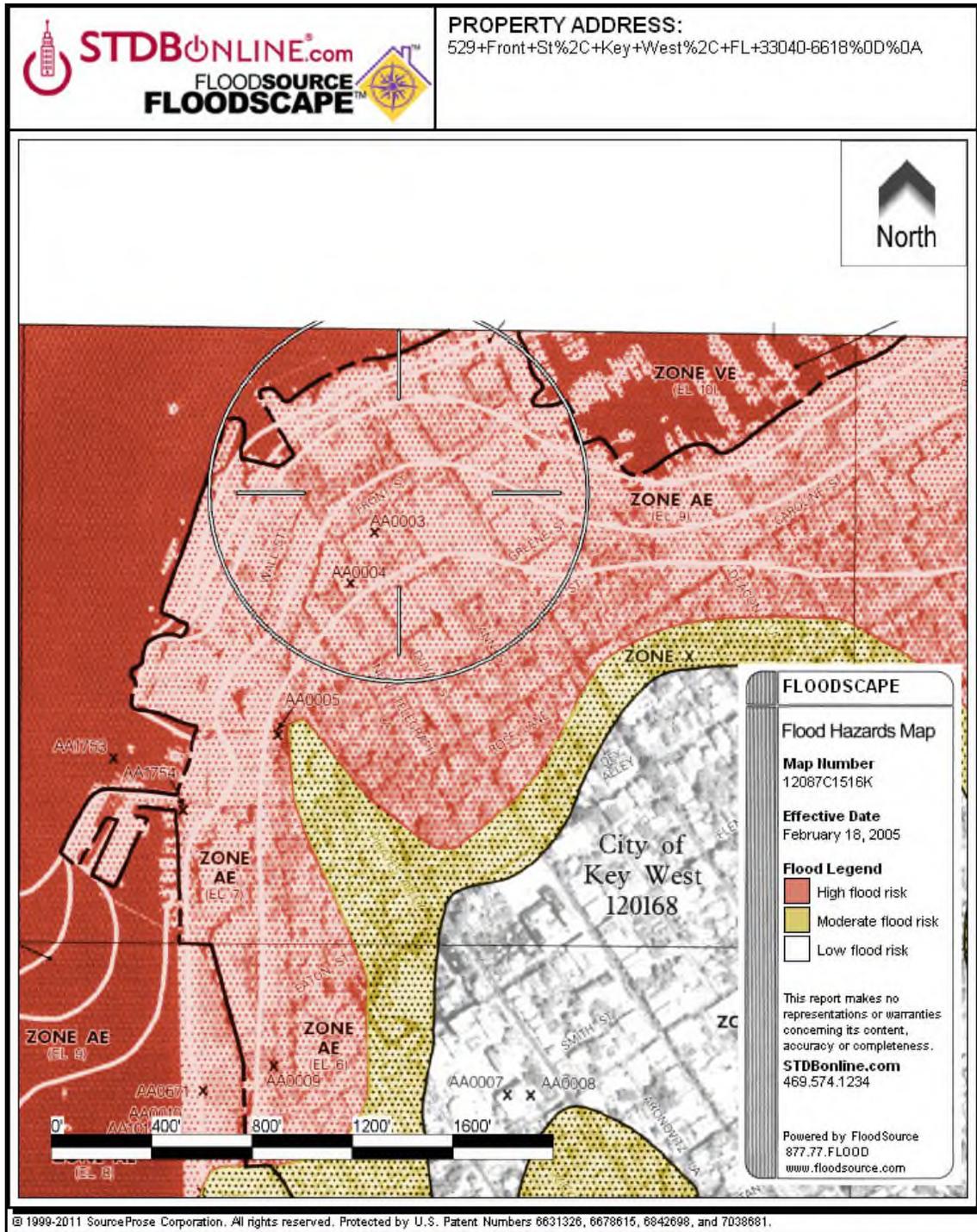
PIER HOUSE SITE PLAN



BUILDING SKETCH



FLOOD MAP & PANEL



ZONING MAP

