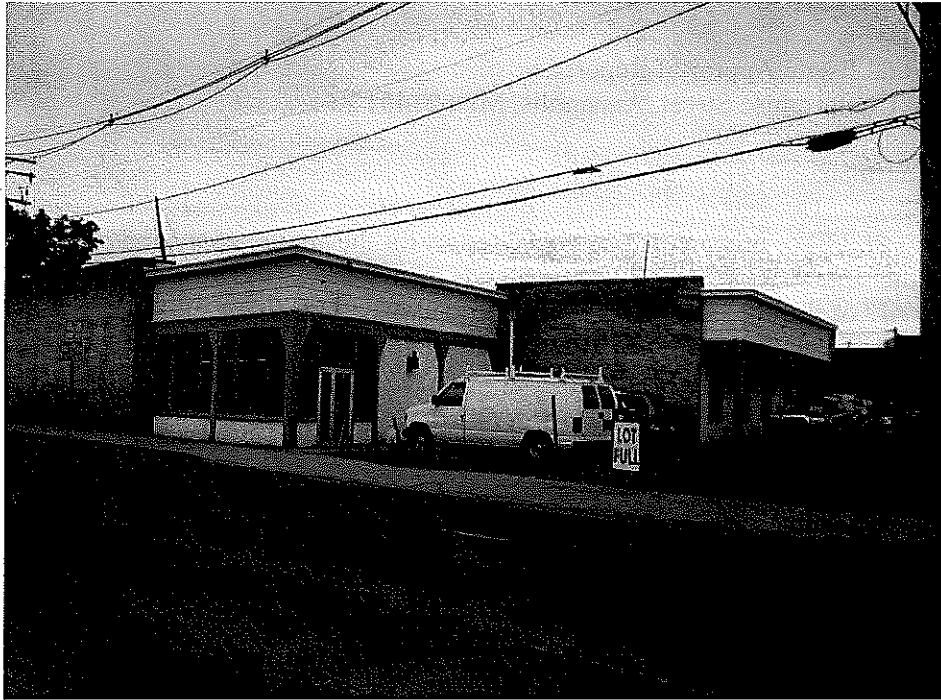


A REAL ESTATE APPRAISAL REPORT

A waterfront commercial property,
comprising 11,158+/- sq. ft. of gross building area (GBA)



Located at:
110 Compromise St, Annapolis,
Anne Arundel County, MD, 21401

Prepared for
Mr. Gregory Kaufman
Chandler, LLC

Prepared by
Treffer Appraisal Group
1244 Ritchie Highway, Suite 19
Arnold, Maryland 21012
(410) 544-7744

Effective Date
May 1, 2014

May 8, 2014

Mr. Gregory Kaufman
Chandler, LLC
3111 Bennett Point Road
Queenstown, MD 21658

Re: A Real Estate Appraisal Report
110 Compromise Street, Annapolis, MD, 21401

Dear Mr. Kaufman:

At your request, I have prepared an appraisal report for the above referenced property. The purpose of this appraisal assignment is to provide an opinion of the *Market Value "As Is"* and *"As Proposed"* of the subject property referenced above. Due to the existence of several long term lease agreements, the ownership interest being appraised reflects the subject's *leased fee interest*.

The subject of this assignment is a waterfront commercial property with related parking and riparian rights located in the City Dock area of downtown Annapolis. The subject is currently zoned WMC - Waterfront Maritime Conservation District which, with few exceptions, limits development and use of the property to marine related establishments only. According to the City Dock Master Plan, there is rationale for the property to be rezoned C2 - Conservation Business District which would make the property more consistent with other commercial properties and will allow a broader range of commercial office and retail uses.

Given the proposed change in zoning due to the implementation of the City Dock Master Plan, the scope of this assignment includes opinions of the market value of the property under both the existing WMC and proposed C2 zoning scenarios.

I direct your attention to the Executive Summary for a description of the subject property and value conclusion. Please reference the Scope of Work section of this report for important information regarding the scope of research and analysis for this appraisal assignment, including property identification, inspection, highest and best use analysis, and valuation methodology.

I certify that to the best of my knowledge the facts and data contained herein are correct, and that I have no present or contemplated future interest in the property beyond this estimate of value. This transmittal letter and Executive Summary do not constitute an appraisal report. If this letter or summary is disjoined from the attached appraisal report, then the indicated value opinions become invalid and may not be relied on because they cannot be properly understood apart from the analyses, opinions, and conclusions contained in the accompanying appraisal report.

As a result of my appraisal procedures, it is my opinion that the market value of the leased fee interest of the subject property, *subject to the Extraordinary Assumptions, Underlying Assumptions, Hypothetical Conditions, Contingent and Limiting Conditions* contained herein, as of May 1, 2014, the date of inspection:

Market Value - As Is
WMC Zoning Scenario

Five Million Four Hundred Twenty Thousand Dollars

\$5,420,000.00

Market Value - As Proposed
C2 Zoning Scenario - Hypothetical Condition

Six Million Four Hundred Seventy Thousand Dollars

\$6,470,000.00

Respectfully submitted,



Thomas A. Weigand
Certified General Appraiser
Maryland License #04-27637
Expiration: December 27, 2016

Executive Summary

Appraisal Effective Date: May 1, 2014

Subject Location: 110 Compromise St, Annapolis,
Anne Arundel County, MD 21401

Legal Description: 27775 Sq Ft 110 Compromise St Annapolis, Tax Map 52A, Grid 20,
(two parcels) Parcel 1247, Block FT

PT LT City Dock Compromise St., Annapolis, Tax Map 52A, Grid 20,
Parcel 1255, Lot: CITY

Property Type: Waterfront Marine Commercial

Intended Use: The intended use is to determine market value to aid in, or support,
decisions relating to the subject property for the benefit of the client.

Intended User(s): The client, Chandler, LLC, their professional associates and the City
Council of Annapolis

Property rights appraised: Leased Fee Interest

Land Area: Parcel 1247 - 27,775± sq. ft.; 0.64 ± acre
Parcel 1255 - 1,144± sq. ft.; 0.03± acre
TOTAL: 28,919± sq. ft.; 0.67± acre

Land Description: Level with paved ground for parking, frontage on the Annapolis City
Dock Harbor

Flood Hazard Zone: The subject is in zone AE, an area of increased flood risk.

Total Gross Building Area: 11,158 sq. ft.

Total Rentable Area: 11,158± sq. ft. NRA (proposed 3 tenant building)

Building Description: Single story waterfront commercial building

Prior Sale of the Subject: None in the past 3 years

Current Contract(s): None indicated

Utilities: Public utilities

- Zoning:** Current Zoning: WMC; Waterfront Maritime Conservation
Proposed Zoning: C2; Conservation Business District
- Easements:** There are no known adverse easements related to the subject. See Limiting Conditions and Assumptions sections in this report.
- Encumbrances:** The subject is encumbered by multiple leases. A summary of the lease terms are disclosed within this report.
- Present Use:** The subject improvements are currently unoccupied. The current leases are for use of the parking and waterfront sections of the property. An additional lease is for the use of these areas during the October boat shows.
- Highest and Best Use:** As Is - Highest and Best Use: The subject's highest and best use is for continued utilization as a waterfront retail or office property as permitted within the WMC zoning regulation.
- As Proposed - Highest and Best Use: The subject's highest and best use if for the utilization as a waterfront mixed use property such as office/retail as permitted within the C2 zoning regulation.
- Personal Property:** There is no personal property associated with this value opinion.

Conditions and Assumptions

- Hypothetical Conditions:**
- The opinion of market value for the As Proposed scenario is based on the hypothetical condition that the subject property is zoned C2 as of the effective date of this report.
- Extraordinary Assumptions:**
- The market value opinions contained in this report are not based on any extraordinary assumptions.

The subject property contains two separate and contiguous parcels, together known as 110 Compromise Street, and containing 0.67 acres of land area. The primary parcel contains 0.64± acre of land area; the secondary parcel contains 0.03± acre of land area and has an address of Compromise Street (no street number), Annapolis, MD, 21401. As the combined parcels have a unity in purpose, ownership and zoning; and as their highest and best use is for continued complementary uses as a commercial retail and a supporting surface parking, this report reflects one value for the overall subject parcels.

The property assessment record lists a building size of 11,378 sq. ft. gross building area (GBA). However, my on-site building measurement, as well as the owner's records indicates a size of 11,158 sq. ft. GBA. For the purposes of this assignment, I will use the on-site and owner-verified measurement.

Please reference the Scope of Work section of this report for important information regarding the scope of research and analysis for this appraisal, including property identification, inspection, zoning analysis, market research, highest and best use analysis, and valuation methodology.

Based on the appraisal procedures described in the accompanying report, subject to the *Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions*, I have made the following value conclusion(s):

Approaches Summarized:

WMC Zoning

Sales Comparison Approach:	\$5,390,000, As Is
Cost Approach:	<i>Not Developed</i>
Income Approach:	\$5,420,000 As Is

C2 Zoning - Hypothetical Condition

Sales Comparison Approach:	\$6,170,000, As Proposed
Cost Approach:	<i>Not Developed</i>
Income Approach:	\$6,470,000, As Proposed

Final Value Indications:

WMC Zoning

Market Value - As Is

Value Conclusion:	\$5,420,000.00
Effective Date:	May 1, 2014
Property Rights:	Leased Fee

C2 Zoning - Hypothetical Condition*

Market Value - As Proposed

Value Conclusion:	\$6,470,000.00
Effective Date:	May 1, 2014
Property Rights:	Leased Fee

*The opinion of market value for the As Proposed scenario is based on the hypothetical condition that the subject property is zoned C2 as of the effective date of this report.

Exposure and Marketing Time

The market exposure time preceding May 1, 2014 would have been 12 months and the estimated marketing time period as of May 1, 2014 is 12 months.

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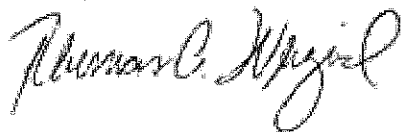
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Certification Statement

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and reflects my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective future interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The 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 estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- I certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- I have not performed a prior appraisal or any other services on the subject property within the three year period immediately preceding acceptance of this assignment.
- Thomas A. Weigand and Brenda S. Vlier have made an inspection of the subject property.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- Brenda S. Vlier provided significant real property appraisal assistance to the person(s) signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- As of the date of this report, Thomas A. Weigand and Brenda Vlier have completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.



Signed: _____

Date: May 8, 2014

Thomas A. Weigand
Certified General Appraiser
Maryland License #04-27637
Expiration: December 27, 2016

Limiting Conditions and Assumptions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

1. This appraisal report is to be used only for the purpose stated herein. While the distribution of (but not the use of) this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.
2. This appraisal report, in whole or in part, may not be used for any purposes other than the intended use by anyone but the intended user(s) without the written consent of Treffer Appraisal Group. The intended use and intended user(s) for this appraisal are defined in this report.
3. No part of this appraisal report, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, publishing, or other media.
4. All files, work papers and documents developed in connection with this assignment are the property of Treffer Appraisal Group. Information, estimates, and opinions furnished by other parties are verified where possible and are believed to be true, correct, and reliable, but cannot be guaranteed. Treffer Appraisal Group assumes no responsibility for the accuracy of information provided by other parties.
5. No hidden or unapparent conditions of the property or subsoil or any structure(s), which would make the property more or less valuable, were discovered or made known to us. No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.
6. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on or in the property, was not called to our attention, nor did we become aware of such during the property inspection. We have no knowledge of the existence of such materials on or in the property, unless otherwise stated, and we are not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances or for any expertise or knowledge required to discover them. We recommend that the appropriate experts be retained to investigate and determine the

extent, if any, such substances are present and what risks, if any, are involved. Should any subsequent studies, research, or investigation reveal the presence of any potentially hazardous substances, this appraisal report is invalid.

7. Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

8. Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

9. Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.

10. It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.

11. It is assumed that all utilities (public and private) serving the subject property are fully functional and operational as of the effective date of this appraisal, unless otherwise stated.

12. Documents such as maps (including flood maps), plats, exhibits, plans, and photographs included in this appraisal report are for illustration only. All documents were obtained from official sites, offices, and contacts. Due diligence has been exercised in interpreting these documents, but no responsibility is assumed for misinterpretation. Although they are believed to be accurate, there are no warranties or guarantees of their accuracy. Treffer Appraisal Group accepts no responsibility for the accuracy of these documents. These documents are to be relied on for illustration purposes only. Additionally, we assume that all information furnished to us by others is true and accurate, and that any assumptions derived from such conversations is accurate.

13. Value estimates in this appraisal report apply only to the entire property, and cannot be prorated to individual portions or fractional interests in the property. Any proration or division of interest will invalidate the value estimate(s), unless such proration or division of interests is set forth in this appraisal.

14. Unless stated otherwise in this appraisal report, no consideration has been given to subsurface rights (e.g., minerals, oil, and water) that may be found on or in the subject property.

15. Appraisals are based on the data available at the time the assignment is completed. Appraisal reports may be amended and/or modified based on new information made available after the appraisal was completed, as soon as reasonably possible, for an additional fee.

16. Personal information related to the subject of this assignment is collected during the course of the appraisal process. This is generally accomplished with knowledge and approval of the property owner. Nonpublic information is normally provided to our company or obtained by us with your authorization. Treffer Appraisal Group does not disclose any nonpublic personal information obtained during the course of developing a property's opinion of value except as required by law or at the direction of the client to assist in the completion of a particular financial transaction. Such nonpublic information may be disclosed to the intended users of this appraisal, review, or appraisal consulting assignment for the purpose of substantiating a property's opinion of value. A fiduciary agreement is automatically in effect between Treffer Appraisal Group and the intended users per the Ethics Rule contained within the USPAP. Additionally, Treffer Appraisal Group must comply with all pertinent laws, rules and regulations in safeguarding the data collected in the appraisal process.

Scope of Work

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the purpose of the appraisal and intended user(s). Therefore, the contents of this report must clearly identify, consider and disclose the following components of the assignment:

- client and intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

According to the Uniform Standards of Professional Appraisal Practice scope of work is acceptable if and when:

- it includes the research and analyses that are necessary to develop credible assignment results; and
- the assignment conditions do not limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use; and
- the intended use of an assignment's or a client's objectives do not cause the assignment results to be biased.

The Uniform Standards of Professional Appraisal Practice states that an appraisal report must contain sufficient information to allow intended users to understand the scope of work performed.

The value conclusions herein are based upon review and analysis of market conditions affecting real property including the sales, listings, rentals, income and operating expenses, and the unique attributes of the subject and the attributes of other comparable properties. This information is obtained from and verified by public records, real estate professionals, property owners and managers, commercial and residential real estate databases, in-house files of appraisals of similar properties, other appraisers, various real estate publications, and personal inspections.

I have followed appraisal industry practices and methodologies accepted by peers within the appraisal industry in defining an appropriate scope of work and in completing an acceptable scope of work in this assignment. Based on a combination of education, training and experience appraising similar properties, we, who have completed the valuation of real property described herein, are competent to complete this type of appraisal.

Scope of Work Summary

Report Type:	This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This reporting format states and summarizes the appraisal process, scope of work, valuation methodologies and conclusions.
Property Identification:	The property address is 110 Compromise St, Annapolis, MD 21401. The subject has been further identified by the legal description and the assessors' parcel/lot numbers.
Inspection:	My interior and exterior inspection of the subject property was conducted on May 1, 2014. Photographs are contained in this report.
Zoning	An analysis of zoning and applicable land use controls, including a review of potential deed restrictions, has been made. Two zoning scenarios are addressed within the scope of this assignment.
Market Area and Analysis of Market Conditions:	An analysis of market conditions in the subject area has been made. I have access to comprehensive databases for the subject market area and have completed a review of all pertinent sales, leases, contracts, and active listings in order to achieve a thorough understanding of the market.
Highest and Best Use Analysis:	I completed an analysis of the highest and best use of the subject property, considering all physically possible, legally permissible, and financially feasible utilizations. Once completed, the subject's maximally productive use was concluded.

Valuation Analyses

Cost Approach:	The cost approach was considered and was not developed as this approach is generally more reliable for special purpose or non-income producing properties. This approach has not been utilized as one parameter of the valuation process.
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Sales Comparison Approach: The highest and best use of the subject is as an tenant occupied commercial property within the confines of the applicable zoning scenario. Therefore the most appropriate measure of market value of the subject is indicated by the development of the income approach. Within this assignment the sales comparison approach is being developed to provide secondary support for the value derived under the income methodology. Although not a perfect match, there is adequate data (i.e., comparable sales) from which to develop a value estimate for the base building. The contributory value of the subject's excess land and riparian rights are added to the base value of the building in order to determine the overall market value of the property.

Income Approach: The income (capitalization) approach is being developed as the primary indication of the market value of the subject property. The majority of properties in the subject market are purchased for their income producing potential. Within the scope of this assignment, the income approach is the most credible appraisal tool for accounting for the various sources of income for the subject and quantifying the results in the form of the market value of the property. There is adequate data (i.e., market-based income and expense data) from which to develop a value estimate, and this approach is considered the primary means in determining the appropriate value estimate for this property type.

Conditions and Assumptions

Hypothetical Conditions: The opinion of market value for the As Proposed scenario is based on the hypothetical condition that the subject property is zoned C2 as of the effective date of this report.

Extraordinary Assumptions:

- We used no extraordinary assumptions in the scope of this appraisal assignment.

Property Identification

Property Name: Frequently referred to as the former *Fawcett's* property.

Aerial View:



Aerial with Boundary Lines (both parcels):



Legal Description:

27775 Sq Ft 110 Compromise St Annapolis
Pt Lt City Dock, Compromise St., Annapolis

PARCEL I

BEGINNING for the same at a cross found cut in the sidewalk on the Northeast side of Compromise Street, said cross is shown on a plat made by J. R. McCrone, Jr., in October, 1943, and recorded among the Land Records of Anne Arundel County in Liber J.H.H. No. 299, folio 108, said cross is Station No. 12102 as shown on a plat by C. F. Shelley, June 26, 1933, for the City of Annapolis, showing the proposed bulkhead line around the City Dock; said cross also marks the Northwest corner of that parcel described among the Land Records of Anne Arundel County in Liber J.H.H. No. 493, folio 343, and is distant South 17 degrees 48 minutes East 80 feet from the point of beginning of that conveyance from Parlett and Parlett, Inc., to The Annapolis Dairy Products Company, by deed dated March 1, 1928 and recorded among the Land Records of Anne Arundel County in Liber F.S.R. No. 32, folio 120; thence from the point of beginning so fixed and running with the Northwestmost line of said first mentioned parcel as now corrected for variation, North 56 degrees 15 minutes East 143.46 feet to intersect the present bulkhead line of the City Dock; thence with said bulkhead line, the following: South 36 degrees 44 minutes 30 seconds East 69.97 feet; South 36 degrees 56 minutes East 71.18 feet; and South 36 degrees 38 minutes East 75.63 feet to a galvanized nut on the said bulkhead at the intersection of said bulkhead with the Northwest side of Chestnut Street; thence with said side of Chestnut Street, South 52 degrees West 99.61 feet to a cross cut in the concrete; thence leaving said side of Chestnut Street and running with the outlines of that conveyance from Louis H. Green, Jr., to Bertram E. Spriggs and wife, by Deed dated May 14, 1948 and recorded among the Land Records of Anne Arundel County in Liber J.H.H. No. 469, folio 273, as follows, with correction for variation: North 17 degrees 48 minutes West 81.98 feet to an iron pipe here found; thence South 72 degrees 12 minutes West 114.90 feet to a cross found cut in concrete on the hereinbefore mentioned line of Compromise Street; thence along said side of said Compromise Street, North 17 degrees 48 minutes West 118.04 feet to the point of beginning. Containing Twenty-eight Thousand Nine Hundred Thirty-six (28,936) square feet of land, more or less, according to a survey and plat made by James D. Hicks, County Surveyor, in April, 1950.

SAVING AND EXCEPTING all that property conveyed by Deed and Release recorded on March 29, 1972 in Liber MSH 2477, folio 845 and by Deed recorded July, 1970 in Liber 2353, folio 300.

PARCEL II

Beginning for the same at a point in and South 72° 12' West 17.92 feet from a pipe found at the end of the North 72° 12' East 115 foot line of the conveyance from the Atlantic Richfield Company to The Mayor and Aldermen of the City of Annapolis by deed dated January 13, 1970, and recorded among the Land Records of Anne Arundel County in Liber M.S.H. 2326, folio 1, said point also being in the South 72° 12' West 17.92 feet from a pipe found at the beginning of the South 72° 12' West 114.9 foot line of the conveyance from The Severn Investment Company, Inc. to Compromise Company by Deed dated November 22, 1967, and recorded among the Land Records of Anne Arundel County, Maryland, in Liber M.S.H. 2125, folio 58; Thence running from said beginning point so fixed and leaving Compromise Company property and running across part of the above mentioned conveyance from the Atlantic Richfield Company to the Mayor and Aldermen of the City of Annapolis, South 55° 51' West 92.62 feet to a pipe set on the east side of Compromise Street; thence with the east side of Compromise Street North 15° 14' 35" West 26.1 feet to a pipe set in the above mentioned North 72° 12' East 115 foot line of the conveyance from the Atlantic Richfield Company to The Mayor and Aldermen of the City of Annapolis, said pipe also being in the above mentioned South 72° 12' West 114.9 foot line of the conveyance from the Severn Investment Company, Inc. to Compromise Company; thence leaving Compromise Street and running with part of the above mentioned North 72° 12' East 115 foot line North 72° 12' East 87.73 feet to the place of beginning.

Containing 1,144 square feet and as surveyed by J.R. McCrone, Jr., Inc., Registered Professional Engineers and Land Surveyors in November, 1971.

RECORDED L. DENING C. 11/17/71

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BEING the same lot of ground which by Deed dated **November 22, 1967** and recorded among the Land Records of **Anne Arundel County**, in **Liber 2125**, folio **058**, was granted and conveyed to **Compromise Company Limited Partnership**, the within GRANTOR.

Ownership and History of the Property

Current Ownership:	Chandler LLC
Acquisition:	3/23/1998; \$2,485,000 (Arms length multiple)
Deed Reference:	8352 // 124
Prior Sales:	None in the past 3 years analyze
Pending Sales:	Not currently under contract of sale
Other Contracts, Options, Listings:	None noted.
Recent changes in Operating Profile:	None indicated.
Deed Restrictions, Easements:	No known deed restrictions or atypical easements.
Other Encumbrances:	The subject is encumbered with 3 leases.
History of the Property:	Prior uses for this building include a grocery store and a marine supplies store.

Purpose, Use, and User of the Appraisal:

Purpose:	To estimate the Market Value for both As Is and As Proposed zoning scenarios.
Intended Use:	The intended use is to determine market value to aid in, or support, decisions relating to the future use of the subject property.
Intended User(s):	The client, Chandler, LLC. Their professional advisors and the Annapolis City Council Negotiating Committee.

Property Rights Appraised:

Interest Valued:	Leased Fee
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Date(s) of Value Estimate:

As Is:	May 1, 2014
As Proposed: (Hypothetical Condition)	May 1, 2014

Definitions

Area Types:

1. **Gross Building Area (GBA):** Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. ¹
2. **Gross Leasable Area (GLA):** Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. ¹
3. **Rentable Area (RA):** For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring the inside finished surface of the dominant portion of the permanent building walls, excluding any major permanent penetrations of the floor. Alternatively, the rentable area will be based on the amount of space on which the rent is based, calculated according to local practice. ¹

Exposure Time:

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. ¹

Fee Simple Estate: 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. ¹

Leased Fee Interest: A freehold (ownership interest) where the possessory interest has been granted to another party by the creation of a contractual landlord-tenant relationship (i.e., a lease). ¹

Marketing Time: 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 the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal. Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6,

¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010)

"Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time. ¹

Stabilized Occupancy: Stabilized occupancy is an expression of the expected occupancy of property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent. ¹

Value Definitions:

1. **Market Value:** The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that 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:
 - Buyer and seller are typically motivated;
 - Both parties are well informed or well advised, and acting in what they consider their best interests;
 - A reasonable time is allowed for exposure in the open market;
 - Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - 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. (12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994) ¹

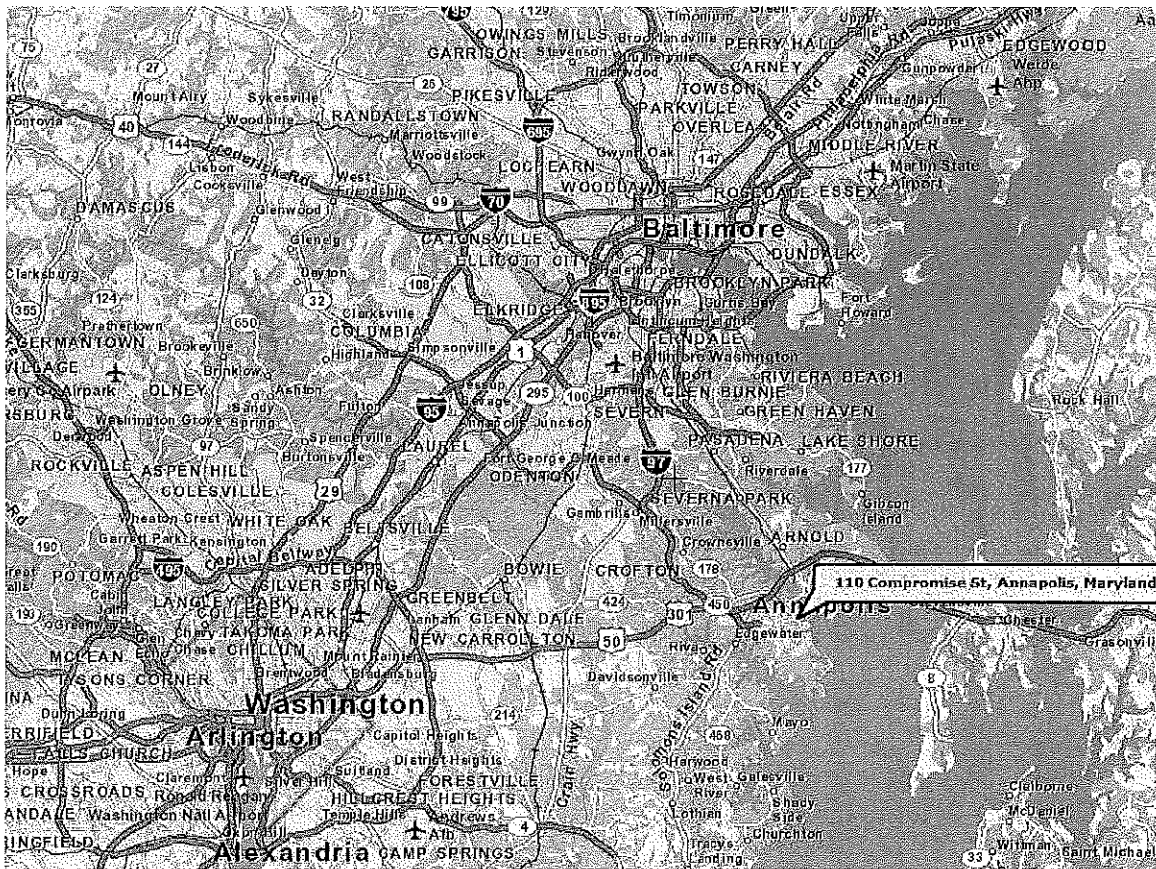
2. **As Is Market Value:** The estimate of the market value of the real property in its current physical condition, use and zoning as of the appraisal date.

Market Area Analysis

Social, economic, governmental and environmental forces act together to influence property values within the market area. This market area is usually considered as a geographically bounded or delineated part of a larger region. It is also referred to as an area of influence.

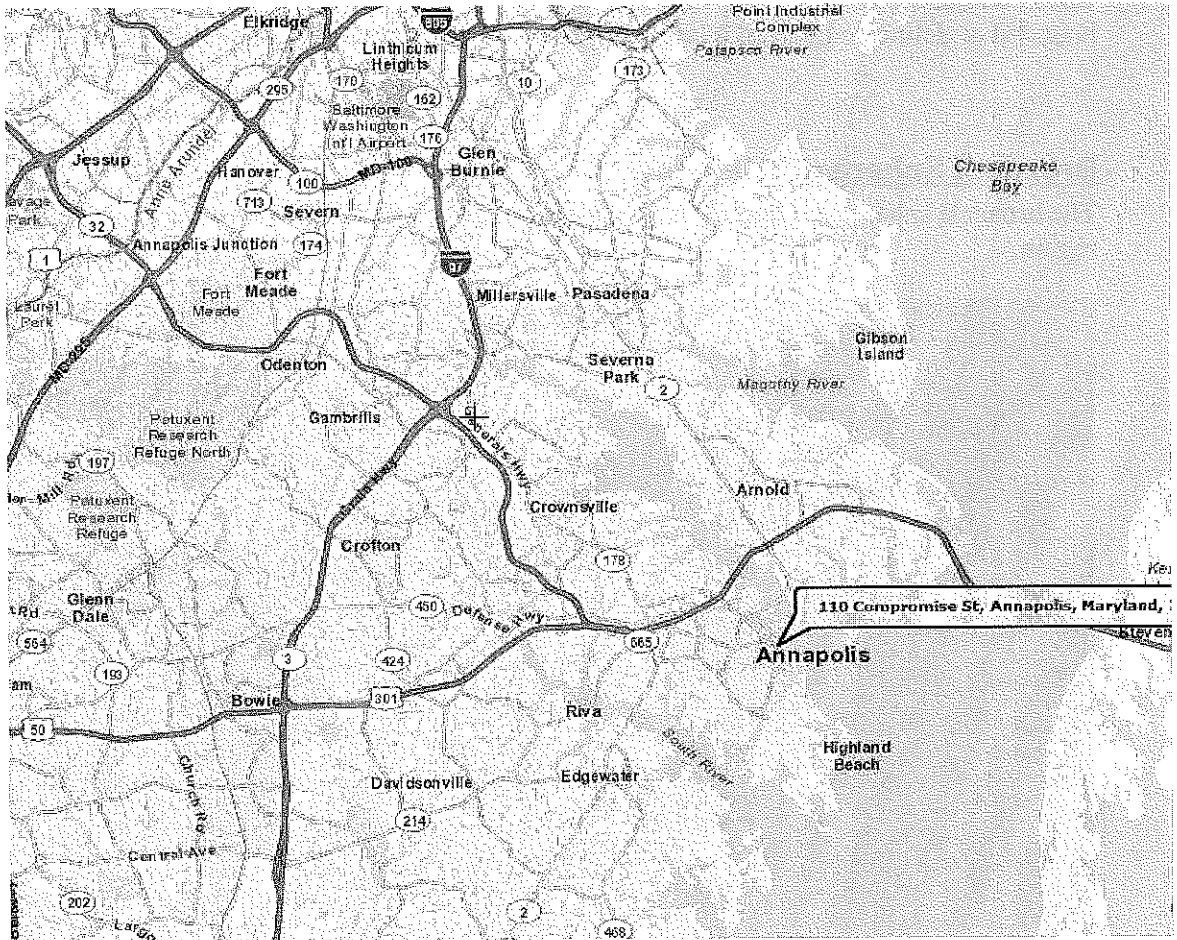
Broadest Sphere of Influence

The broadest sphere of influence is considered to be the Baltimore-Washington Metropolitan region.



General Sphere of Influence

The general sphere of market influence is considered to be Anne Arundel County, Maryland.



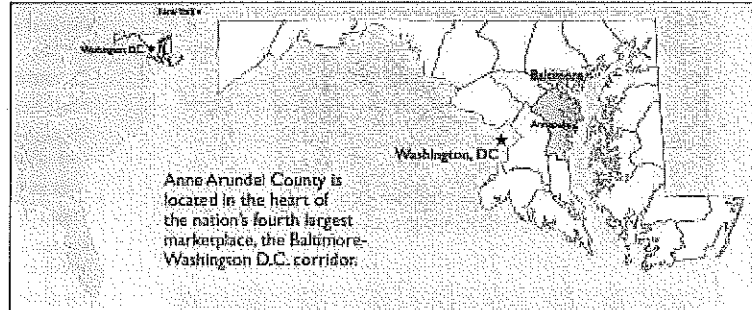
Market Area Overview

Reflected below are brief economic facts for Anne Arundel County.

BRIEF ECONOMIC FACTS ANNE ARUNDEL COUNTY, MARYLAND

Anne Arundel County is located in the heart of the nation's fourth largest marketplace, the Baltimore-Washington D.C. corridor. It is home to the state capital, Annapolis, and to the U.S. Naval Academy, both major destinations for visitors. With over 500 miles of shoreline along the Chesapeake Bay, the county successfully combines natural beauty and rural charm with metropolitan sophistication.

The county's economy is supported by a diverse set of economic drivers such as BWI Marshall Airport, major defense contractors, world class private sector employers, and telecommunications, retail, and distribution operations. Its rapidly expanding defense industry is fueled by the presence of the NSA, DISA and U.S. Cyber Command, all located at Fort George G. Meade. Anne Arundel County is ranked third in Maryland for defense procurement contracts and has a presence of eight of the top ten defense contractors in the nation. The expansion of U.S. Cyber Com-



mand on Fort Meade is projected to add one million sq. ft. of cyber security facilities and 2,840 jobs by the end of FY 2013.

Anne Arundel County's 14,200 businesses employ an estimated 188,800 workers, with over 300 of these businesses having 100 or more workers. Key private sector employers include ARINC, Booz Allen Hamilton, CSC, Johns Hopkins HealthCare, Northrop Grumman and Southwest Airlines. KeyW is a new, growing defense/cyber contractor with 583 plus employees.

LOCATION

Driving distance from Annapolis:	Miles	Kilometers
Atlanta, Georgia	648	1,042
Baltimore, Maryland	25	41
Boston, Massachusetts	418	673
Chicago, Illinois	708	1,139
New York, New York	208	334
Philadelphia, Pennsylvania	119	191
Pittsburgh, Pennsylvania	244	393
Richmond, Virginia	129	208
Washington, DC	32	52

CLIMATE AND GEOGRAPHY¹

Yearly Precipitation (inches)	41.9
Yearly Snowfall (inches)	19.8
Summer Temperature (°F)	74.3
Winter Temperature (°F)	34.8
Duration of Freeze-Free Period (days)	200
Land Area (square miles)	418.4
Water Area (square miles)	35.2
Shoreline (miles)	508
Elevation (feet)	sea level to 300

POPULATION^{1,2}

	Anne Arundel County Households	Population	Baltimore Metro ³	Maryland
2000	178,670	489,656	2,552,994	5,296,486
2010	199,378	537,656	2,710,489	5,773,552
2020**	216,675	567,750	2,869,850	6,216,150

¹Baltimore City, Anne Arundel, Baltimore, Carroll, Harford, Howard and Queen Anne's counties

²Projections

Selected places population (2010): Glen Burnie 67,639; Severn 44,231; Annapolis 38,374; Severna Park 37,634; Odenton 37,132; Crofton 27,348

POPULATION DISTRIBUTION¹ (2010)

Age	Number	Percent
Under 5	34,586	6.4
5 - 19	103,682	19.3
20 - 44	183,075	34.1
45 - 64	152,649	28.4
65 and over	63,664	11.8
Total	537,656	100.0
Median age		38.4 years

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Department of Business & Economic Development

2013

ANNE ARUNDEL COUNTY, MARYLAND

LABOR AVAILABILITY¹ (BY PLACE OF RESIDENCE)

Civilian Labor Force (2012 avg.)	Labor Mkt.	
	County	Area ²
Total civilian labor force	298,511	1,656,331
Employment	280,264	1,537,645
Unemployment	18,247	118,686
Unemployment rate	6.1%	7.2%
Residents commuting outside the county to work (2009-2011)	Number 117,871	Percent 42.7%
Employment in selected occupations (2009-2011)		
Management, business, science and arts	119,989	44.0%
Service	42,513	15.6%
Sales and office	68,416	25.1%
Production, transp. and material moving	18,795	6.9%

¹ Anne Arundel, Baltimore, Howard and Prince George's counties and Baltimore City

MAJOR EMPLOYERS² (2012)

Employer	Product/Service	Employment
Ft. George G. Meade ³	Military installation	56,692
Northrop Grumman	Electronic surveillance prods.	7,000
Southwest Airlines	Airline	3,200
Anne Arundel Health Sys.	Medical services	3,000
Baltimore Washington Medical Center	Medical services	2,650
U.S. Naval Academy / Naval Support Activity ³	Higher education	2,340
Anne Arundel Comm. Coll.	Higher education	2,132
Booz Allen Hamilton	Strategy mgmt, tech. services	2,100
Walmart / Sam's Club	Consumer goods	2,100
Allegis Group	HQ / technology and administrative placement	1,500
Maryland Live! Casino	Casino gaming	1,500
Giant Food	Groceries	1,235
CSC	IT services	1,229
Target	Consumer goods	1,000
Lockheed Martin	Systems engr. software	925
ARINC	Avionics telecomm systems	900
Verizon	Telecommunications	844
Safeway	Groceries	800
Sears, Roebuck and Co. / Kmart	Consumer goods	743
AT&T Services	Telecommunications	700
Home Depot	Home improvement supplies	695
Ciena	HQ / networking services	683

Excludes post offices, state and local governments; includes higher education
² Employee counts for federal and military facilities exclude contractors to the extent possible; embedded contractors may be included

EMPLOYMENT (2011, BY PLACE OF WORK)

Industry	Estab-lishments	Annual Avg. Empl.	Emp. %	Avg. Wkly. Wage
Federal government	113	11,938	5.2	\$1,571
State government	65	9,424	4.1	874
Local government	159	19,936	8.7	821
Private sector	14,223	188,798	82.1	964
Natural resources and mining	25	147	0.1	646
Construction	1,793	13,912	6.0	1,021
Manufacturing	354	14,147	6.1	1,821
Trade, transportation and utilities	3,140	50,606	22.0	810
Information	191	2,728	1.2	1,233
Financial activities	1,278	9,318	4.0	1,046
Professional and business services	3,195	34,435	15.0	1,370
Education and health services	1,394	27,231	11.8	889
Leisure and hospitality	1,337	27,600	12.0	362
Other services	1,514	8,674	3.8	743
Total	14,560	230,096	100.0	979

Includes civilian employment only

HOURLY WAGE RATES (2011)

Selected Occupations	Median	Entry	Experienced
Accountants	\$33.00	\$20.75	\$41.25
Biological technicians	16.25	12.00	20.00
Bookkeeping/accounting clerks	20.75	14.25	24.00
Computer-controlled machine tool operator	18.75	14.50	22.50
Computer systems analysts	38.25	27.00	46.75
Customer service representatives	16.75	11.25	21.00
Electrical engineers	41.00	27.50	47.75
Electronic engineering technicians	29.00	20.50	37.75
Freight, stock and material movers, hand	13.00	9.50	15.75
Industrial truck operators	16.50	12.00	19.75
Machinists	23.50	17.00	27.00
Network administrators	42.25	28.50	51.00
Packers and packagers, hand	9.25	8.25	11.00
Secretaries	17.00	12.25	19.75
Shipping/receiving clerks	16.00	11.00	18.50
Team assemblers	13.50	9.50	16.50

Wages are an estimate of what workers might expect to receive in Anne Arundel County and may vary by industry, employer and locality

ANNE ARUNDEL COUNTY, MARYLAND

SCHOOLS AND COLLEGES¹⁶

Educational Attainment - age 25 & over (2009-2011)

High school graduate or higher	90.5%
Bachelor's degree or higher	36.2%

Public Schools

Number: 79 elementary; 19 middle; 14 high
Enrollment: 77,770 (Sept. 2012)
Cost per pupil: \$12,635 (2010-2011)
Students per teacher: 14.6 (Oct. 2012)
High school career / tech enrollment: 6,551 (2012)
High school graduates: 5,044 (June 2011)

Private Schools

Number: 142 (Sept. 2011)

Higher Education (2011)

	Enrollment	Degrees
2-year Institution		
Anne Arundel Community College	17,957	1,505
4-year Institutions		
St. John's College	550	142
United States Naval Academy	4,576	1,016

Other universities offering programs in the county include: Central Michigan, George Washington, Strayer, and Troy Universities. In addition, Anne Arundel Community College@Arundel Mills is a regional higher education center offering coursework from Notre Dame of Maryland University, McDaniel College, Stevenson University, and the University of Maryland University College.

TAX RATES¹⁷

	Anne Arundel Co.	Maryland
Corporate Income Tax (2013)	none	8.25%
Base - federal taxable income		
Personal Income Tax (2013)	2.56%	2.0%-5.75%*
Base - federal adjusted gross income		
*Graduated rate peaking at 5.75% on taxable income over \$300,000		
Sales & Use Tax (2013)	none	6.0%
Exempt - sales for resale; manufacturer's purchase of raw materials; manufacturing machinery and equipment; purchases of materials and equipment used in R&D and testing of finished products; purchases of computer programs for reproduction or incorporation into another computer program for resale		
Real Property Tax (FY 13)	\$0.941	\$0.112
Effective rate per \$100 of assessed value		
In addition to this rate, there are some miscellaneous taxes and/or special taxing areas in the county; in an incorporated area, the county rate may vary and a municipal rate will also apply		
Business Personal Property Tax (FY 13)	\$2.352	none
Rate per \$100 of depreciated value		
Exempt - manufacturing and R&D machinery, equipment, materials and supplies; manufacturing, R&D and warehousing inventory		
In an incorporated area, the county rate may vary and a municipal rate may also apply		
Major Tax Credits Available		
Job Creation, R&D		

INCOME^{18 (2009-2011)}

Distribution	Percent Households		
	Anne Arundel Co.	Maryland	U.S.
Under \$25,000	10.8	15.9	24.0
\$25,000 - \$49,999	15.2	18.7	24.5
\$50,000 - \$74,999	18.0	17.8	18.3
\$75,000 - \$99,999	14.4	13.5	12.0
\$100,000 - \$149,999	22.0	17.8	12.3
\$150,000 - \$199,999	9.6	8.3	4.5
\$200,000 and over	9.9	8.0	4.3
Median household	\$84,409	\$71,294	\$51,484
Average household	\$104,158	\$92,929	\$70,909
Per capita	\$39,181	\$35,193	\$27,158
Total income (millions)	\$20,673	\$198,061	\$8,149,680

HOUSING^{19, 20}

Occupied Units (2009-2011)	198,479 (74.6% owner occupied)	
Housing Transactions (2011)	Units	Median Selling Price
All arms-length transactions	4,659	\$300,000
All multiple-listed properties ²¹	5,142	\$280,000

*Excludes auctions and FSBO

BUSINESS AND INDUSTRIAL PROPERTY^{22, 23}

The commercial real estate market consists of approximately 64 business parks situated throughout the county with concentration in the BWI Business District. An increase in demand for office space in the BWI Business District and west county is anticipated from NSA and U.S. Cyber Command growth.

Town Center at Arundel Preserve - 1.3 million sf project at Route 295 and Arundel Mills Blvd. Phase 1 is complete with hotel, residences, restaurant and retail. 171,230 sf Class A office building and other space under development. LEED Silver.

Annapolis Junction Business Park - 2.3 million sf office, hotel and retail project located at Dorsey Run Rd. in Annapolis Junction. First two 125,000 sf office buildings are complete, with a third in design.

Vaugh Chapel Towne Centre - 1.2 million sf office, retail and residential project located just south of The Village at Vaugh Chapel on MD 31301 South. Features Wegmans, Target, Dick's Sporting Goods, Petco and 52,000 sf Regal Cinemas.

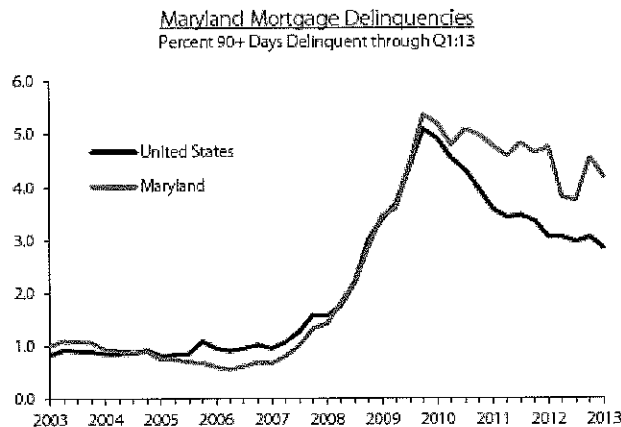
Business Incubator
Chesapeake Innovation Center, Annapolis

Market Profile Data	Low	High	Average
Land - cost per acre			
Industrial	\$200,000	\$350,000	\$275,000
Office	\$200,000	\$400,000	\$300,000
Rental Rates - per square foot			
Warehouse / Industrial	\$3.50	\$8.75	\$5.25
Flex / R&D / Technology	\$7.00	\$13.00	\$9.50
Class A Office	\$11.00	\$33.00	\$20.00

Market Area Conclusion

Because of its strong employment base, the Baltimore Washington Metropolitan Statistical Area maintains some of the most stable economic conditions in the country. In expressing our opinion of value, it is considered reasonable to assume that the overall market region as well as the subject's local sphere of influence, including the Historic District and City Dock area if Annapolis will remain as sound as the overall area, and that growth potential should remain constant as the market continues to recover from the economic recession of 2007 - 2009.

Positive returns have been experienced in the local real estate and property sectors despite the nation's tepid recovery. Mortgage defaults have decreased quarter-over-quarter and loan responsibility has notably increased.



In all likelihood, the health and recovery of the housing market will remain dependent on region and locality. And, although general sentiment remains positive, many market participants expect a continued slow economic recovery for the remainder of 2014 and into next year.

According to the most recent Investor Survey conducted by Pricewaterhouse Coopers, investors are using positive terms and phrases such as 'bullish' and 'business as usual' to describe their strategies and outlook for the commercial real estate (CRE) industry despite recent increases in interest rates. Surveyed investors are optimistic that 2014 will be the beginning of a strong rise in the real estate cycle, spurring tenant demand and rent growth which will offset the impact of higher interest rates and overall cap rates. Rising interest rates are viewed more as a positive sign that confidence in the market is growing. Nevertheless, investors are monitoring rates and, as stated by one investor, hopeful that the Fed "will be thoughtful in its approach to increasing rates and mindful to convey that rates are rising to reflect a strong, growing economy."

Neighborhood Analysis

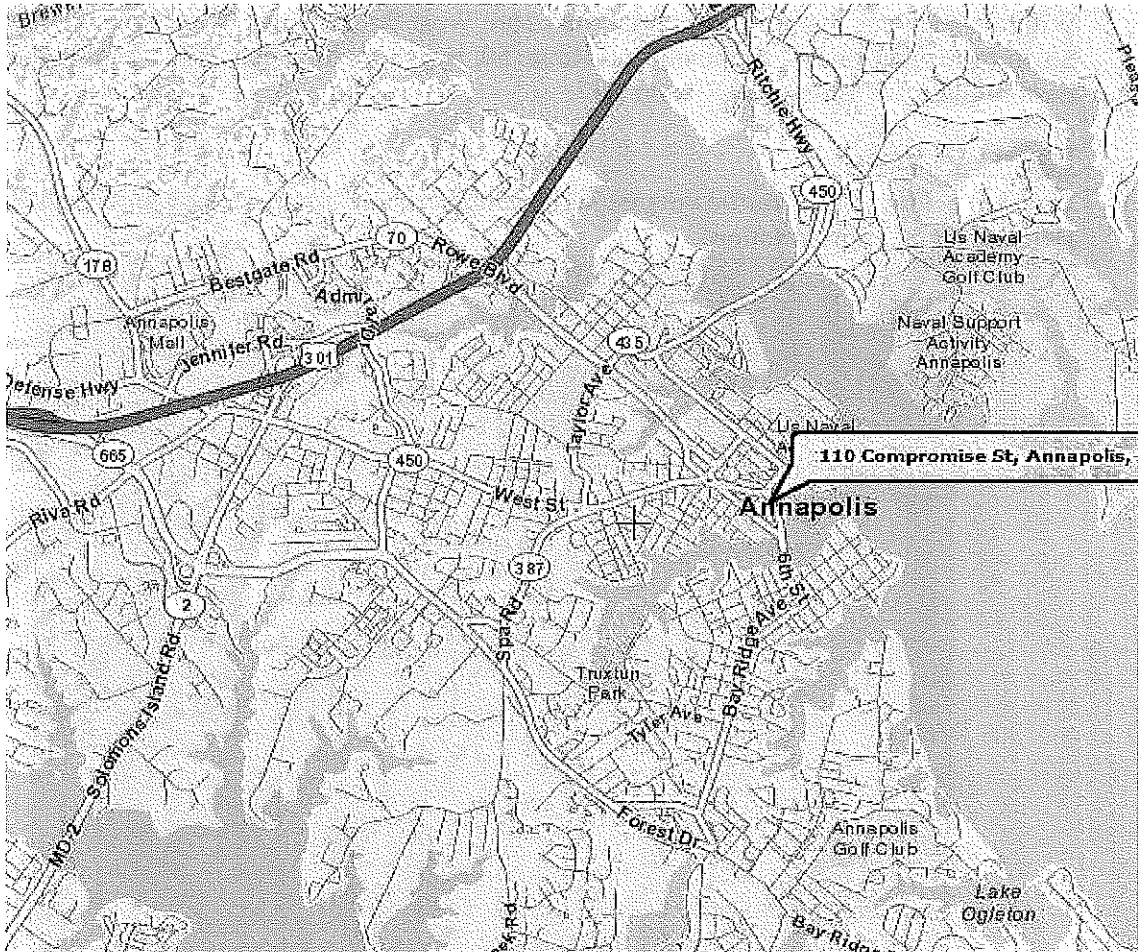
Social, economic, governmental and environmental forces also act together to influence property values in the vicinity of a site. This vicinity or neighborhood, with complementary land uses, is usually considered as a geographically bounded or delineated part of the market area. It can also be defined as an area of influence.

The subject is located in downtown Annapolis, in eastern Anne Arundel County.

Neighborhood Area Location and Boundaries

The immediate market area boundaries are considered to be:

- N Route 301 to the north
- E Chesapeake Bay to the east
- S Forest Drive to the south
- W Solomons Island Rd to the west



Land Uses

The subject's neighborhood in Annapolis is primarily commercial in nature. Most of the businesses in the downtown area are small, local and national businesses that contribute to the historical aesthetic of the town. On the west end of Annapolis extending to Parole is a more modern commercial center. Throughout the area are residential developments of varying densities.

Nearby Areas of Influence

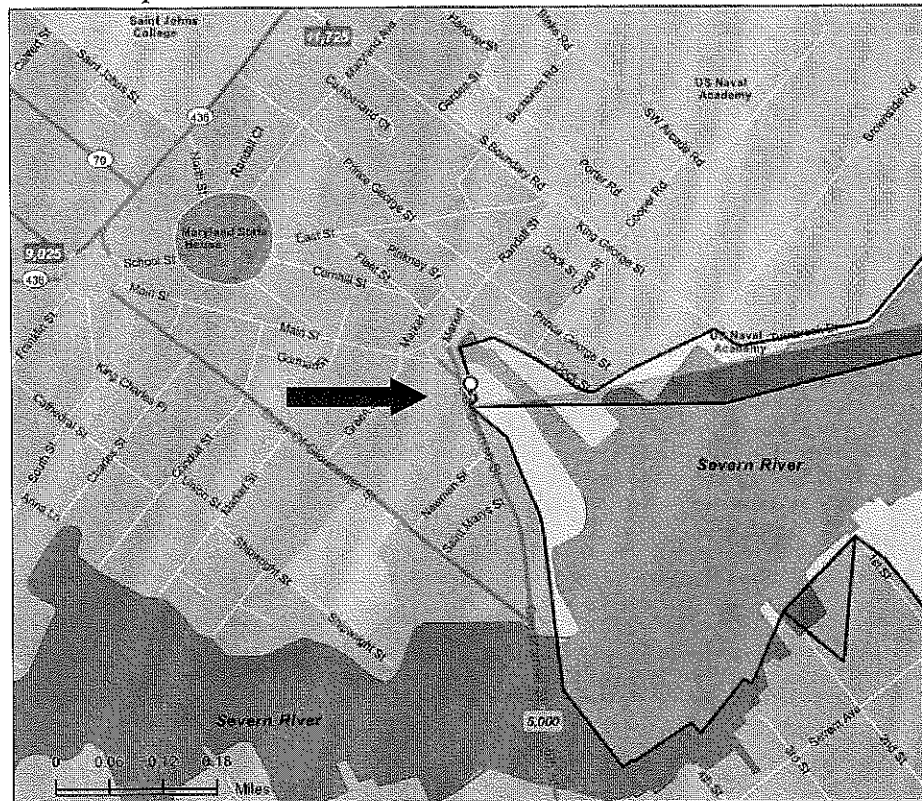
The major areas of influence for Annapolis are Baltimore to the north and Washington, DC, to the west, the Chesapeake Bay Bridge and Maryland's Eastern Shore to the east and Southern Maryland to the south. Annapolis, the capital of Maryland is a major area of influence in Anne Arundel County and throughout the Baltimore/Washington Metro area.

Neighborhood Linkages

Within Annapolis, the primary arterial routes are West Street, Rowe Blvd., Forest Drive, and Solomons Island Road. To the north is Route 50, by which Annapolis has access to the Eastern Shore, Washington DC, and I-97.

Traffic Volume

The map below reflects traffic volume in the neighborhood, as reported by the Maryland Department of Transportation.

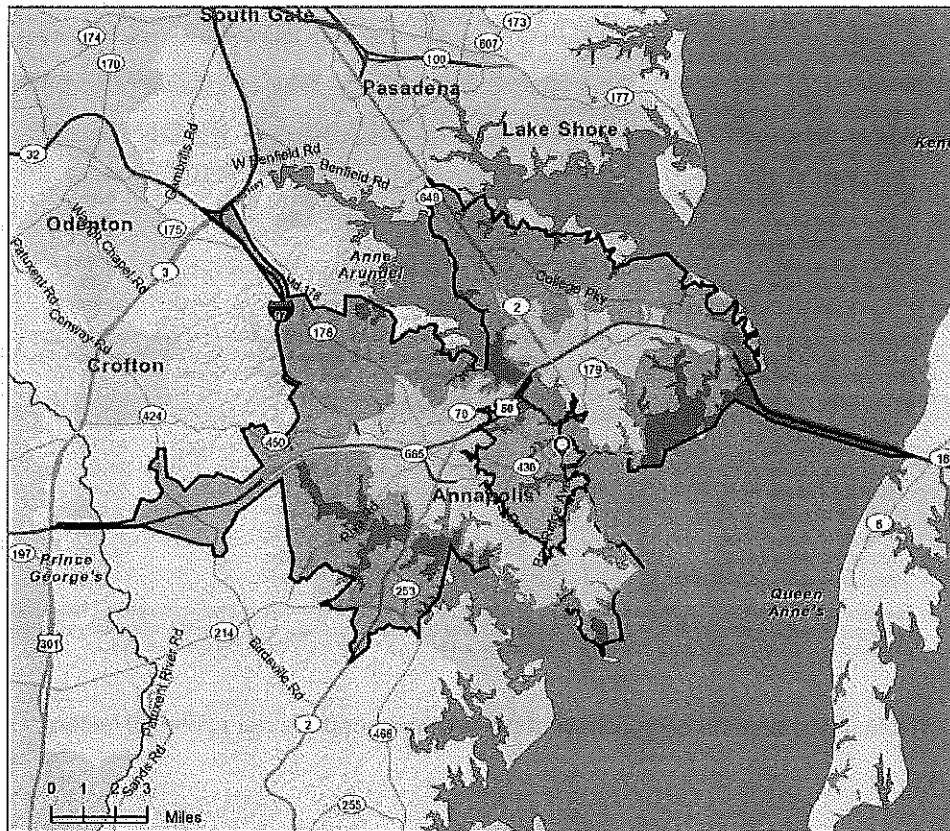


Supporting Services

Private and public services support the neighborhood. The area's fire and police stations are situated nearby and in the surrounding area. There are schools within close proximity to the neighborhood that provide both public and private education. Grocery stores, places of worship, and public services are located in the neighborhood.

Neighborhood Demographics

I have relied on Site-to-do-Business (STDB Online) for a demographic and economic summary of data relevant to the subject area, and have considered a 1.0, 3.0, and 5.0 mile distance of the subject property as potential markets for the subject.



This site is located in:

City:	Annapolis city	County:	Anne Arundel County
State:	Maryland	Census Tract:	24003706101
ZIP Code:	21401	Census Block:	240037061011
CBSA:	Baltimore-Towson, MD Metropolitan Statistical Area (12580)		

Population Trends

Population trends project nominal annual increases over the next 5 years within a 5-minute drive time. Currently 10,837± individuals live within a 5 minute drive time, and 55,675± individuals live within a 10 minute drive time, according to the Site-to-do-Business (STDB Online), who gathers information from the U.S. Census Bureau and forecasting agencies.

	0 - 5 minutes	0 - 10 minutes	0 - 15 minutes
Population			
2000 Population	10,860	51,428	97,642
2010 Population	10,680	53,916	104,653
2013 Population	10,837	55,675	105,861
2018 Population	11,258	57,481	109,620
2000-2010 Annual Rate	-0.17%	0.66%	0.70%
2010-2013 Annual Rate	0.45%	0.42%	0.35%
2013-2018 Annual Rate	0.76%	0.64%	0.70%
2013 Male Population	48.0%	51.3%	49.6%
2013 Female Population	51.4%	48.7%	50.4%
2013 Median Age	43.7	35.6	40.3

In the identified area, the current year population is 105,861. In 2010, the Census count in the area was 104,653. The rate of change since 2010 was 0.35% annually. The five-year projection for the population in the area is 109,620 representing a change of 0.70% annually from 2013 to 2018. Currently, the population is 49.6% male and 50.4% female.

Median Age

The median age in this area is 40.3, compared to U.S. median age of 37.3.

Race and Ethnicity

2013 White Alone	76.0%	68.6%	76.0%
2013 Black Alone	16.2%	18.6%	14.0%
2013 American Indian/Alaska Native Alone	0.2%	0.3%	0.3%
2013 Asian Alone	1.5%	2.4%	2.4%
2013 Pacific Islander Alone	0.0%	0.1%	0.0%
2013 Other Race	4.2%	7.2%	4.8%
2013 Two or More Races	1.8%	2.9%	2.6%
2013 Hispanic Origin (Any Race)	9.0%	15.1%	10.8%

Persons of Hispanic origin represent 10.8% of the population in the identified area compared to 17.4% of the U.S. population. Persons of Hispanic Origin may be of any race. The Diversity Index, which measures the probability that two people from the same area will be from different race/ethnic groups, is 51.8 in the identified area, compared to 62.1 for the U.S. as a whole.

Households

2000 Households	5,300	20,168	37,902
2010 Households	5,081	21,354	41,034
2013 Total Households	5,163	21,694	41,649
2018 Total Households	5,382	22,493	43,311
2000-2010 Annual Rate	-0.42%	0.57%	0.80%
2010-2013 Annual Rate	0.49%	0.49%	0.46%
2013-2018 Annual Rate	0.84%	0.73%	0.79%
2013 Average Household Size	1.99	2.30	2.39

The household count in this area has changed from 41,034 in 2010 to 41,649 in the current year, a change of 0.46% annually. The five-year projection of households is 43,311, a change of 0.79% annually from the current year total. Average household size is currently 2.39, compared to 2.40 in the year 2010. The number of families in the current year is 25,720 in the specified area.

*Note: Race and the composition of the neighborhood are not appraisal factors.

Income Trends

Income trends for this market area, according to STDB Online, indicate a 2013 median household income of \$91,774 within a 5 minute drive time. This figure is greater than that of the broader drive times of 10 minutes (\$78,354) and 15 minutes (\$88,378). This trend is predicted to continue over the next 5 years, according to annual growth forecasts.

	0 - 5 minutes	0 - 10 minutes	0 - 15 minutes
Median Household Income			
2013 Median Household Income	\$91,774	\$78,354	\$88,378
2018 Median Household Income	\$108,740	\$94,552	\$104,469
2013-2018 Annual Rate	3.45%	3.83%	3.40%
Average Household Income			
2013 Average Household Income	\$116,328	\$104,576	\$114,194
2018 Average Household Income	\$140,643	\$124,511	\$136,204
2013-2018 Annual Rate	3.87%	3.55%	3.59%
Per Capita Income			
2013 Per Capita Income	\$56,476	\$42,633	\$46,034
2018 Per Capita Income	\$68,241	\$50,418	\$54,856
2013-2018 Annual Rate	3.86%	3.41%	3.57%

Households by Income

Current median household income is \$88,378 in the area, compared to \$51,314 for all U.S. households. Median household income is projected to be \$104,469 in five years, compared to \$59,580 for all U.S. households

Current average household income is \$114,194 in this area, compared to \$71,842 for all U.S. households. Average household income is projected to be \$136,204 in five years, compared to \$83,667 for all U.S. households

Current per capita income is \$46,034 in the area, compared to the U.S. per capita income of \$27,567. The per capita income is projected to be \$54,856 in five years, compared to \$32,073 for all U.S. households

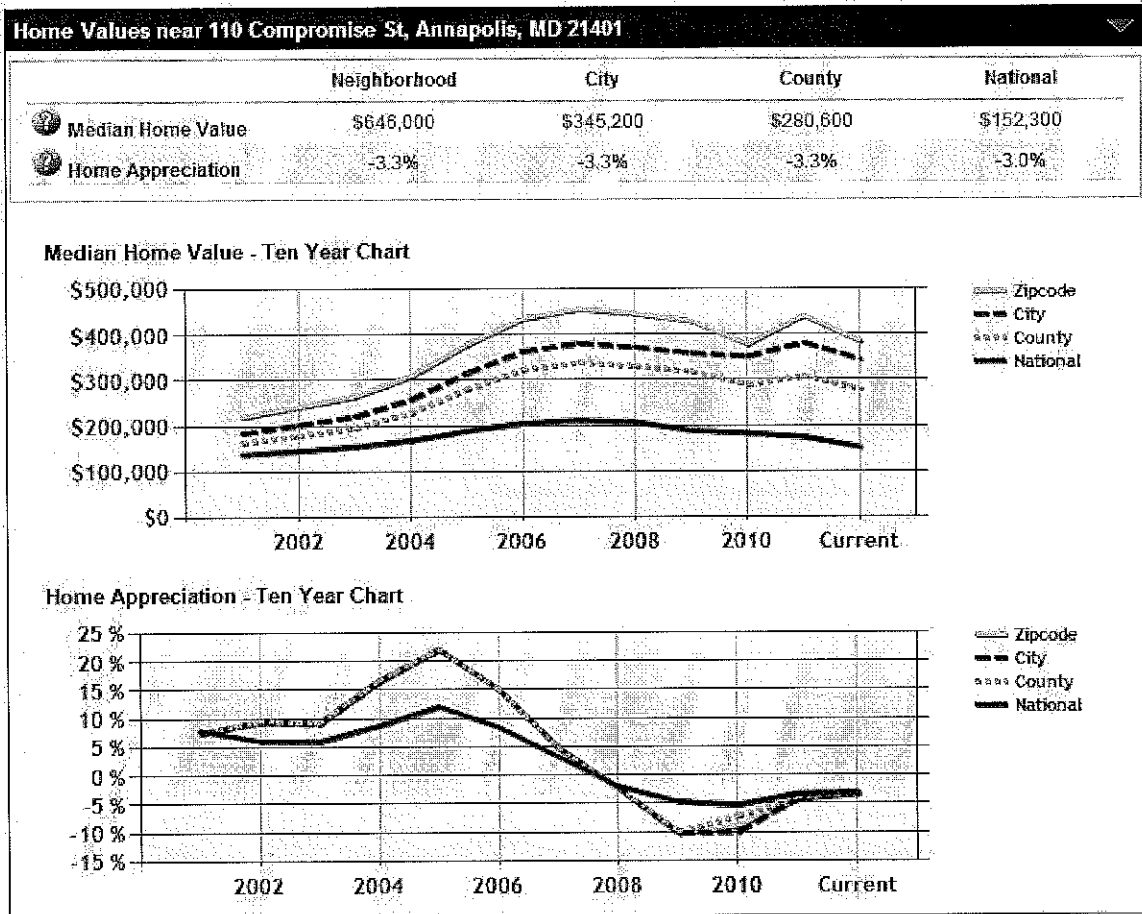
Housing

2000 Total Housing Units	5,695	21,370	39,899
2000 Owner Occupied Housing Units	2,590	11,789	26,830
2000 Owner Occupied Housing Units	2,710	8,379	11,072
2000 Vacant Housing Units	395	1,202	1,997
2010 Total Housing Units	5,956	23,751	44,811
2010 Owner Occupied Housing Units	2,574	12,033	28,181
2010 Renter Occupied Housing Units	2,507	9,321	12,853
2010 Vacant Housing Units	875	2,397	3,777
2013 Total Housing Units	5,979	23,964	45,333
2013 Owner Occupied Housing Units	2,571	12,034	28,255
2013 Renter Occupied Housing Units	2,592	9,660	13,394
2013 Vacant Housing Units	816	2,270	3,684
2018 Total Housing Units	6,132	24,654	46,725
2018 Owner Occupied Housing Units	2,744	12,648	29,663
2018 Renter Occupied Housing Units	2,638	9,846	13,648
2018 Vacant Housing Units	750	2,159	3,414

Currently, 62.3% of the 45,333 housing units in the area are owner occupied; 29.5%, renter occupied; and 8.1% are vacant. Currently, in the U.S., 56.4% of the housing units in the area are owner occupied; 32.3% are renter occupied; and 11.3% are vacant. In 2010, there were 44,811 housing units in the area - 62.9% owner occupied, 28.7% renter occupied, and 8.4% vacant. The annual rate of change in housing units since 2010 is 0.52%. Median home value in the area is \$427,764, compared to a median home value of \$177,257 for the U.S. In five years, median value is projected to change by 5.05% annually to \$547,314.

Housing Trends

The median home value for the most recent 12-month period for the subject immediate neighborhood is \$646,000, which is greater than that of the City of Annapolis overall at \$345,200. The median home value for all U.S. households is \$152,300 over the same period. All sectors reflect drops in the median home value.



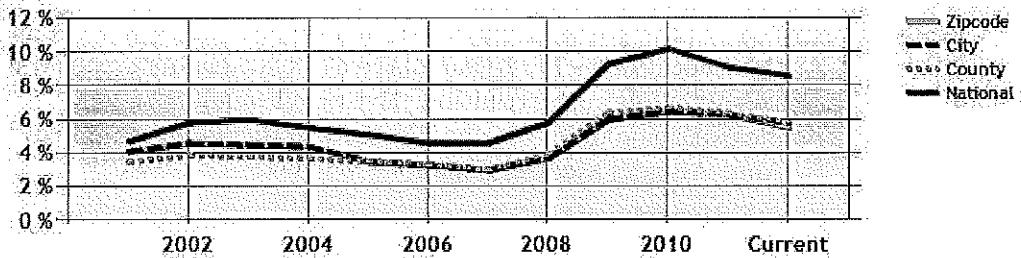
* The median home value considers sale prices over the past 12 months in the neighborhood surrounding the subject. Home appreciation represents the average percent change over the most recent 12 months in the subject neighborhood.

Economic Trends

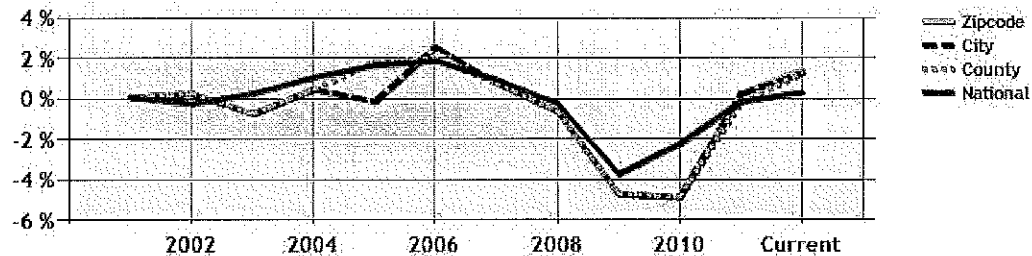
The following economic indicators show that the neighborhood's unemployment is slightly greater than the City overall and less than the National average. Job growth has been generally stagnant across all levels. Future job growth is projected to increase by 35.4% over the next 10 years, which is less than the City over all and greater than National levels.

Economy near 110 Compromise St, Annapolis, MD 21401				
	Neighborhood	City	County	National
Unemployment Rate	6.2%	6.0%	6.1%	8.2%
Recent Job Growth	0.8%	1.3%	1.3%	1.1%
Future Job Growth	35.4%	36.8%	36.8%	32.1%
Sales Tax	8.0%	6.0%	6.0%	5.0%
Income Tax	7.3%	7.3%	7.3%	4.7%
Cost of Living Index	145.1	137.8	125.9	100.0

Unemployment Rate - Ten Year Chart



Job Growth - Ten Year Chart



*Economic trends including unemployment statistics as well as recent job growth figures represent the percentage of increase or decrease over the most recent 12-month period. Data is compiled by the Metropolitan Regional Information Systems Inc., and is sourced from the Bureau of Labor Statistics as well as Sperling's Best Places Analysis.

Land Use Trends

Neighborhoods are said to have a life cycle. That life cycle is generally considered to have four stages. These are:

1. Growth - The period during which the neighborhood experiences public favor and acceptance.
2. Stability - A period of general equilibrium.
3. Decline - A period of diminishing demand and loss of acceptance and public favor.
4. Revitalization - A period of increased demand accompanied by renewal and modernization.

The subject neighborhood is believed to be in a period of stability, with properties being renovated and undergoing use changes through traditional real estate cycles.

Neighborhood Conclusions

Annapolis is located in the eastern portion of Anne Arundel County in close commuting distance to both Baltimore and Washington D.C. Annapolis' maritime heritage has largely contributed to its character that is most recognizable in the historic downtown district and adjacent neighborhoods. The city is considered to be a developed and diverse center of economy and culture. Its' location on the Annapolis Neck Peninsula between the South River and Severn River leaves little room for expansion. Existing development continues outside of the City limits with the expansion of Parole, the Westfield Mall and the continued growth and development of the Anne Arundel Medical Center.

Downtown Annapolis remains a unique destination with its waterfront location. The historic core of Annapolis has been preserved and designated a National Historic Landmark with the one of the largest collections of 18th century buildings in America.

Overall, the neighborhood is found to be in an economically stable stage of life and is a desirable place to live and work.

Submarket Trends

The subject is currently classified as a waterfront marine related retail property in the submarket of the City of Annapolis. Proposed rezoning to C2 would permit additional uses such as mixed use office/retail space. We reviewed overall lease activity, vacancy rates, absorption levels and lease terms in the region, as well as the submarket. Following is a snapshot of data compiled from market participants. These reports provide the basis for the vacancy percentage used in the discounted cash flow analysis for the property.

RETAIL

RETAIL | MACKENZIE MARKET REPORT

Overview

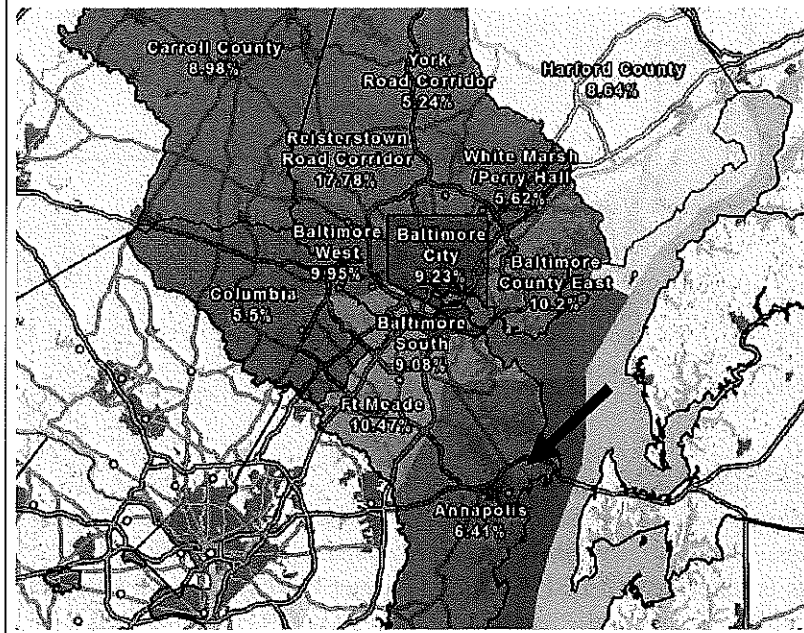


Quick Stats

Number of Buildings	2,230
Market Size	100,206,009 sf

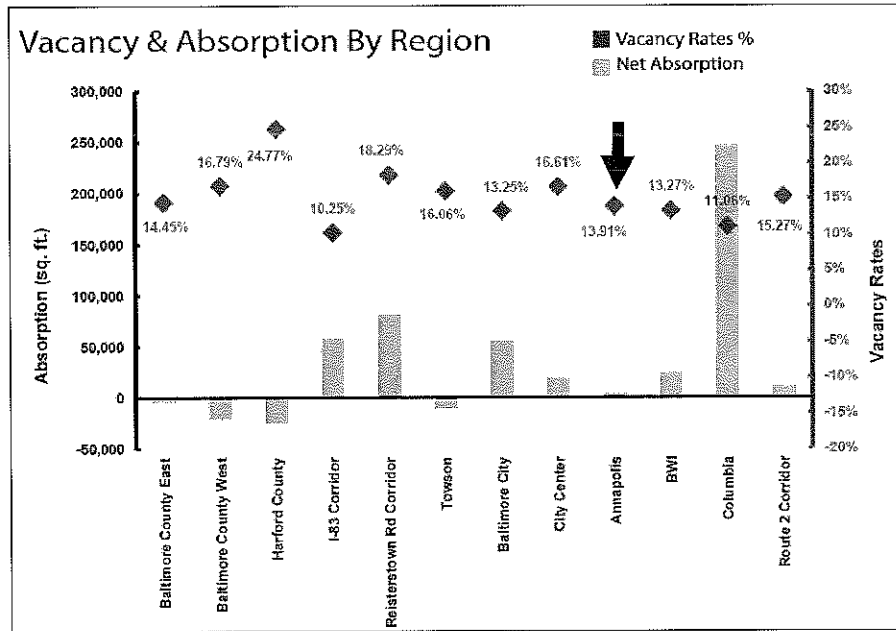
	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	5.2%	▲	▲
Vacancy W/ Sublet	5.5%	▲	▲
Net Absorption	17,880 sf	▼	▼
Avg. Asking Rate	\$18.30 psf	▼	▼

Vacancy by Submarket



OFFICE

Quick Stats			
Number of Buildings	1,229		
Market Size	76,577,308 sf		
CHANGE SINCE LAST			
	CURRENT	QTR	YR
Direct Vacancy	14.53%	▼	▼
Vacancy W/ Sublet	15.13%	▼	▼
Net Absorption	437,100 sf	▲	▲
Avg. Asking Rate	\$22.29psf	▼	▲



Submarket Vacancy

Retail vacancy in the Annapolis (City) submarket is reported at 6.4% by MacKenzie Companies. This rate is slightly higher than the overall region at 5.5%. Office vacancy in Annapolis is reported at 13.91% which is lower than the overall vacancy rate of 15.13%.

Adjacent Uses

Adjacent uses to the subject include city owned parking lots and a fraternal private social club (Fleet Reserve). Properties across Compromise Street from the subject include a city owned park, an elementary school, and the Annapolis Summer Garden Theatre. Behind the subject property is a private bulkhead and pier owned by the subject as well as the City Dock waterway.



City Owned Parking Lot & Fleet Reserve



City Owned Parking Lot



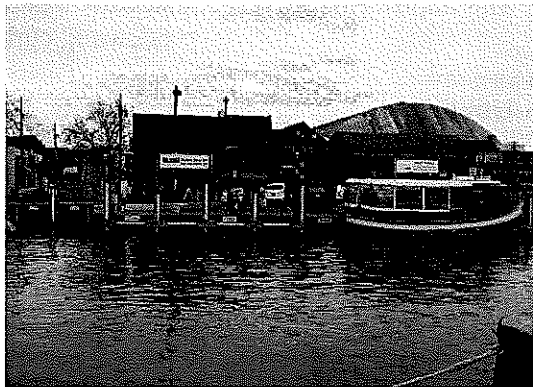
City Owned Park



Elementary School



Summer Garden Theatre



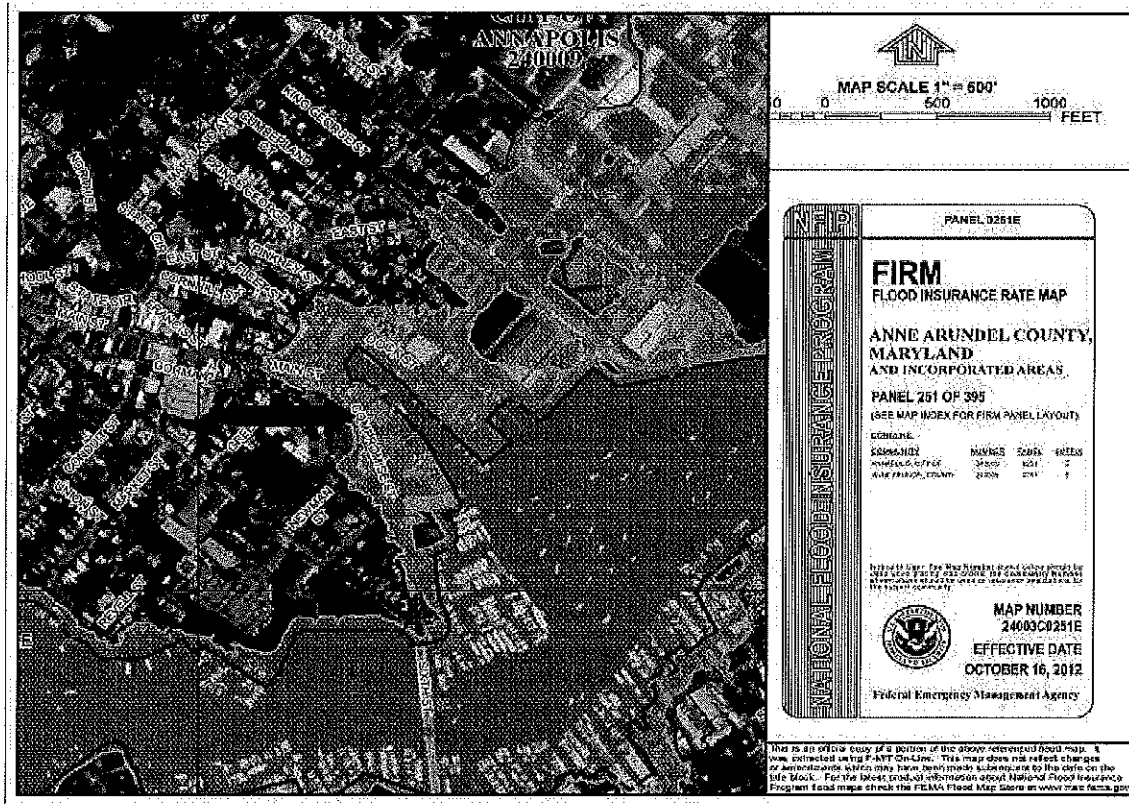
City Dock Waterway

Property Description

The following description is based on our property inspection, assessment records, property deeds, legal descriptions, and information provided by the property representative.

Site Description

Location:	The subject waterfront parcels are located in the City Dock area of Annapolis along the east side of Compromise St, between Memorial Circle and Newman St. The postal address is 110 Compromise St, Annapolis, Maryland 21401.
Current Use:	The current use of the subject building is a vacant commercial marine related property. However, the parking and riparian rights are currently leased to 3 tenants for parking use, bulk-head water related use and for land use during the annual boat show in October of each year.
Site Size:	Total: 28,919 sq. ft.; 0.66± acre. The subject's waterfront location, site size and floor area ratio of .386 make it one of the most unique properties in the City of Annapolis.
Shape:	Irregular - almost "L" shaped
Topography:	Predominantly level
Frontage:	<ul style="list-style-type: none">▪ 125' along Compromise▪ Average depth of 150'
Visibility:	Above average visibility, one parcel removed from the foot of City Dock.
Access:	Curb cut access on Compromise St
Site Improvements:	Macadam parking area, bulk head and dockage, concrete sidewalk, curbs and site lighting.
Utilities:	Electricity: Publically regulated utility provider Sewer: Public sewer Water: Public water Adequacy of Utilities: Average
Flood Zone:	FEMA Map Number: 24003C0251E FEMA Map Date: October 16, 2012 FEMA Flood Zone: AE, 500-year flood plain The improvements are situated approximately 4 to 5 feet below the flood plain.



- Environmental Issues:** There are no known adverse environmental conditions affecting the subject site. There is no history of any contamination on the site. Please reference Limiting Conditions and Assumptions.
- Wetlands/Watershed:** The subject has approximately 220± feet on the Annapolis City Dock Harbor.
- Soil Conditions:** Typical of the area and appear adequate to support existing use or future permissible development
- Water/Port Access:** The subject has 220± feet on the Annapolis City Dock Harbor.
- Rail Access:** None noted.
- Excess Land Area:** Compared to other parcels in the City of Annapolis, the subject parcel has a relatively low 38.6% floor area ratio which indicates the presence of excess land. This area is currently being used to generate parking, docking and boat show revenue.
- Site Comments:** The site above-average utility as a result of its downtown waterfront location, deep water bulkhead and a lot size that

accommodates 38± on-site parking spaces.

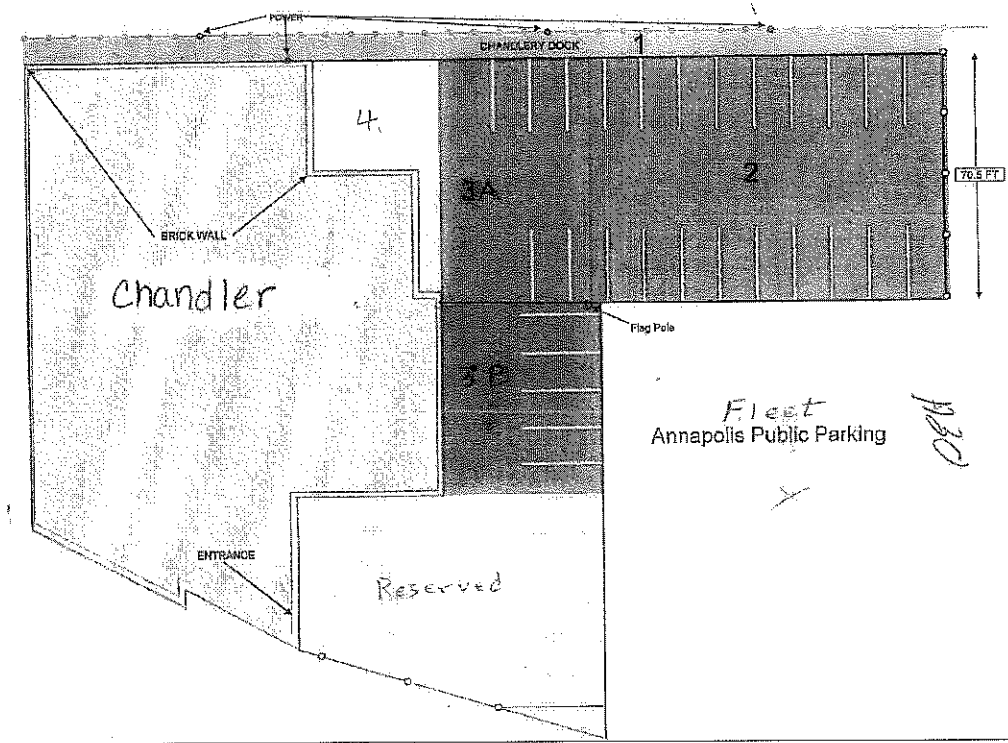
Parking

Parking Type: Macadam surface parking

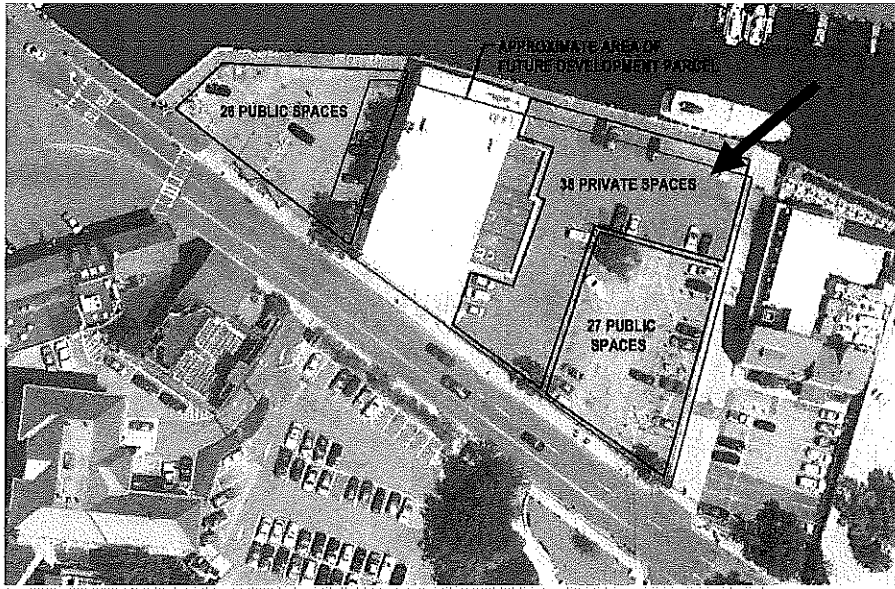
Parking Spaces/Ratio: Number of Parking Spaces: 38± dedicated on-site parking spaces
Parking Ratio: Not applicable

Parking Lot Condition: Average

Site Parking Plan:



Overhead Photo - Subject Parking & Adjacent Public Parking



Existing Conditions

91 Total Parking Spaces
(38 Private/53 Public)



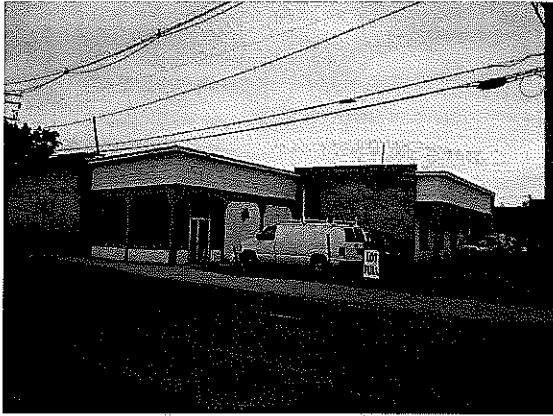
110 Compromise Street
Annapolis, Maryland

6/25/2013

Overhead Site Photo:



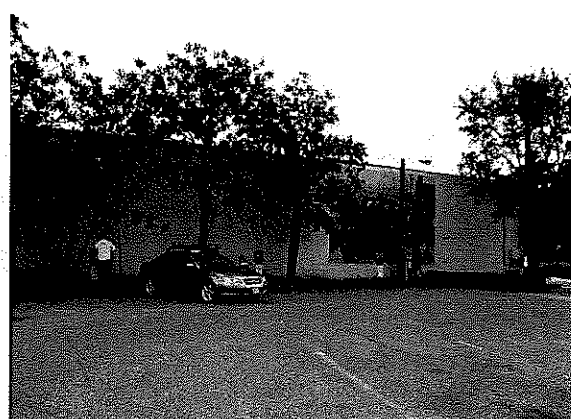
Subject Photographs:



Front and Eastern Side Views



Rear View

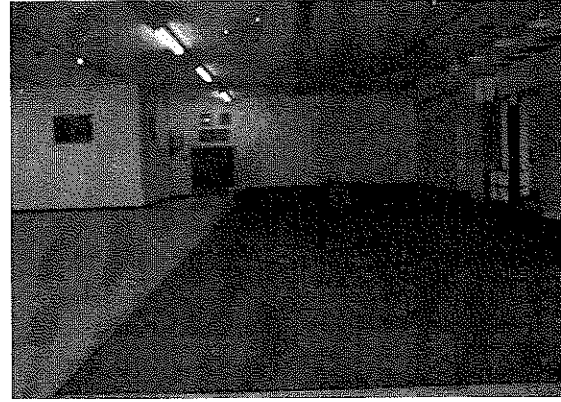


Western Side View

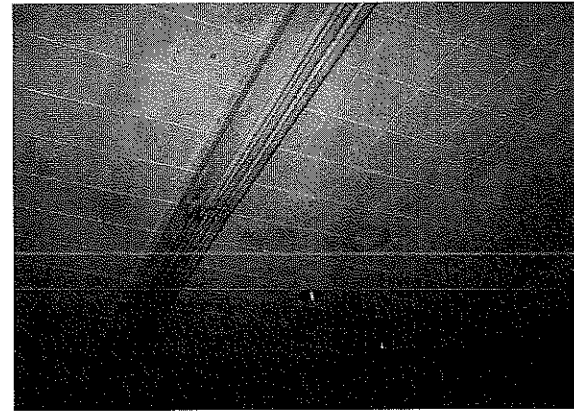
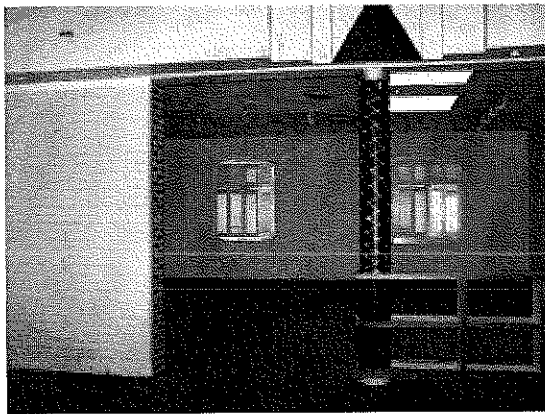


Subject Bulkhead and Pier

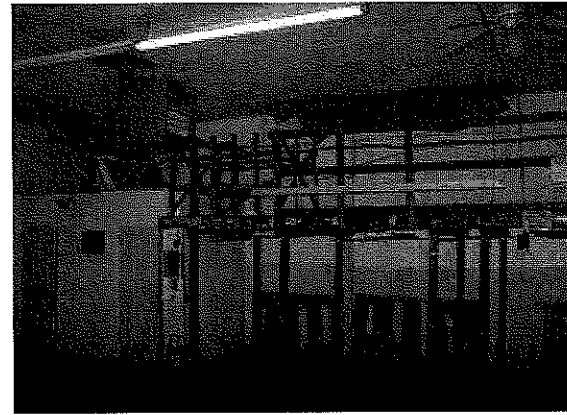
Subject Photographs



Interior photos depicting shell condition

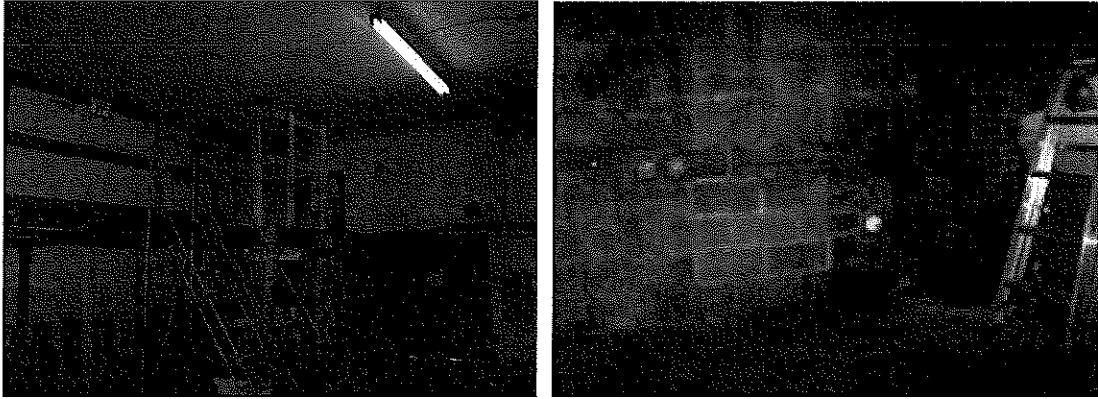


Interior photos depicting shell condition



Interior photos depicting shell condition

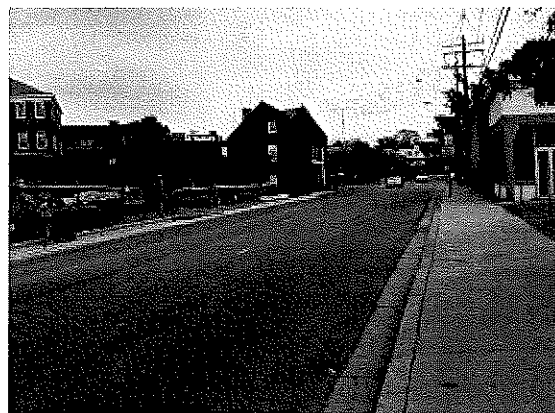
Subject Photographs



Interior photos depicting shell condition

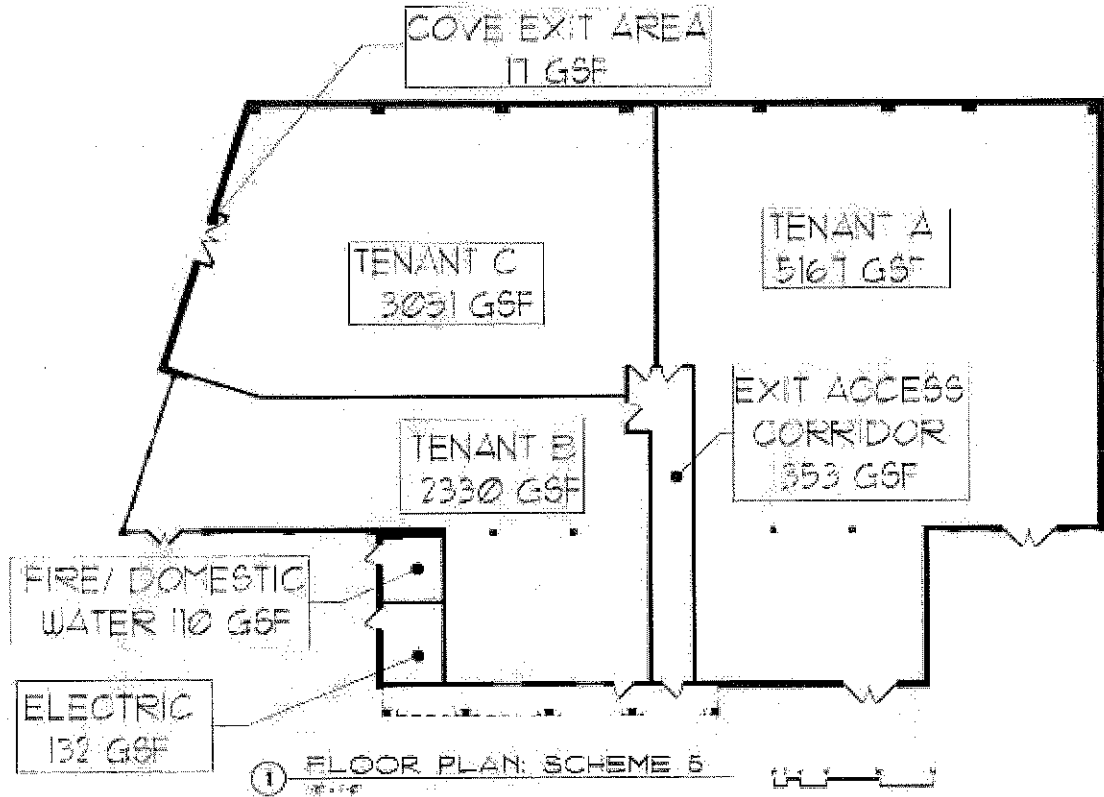


Compromise Street facing south



Compromise Street facing north

Proposed Building Plan:



TENANT A	5167 GSF
TENANT B	2330 GSF
TENANT C	3051 GSF
FIRE / DOMESTIC WATER	110 GSF
ELECTRIC	132 GSF
EXIT ACCESS	353 GSF
COVE EXIT AREA	17 GSF
TOTAL	11588 GSF

Improvements Description

Property Name: N/A

Overview: The subject is a vacant waterfront commercial building with land supporting the building, 38 on-site parking spaces and over 200 feet of deep water bulkhead. Both the size of the building and the supporting parcel are larger than what is typical for the Annapolis market. The majority of commercial properties in the city dock area are retail storefront or mixed use properties with little additional land area or onsite parking.

General:

Property Type: Waterfront marine related commercial building

Construction/Quality: Combination of wood and masonry/ Average overall

Year Built: Unknown

Renovations: Unknown

Age/Depreciation: Effective Age: 30 years
Total Economic Life : 50 years
Percent Depreciated: 60%

Condition: Average

Functional Utility: Average compared to like-property types

Areas, Ratios & Numbers: Gross Building Area: 11,158± sq. ft. GBA
Gross Rentable Area: 11,158± sq. ft. RA

Building Size Notation

The public assessment record lists a building size of 11,378 sq. ft. gross building area (GBA). However, our on-site building measurement, as well as the owner's records indicates a size of 11,158± sq. ft. GBA. For the purposes of this appraisal, we will use the on-site and owner-verified measurement.

Foundation, Frame & Exterior

Foundation: Poured concrete slab

Structural Frame: Combination of wood, masonry brick & block

Exterior Walls: Combination of wood with some brick and block

Exterior Windows: Casement windows - double pane

Roof/Cover: Flat roof with wood and metal deck; assume tar and gravel surfacing - no inspection completed

Basement use / Finish: None noted

Service Access/
Overhead Doors: 2 rear exterior loading doors

Interior

Interior Amenities: Typical older finishes throughout

Floor Cover: Combination of concrete slab on-grade, carpeted and linoleum surfaces

Interior Walls: Painted drywall and concrete block

Ceilings & Ceiling Height: Primarily suspended acoustic ceiling panels/ 8'

Lighting: Combination of fluorescent and recessed incandescent

Restrooms: Single-stalled restrooms / Adequate for facility

Mechanical Systems

Heating: Gas fire warm air system throughout the building.

Cooling: Central HVAC; adequate for purpose

Electrical: Typical; adequate for purpose

Plumbing: Typical; adequate for purpose

Sprinkler System: Sprinklers are not present per my visual inspection

Elevators: Not applicable

Security: None present

Comments: The mechanical systems designed for the building are adequate for their use.

Building Interior Condition

Deferred maintenance refers to curable physical deterioration of items in need of immediate repair on the effective date of the appraisal. The cost of such repair is only deducted from the value when the item must be replaced or repaired for the building to function as it is meant to, and compared to like-properties. Examples include broken windows, inoperable mechanical systems, and holes in wall structures or stained/torn carpet that must be replaced.

The subject property is an older commercial property that has been vacant for a number of years. Due to the lack of occupancy, the rentable area features little improvements and is considered to be in shell condition. It is estimated that it would cost approximately \$30.00 per square foot to upgrade the building to rentable condition. Therefore, a provision of \$334,740 for interior finishes is being applied to each of the valuation methods developed within the report.

Property Analysis

Design & Functional Utility:	The design and functional utility of the improvements are suitable for their intended heavy industrial use.
Capital Improvements:	None noted.
Comments:	With the improvements indicated above, the site has above average appeal to the commercial user.

Improvement Description Notes

There are no hidden or unapparent conditions of the property or subsoil, which would make the property more or less valuable, discovered by us or made known to us. No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there are no hidden or unapparent conditions, in any form, on or near the subject property.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, lead based paint, etc., which may or may not be present on or in the property, was not called to our attention, nor did we become aware of such during the property inspection. I have no knowledge of the existence of such materials on or in the property unless otherwise stated and are not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property.

The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, or for any expertise or knowledge required to discover them. I recommend that the appropriate experts be retained to investigate and determine the extent, if any, such substances are present and what risks, if any, are involved. Should any subsequent studies, research, or investigation reveal the presence of any potentially hazardous substances, this appraisal report is invalid.

Assessment Data and Taxes

Tax Identification(s) 06-000-01565300
06-000-01565400

Total Assessed Value

CURRENT TAX ASSESSMENT - Parcel 1247		
<u>Subject</u>	<u>Base</u>	<u>As of July, 2013</u>
Land	\$2,069,100	\$2,069,100
Improvement	\$ 801,200	\$ 801,200
<i>Total Assessment:</i>	<i>\$2,870,300</i>	<i>\$3,096,167</i>

Tax Rate

Rates are calculated on a per \$100 of assessed value basis:

REAL PROPERTY TAX		
<u>Taxing Authority</u>	<u>Per \$100</u>	<u>Total</u>
Anne Arundel County	0.569	\$17,617.19
City of Annapolis	0.650	\$20,125.09
State of Maryland	0.112	\$3,467.71
Special Assessment		
<i>Total Tax</i>		<i>\$41,209.99</i>

Total Assessed Value

CURRENT TAX ASSESSMENT - Parcel 1255		
<u>Subject</u>	<u>Base</u>	<u>As of July 2013</u>
Land	\$80,000	\$64,800
Improvement	\$0	\$0
<i>Total Assessment:</i>	<i>\$80,000</i>	<i>\$64,800</i>

Tax Rate

Rates are calculated on a per \$100 of assessed value basis:

REAL PROPERTY TAX		
<u>Taxing Authority</u>	<u>Per \$100</u>	<u>Total</u>
Anne Arundel County	0.569	\$368.71
City of Annapolis	0.650	\$421.20
State of Maryland	0.112	\$ 72.58
Special Assessment		
<i>Total Tax</i>		<i>\$862.49</i>

Special Assessments/Tax Credits None noted

Tax Classification The subject is not tax-exempt

Annual Tax Burden \$41,209.99 - 110 Compromise Street
\$ 862.49 - Parcel 1255 Compromise Street
\$42,072.48 Total

Annual Tax per unit	\$3.77 per sq. ft. gross building area (GBA)
Assessment Trends	Stable
Prospective Changes in Tax Rate	None known
Adequacy of Tax Burden	According to tax assessments surveyed of other comparable properties, the adequacy of the tax burden is sufficient. The overall assessment value is less than the opinion of market value contained in this report. The reason for this discrepancy is a potential under assessment of the parking and riparian rights associated with the property.

Tax Assessment Record(s)

The State of Maryland Department of Assessments and Taxation (SDAT) show the following assessment record (s):

Search Result for ANNE ARUNDEL COUNTY										New Search
View Map		View GroundRent Redemption				View GroundRent Registration				
Account Identifier:		District - 06 Subdivision - 000 Account Number - 01565300								
Owner Information										
Owner Name:		CHANDLER LLC				Use:		COMMERCIAL		
Mailing Address:		3111 BENNETT POINT RD QUEENSTOWN MD 21658				Principal Residence:		NO		
						Deed Reference:		1) /08352/ 00124 2)		
Location & Structure Information										
Premises Address:		110 COMPROMISE ST. ANNAPOLIS 21401-0000 Waterfront				Legal Description:		27775 SQ FT 110 COMPROMISE ST ANNAPOLIS		
Map:	Grid:	Parcel:	Sub District:	Subdivision:	Section:	Block:	Lot:	Assessment Year:	Plat No:	
052A	0020	1247		000		FT		2012	Plat Ref:	
Special Tax Areas:		Town:				ANNAPOLIS				
		Ad Valorem:								
		Tax Class:								
Primary Structure Built		Above Grade Enclosed Area		Finished Basement Area		Property Land Area		County Use		
		11378				27,775 SF				
Stories	Basement	Type	Exterior	Full/Half Bath	Garage	Last Major Renovation				
		RETAIL STORE								
Value Information										
		Base Value		Value		Phase-In Assessments				
				As of		As of		As of		
Land:		2,069,100		2,374,700		07/01/2013		07/01/2014		
Improvements		801,200		834,400						
Total:		2,870,300		3,209,100		3,096,167		3,209,100		
Preferential Land:		0						0		
Transfer Information										
Seller:		COMPROMISE CO LTD		Date:		03/23/1998		Price: \$2,485,000		
Type:		ARMS LENGTH MULTIPLE		Deed1:		/08352/ 00124		Deed2:		
Seller:				Date:				Price:		
Type:				Deed1:				Deed2:		
Seller:				Date:				Price:		
Type:				Deed1:				Deed2:		
Exemption Information										
Partial Exempt Assessments:		Class		07/01/2013		07/01/2014				
County:		000		0.00						
State:		000		0.00						
Municipal:		000		0.00 0.00		0.00 0.00				
Tax Exempt:				Special Tax Recapture:						
Exempt Class:				NONE						

[View Map](#) [View GroundRent Redemption](#) [View GroundRent Registration](#)

Account Identifier: District - 06 Subdivision - 000 Account Number - 01565400

Owner Information

Owner Name:	CHANDLER LLC	Use:	COMMERCIAL
Mailing Address:	3111 BENNETT POINT RD QUEENSTOWN MD 21658	Principal Residence:	NO
		Deed Reference:	1) /08352/ 00124 2)

Location & Structure Information

Premises Address:	COMPROMISE ST ANNAPOLIS 21401-0000	Legal Description:	PT LT CITY DOCK COMPROMISE ST ANNAPOLIS
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Map:	Grid:	Parcel:	Sub District:	Subdivision:	Section:	Block:	Lot:	Assessment Year:	Plat No:
052A	0020	1255		000			CITY	2012	Plat Ref:

Special Tax Areas:	Town:	ANNAPOLIS
	Ad Valorem:	
	Tax Class:	

Primary Structure Built	Above Grade Enclosed Area	Finished Basement Area	Property Land Area	County Use
			1,144 SF	

Stories	Basement	Type	Exterior	Full/Half Bath	Garage	Last Major Renovation
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Value Information

	Base Value	Value	Phase-in Assessments	
		As of	As of	As of
		01/01/2012	07/01/2013	07/01/2014
Land:	80,000	64,800		
Improvements	0	0		
Total:	80,000	64,800	64,800	64,800
Preferential Land:	0			0

Transfer Information

Seller: COMPROMISE CO LTD	Date: 03/23/1998	Price: \$2,485,000
Type: ARMS LENGTH MULTIPLE	Deed1: /08352/ 00124	Deed2:
Seller:	Date:	Price:
Type:	Deed1:	Deed2:
Seller:	Date:	Price:
Type:	Deed1:	Deed2:

Exemption Information

Partial Exempt Assessments:	Class	07/01/2013	07/01/2014
County:	000	0.00	
State:	000	0.00	
Municipal:	000	0.00 0.00	0.00 0.00
Tax Exempt:		Special Tax Recapture:	
Exempt Class:		NONE	

Homestead Application Information

Homestead Application Status: No Application

Current Tax Bills:

Real Estate Charges			
Owner	CHANDLER LLC		
Parcel ID	600001565300		
Bill Year	2014		
Tax Charges			
	Taxable Value	Tax Rate	Amount
COUNTY REAL ESTATE TAX-CITY	3,096,167	0.569000	\$17,617.19
CITY OF ANNAPOLIS REAL ESTATE TAX	3,096,167	0.650000	\$20,125.09
STATE REAL ESTATE TAX	3,096,167	0.112000	\$3,467.71
Total			\$41,209.99
2014 Charges			\$41,209.99

Real Estate Charges			
Owner	CHANDLER LLC		
Parcel ID	600001565400		
Bill Year	2014		
Tax Charges			
	Taxable Value	Tax Rate	Amount
COUNTY REAL ESTATE TAX-CITY	64,800	0.569000	\$368.71
CITY OF ANNAPOLIS REAL ESTATE TAX	64,800	0.650000	\$421.20
STATE REAL ESTATE TAX	64,800	0.112000	\$72.58
Total			\$862.49
2014 Charges			\$862.49

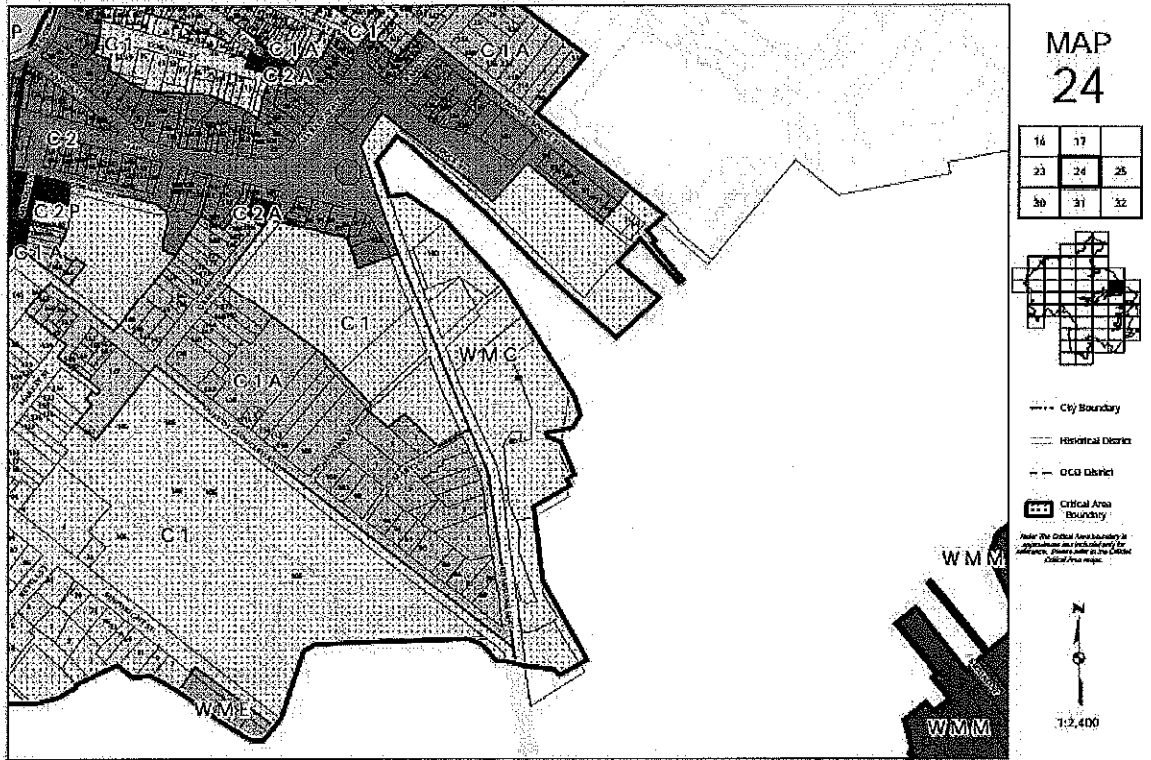
Zoning

Zoning Code:	Current Zoning: WMC; Waterfront Maritime Conservation District Proposed Zoning: C2 - Conservation Business District
Zoning Authority:	City of Annapolis
Zoning Description:	The WMC Waterfront Maritime Conservation zone is designed for commercial maritime uses that conserve the historic nature of Annapolis. The C2 Conservation Business District is designed to encourage the preservation of the old City by allowing a compatible mixture of business and home crafts and shops, unique to the early development of the City.
Zoning Confirmation:	We confirmed the subject's current zoning classification using the Annapolis website and mapping service.
Zoning Use Permitted:	Permitted uses within the WMC district includes marine related businesses such as yacht and sailing clubs, sailing schools, vessel repair and maintenance, boat dealers, brokers and manufacturers' representatives, marine parts, supplies and accessory distributors. (See Addenda for all uses) Permitted uses within the C2 district includes a variety of retail stores, dry cleaning and laundry drop off and pick up stations, offices, personal care establishments, and various schools. (See Addenda for all uses)
Other Bulk Regulations:	See Below
Zoning Density/FAR	See Below
Current Use Legally Conforming	The current use of the subject's land and bulkhead areas are legally conforming. The subject improvement is currently a vacant commercial building.

Zoning Comments and Conclusions

The subject appears to be in conformance with zoning regulations.

Zoning Map:



City of Annapolis, Maryland Comprehensive Zoning

Created : December 2005
Adopted :

WMC Bulk Regulations

21.60.280 Bulk Regulations Table WMC District

Important. The notes at the end of the table are as much a part of the law as the table itself.

Permitted uses, special exceptions, and uses subject to specific standards	Lot Dimensions (minimum) Area (sq. ft.)	Lot Dimensions (minimum) Width (ft.)	Lot Dimensions (minimum) Depth (ft.)	Yards (minimum) Front (ft.)	Yards (minimum) Front building line setback	Yards (minimum) Interior Side (ft.)	Yards (minimum) Corner Side (minimum depth)	Yards (minimum) Rear (ft.)	Coverage, Height, Floor Area Ratio (maximum) Coverage	Coverage, Height, Floor Area Ratio (maximum) Height	Coverage, Height, Floor Area Ratio (maximum) Floor Area Ratio	Location where a street right-of-way terminates at a waterway
	5,000	50	100	0	12 feet from edge of curb.	0, or five feet where a yard is provided.	Equal to the front building line setback.	1. Lots with no waterway frontage: 15 feet.	50 percent ² .	1, 2.5 stories not to exceed 22 feet at the cornice line, and 32 feet at the ridge line. ⁴	1.0	No buildings or structures are permitted within a setback defined by

Permitted uses, special exceptions, and uses subject to specific standards	Lot Dimensions (minimum) Area (sq. ft.)	Lot Dimensions (minimum) Width (ft.)	Lot Dimensions (minimum) Depth (ft.)	Yards (minimum) Front (ft.)	Yards (minimum) Front building line setback	Yards (minimum) Interior Side (ft.)	Yards (minimum) Corner Side (minimum depth)	Yards (minimum) Rear (ft.)	Coverage, Height, Floor Area Ratio (maximum) Coverage	Coverage, Height, Floor Area Ratio (maximum) Height	Coverage, Height, Floor Area Ratio (maximum) Floor Area Ratio	Location where a street right-of-way terminates at a waterway
								2. Lots with waterway frontage: 12 feet, measured parallel to the shoreline ¹ .		2. No structure may intrude on the sky exposure plane ³ .		the prolongation of a line defined by the southwest side of the right-of-way of Main Street and extending to the waterway.

Table Notes:

- 1 No buildings or structures are permitted in this yard, except structures associated with the public pedestrian walkway provided in accordance with [Section 21.46.040](#)
- 2 For lots with waterway frontage, unless a public pedestrian walkway is constructed, a minimum 25 percent of the lot must be unobstructed to provide views of the waterway from the street. If a walkway is constructed, a minimum 15 percent of the lot must be unobstructed. Standards for walkways are set forth in [Chapter 21.62](#)
- 3 The sky exposure plane is measured from a height of 22 feet above the building line and rises over a slope of one foot of horizontal distance for every one foot of vertical distance.
- 4 In the historic district, special height measurement and limits requirements apply, see [Chapter 21.56](#)
(Ord. O-1-04 Revised (part), 2005)

C2 Bulk Regulations

Permitted uses, special exception uses, and uses subject to specific standards	Floor Area Ratio (maximum)	Lot Area (minimum, sq. ft.)	Lot width (minimum, feet)	Yards (minimum) Front (ft)	Yards (minimum) Interior Side (ft)	Yards (minimum) Corner Side (ft)	Yards (minimum) Rear (ft)	Height	Living Space (minimum gross sq. ft.)
All uses unless otherwise specified	2.0	1,500	20	0	0	0	30	3	
Dwellings above the ground floor of non-residential uses	2.0	No additional lot area requirement							Efficiency apartment: 300 One bedroom apartment: 450 Two bedroom apartment: 600 Each additional bedroom: 150 ⁴

Table Notes:

- 1 Front yards are not required, except in the case of an established front yard pursuant to [Chapter 21.38](#)
- 2 Corner side yards are not required, except in the case where there is an established front yard in the remainder of the block. In those cases, the corner side yard shall be provided in accordance with the established-front-yard regulations pursuant to Section [Chapter 21.38](#)
- 3 In the historic district, special height measurement and limits requirements apply, see [Chapter 21.56](#)
- 4 The minimum space requirements may not be reduced by a variance from the Board of Appeals.

Highest and Best Use

The Highest and Best Use conclusion is being presented for each zoning scenario.

Highest and best use may be defined as “the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”²

1. **Physically Possible:** To what use is the site physically adaptable?
2. **Legally Permissible:** What uses are permitted by zoning and other legal restrictions?
3. **Financially Feasible:** Which possible and permissible use will produce any net return to the owner of the site?
4. **Maximally Productive.** Among the feasible uses which use will produce the highest net return (i.e., the highest present worth)?

An analysis of a property’s highest and best use is the most important part of the appraisal, because it is in terms of a property’s highest and best use that market value is estimated. This study is based upon available data related to the four questions listed above.

Highest and Best Use, As Vacant with WMC zoning

Physically Possible

The subject represents 2 contiguous waterfront land parcels that are of adequate size and shape, are level, and are located in downtown Annapolis. The site has good access to major transportation routes. Surrounding site influences are mixed use commercial office, retail and residential uses.

Public water, sewer, electric and telephone services are available on site. The subject's supporting site appears well-drained, however it is located in a flood zone with a history of flooding during severe storm conditions. The site has no easements, and its soil appears suitable for development of permitted uses within the Waterfront Maritime Zoning District. As vacant, any future development of the site would require improvements to be constructed above the flood plain.

The subject's location, access, visibility, supporting services, and other physical conditions support commercial waterfront marine related services.

² Appraisal Institute, *The Appraisal of Real Estate*, 12th ed. (Chicago: Appraisal Institute, 2001).

Legally Permissible

The subject is zoned WMC, a waterfront maritime zoning district within the City of Annapolis. The WMC Waterfront Maritime Conservation district is intended to provide a location for maritime-related activities, public access and recreational uses of the waterfront in an attractive environment which supports and is harmonious with the interrelationship of the historic urban core, the waterfront and adjacent commercial and residential uses.

The surrounding site influences do not appear to conform to the current zoning classification. Therefore the subject is being valued under both existing and proposed zoning classifications. The site is located within the historic district of Annapolis and would have to be developed in conformance with all city regulations. Permitted uses include uses such as yacht and sailing clubs, marine related retail establishments, boat repair and maintenance facilities, and maritime institutions.

Financially Feasible

Uses that are physically possible and legally permissible must be analyzed further to determine those that are likely to produce some income, or return, greater than the combined income needed to satisfy operating expense, financial expense, and capital amortization. Any use of the subject site which provides a financial return to the land in excess of the cost of land is financially feasible.

The location of the subject and its surrounding site influences are major factors when considering potential uses. The site is located on Compromise Street in the historic downtown area of Annapolis. The location of the subject on Compromise Street is attractive to pedestrian traffic as well as vehicle traffic. Uses adjacent to the property include an office buildings, mixed use retail/office, and restaurant buildings. However, under the current zoning classification, financially feasible uses are restricted to marine related development as permitted within the WMC zoning regulations.

Maximally Productive

Among financially feasible uses, however, the highest and best use of the subject must also represent that use that provides the highest rate of return or value (even a constant rate of return). This consideration is intended to reduce the range of permissible and feasible uses to the one use that maximizes the productivity of the property.

Upon further analysis, the maximally productive use of the subject is for waterfront marine related use.

Highest and Best Use, As Improved with WMC Zoning

Physically Possible

In addition to the physical elements mentioned above, the subject is improved with an 11,158± square foot single story retail building. Outdoor improvements include concrete curbs and sidewalks, a deep water bulkhead, 38± on-site asphalt covered parking spaces, and site lighting.

Public water, sewer, electric and communication services serve the property. There is currently sufficient capacity to serve the property. Based upon the on-site inspection of the subject, there do not appear to be any physical constraints (size, shape, topography, easements or utilities) that would hamper its maritime related market appeal.

Legally Permissible

The subject is zoned WMC; Waterfront Maritime Conservation District as designated by the City of Annapolis. The purpose of this district is to provide a location for maritime-related activities, public access and recreational uses of the waterfront in an attractive environment which supports and is harmonious with the interrelationship of the historic urban core, the waterfront and adjacent commercial and residential uses.

The subject would be developed in conformance with the zoning classification and corresponds with the development within the subject area.

Financially Feasible

Uses that are physically possible and legally permissible must be analyzed further to determine those that are likely to produce some income, or return, greater than the combined income needed to satisfy operating expense, financial expense, and capital amortization. Any use of the subject site which provides a financial return to the land in excess of the cost of land is financially feasible.

Upon examining the feasible or suitable uses of the subject, its location becomes a dominant factor influencing potential uses. The improvements currently vacant and were previously occupied by a marine related retail tenant. Its waterfront location in the historic district of Annapolis makes it conducive for marine related uses as permitted within the WMC zoning regulation.

Maximally Productive

After considering the physical constraints of the subject parcels, the subject location, the use of the surrounding parcels and the existing zoning regulations, it is our opinion that the maximally productive and highest and best use for this property is its continued use as an waterfront marine related site with supporting deep water bulkhead use and on-site parking. Based on our analysis, which is included in the Income and Sales Comparison Approaches to value, use of the property as a waterfront marine related property is financially feasible, maximally productive and as such, market value is derived.

Highest and Best Use, As Vacant with C2 Zoning

The subject represents a finished land parcel that is of adequate size and shape, is level, and is located in the historic district of downtown Annapolis. The site has access to major transportation routes. Surrounding site influences are mixed use commercial office, retail and residential uses.

Public water, sewer, electric and telephone services are available on site. The subject's supporting site appears well-drained, however it is located in a flood zone with a history of flooding during severe storm conditions. The site has no easements, and its soil appears suitable for development of permitted uses within the Waterfront Maritime Zoning District. As vacant, any future development of the site would require improvements to be constructed above the flood plain.

The subject's location, access, visibility, supporting services, and other physical conditions support commercial mixed uses such as office and/or retail properties.

Legally Permissible

The subject is zoned C2; Conservative Business District as designated by the City of Annapolis. The purpose of this district is designed to encourage the preservation of the old City by allowing a compatible mixture of business and home crafts and shops, unique to the early development of the City.

The surrounding site influences appear to conform to the current zoning classification. The site is located within the historic district of Annapolis and would have to be developed in conformance with all City regulations. Permitted uses include uses such as various retail establishments, offices, bank and financial institutions, public schools and colleges, self-service and automatic laundrettes, and personal care establishments.

Financially Feasible

Uses that are physically possible and legally permissible must be analyzed further to determine those that are likely to produce some income, or return, greater than the combined income needed to satisfy operating expense, financial expense, and capital amortization. Any use of the subject site which provides a financial return to the land in excess of the cost of land is financially feasible.

The location of the subject and its surrounding site influences are major factors when considering potential uses. The site is located on Compromise Street in the historic downtown area of Annapolis. The location of the subject on Compromise Street is attractive to pedestrian traffic as well as vehicle traffic. Uses adjacent to the property include a waterfront fraternal organization, a waterfront hotel as well as various office buildings, mixed use retail/office, and restaurant buildings. Thus, based on the local development trends in conjunction with the property's location and existing surrounding site influences, financially feasible uses include mixed use office/retail development.

Maximally Productive

Among financially feasible uses, however, the highest and best use of the subject must also represent that use that provides the highest rate of return or value (even a constant rate of return). This consideration is intended to reduce the range of permissible and feasible uses to the one use that maximizes the productivity of the property.

Upon further analysis, the maximally productive use of the subject is for mixed use office/retail development

Highest and Best Use, As Improved

Physically Possible

In addition to the physical elements mentioned above, the waterfront property is improved with an 11,158 square foot single story office/retail building. Outdoor improvements include concrete curbs and sidewalk, a deep water bulkhead, 38± on site asphalt parking spaces, and site lighting.

Public water, sewer, electric and communication services serve the property. There is currently sufficient capacity to serve the property. Based upon the on-site inspection of the subject, there do not appear to be any physical constraints (size, shape, topography, easements or utilities) that would hamper its mixed use office/retail market appeal.

Legally Permissible

The subject is zoned C2; Conservative Business district as designated by the City of Annapolis. The purpose of this district is designed to encourage the preservation of the old City by allowing a compatible mixture of business and home crafts and shops, unique to the early development of the City

The subject would be developed in conformance with the zoning classification and corresponds with the development within the subject area.

Financially Feasible

Uses that are physically possible and legally permissible must be analyzed further to determine those that are likely to produce some income, or return, greater than the combined income needed to satisfy operating expense, financial expense, and capital amortization. Any use of the subject site which provides a financial return to the land in excess of the cost of land is financially feasible.

Upon examining the feasible or suitable uses of the subject, its location becomes a dominant factor influencing potential uses. The building on the site is currently vacant however, its

location in the historic district of Annapolis makes it conducive for compatible mixed commercial uses such as retail, office, banking and financial institutions and for educational purposes.

Given the subject's physical and legally permissible attributes, financially feasible uses are restricted to mainly mixed office/retail use.

Maximally Productive

After considering the physical constraints of the subject parcels, the subject location, the use of the surrounding parcels and the existing zoning regulations, it is our opinion that the maximally productive and highest and best use for this waterfront property is use as a mixed use office/retail building. Based on our analysis, which is included in the Sales Comparison and Income Approaches to value, use of the property as a mixed use office/retail building is financially feasible, maximally productive and as such, market value is derived.

Valuation Methodology

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Sales Comparison Approach
2. The Cost Approach
3. The Income Approach

Sales Comparison Approach

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The Sales Comparison Approach compares sales of similar properties with the subject for an indication of the subject's value. This approach represents an interpretation of the reactions of typical purchasers in the market. The principle of substitution supports this approach and implies that a prudent person will pay no more to buy a property than it will cost to buy a comparable substitute property.

The Sales Comparison Approach uses a comparative analysis to adjust for inferior and superior attributes of the sale properties to those of the subject. Attributes can include (but are not limited to) location, physical characteristics, conditions of sale and changes in the market

over time. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived. The indicated value will be in terms of most pertinent unit of measure (e.g., cost per building square foot, cost per acre, etc.). This value will then be applied to the entire property being appraised for a final Sales Comparison estimate of value.

Cost Approach

When developing the Cost Approach to value, the new replacement cost of the subject's property improvement and value of the subject's site in today's market are estimated. Elements of depreciation affecting value are then subtracted from the replacement cost to reflect the present worth of the improvements. Items affecting value are usually physical in nature due to the wear of normal use and the effects of the elements. Value can also be affected by functional obsolescence (e.g., a design flaw which limits functional use or utility), or external obsolescence, which is a temporary or permanent impairment of an improvement due to negative influences outside the property (e.g., change in traffic patterns or an undesirable factory or business nearby). Any type of obsolescence can create conditions detrimental to the value of the property and even that of the neighborhood.

Income Approach

The Income Approach converts the anticipated flow of future benefits (income) into a present value estimate of the subject through the application of either an overall (current) capitalization rate (known as direct capitalization), or a discounting process (discounted cash flow - DCF) methodology in which future income is discounted into a net present value (worth) using a discount capitalization rate over a projected holding period. Typically, where an appraisal assignment calls for development of an opinion of the subject's as is (current) market value, the direct capitalization method is used. Use of the DCF methodology is most appropriate where current income is not stabilized (i.e., due to vacancy, incomplete project development, below market rents), but which is anticipated to reach stabilization over a projected holding period.

Final Reconciliation

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied for a single estimate of market value. Different properties require different means of analysis and lend themselves to one approach over the others.

Analyses Applied

A sales comparison analysis is being developed within the scope of this assignment. The highest and best use of the subject is as a tenant occupied commercial property within the

confines of the applicable zoning scenario. Therefore the most appropriate measure of market value of the subject is indicated by the development of the income approach. However, within this assignment the sales comparison approach is also being developed to provide secondary support for the value derived under the income methodology. Although not a perfect match, there is adequate data (i.e., comparable sales) from which to develop a value estimate for the base building. The contributory value of the subject's excess land and riparian rights are added to the base value of the building in order to determine the overall market value of the property.

All sales of downtown commercial properties during the past 5 years have been investigated. From the total population of sales the properties which were most similar to the subject were chosen for further analysis.

A **cost analysis** was considered and was not developed because there is inadequate data to develop a land value and the age of the improvements makes the depreciation difficult to accurately measure. Additionally, the opinion of value is adequately supported by the development of the Sales Comparison and Income approaches to value.

The income (capitalization) analysis is being developed as the primary indication of the market value of the subject property. The majority of properties in the subject market are purchased for their income producing potential. Within the scope of this assignment, the income approach is the most credible appraisal tool for accounting for the various sources of income for the subject and quantifying the results in the form of the market value of the property. There is adequate data (i.e., market-based income and expense data) from which to develop a value estimate, and this approach is considered the primary means in determining the appropriate value estimate for this property type.

Given the subject's current vacancy level and lack of stabilization, we have utilized the Discounted Cash Flow method to account for the projected lease-up period and renewal rates among all leased spaces. This method typically best reflects the actions of the market and its participants for properties with attributes similar to the subject; and accurately considers the quality and duration of the subject's net income stream.

Given the proposed zoning change for the subject multiple discounted cash flow models were developed to quantify the market value of the subject under different uses and zoning scenarios.

Sales Comparison Approach

The most appropriate measure of market value of the subject is indicated by the development of the income approach. However, within this assignment the sales comparison approach is also being developed to provide secondary support for the value derived under the income methodology.

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

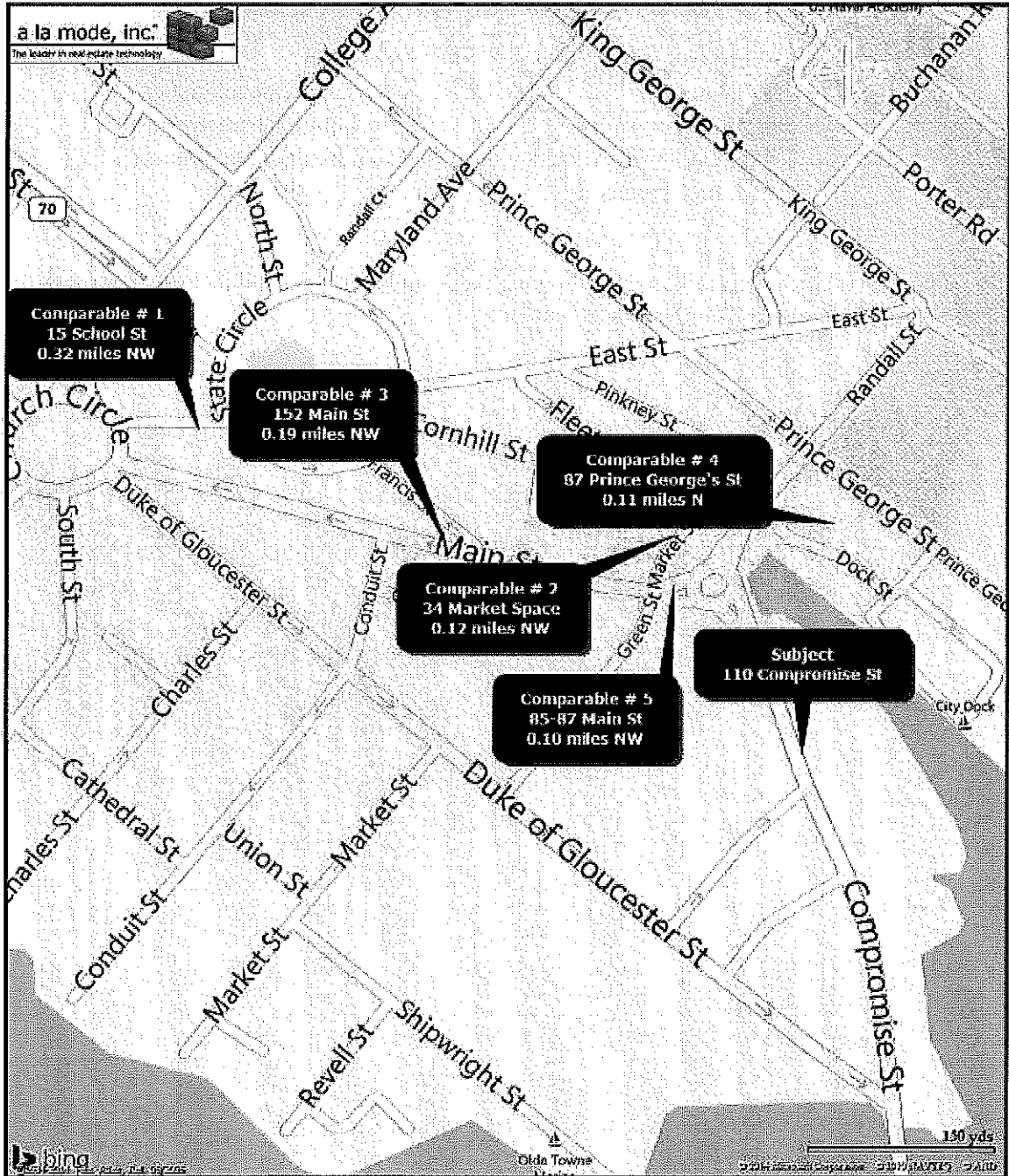
- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

Improved Sales Comparables

I have researched market activity including all known sales of similar properties in the market area for the past six years. The pool of potential sales comparables are comprised of retail, office and mixed use properties located in downtown Annapolis. In reviewing the comparables, an emphasis was placed on properties located in the vicinity of the city dock. However none of the sales comparables match the size and utility of the subject. The unique attributes of the subject, specifically the parcel size and the waterfront property rights cannot be duplicated within the sales comparable pool. In order to accurately determine the market value of the subject, the contributory market value of the excess land and riparian rights is calculated based on the income generated by these property segments and added to the prevailing square foot market rate for commercial properties in Annapolis.

A list of the potential sales comparables for this assignment is included in the addendum of this report. From the total population of sales, the following comparables are being included in this report for further analysis. A location map and analysis grid is also provided.

Sales Comparables Map



Sales Analysis Grid

The above sales have been analyzed and compared with the subject property. We have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Expenditures After Purchase
- Market Trends
- Location
- Physical Characteristics
- Economic Characteristics
- Non Realty Components

Our analysis is presented on the following page, and shows the subject property, the comparables and the applicable adjustments.

Improved Comparable Sale #1



Address: 15 School St, Annapolis, MD 21401
Legal Description: LT 15 School St Annapolis
Tax Identification: Anne Arundel County 06-000-00137700

Site Description			
Land Size:	1,505 sq. ft.	Zoning:	C2
Shape:	Rectangular	Utilities:	City
Topography:	Level terrain		
Access/Visibility:	Average; no on-site parking (typical for area)		

Improvement Description			
Building Type:	Class B Office Building	Condition:	Average
Age:	Unknown	Functional Utility:	Average
Size:	4,059 sq. ft. GBA		

Sales Data			
Date of Sale:	3/18/2009	Sales Price:	\$1,715,000
Property Rights:	Fee simple	Price per Unit:	\$422.52/sq. ft. GBA
Seller:	J&B Historic Properties LLC	Liber//Folio:	20812/75
Buyer:	15 School Street LLC	Terms of Sale:	Arms Length
Data Source:	Public Record, MRIS, CoStar		

Comments: Three story office building located in historic downtown Annapolis. According to CoStar, the listing broker confirmed the sale price and building RBA. The listing broker also confirmed that \$10,700 was paid towards closing costs by the seller of the property. This dollar amount is viewed as de minus and therefore not adjusted within the sales analysis.

Improved Comparable Sale #2



Address: 34 Market Space, Annapolis, MD 21401
Legal Description: LT 34 Market Space Annapolis
Tax Identification: Anne Arundel County 06-000-01433755

Site Description			
Land Size:	2,300 sq. ft.	Zoning:	C2
Shape:	Rectangular	Utilities:	City
Topography:	Level terrain		
Access/Visibility:	Average; no on-site parking (typical for area)		

Improvement Description			
Building Type:	Retail Building	Condition:	Average
Age:	Unknown	Functional Utility:	Average
Size:	2,946 sq. ft. GBA		

Sales Data			
Date of Sale:	1/2/2013	Sales Price:	\$1,100,000
Property Rights:	Fee simple	Price per Unit:	\$373.39/sq. ft. GBA
Seller:	Clatanoff Jr., William B Trustee	Libert/Folio:	25556/180
Buyer:	White-Trustee, Diane C.	Terms of Sale:	Arms Length
Data Source:	Public Record, MRIS, CoStar		

Comments: Historic 3-story mixed use building with 1st floor retail and 2nd and 3rd floor currently used as storage with plans for an owner occupied apartment.

Improved Comparable Sale #3



Address: 152 Main St, Annapolis, MD 21401
Legal Description: LT 152 Main St Annapolis
Tax Identification: Anne Arundel County 06-000-02305800

Site Description			
Land Size:	2,091 sq. ft.	Zoning:	C2
Shape:	Triangular	Utilities:	City
Topography:	Level terrain		
Access/Visibility:	Average; no on-site parking (typical for area)		

Improvement Description			
Building Type:	Retail Bank Building	Condition:	Average
Age:	Unknown	Functional Utility:	Average
Size:	6,273 sq. ft. GBA		

Sales Data			
Date of Sale:	1/11/2008	Sales Price:	\$3,687,039
Property Rights:	Fee simple	Price per Unit:	\$587.76/sq. ft. GBA
Seller:	Suntrust Bank	Liber//Folio:	19807/201
Buyer:	Inland American St Portfolio LLC	Terms of Sale:	Arms Length
Data Source:	Public Record, MRIS, CoStar		

Comments: Historic 3-story bank building located at the intersection of Main Street and Francis Street in downtown Annapolis. This is an older sale but included in this analysis because of the size and visibility of the building. Bank sales typically involve strategic business locations which influence the purchase price.

Improved Comparable Sale #4



Address: 87 Prince George Street, Annapolis, MD 21401
Legal Description: LTS 81 to 89 87 Prince George St
Tax Identification: Anne Arundel County 06-000-03321968

Site Description			
Land Size:	5,278 sq. ft.	Zoning:	C2
Shape:	Rectangular	Utilities:	City
Topography:	Level terrain		
Access/Visibility:	Average; no on-site parking (typical for area)		

Improvement Description			
Building Type:	Retail Restaurant Building	Condition:	Average
Age:	1960	Functional Utility:	Average
Size:	10,500 sq. ft. GBA		

Sales Data			
Date of Sale:	2/19/2009	Sales Price:	\$4,650,000*
Property Rights:	Fee simple	Price per Unit:	\$266.67/sq. ft. GBA
Seller:	Phillip City Dock LLC	Liber//Folio:	20709/171
Buyer:	Vendetta LLC	Terms of Sale:	Arms Length
Data Source:	Public Record, MRIS, CoStar		

Comments: Tax Record shows address of 87 Prince George St. however, the typical mailing address is 12-14 Dock Street, Annapolis, MD 21401. *The multiple list report indicates that of the total sales price, \$2,800,000 was allocated for the purchase of the building and land. The difference was attributable to business value. A subsequent sale in June of 2012 for \$2,908,012 is reported as a non-arms length transaction.

Improved Comparable Sale #5



Address: 85-87 Main St, Annapolis, MD 21401
Legal Description: LT 85 87 881/2Main St Annapolis
Tax Identification: Anne Arundel County 06-000-05566055

Site Description			
Land Size:	3,432 sq. ft.	Zoning:	C2
Shape:	Rectangular	Utilities:	City
Topography:	Level terrain		
Access/Visibility:	Average; no on-site parking (typical for area)		

Improvement Description			
Building Type:	Retail Storefront	Condition:	Average
Age:	Unknown	Functional Utility:	Average
Size:	6,864 sq. ft. GBA		

Sales Data			
Date of Sale:	11/16/2012	Sales Price:	\$1,800,000
Property Rights:	Fee simple	Price per Unit:	\$262.24/sq. ft. GBA
Seller:	Mills Real Estate LLC	Liber//Folio:	25375/352
Buyer:	Mill Creek Management LLC	Terms of Sale:	Arms Length
Data Source:	Public Record, MRIS, CoStar		

Comments: Historic 2-story retail building operating as Mills Liquor Store in downtown Annapolis. The purchase price of this building was confirmed with the purchaser. The purchaser also confirmed the building is two stories with the second level not finished and used only for storage thus a positive functional utility/build-out adjustment is being applied to this transaction.

Improved Sales Grid WMC Zoning

	Subject	Comp #1	Comp #2	Comp #3	Comp #4	Comp #5
PROPERTY ADDRESS	110 Compromise St.	15 School Street	34 Market Space	152 Main Street	87 Prince George's St.	85-87 Main Street
	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis
GENERAL INFORMATION						
Sale Price	TBD	\$1,715,000	\$1,100,000	\$3,687,039	\$2,750,000	\$1,800,000
Sale Date	Date of Insp.	3/18/2009	1/2/2013	1/11/2008	2/19/2009	11/16/2012
Zoning	WMC	C2	C2	C2	C2	C2
Unit of Measure	SF	SF	SF	SF	SF	SF
Gross Building Area	11,158	4,059	2,946	6,273	10,500	6,864
Lot Square Footage (+/-)	28,919	1,505	2,300	2,091	5,278	3,432
Annual Change in Market Conditions	\$/Square Feet	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Highest and Best Use	Maritime	Office	Retail	Bank	Restaurant	Retail
Unadjusted Sales Price/Unit		\$422.52	\$373.39	\$587.76	\$261.90	\$262.24
TRANSACTION ADJUSTMENTS						
Property Rights Conveyed		0%	0%	0%	0%	0%
Adjusted Sale Price		1,715,000	1,100,000	3,687,039	2,750,000	1,800,000
Financing Terms		0%	0%	0%	0%	0%
Adjusted Sale Price		1,715,000	1,100,000	3,687,039	2,750,000	1,800,000
Conditions of Sale		0%	0%	0%	0%	0%
Adjusted Sale Price		1,715,000	1,100,000	3,687,039	2,750,000	1,800,000
Expenditures After Sale		\$0	\$0	\$0	\$0	\$0
Adjusted Sale Price		1,715,000	1,100,000	3,687,039	2,750,000	1,800,000
Market Conditions (Time)		\$46.13	\$13.50	\$56.63	\$46.88	\$14.63
Adjusted Sale Price		1,902,242	1,139,771	4,042,279	3,242,240	1,900,420
PROPERTY ADJUSTMENTS						
Location		0%	0%	0%	0%	0%
Physical Characteristics						
Size		-10%	-10%	0%	0%	0%
Construction Class		0%	0%	0%	0%	0%
Condition		0%	20%	0%	0%	25%
Functional Utility / Build-Out		0%	0%	-15%	0%	0%
Land Area / Parking and Waterfront		0%	0%	0%	0%	0%
Economic Characteristics						
Business Value		0%	0%	-15%	0%	0%
Rent Concessions		0%	0%	0%	0%	0%
Lease Terms		0%	0%	0%	0%	0%
Use (Zoning)		-15%	-15%	-15%	-15%	-15%
Nonrealty Components		0%	0%	0%	0%	0%
NET PROPERTY ADJUSTMENTS		-25%	-5%	-45%	-15%	10%
Market Value Indication		\$1,426,681	\$1,082,782	\$2,223,253	\$2,755,904	\$2,090,462
Unit of Measure - GBA		4,059	2,946	6,273	10,500	6,864
ADJUSTED VALUE PER UNIT		\$351.49	\$367.54	\$354.42	\$262.47	\$304.55
Unit of Measure	GBA					
Indicated Rate	\$360.00					

Comparable Sales Adjustments

Property Rights

All comparable sales conveyed fee simple or leased fee interests. Current market trends do not recognize any appreciable difference in the price paid for fee simple or leased fee; no adjustments were necessary in this category.

Financing

No adjustments were considered necessary as all comparables were sold with typical financing arrangements.

Conditions of Sale

All comparables were arms length transactions and were sold under fairly negotiated terms. Additionally, there were no excessive sales concessions or distressed sale conditions; no adjustments were necessary.

Expenditures after Purchase

None of the comparables required excessive expenditures immediately after the sale; no adjustments were necessary in this category.

Market Trends or Conditions

This adjustment takes into consideration variances in market conditions over a specified period of time. Although often referred to as a time adjustment, time itself is not the cause of the adjustment. A sales trend analysis was performed on the sale of office and retail properties in the City of Annapolis for each year from 2008 through 2013. The analysis is graphically depicted in the addenda of this report. The trend analysis results in an overall upward increase of sale prices of approximately \$9.00 per square foot annually. Therefore, all comparables are being adjusted upward at rate of \$.75 per month between their respective sales date and the May 1, 2014 effective date of this report to account for changes in market values during the time span of the sales comparables.

Location

Time-distance relationships and linkages of the comparables and subject should also be analyzed and adjusted for as necessary. All of the comparables are located in downtown Annapolis within walking distance of the subject. No significant location differences were observed that would significantly impact the market value of the comparables in relation to the subject.

Physical Characteristics

Size

The general tendency is that the larger the building area, the lower the cost per unit, or price per square foot. Adjustments were applied to the Comparables 1, and 2 to address differences in market value attributed to size regression. The tendency of size regression was not evident in the remaining comparables.

Construction

All of the comparables are primarily masonry commercial buildings similar to the subject and therefore no adjustments were necessary.

Condition

As of the effective date of this report the subject is considered to be in shell condition. It is estimated landlord tenant improvements would be required at the time of rental at an estimated price of \$30.00 per sq. ft. as reflected in the "Minus Interior Adjustment" figure of (\$334,740) on the sales comparison grid.

An addition to the adjustment for anticipate tenant build out. Condition adjustments are required for Comparables 2 and 5. These buildings are two story structures that have unfinished second levels that are used for storage only. The subject is a single story building with 100% of the building area to be occupied. The comparables with unoccupied second floors (#2 and #5) are considered inferior to the subject and are being adjusted for this lack of usable area.

Functional Utility/Build-out

Comparable 3 is a bank building and has a superior functional utility/build-out thus requiring a negative adjustment.

Land Area/Parking and Waterfront

The subject property consists of two contiguous parcels with excess land that affords on-site parking and has water frontage on the Annapolis Harbor in downtown Annapolis. The contributory value of the excess land and riparian rights must be accounted for in determining the market value of the subject. Rather than an adjustment percentage, the actual value attributed to these attributes is calculated using income capitalization and added to the square foot rate from the sales comparison analysis.

Economic Characteristics

Business Value

Comparable #3 is being adjusted for the additional incentive included in the purchase price of most bank branch acquisitions. As evidenced by the unadjusted purchase price, bank real estate acquisitions tend to trade at the upper end of market values due to the additional value associated with strategic desired locations. The sales of 152 Main Street involves one of the

most visible properties in the historic district at the intersection of Main and Frances Street. A negative adjustment is being applied to this transaction amount to account for the increased sales price associated with business and intangible value associated with this transaction.

Zoning

All the comparables are zoned C2 with a greater number of permissible uses and thus considered superior and adjusted downward.

Sales Comparison Approach Conclusion

The adjusted values of the comparable properties range from \$262.47 - 367.54. All of the value indications have been considered, however in the final analysis, most weight is being applied to comparables 1, 2 and 3 due to their close correlation in values. Based on this analysis, we have arrived at the following conclusions:

Indicated Rate	\$360.00
Gross Building Area	11,158
Indicated Value	\$4,016,880
Minus Interior Requirements	(\$334,740)
Indicated Value	\$3,682,140
Contributory Value of Excess Land and Waterfront	\$1,710,000
Adjusted Market Value	\$5,392,140
Rounded	\$5,390,000

As Is Market Value via Sales Comparison

Effective May 1, 2014

Rounded to

\$5,390,000.00

Improved Sales Grid

C2 Zoning

	Subject	Comp #1	Comp #2	Comp #3	Comp #4	Comp #5
PROPERTY ADDRESS	110 Compromise St.	15 School Street	34 Market Space	152 Main Street	87 Prince George's St.	85-87 Main Street
	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis
GENERAL INFORMATION						
Sale Price	TBD	\$1,715,000	\$1,100,000	\$3,687,039	\$2,800,000	\$1,800,000
Sale Date	Date of Insp.	3/18/2009	1/2/2013	1/11/2008	2/19/2009	11/16/2012
Zoning	C2	C2	C2	C2	C2	C2
Unit of Measure	SF	SF	SF	SF	SF	SF
Gross Building Area	11,158	4,059	2,946	6,273	10,500	6,864
Lot Square Footage (+/-)	28,919	1,505	2,300	2,091	5,278	3,432
Annual Change in Market Conditions	\$/Square Feet	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Highest and Best Use	C2 Commercial	Office	Retail	Bank	Restaurant	Retail
Unadjusted Sales Price/Unit		\$422.52	\$373.39	\$587.76	\$266.67	\$262.24
TRANSACTION ADJUSTMENTS						
Property Rights Conveyed		0%	0%	0%	0%	0%
Adjusted Sale Price		1,715,000	1,100,000	3,687,039	2,800,000	1,800,000
Financing Terms		0%	0%	0%	0%	0%
Adjusted Sale Price		1,715,000	1,100,000	3,687,039	2,800,000	1,800,000
Conditions of Sale		0%	0%	0%	0%	0%
Adjusted Sale Price		1,715,000	1,100,000	3,687,039	2,800,000	1,800,000
Expenditures After Sale		\$0	\$0	\$0	\$0	\$0
Adjusted Sale Price		1,715,000	1,100,000	3,687,039	2,800,000	1,800,000
Market Conditions (Time)		\$46.13	\$13.50	\$56.63	\$46.88	\$14.63
Adjusted Sale Price		1,902,242	1,139,771	4,042,279	3,292,240	1,900,420
PROPERTY ADJUSTMENTS						
Location		0%	0%	0%	0%	0%
Physical Characteristics						
Size		-10%	-10%	0%	0%	0%
Construction Class		0%	0%	0%	0%	0%
Condition		0%	20%	0%	0%	25%
Functional Utility / Build-Out		0%	0%	-15%	0%	0%
Land Area / Parking and Waterfront		0%	0%	0%	0%	0%
Economic Characteristics						
Business Value		0%	0%	-15%	0%	0%
Rent Concessions		0%	0%	0%	0%	0%
Lease Terms		0%	0%	0%	0%	0%
Use (Zoning)		0%	0%	0%	0%	0%
Nonrealty Components		0%	0%	0%	0%	0%
NET PROPERTY ADJUSTMENTS		-10%	10%	-30%	0%	25%
Market Value Indication		\$1,712,018	\$1,253,748	\$2,829,595	\$3,292,240	\$2,375,525
Unit of Measure - GBA		4,059	2,946	6,273	10,500	6,864
ADJUSTED VALUE PER UNIT		\$421.78	\$425.58	\$451.08	\$313.55	\$346.08
Unit of Measure	SF					
Indicated Rate	\$430.00					

Comparable Sales Adjustments

Property Rights

All comparable sales conveyed fee simple or leased fee interests. Current market trends do not recognize any appreciable difference in the price paid for fee simple or leased fee; no adjustments were necessary in this category.

Financing

No adjustments were considered necessary as all comparables were sold with typical financing arrangements.

Conditions of Sale

All comparables were arms length transactions and were sold under fairly negotiated terms. Additionally, there were no excessive sales concessions or distressed sale conditions; no adjustments were necessary.

Expenditures after Purchase

None of the comparables required excessive expenditures immediately after the sale; no adjustments were necessary in this category.

Market Trends or Conditions

This adjustment takes into consideration variances in market conditions over a specified period of time. Although often referred to as a time adjustment, time itself is not the cause of the adjustment. A sales regression analysis was performed on the sale of office and retail properties in the City of Annapolis for each year from 2008 through 2013. The analysis is graphically depicted in the addenda of this report. The trend analysis results in an overall upward increase of sale prices of approximately \$9.00 per square foot annually. Therefore, all comparables are being adjusted upward at rate of \$.75 per month between their respective sales date and the May 1, 2014 effective date of this report to account for changes in market values during the time span of the sales comparables.

Location

Time-distance relationships and linkages of the comparables and subject should also be analyzed and adjusted for as necessary. All of the comparables are located in downtown Annapolis within walking distance of the subject. No significant location differences were observed that would significantly impact the market value of the comparables in relation to the subject.

Physical Characteristics

Size

The general tendency is that the larger the building area, the lower the cost per unit, or price per square foot. Adjustments were applied to the Comparables 1 and 2 to address differences in market value attributed to size regression. The tendency of size regression was not evident in the remaining comparables.

Construction

All of the comparables are primarily masonry commercial buildings similar to the subject and therefore no adjustments were necessary.

Condition

As of the effective date of this report the subject is considered to be in shell condition. It is estimated landlord tenant improvements would be required at the time of rental at an estimated price of \$30.00 per sq. ft. as reflected in the "Minus Interior Adjustment" figure of (\$334,740) on the sales comparison grid.

In addition to the adjustment for anticipate tenant build out, condition adjustments are required for Comparables 2 and 5. These buildings are two story structures that have unfinished second levels that are used for storage only. The subject is a single story building with 100% of the building area to be occupied. The comparables with unoccupied second floors (#2 and #5) are considered inferior to the subject and are being adjusted for this lack of usable area.

Functional Utility/Build-out

Comparable 3 is a bank building and has a superior functional utility/build-out thus requiring a negative adjustment.

Land Area/Parking and Waterfront

The subject property consists of two contiguous parcels with excess land that affords on-site parking and has water frontage on the Annapolis Harbor in downtown Annapolis. The contributory value of the excess land and riparian rights must be accounted for in determining the market value of the subject. Rather than an adjustment percentage, the actual value attributed to these attributes is calculated using income capitalization and added to the square foot rate from the sales comparison analysis.

Economic Characteristics

Business Value

Comparable #3 is being adjusted for the additional incentive included in the purchase price of most bank branch acquisitions. As evidenced by the unadjusted purchase price, bank real estate acquisitions tend to trade at the upper end of market values due to the additional value associated with strategic desired locations. The sale of 152 Main Street involves one of the

most visible properties in the historic district at the intersection of Main and Frances Street. A negative adjustment is being applied to this transaction amount to account for the increased sales price associated with business and intangible value associated with this transaction.

Zoning

The As Proposed analysis is based on the (Hypothetical Condition) that the subject is zoned C2. Since all the comparables are zoned C2 no adjustments are necessary for this attribute.

Sales Comparison Approach Conclusion

The adjusted values of the comparable properties range from \$313.55 to \$451.08. All of the value indications have been considered, however in the final analysis, most weight is being applied to comparables 1, 2 and 3 due to their close correlation in values. Based on this analysis, we have arrived at the following conclusions:

Indicated Rate	\$430.00
Gross Building Area	11,158
Indicated Value	\$4,797,940
Minus Interior Requirements	(\$334,740)
Building Subtotal	\$4,463,200
Contributory Value of Excess Land and Waterfront	\$1,710,000
Adjusted Market Value	\$6,173,200
Rounded	\$6,170,000

As Proposed - Hypothetical Condition

Market Value via Sales Comparison

Effective May 1, 2014

Rounded

\$6,170,000.00

Income Approach

The Income Approach to value is based on the present worth of the future rights to income. This type of analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property. The two types of income analysis are *Direct Capitalization Analysis* and *Discounted Cash Flow Analysis*. Both forms of analysis have applicability in this assignment. The Direct Capitalization model is being used to quantify the value of the existing income stream from parking and boat show revenue. The capitalized value of this income represents the contributory value of the subject excess land and riparian rights. Conversely two Discounted Cash Flow models are included in this report to depict the full value of the property under As Is (WMC) and AS Proposed C2 zoning scenarios.

The income (capitalization) analysis is being developed as the primary indication of the market value of the subject property. The majority of properties in the subject market are purchased for their income producing potential. Within the scope of this assignment, the income approach is the most credible appraisal tool for accounting for the various sources of income for the subject and quantifying the results in the form of the market value of the property.

Direct Capitalization Analysis

Direct Capitalization considers the overall net income stream for a property over a 12-month period and applies an appropriate market-derived capitalization rate to determine value. For market value to be derived, however, the property must be stabilized. Stabilization occurs when the property is leased at market rents and vacancy/loss rates are at market-derived levels. The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.
- Derive market-oriented vacancy and collection loss level to develop the Effective Gross Income (EGI).
- Develop and subtract operating expenses to derive the Net Operating Income (NOI).
- Develop the appropriate capitalization rate (R_o).
- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

Discounted Cash Flow Analysis

A discounted cash flow (DCF) analysis is typically utilized when a property has not yet achieved market stabilization. In this scenario, instead of one year's representative stabilized net income, we analyze the income stream over the entire holding period, accounting for lease-up, ongoing vacancy and collection loss, changes in rent levels, expense changes, and fluctuating market conditions. This analysis is based on the principle of anticipation of future benefits, and accounts for and reflects those actions and forces that impact the income stream, operating expenses and the reversionary value of the property.

The subject property is currently unoccupied. Once the uncertainties related to the property zoning and future use of the property is resolved the property will enter a marketing and lease up phase. The rent lost and expenses incurred during the lease up period are best quantified by using the DCF model where fluctuations in rental operations of individual years can be depicted and accounted for. For this reason the DCF model will be used as the primary indication of value under the income approach to valuation.

Potential Gross Income (PGI)

Current Income

The tables below summarize the subject's current income being generated by the property. The building is unoccupied but there are a series of lease agreements related to the parking and water access provided by the property. This income forms the basis of the value of the subject excess and riparian rights.

<u>Tenant</u>		<u>Rate</u>		<u>Sq. Ft.</u>	
Towne Park Lease		\$17,000.00	Annual	0	\$17,000
City of Annapolis Lease		\$37,080.00	Annual	0	\$37,080
United States Boat Shows Lease		\$59,000.00	Annual	0	\$59,000
110 Compromise Street - Tenant A - 30% limitation		\$0.00	Per sq. ft.	3,348	\$0
110 Compromise Street - Tenant B - 35% marine related		\$0.00	Per sq. ft.	3,905	\$0
110 Compromise Street - Tenant C - 35% marine related		\$0.00	Per sq. ft.	3,905	\$0
<i>Plus reimbursable expenses:</i>		\$0.00	<i>Per sq. ft.</i>	<i>11,158</i>	<i>\$0</i>
Total Potential Gross Income:					\$113,080

As stated throughout this report the subject parcel size and over 210 feet of waterfront are unique attributes that cannot be matched with sales of other properties within the City of Annapolis. Even though the subject cannot be matched from a pure sales comparison perspective, the contributory value of the unique attributes can be calculated based on the annual income they generate by using a direct capitalization methodology. The resulting value provides an indication of the contributory value of the excess land and riparian rights which can be incorporated within the sales comparison analysis. The following direct capitalization schedule provides the indication of the contributory value of the

DIRECT CAPITALIZATION - PARKING AND WATERFRONT REVENUE						
Tenant		Rate		Sq. Ft.		
Towne Park Lease		\$17,000.00	Annual	0		\$17,000
City of Annapolis Lease		\$37,080.00	Annual	0		\$37,080
United States Boat Shows Lease		\$59,000.00	Annual	0		\$59,000
110 Compromise Street - Tenant A - 30% limitation		\$0.00	Per sq. ft.	3,348		\$0
110 Compromise Street - Tenant B - 35% marine related		\$0.00	Per sq. ft.	3,905		\$0
110 Compromise Street - Tenant C - 35% marine related		\$0.00	Per sq. ft.	3,905		\$0
Plus reimbursable expenses:		\$0.00	Per sq. ft.	11,158		\$0
Total Potential Gross Income:						\$113,080
	Less Vacancy/Collection Loss as % of PGI:			0.0%		\$0
Effective Gross Income						\$113,080
Expenses				Per SF		
	Legal and Accounting		Lump sum			\$1,500
	Admin Management		EGL	4.0%		\$4,523
	Reserves		EGL	2.0%		\$2,262
	Contingency		EGL	2.0%		\$2,262
Total Expenses				9.3%		\$10,546
Net Operating Income:						\$102,534
NOI Capitalized at a Capitalization Rate of:				6.00%		\$1,708,893
Total Value via the Income Approach Rounded:						\$1,710,000
					FINAL VALUE CONCLUSION	\$1,710,000

The gross income included in the schedule above represents the contract rates of three existing leases. Deducted from the income are the typical variable expenses one would incur in owning this property. All other expenses related to the property are accounted for on the respective discounted cash flow models. The resulting net operating income is divided by a capitalization rate that is commiserate with capitalization rates of other land leases in and around Annapolis. Land capitalization rates are most appropriate for this model is none of this income is being generated by the building.

Opinion of Contributory Value

Excess Land and Riparian Rights

One Million Seven Hundred Ten Thousand Dollars

\$1,710,000.00*

***This amount is being included as an additional adjustment along with the interior build out requirements to the sales comparison analysis.**

Potential Gross Income - As Is - WMC Zoning

<u>Tenant</u>		<u>Rate</u>		<u>Sq. Ft.</u>	
Towne Park Lease		\$8,500.00	Annual	0	\$8,500
City of Annapolis Lease		\$37,080.00	Annual	0	\$37,080
United States Boat Shows Lease		\$59,000.00	Annual	0	\$59,000
110 Compromise Street - Tenant A - 30% limitation		\$55.00	Per sq. ft.	3,348	\$184,140
110 Compromise Street - Tenant B - 35% marine related		\$29.00	Per sq. ft.	3,905	\$113,245
110 Compromise Street - Tenant C - 35% marine related		\$29.00	Per sq. ft.	3,905	\$113,245
<i>Plus reimbursable expenses:</i>		90.00%	<i>Of Operations</i>	11,158	\$99,687
Total Potential Gross Income:					\$614,897

Potential Gross Income - As Proposed - C2 Zoning

<u>Tenant</u>	<u>Rate</u>		<u>Sq. Ft.</u>	
Towne Park Lease	\$8,500.00	Annual	0	\$8,500
City of Annapolis Lease	\$37,080.00	Annual	0	\$37,080
United States Boat Shows Lease	\$59,000.00	Annual	0	\$59,000
110 Compromise Street - Tenant A - Water Side	\$55.00	Per sq. ft.	5,465	\$300,575
110 Compromise Street - Tenant B - Street Side	\$38.00	Per sq. ft.	2,465	\$93,670
110 Compromise Street - Tenant C - Street Side	\$38.00	Per sq. ft.	3,228	\$122,664
<i>Plus reimbursable expenses:</i>	80.00%	<i>Of Operations</i>	11,158	\$93,959
Total Potential Gross Income:				\$715,448

Lease Structure

Typical landlord-tenant lease structures fall into the following categories:

Net Lease (Triple Net)

A lease in which the tenant pays all expenses including structural maintenance and repairs; usually a long-term lease to a credit tenant.

Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all or most of the property's operating expenses and real estate taxes.

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay most, but not all, of the property's operating expenses and real estate taxes.

The predominant lease structure in Annapolis is a Triple Net Lease whereby in addition to a base rental rate the operating expenses of the building are passed through to the tenants. In the case of the subject a portion of the operating expenses (taxes and insurance) are related to the waterfront location and riparian rights associated with the property. It is unlikely that a given property owner would pass the additional expenses to the occupants of the building. Therefore the operating expense reimbursement is limited to \$9.00 square foot in the discounted cash flow model for this property.

Summary of Existing Leases

On the date of inspection, there were 3 leases in effect for the subject property as indicated below:

1. Parking Lease Agreement

Lessor: Chandler, LLC

Lessee: Towne Park, Ltd.

Date of Agreement: March 1, 2010

Parking Lot: Lessor leases to Towne Park the parking lot located at 110 Compromise Street, Annapolis

Equipment: All equipment used for parking lot purposes are the exclusive property of Towne Park.

Rate & Usage: Rent Paid to Lessor:

November 1st - April 30th: \$1,000 per month

May 1st - October 31st: \$2,000 per month

Lessee has access to Leased Lot 24 hours per day/seven days per week with exception of 3 weeks in October for annual Boat Show

Lessor will be granted 1 unrestricted monthly parking pass for Lessor's agent

Term: 1 year following effective date; renews annually

Leasee: Required to carry general liability, auto and workers compensation insurance

Amendment to Lease Agreement: Dated March 1, 2011

Monthly Rent Agreement modified as follows:

October 1st - April 30th: \$1,000 per month

May 1st - September 30th: \$2,000 per month

Towne Park shall have access to the Leased Lot 24 hours a day, 7 days per week with the exception of no more than 25 consecutive days sometime between September 1st and November 1st, during which Lessor has pre-existing short term lease agreements for accommodation of the scheduled boat shows. During such time Towne Park shall have access to 10 spaces.

Termination: either party may terminate the agreement with or without cause upon 30 days prior written notice to the other party.

2. Agreement

Lessor: Chandler, LLC

Lessee: City of Annapolis

Date of Lease: March 10, 2011 with agreement ending February 1, 2013

Terms: City of Annapolis will manage and operate Chandler's waterside dock & boardwalk facilities at 110 Compromise Street.

May 1, 2013 - April 30, 2014 - The City shall pay Chandler, LLC a management service fee of \$36,000 payable in 12 monthly installments plus all charges for the City's use of electrical facilities applicable to the property.

In each renewal term, the Management Service Fee shall increase by 3%.

City responsible for: Maintenance & Repairs after effective date of lease

As self insured municipality, City accepts all liability for injuries, property damage and property loss that arises from negligence in the management of the property.

Termination of Agreement: Either party may terminate agreement for any reason after

February 1, 2014 by giving written notice to other party no later than 90 days from the date of intended termination.

3. Lease

Lessor: Chandler, LLC

Lessee: United States Powerboat Shows, Inc & United States Sailboat Shows, Inc.

Date of Lease: May 6, 2013

Demised Premises: Parcel 1, 2, 3A, 3B, and 4 as described in the Lease Agreement (See Addenda)

Term & Occupancy: Start April 15, 2013 and expires October 31, 2017

Land rental begins between September 29 and October 31, not exceeding 25 days

Rent: Parcel 1; \$23,000, Parcel 2; \$18,000, Parcel 3A; \$10,000, Parcel 3B; \$6,000, Parcel 4; \$2,000 = TOTAL \$59,000 annually

Insurance: Lessee must have public liability insurance and property damage insurance during time of lease

Retail/Office Lease Comparables

I have researched all relative rents in the subject's competitive market. Of those considered, we selected the following leases to further analyze and compare to the subject property. This comparable data was taken from the work files of appraisal assignments of other commercial properties located in Annapolis. All of the comparables presented are considered good comparables and the rate data is representative of the current market conditions. All are in the subject area including Main Street, Market Space, Dock Street and Compromise Street.

Due to the confidential nature of the rental data and the requests of various property owners, photos and specific street addresses of the rental comparables are not disclosed in the report. The market rental data for downtown Annapolis office/retail properties are as follows:

<u>Rental Transactions</u>	<u>Lease Rates (NNN)</u>	
Dock Street	\$	50.00
Main Street	\$	38.00
Market Space	\$	55.00
Market Space	\$	55.00
Main Street	\$	47.00
Market Space	\$	37.50
Compromise	\$	65.00

Income Analysis Method

As shown in the analysis to follow, Discounted Cash Flow analysis is the most appropriate valuation technique and the method most widely used among market participants. The subject is currently vacant and thus not stabilized. To account for this, we have projected a lease-up period, as well as market rental rates for the unoccupied office/retail space. This method accurately considers the quality and duration of the subject's future net income stream.

Potential Gross Income

The subject improvement is vacant therefore market rental rates will be used for our analysis for the 11,158± sq. ft. of net rentable space. The land has 3 existing leases which will remain in effect for parking lot use, bulkhead use and for land use during the annual boat show in October of each year. Note: The Rent Roll does not include the estimated \$9.00 per sq. ft. for tenant improvement allowance.

The most likely Rent Roll for the subject property under both As Is and As Proposed are as follows:

AS IS - WMC - Model

<u>Tenant</u>	<u>Rate</u>	<u>Sq. Ft.</u>	
Towne Park Lease	\$8,500.00	Annual	\$8,500
City of Annapolis Lease	\$37,080.00	Annual	\$37,080
United States Boat Shows Lease	\$59,000.00	Annual	\$59,000
→ 110 Compromise Street - Tenant A - 30% limitation	\$55.00	Per sq. ft.	\$184,140
→ 110 Compromise Street - Tenant B - 35% marine related	\$29.00	Per sq. ft.	\$113,245
→ 110 Compromise Street - Tenant C - 35% marine related	\$29.00	Per sq. ft.	\$113,245
Plus reimbursable expenses:	\$9.00	Per sq. ft.	\$100,422
Total Potential Gross Income:			\$615,632

AS PROPOSED - C2 - Model

<u>Tenant</u>	<u>Rate</u>	<u>Sq. Ft.</u>	
Towne Park Lease	\$8,500.00	Annual	\$8,500
City of Annapolis Lease	\$37,080.00	Annual	\$37,080
United States Boat Shows Lease	\$59,000.00	Annual	\$59,000
→ 110 Compromise Street - Tenant A - Water Side	\$55.00	Per sq. ft.	\$300,575
→ 110 Compromise Street - Tenant B - Street Side	\$38.00	Per sq. ft.	\$93,670
→ 110 Compromise Street - Tenant C - Street Side	\$38.00	Per sq. ft.	\$122,664
Plus reimbursable expenses:	80.00%	Of Operations	\$93,959
Total Potential Gross Income:			\$715,448

The above statements of *Potential Gross Income* are not actual income. It includes market rent in all currently vacant space (notated by red arrow), and does not consider market and/or frictional vacancy, or collection loss.

Vacancy and Collection Loss

An allowance for vacancy and credit loss must be charged against the potential gross income. The loss in income accounts for typical vacancy, turnover, natural attrition, and collection loss.

Considering both market conditions and such subject attributes as property condition, location within the submarket, current occupancy level, and market appeal, we have assigned a *stabilized* vacancy rate of 6.5%, which begins in year 2. This stabilized vacancy rate also considers collection loss.

Expenses

Operating expenses represent typical or *stabilized* annual cash expenses forecast over the income projection period. Most expenses are expressed in terms of dollars per total building area in comparable rental properties. Following is a breakdown of the estimated annual expenses of the subject property.

Real Estate Taxes

Real Estate taxes are typically all taxes on real property and are a function of the combined assessment (land, building) of the property and the tax rate. It is considered a fixed expense as the level of occupancy does not affect the rate. Taxes are estimated at \$42,072 annually and are paid by the tenant as CAM expense.

Insurance

Property insurance is considered a fixed expense, because the level of occupancy does not affect the rate for insurance. Insurance expenses are estimated at \$5,800 annually.

Repairs/Maintenance

The repairs and maintenance category is typically a major expense category, and may vary from year to year. Items in this category tend to concentrate in some years and require stabilization to average annual figures. Included in this category are general exterior building maintenance and repair, electric and plumbing repairs, roof repairs, parking lot repairs, and bulkhead maintenance. Maintenance and repairs are estimated at \$12,000 annually.

Services/Contracts

Services and contracts are variable expenses, and refer to ongoing HVAC maintenance contracts and for such items as snow removal, and other services required on an ongoing basis. Annual expenses are estimated at \$7,500.

Utilities

Leases typically specify the responsibilities of landlord and tenant regarding utility expenses. Items in this category include electric, gas, water and sewer fees and are generally variable expenses. These expenses may be associated either common area maintenance or overall property expense. All utilities are anticipated paid by the building occupants.

Accounting/Legal/Marketing

Legal, licensing, and accounting are examples of miscellaneous expenses that are incurred by the property owner and is a variable expense. Given a review of surveyed expense data and considering the subject's property type and size, we estimate this expense at \$2,500.00 annually.

Leasing Commission

The property is subject to leasing commissions as it currently is unoccupied and as a potential future use as a mixed use office/retail building. Leasing commissions are estimated to be 3% of the Effective Gross Income (EGI).

Management Fee

In order to identify the NOI that the property produces solely as an investment, a management fee must be deducted, even when the owner manages the property. Usually a percentage of effective gross income is expressed. This fee is dependent upon the type of property and the going rate for typically competent professional management.

A management fee of 2% to 5% is typical in the market in which the property is located. Due to the subject's size, 5% is considered reasonable to cover income collection, record keeping, scheduling of services and maintenance, and marketing expense.

Contingency

Most prudent landlords will have a contingency fund for unplanned expenses. A fund based on 2% of the EGI was used for the analysis.

Reserves for Replacements

This is an expense designed to allocate funds for major repairs or replacement of furniture, fixtures or equipment that will be required in the future for proper operation of the facility. Typically, the reserve is designed to function as a sinking fund, which reimburses the building to insure that the improvements do not fall into disrepair.

Given the age and condition of the improvements, a small amount of 4% of the effective gross income is considered reasonable to be placed in reserve for replacements.

Tenant Improvement Allowance

Tenant Improvements are often an expense incurred by the owner of the property, and provide added support for long-term tenant relationships and an improved property condition. As such, these expenses are considered a below-the-line capital improvement expense, and also somewhat integrated into stronger lease rates.

Other Exclusions

Operating expenses do not include such items as:

- Income taxes
- Capital improvements
- Capital recovery charges or depreciation deductions
- Business expenses of the owner other than those directly associated with the operation of the property
- Debt service to the property

Capitalization Rate

The capitalization process is the conversion of annual rent operating income into a present value estimate. The capitalization rate represents the relationship of net operating income to purchase price and is sometimes referred to as the overall rate (OAR).

There are several capitalization techniques, which can be applied to the net operating income to arrive at an estimate of value by the income approach. However, when considering the quality element of the subject's net income stream, which is interpreted in terms of risk, and the duration of the income stream, which is related to the remaining economic life of the subject property, the most applicable capitalization techniques are: (1) mortgage-equity analysis, (2) the use of the overall capitalization rate derived from actual market sales of similar rental properties, and (3) secondary data, publications, market surveys.

The potential income for the subject will be processed into a value by an overall capitalization rate that has been derived by the most applicable techniques.

Build-Up Method

Current 10-year Treasury Bills are yielding 2.75%. This “riskless rate” serves as a basis on which to build the discount rate. By adding management, non-liquidity, risk, and the opportunity cost of money, we can estimate the capitalization rate:



Bloomberg Markets Rates Index

Risk less Rate – US Government Bonds³ = 2.75%

Management = 1.00%

Non-Liquidity = 1.00%

Risk Rate = 2.00%

Derived Capitalization Rate = 6.75%

This method is used in an *As Is* analysis and is believed to be reasonably indicative of the current market and the overall risk(s) associated with the subject property.

Capitalization Rates through Mortgage Equity Analysis

In selecting the appropriate mortgage rate and term, lending institutions active in the Washington metropolitan area were surveyed. The interest rates are either tied to prime or treasury bills, or are fixed for a specified period and renegotiated at the end of the period. The typical purchaser would select the best rate to maximize potential benefits from leverage.

The equity dividend rate will be estimated by comparing returns on alternate forms of investments. The rates on (ten year treasury notes) bonds for 2014 were considered in the overall analysis. These rates do not reflect the upside potential experienced by well-located real estate.

As further support in capitalizing the subject's net income into a present worth estimate, the mortgage-equity method, using a band of investment, was selected. This method is a weighted average of the mortgage and equity positions using data from the market. Together, these amounts indicate an overall rate applicable to the subject. The overall rate is a combination of several ingredients, which will not only reflect a satisfactory return on the investment, but also adjust for any effect on the value due to potential depreciation or appreciation of the asset. Return of the investment and the applicable recapture, i.e. return of the investment, are not specifically identified, but are inherent in the overall rate.

Mortgage Portion

Typically a mortgage lender would loan 65% to 80% of the value of the property, and would allow a higher ratio for low-risk properties. Today's mortgage rates also vary depending on whether the interest rate is fixed, adjustable or floating over the prime rate. We have surveyed several lenders to determine current mortgage interest rates. Based on the information obtained, the most likely mortgage terms, whether adjustable, fixed or floating, would likely be equivalent (with points, closings costs, bank fees, etc.) to a 6.0% to 8.0% fixed rate loan which could be amortized over 20 to 25 years with a 5-7 year+/- holding period at which time the terms would be renegotiated.

Based on the subject characteristics, we will assign a loan-to-value ratio of 70.0% (and an equity portion of 30.0%), a mortgage rate of 4.25%, a 20-year term, a debt coverage ratio of 1.30, and a 10-year holding period, and an appreciation over the holding period of 10.0%.

Equity Portion

This equity dividend rate is the amount remaining after the debt service is deducted from the net operating income divided by the equity amount. The market indicates a wide divergence among investors ranging 10% to 20%, with higher returns projected on riskier investments.

We also reviewed the most recent Investor Survey for the National market for this property type.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2014*						
RETAIL - FREE STANDING						
Item	Input					OAR
Minimum						
Spread Over 10-Year Treasury	0.76%	DCR Technique	1.18	0.046343	0.90	4.90
Debt Coverage Ratio	1.18	Band of Investment Technique				
Interest Rate	3.48%	Mortgage	90%	0.046343	0.041709	
Amortization	40	Equity	10%	0.079756	0.007976	
Mortgage Constant	0.046343	OAR				4.97
Loan-to-Value Ratio	90%	Surveyed Rates				5.13
Equity Dividend Rate	7.98%					
Maximum						
Spread Over 10-Year Treasury	5.23%	DCR Technique	1.83	0.127607	0.60	13.97
Debt Coverage Ratio	1.83	Band of Investment Technique				
Interest Rate	9.82%	Mortgage	60%	0.127607	0.076564	
Amortization	15	Equity	40%	0.172724	0.069090	
Mortgage Constant	0.127607	OAR				14.57
Loan-to-Value Ratio	60%	Surveyed Rates				13.93
Equity Dividend Rate	17.27%					
Average						
Spread Over 10-Year Treasury	2.99%	DCR Technique	1.50	0.072185	0.75	8.10
Debt Coverage Ratio	1.50	Band of Investment Technique				
Interest Rate	5.71%	Mortgage	75%	0.072185	0.054138	
Amortization	28	Equity	25%	0.121592	0.030398	
Mortgage Constant	0.072185	OAR				8.45
Loan-to-Value Ratio	75%	Surveyed Rates				10.70
Equity Dividend Rate	12.16%					

As reported by RealtyRates.com, the equity dividend rate range for the subject property type ranged 7.98% to 17.27%. Based on our surveyed data, we project an Equity Dividend Rate of 12.50%.

The following is the analysis and resulting overall rate based on the mortgage equity method.

Mortgage Equity Analysis			
Capitalization Rate Variables			
		<u>Current Range</u>	<u>Selected Terms</u>
Mortgage Interest Rate		4.0% to 6.0%	4.25%
Loan Terms		20 to 25 years	20
Holding Period		5 - 7 years +/-	10
Loan to Value Ratio		65% to 80%	70.0%
Debt Coverage Ratio		1.25 to 1.50	1.30
Equity Dividend Rate		10% to 20%	12.5%
Predicted Appreciation over holding			10.0%
Analysis			
<u>Mortgage Constant</u>	x	<u>Loan Ratio</u>	= <u>Contributions</u>
0.07431		70.0%	= 5.20%
<u>Equity Dividend Rate</u>	x	<u>Equity Ratio</u>	=
12.5%		30.0%	= 3.750%
			8.95%
Less Equity Build-up			
<u>Loan Ratio</u>	x	<u>% Paid Off</u>	x <u>Sinking Fund Factor</u> =
70.0%		39.55%	x -0.05562 = -1.54%
Adjustment for Appreciation			
<u>Appreciation</u>	x	<u>Sinking Fund Factor</u>	=
10.0%		-0.05562	= -0.56%
			Capitalization Rate 6.86%

The capitalization rate using the Debt Coverage Ratio Analysis is estimated as follows:

Debt Coverage Ratio Analysis			
<u>Debt Coverage Ratio</u>	x	<u>Loan to Value Ratio</u>	x <u>Mortgage Constant</u> =
1.30		70.0%	x 0.07431 =
			Capitalization Rate 6.76%

Market Extracted Rates

Overall rates extracted from the sales of similar properties in the market area of the subject are summarized in the following table:

Market Capitalization Rates					
Address	Sale Price	Type	GBA	Date	Cap Rate
34 Market Space, Annapolis	\$1,100,000	Mixed Use	2,946	12/28/2012	6.03%
413 Fourth Street, Annapolis	\$460,000	Office	2,300	6/14/2012	5.23%
716 Giddings Ave, Annapolis	\$3,200,000	Office	27,864	7/18/2011	7.75%
108-130 Hillsmere Dr., Annapolis	\$2,200,000	Retail	12,727	10/3/2011	8.50%
				Extracted Rate	6.75%

After analyzing the overall rates and considering dissimilarities in terms of age, size and condition of improvements, land-to-building ratios, the property's location, expense ratios and other factors that affect the overall rate, an overall capitalization rate of 6.75% has been selected for the subject property.

Survey Data

The PwC Real Estate Investor Survey for the past quarter(s) indicates the investment parameters for various property types. This survey provides a framework for determining the appropriate investor criteria such as capitalization rates, discount rates etc. These investment parameters are included in this report as a guide when estimating the appropriate capitalization rate for the subject.

These surveys tend to be oriented toward institutional grade properties. Therefore, the survey's parameters only provide an overall picture of rates as investment grade properties generally have lower overall risk compared to non-investment grade properties.

The most recent segment is utilized for our analysis.

Table 3 NATIONAL STRIP SHOPPING CENTER MARKET First Quarter 2014					
	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	5.50% - 11.00%	5.50% - 11.00%	6.50% - 12.50%	6.75% - 12.50%	7.00% - 11.00%
Average	8.06%	8.05%	8.42%	8.97%	8.59%
Change (Basis Points)		+ 1	- 36	- 91	- 53
OVERALL CAP RATE (OAR)*					
Range	5.00% - 10.00%	5.00% - 10.00%	5.50% - 9.50%	5.50% - 9.50%	5.80% - 10.00%
Average	6.97%	6.98%	7.04%	7.40%	7.63%
Change (Basis Points)		- 1	- 7	- 43	- 66
RESIDUAL CAP RATE					
Range	5.25% - 10.00%	5.25% - 10.50%	6.00% - 12.00%	6.50% - 12.00%	6.50% - 10.50%
Average	7.33%	7.39%	7.61%	8.10%	7.95%
Change (Basis Points)		- 6	- 28	- 77	- 62

Source: Pricewaterhouse Coopers (PwC) Real Estate Investor Survey

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2014*										
DISCOUNT RATES										
Property Type		New Development			Acquisitions			Recapitalizations		
		Min.	Max.	Avg.	Min.	Max.	Avg.	Min.	Max.	Avg.
Free Standing	Retail	7.45%	16.91%	13.53%	6.41%	14.55%	11.64%	7.30%	16.57%	13.26%
Suburban	Office	6.97%	14.91%	11.96%	6.06%	12.97%	10.41%	6.90%	14.76%	11.84%

Source: Realtyrates.com

Capitalization Rate Conclusion

Capitalization Methods		
Method	Derived Rate	Weighting
Build up Method	6.75%	Some weight
Mortgage Equity Capitalization Rate	6.86%	More weight
Debt Coverage Ratio Capitalization Rate	6.76%	Some weight
Market Extracted Capitalization Rate	6.75%	More weight
PxC Publication Capitalization Rate	5.50% - 11.00%	Some weight

In determining the appropriate capitalization rate, we have considered all of the subject's property attributes. Coupled with the overall commercial market conditions as well as the subject's, preferred location within the market, and its broad-based market appeal, we have determined the most appropriate overall capitalization rate for the subject to be **6.75%**.

Based on the above market evidence as noted above and the anticipated 3.0% annual growth in income, the derived yield rate is predicted to be 300 basis points higher than the overall capitalization rate, and reflected as **9.75%**.

Discounted Cash Flow Analysis

As indicated earlier, a discounted cash flow analysis is the best income approach method to determine market value, given the subject's attributes. The general procedure incorporated in the Discounted Cash Flow Analysis, is outlined as follows:

To determine the Potential Gross Income in our 10-year Discounted Cash Flow Analysis, we have applied several probability factors based on discussions with market participants.

1. We predict the market rent to increase by 3% annually. This rate of change will remain constant over the holding period.
2. We predict that expenses will increase by 2% annually. This rate of change will remain constant over the holding period.
3. For vacant space, we have assigned a lease-up period of 6 months plus an interior build out period of 3 months in the first year. In years following, the lease period will stabilize with the market.
4. In addition to the predicted lease-up period, the subject will be affected by market vacancy. The vacancy rate in the first year is set at 52.50% as established earlier in our income analysis. Vacancy will stabilize in year 2 to 6.5% over the holding period as the property is anticipated to be fully leased by the end of Year 1..
5. The reversion of the property at the end of the holding period is computed by increasing the estimated net present value over the holding period. The value at the end of the holding period then has commissions and settlement costs subtracted from it to yield a net reversionary value. The value is then capitalized using a residual or terminal capitalization rate. Based on market evidence, considering the derived capitalization rate discussed earlier, the terminal capitalization rate is 8.25%.
6. Based on surveyed data and discussed earlier in this report, the yield rate, or discount rate of annual cash flows is assigned at 9.75%.

Our reconciled *Discounted Cash Flow Analysis* is reflected on the following pages:

Income Analysis Conclusion

Based on the analysis detailed above, we have reconciled via the income approach of:

**As Is Market Value, via the *Income Analysis Approach*
for *WMC Zoning***

\$5,420,000, as of May 1, 2014

**As Is Market Value, via the *Income Analysis Approach*
for *C2 Zoning*
(*Hypothetical Condition*)**

\$6,470,000 as of May 1, 2014

Final Reconciliation

The process of reconciliation involves the analysis of each approach to value. The quality of data applied, the significance of each approach as it relates to market behavior and defensibility of each approach are considered and weighed. Finally, each is considered separately and comparatively with each other.

Value Indications

As Is - WMC Zoning

Sales Comparison Approach:	\$5,390,000
Cost Approach:	<i>Not Derived</i>
Income Approach:	\$5,420,000

As Proposed - Hypothetical Condition C2Zoning

Sales Comparison Approach:	\$6,170,000
Cost Approach:	<i>Not Derived</i>
Income Approach:	\$6,470,000

Values expressed are As Is, as of May 1, 2014, and reflect the subject's leased fee interest.

Cost Approach

The Cost Approach is generally more reliable for special purpose or non-income producing properties. This approach has not been utilized as one parameter because the opinion of value is adequately supported by the development of the Sales Comparison and Income approaches to value.

Sales Comparison Approach

The sales approach was applied as there is adequate data (i.e., comparable sales) from which to develop a value estimate and this approach is considered well suited to appraising this property type. The highest and best use of the subject is as an tenant occupied commercial property within the confines of the applicable zoning scenario. Therefore the most appropriate measure of market value of the subject is indicated by the development of the income approach. However, within this assignment the sales comparison approach is also being developed to provide secondary support for the value derived under the income methodology. Although not a perfect match, there is adequate data (i.e., comparable sales) from which to develop a value estimate for the base building. The contributory value of the subject's excess land and riparian rights are added to the base value of the building in order to determine the overall market value of the property.

Income Approach

The income (capitalization) analysis is being developed as the primary indication of the market value of the subject property. The majority of properties in the subject market are purchased for their income producing potential. Within the scope of this assignment, the income approach is the most credible appraisal tool for accounting for the various sources of income for the subject and quantifying the results in the form of the market value of the property. There is adequate data (i.e., market-based income and expense data) from which to develop a value estimate, and this approach is considered the primary means in determining the appropriate value estimate for this property type.

Given the subject's current vacancy level and lack of stabilization, we have utilized the Discounted Cash Flow method to account for the projected lease-up period and renewal rates among all leased spaces. This method typically best reflects the actions of the market and its participants for properties with attributes similar to the subject; and accurately considers the quality and duration of the subject's net income stream.

Given the proposed zoning change for the subject multiple discounted cash flow models were developed to quantify the market value of the subject under different uses and zoning scenarios.

Value Conclusion

Based on the data and analyses developed in this appraisal, I conclude that the Income approach is the most relevant and applicable approach to use in our valuation of the subject property. As a waterfront commercial property purchased for the primary purpose of generating income, I have applied all weighting to the market value derived under Income approach. The Sales approach was utilized as a secondary approach to corroborate my findings utilizing the Income approach.

I have reconciled to the following value conclusion(s), *subject to the Limiting Conditions and Assumptions of this appraisal*

Market Value - As Is
WMC Zoning Scenario

Five Million Four Hundred Twenty Thousand Dollars

\$5,420,000.00

Market Value - As Proposed
C2 Zoning Scenario - Hypothetical Condition

Six Million Four Hundred Seventy Thousand Dollars

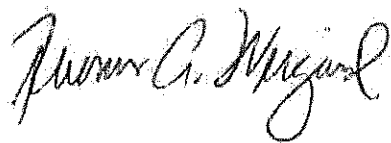
\$6,470,000.00

Exposure and Marketing Time

As Is Market Value

The market exposure time preceding May 1, 2014 would have been 12 months and the estimated marketing time period as of May 1, 2014 is 12 months.

Respectfully submitted,



Thomas A. Weigand
Certified General Appraiser
Maryland License #04-27637
Expiration: December 27, 2016

Date: May 8, 2014

Addendum

Letter of Engagement



Treffer | *The value of experience.*

February 12, 2014

Greg Kauffman, Member
Chandler, LLC
3111 Bennett Point Road
Queenstown, Maryland 21658

Re: Appraisal of the commercial property located at 110 Compromise Street, Annapolis, MD 21401

Dear Mr. Kauffman,

In response to my recent conversations with Craig Morrell, my firm is submitting a proposal for the appraisal of the commercial property listed above. This letter is to confirm our understanding of the terms and objectives of our engagement with you and to clarify the nature and limitations of the service we will provide.

The narrative summary report will be prepared for, Chandler, LLC (our client), and is intended for use only by you and your associates in order to assist you in establishing a market value for the subject as you consider your ownership options associated with the property. Use of this report by any other party for any other purpose is not intended by our firm.

The intended use of this appraisal report is to assist you, our client, in determining the current "As Is" market value of the subject real estate (110 Compromise Street). The type and definition of value required is Market Value. The source of this definition is found in the 14th edition of *Appraisal of Real Estate*, published by Appraisal Institute, and is consistent with the federal definition of Market Value. Because the property is encumbered by one or more long term lease agreements, the property will be valued under a leased fee valuation scenario. The real estate (land and building including riparian rights) will be valued as of the date I inspect the property.

The appraisal will be conducted and corresponding report prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) which include our Statement of Limiting Conditions and Appraiser's Certification.

The projected completion date of the appraisal is 35 days from the date of authorization to begin the assignment. The date of delivery of the appraisal report can only be met if I receive from you, in a timely manner, any additional relevant information needed for the completion of the report. Examples of information needed include tenant leases and building operating expenses, recent or property listings, pending sales contracts, building

1244 Ritchie Hwy., Suite 19, Arnold, Maryland 21012 | ph 410 544 7744 | fax 410 544 5005 | appraisals@treffergroup.com | www.treffergroup.com

improvements made within the past five years, and property surveys or plats related to the property.

At completion of the assignment, you will receive two printed copies and one electronic (PDF) copy of the appraisal report. My fee for this appraisal assignment is \$. If you are in agreement with the terms stated in this letter, please return a retainer of along with a signed copy of this letter to my office. Once I receive the signed engagement letter I will contact you to make arrangements for inspecting the property. The balance of the fee for this assignment will be invoiced with the completed report.

We will do our uppermost to provide quality service to you. We do not anticipate any difficulties in meeting the expectations recited on this letter. However, in the unlikely event that there are any disagreements regarding our services, any claims against Treffer Appraisal Group as a result of this engagement must be brought within one year from the date our work is completed. We mutually agree that the laws of the State of Maryland will govern any disputes regarding this engagement.

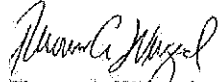
Our relationship with you is limited to the relationship described in this letter. As such, you understand and agree that we are acting solely as appraisers of the subject real estate. We are not acting in any way as a fiduciary or assuming any fiduciary responsibilities for you.

Our maximum liability relating to services rendered under this letter (regardless of form of action, whether in contract, negligence, or otherwise) shall be limited to the charges paid to us for the portion of our services or work product giving rise to the liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.) even if we have been advised of their possible existence.

This letter constitutes the entire agreement regarding the real estate appraisal service we will provide and supersedes all prior agreements, understandings, negotiations and discussions between us, whether written or oral. This agreement may be supplemented only by other written agreements.

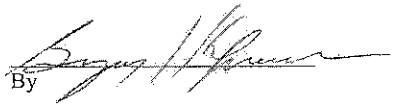
We very much appreciate the opportunity to serve you. Please do not hesitate to call me at 410-544-7744 with any questions or concerns that you may have.

Very truly yours,



Thomas A. Weigand
Certified General Appraiser
Treffer Appraisal Group

The services described in the foregoing letter are in accordance with our requirements and we understand the terms, conditions and limitations recited above.


By

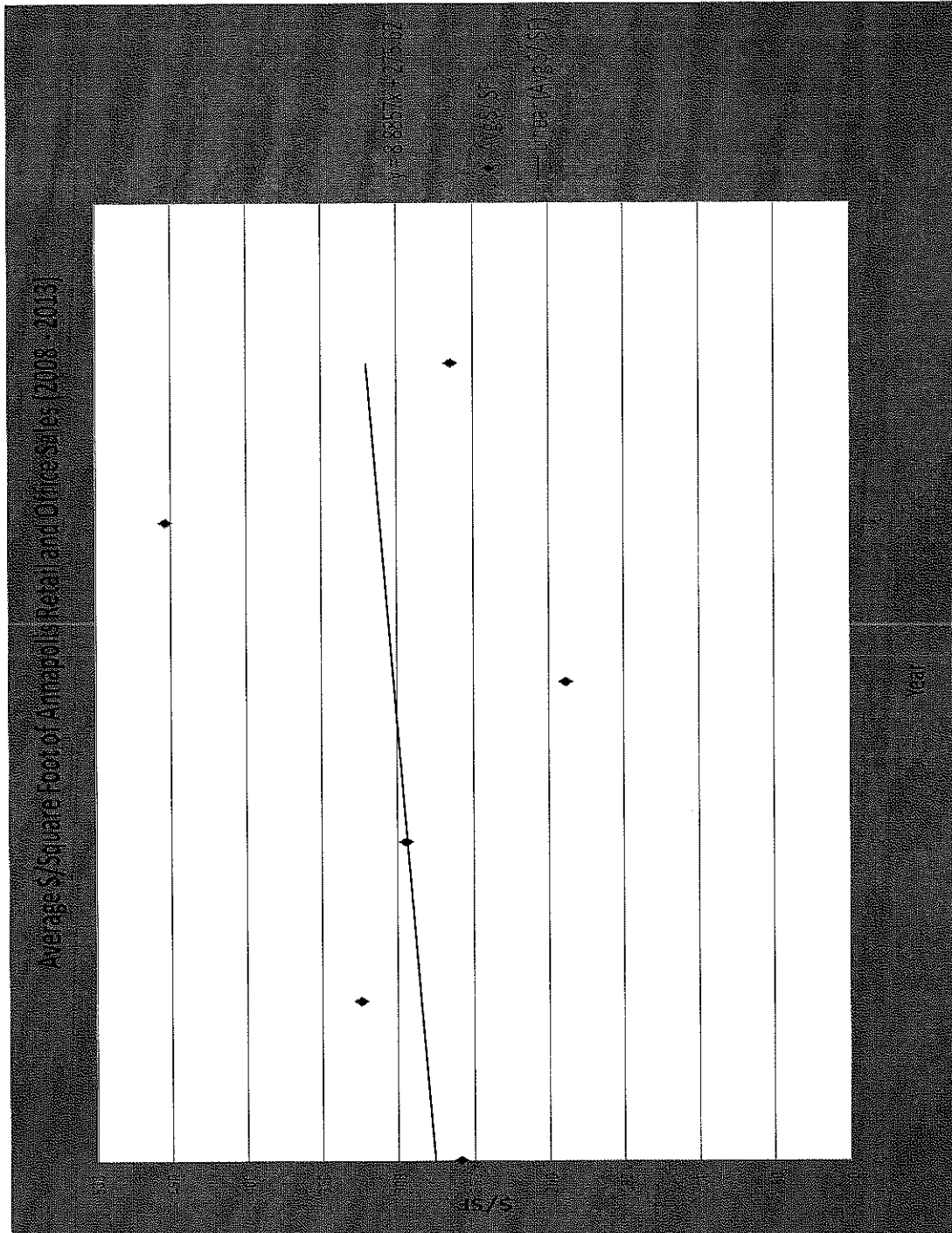
Mouba Chaudhry LLC
Title

3/26/14
Date

Pool of Potential Sales Comparables

Sales Comparables Pool From CoStar Transaction Records				
Address	Sale Date	Sale Price	GLA Sq FT	Sale price / Sq Ft
1 State Street	12/19/13	\$1,900,000	2,181	\$871.16
164 Main Street	07/30/13	\$875,000	2,816	\$310.72
158 Main Street	06/03/13	\$730,000	2,100	\$347.62
34 Market Space	01/02/13	\$1,100,000	2,946	\$373.39
85 -87 Main Street	11/16/12	\$1,800,000	6,448	\$279.16
87 Prince George Street	06/29/12	\$2,800,000	10,556	\$265.25
38 West Street	10/31/11	\$575,000	1,634	\$351.90
1 State Circle	12/03/10	\$950,000	1,783	\$532.81
213-215 Main Street	08/31/10	\$880,000	2,852	\$308.56
15 School Street	03/18/09	\$1,715,000	4,059	\$422.52
7 State Circle Unit 6 & 7	10/14/08	\$3,189,977	6,040	\$528.14
435 Burnside Street	08/19/08	\$1,195,000	2,527	\$472.89
107 Main Street	08/07/08	\$850,000	2,154	\$394.61
152 Main Street	01/11/08	\$3,687,039	6,273	\$587.76
10 Francis Street	01/17/06	\$2,575,000	6,800	\$378.68
4 Dock Street	11/19/04	\$1,800,000	3,950	\$455.70
Median Sales Price per square foot				\$386.65
Average Sales Price per square foot				\$430.05
2 King Street, Alexandria, Virginia	03/24/14	\$5,000,000	10,727	\$466.11

**Market Conditions Trend - Annapolis Commercial Properties
(Basis for Market Conditions Adjustment)**



Zoning - Permitted Uses

Municode

Page 4 of 14

	District B1	District B2			District BCE	District BR	District C2	District C2A	District PMZ	District F1
Accessory buildings and uses, including signs	A	A			A	A	A	A	A	A
Adult book stores			S-Std	S-Std	S-Std					
Amusement establishments, indoor			P	P	P					
Animal hospitals, including veterinarian offices			S	S	P					
Antenna towers										P-Std, S-Std
Antennas and amateur radio stations	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std
Antique stores	P	P	P	P	P	P	P	P	p ¹	
Appliance stores including electrical and household appliances, and radio and television sales and repair		P	P	P	P	P	P	P	p ¹	
Arts and crafts stores	P	P	P	P	P	P	P	P	p ^{1,2}	
Arts or cultural centers					P					
Arts and crafts studios	P	P	P	P	P					
Auction rooms			P	P	P					
Bake shops	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std ¹	
Bakeries										P
Banks and financial institutions	S-Std	P	P	P	P	P	P	P	p ^{1,2}	
Bars and taverns		S	S	S	S		S			
Bicycle sales, rental and repair stores	P	P	P	P	P	P	P	P		
Boat showrooms			P	P	P					
Building materials sales and storage			S	S	P					P
Cab stands including dispatch offices and related parking facilities					S					
Candy stores, where only candy prepackaged off the premises is sold	P	P	P	P	P	P	P-Std			
Candy stores including candy making	S-Std	S-Std	S-Std	S-Std		P-Std	P-Std		P-Std ¹	
Carpet and rug stores, retail sales only		P	P	P	P	P	P	P	p ¹	
Catering establishments, where no food, beverages and/or desserts are sold on the premises	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std			P-Std
Christmas tree and greens sales		P-Std	P-Std	P-Std	P-Std					P-Std
Clubs, lodges and meeting halls, with no on-premises food or beverage preparation facilities		P	P	P	P	P	P	P		
Clubs, lodges and meeting halls, with on-premises food or beverage preparation facilities		S-Std	S-Std	S-Std		P-Std				
Coffee shops	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	
Contractors', architects' and engineers' offices, shops and yards			S	S						P
Convenience stores	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std			P-Std ¹	
Day care centers, group	S-Std	S-Std	S-Std	S-Std					P-Std	
Day care centers, group, in conjunction with a principal religious institution		S-Std								
Delicatessen	P-Std	P-Std	P-Std	P-Std	S-Std	P-Std	S-Std		p ^{1,2}	
Department stores		P	P	P	P		P			
Drive-through facilities and walkups associated with permitted or special exception uses	P-Std ³	P-Std ³	P-Std ³	P-Std ³	P-Std ³	P-Std ³	S-Std ³		P-Std	P-Std ³
Dry cleaning and laundry drop off and pick up stations	P	P	P	P	P		P	P		
Dry cleaning and laundry establishments		P	P	P	P				p ^{1,2}	P

Dwellings, multi-family					P-Std	P	S		S	
Dwellings, single-family attached							S		S	
Dwellings, single-family detached	P						S		P	
Dwellings, two-family							S		P	
Dwellings above the ground floor of nonresidential uses	P	P			P		P	P		
Dwellings for watchmen and their families, located on the premises where they are employed in that capacity			P	P						P
Electronic and scientific precision instruments manufacturing										P
Exterminating shops										P
Food manufacture, packaging and processing										P
Food service mart	P-Std	P-Std	P-Std	P-Std	S-Std	P-Std	S-Std		P-Std ²	
Food stores	P	P	P	P	P		P		P-Std ¹	
Furniture stores		P	P	P	P		P	P	P ¹	
Garden supply, tool and seed stores	P-Std	P	P	P	P	P	P	P	P ¹	
Governmental uses										
Offices	P	P	P	P	P	P	P	P	P	P
Other government and government-related structures, facilities and uses	S	S	S	S	S	S	S	S	S	S
Public schools and colleges	P	P	P	P	P	P	P	P	P	P
Greenhouses and nurseries			P	P	P					P
Group homes	S	S	S	S			S			
Home improvement stores		P			P				P ¹	
Hotels		S	S	S	S		S			
Ice cream stores	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std		P-Std ¹	
Inns		S	S	S	S		S			
Institutions for the care of the aged					P-Std					
Kennels			S	S						
Laboratories, including medical, dental, research and testing			P	P	P	P			P ¹	P
Launderettes, automatic, self-service	P	P	P	P	P	P	P	P	P ¹	
Light manufacturing										P
Liquor store		P	P	P	S		P	P		
Mailing service establishments				P						P
Markets, open air, including farmers' markets and produce markets					P-Std	P-Std	P-Std	P-Std		
Massage parlors			S	S						
Motels		S	S	S	S		S			
Motor vehicle and automobile uses										
Automobile parts and accessory stores					P		P	P		
Car wash		S	S	S	S					
Motor vehicle storage, repair and service facilities		S	P	P	P					P
Motor vehicle sales			P	P	P					
Motor vehicle rental					P					
Service stations, including fuel sales		S	S	S	S					
Museums and art galleries		P	P	P	P	P	P	P	P	
Nautical shops, retail trade					P	P	P	P	P ¹	
Office and business service establishments		P	P	P	P	P	P	P	P ^{1,2}	
Offices, business and professional, and nonprofit, educational, cultural, or civic	P	P	P	P	P	P	P	P	P	
Offices, medical		P	P	P	P				P ^{1,2}	P
Parking lots, other than accessory	S	S	S	S	S		S			P
Parking garages							S			

Personal care establishments	P	P	P	P	P	P	P	P	P	P-Std ^{1,2}	
Pet grooming facility	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	
Photocopying and reproduction services, including blueprinting						P					
Physical health facilities, including health clubs, gymnasiums, and weight control centers		P	P	P	P	P				P ^{1,2}	
Planned developments, business and special mixed	P-Std	P-Std	P-Std	P-Std	P-Std						P-Std
Printing and publishing establishments											P
Religious institutions, including churches, chapels, mosques, temples, and synagogues		S	S	S	P	P				P	
Research and development businesses						S					
Restaurant, fast food		S-Std	S-Std	S-Std	S-Std						
Restaurant, standard	P-Std, S-Std	P-Std, S-Std	P-Std, S-Std	P-Std, S-Std	P-Std, S-Std	P-Std	S-Std			P-Std ^{1,2}	
Retail goods stores		P	P	P	P	P	P	P	P	P-Std ¹	
Schools, private, elementary, middle, or high					P						
Schools, commercial, trade, vocational, music, dance, or art		P	P	P	P	P	P	P			P
Sidewalk cafés	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std			P-Std	P-Std
Specialty convenience retail goods stores	P	P	P	P	P	P	P	P		P-Std ^{1,2}	
Storage other than accessory to permitted uses			S	S							
Supermarkets	P-Std, S-Std	P-Std, S-Std	P-Std, S-Std	P-Std, S-Std	P-Std, S-Std					P-Std ¹	
Telecommunications facilities	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std	A-Std
Telephone transmission equipment buildings		P	P		P					P	P
Temporary uses	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std	P-Std
Theaters, indoor		S	S	S	P		S	S			
Theaters, indoor, located in shopping centers		P-Std	P-Std	P-Std	P						
Tobacco shops		P	P	P	P	P	P	P		P ¹	
Undertaking establishments and funeral parlors		P	P	P	P						
Veterinarian offices					P						
Warehousing, storage and distribution facilities, including moving and storage establishments			S	S	P						P

Notes:

Uses in the PM2 district are subject to the following provisions as indicated in the table:

- 1 This use is permitted as a principal use only in districts that do not adjoin (along non-street frontage) property zoned R1, R1 A, R1 B or R2.
- 2 This use is permitted as an incidental use in a structure that contains business, professional or governmental offices provided that gross floor area of all incidental uses does not exceed the amount of space devoted to the first floor of a multistory structure; except, that in no case shall it exceed 33 percent of the total gross floor area. This use is considered a neighborhood convenience use and is subject to standards given in 21.64.420

21.48.040 Table of Uses—Waterfront Maritime Zoning Districts.

P = Permitted Use; S = Special Exception Use; -Std = Use Subject to Standards (Chapter 21.64);
 A = Accessory Use; Blank = Not Permitted

Important. The notes at the end of the table are as much a part of the law as the table itself.

Uses		District WMC	District WMM ³	District WMI ³	District WME
A. Maritime uses					
1. In-water boat storage:					
	a. Docks, slips, piers and other facilities at which boats are berthed, only in conjunction with other maritime uses	P	P		

	b. Docks, slips, piers and other facilities at which boats are berthed, in conjunction with other maritime uses		P	P	P
	c. Yacht and sailing clubs, and member services	P	P	P	P
	d. Sailing schools	P	P	P	P
2. On-land boat storage:					
	a. Open areas, paved or unpaved, and structures providing for on-land boat and marine equipment storage and display	P		P-Std	
	b. Open areas, paved or unpaved, providing for on-land boat and marine equipment storage and display		P		P
	c. Structures existing as of August 24, 1987 providing for on-land boat and marine equipment storage and display		P		P
3. Boat repair and maintenance:					
	a. Vessel repair and maintenance	P	P	P	P
	b. Maritime engineer/mechanical repair	P	P	P	P
	c. Boat, yacht and watercraft haul-out facilities and maintenance operations	P	P	P	P
	d. Fuel storage and refueling facilities for marine craft	P	P	P	P
	e. Accessory on-land material storage	P	P	P	P
4. Marine fabrication:					
	a. Sail and canvas accessory manufacture	P	P	P	P
	b. Spar and rigging construction	P	P	P	P
	c. Maritime carpentry	P	P	P	P

	d. Construction and laying up of marine molds	P	P	P	P
	e. Metal casting for marine use	P	P	P	P
	f. Marine industrial welding and fabrication	P	P	P	P
	g. Boat manufacture	P	P	P	P
5.	Maritime services: functions necessary to serve in-water and on-land boat storage and working boatyards, including, but not limited to:				
	a. Boat dealers, brokers and manufacturers' representatives	P	P	P	P
	b. Boat rentals, charters, and charters services	P	P	P	P
	c. Marine parts, supplies, accessory distributors	P	P	P	P
	d. Marine transportation and water taxis	P	P	P	P
	e. Marine documentation	P	P	P	P
	f. Boat show management and promotion	P	P	P	P
	g. Nautical component servicing	P	P	P	P
	h. Yacht designers	P	P	P	P
	i. Marine surveyors	P	P	P	P
6.	Maritime retail: display, sale and storage of marine parts, supplies, accessories, and provision of other goods including, but not limited to:				

	a. Marine hardware	P	P	p ¹	p ^{1, 2}
	b. Fishing tackle	P	P	p ¹	p ^{1, 2}
	c. Marine chandleries	P	P	p ¹	p ^{1, 2}
	d. Yacht furniture	P	P	p ¹	p ^{1, 2}
	e. Marine maps, magazines, catalogues and other publications		P		p ^{1, 2}
	f. Maritime retail		P	A-Std	A-Std
7.	General maritime: general office and research functions contributing to maritime activities including, but not limited to:				
	a. Marine salvage, testing, research and environmental services	P	P		
	b. Marine salvage, testing, and environmental services				p ^{1, 2}
	c. Maritime associations	P	P		p ^{1, 2}
	d. Oceanographic laboratories and experimental facilities	P	P		p ^{1, 2}
	e. Facilities for marine pollution control, oil spill cleanup, and servicing of marine sanitation devices	P	P		p ^{1, 2}
	f. Tugboat, vessel towing services, fireboat, pilotboat, harbormaster and similar services	P	P		p ^{1, 2}
	g. Specialized professional services to the maritime industry	P	P		p ^{1, 2}
	h. Marine transport operations, including shipping offices	P	P		p ^{1, 2}
	i. Marine photography, printmaking and chart-making	P	P		p ^{1, 2}
		P	P		p ^{1, 2}

	j. Yacht and sailing club offices				
	k. Yacht finance	P	P		p ^{1, 2}
	l. Maritime service organizations		P		p ¹
8. Maritime institutions:					
	a. Marine educational facilities	P	P		p ²
	b. Marine museums and aquariums	P	P		p ²
	c. Maritime service organizations	P	P		
9. Seafood industrial:	Landing, distribution, processing, brokerage, wholesale and retail sales of fish and shellfish		P	P	P

	District WMC	District WMM ³	District WM ³	District WME
B. Other uses:				
Accessory uses	A	A		
Antenna towers			P-Std, S-Std	
Antennas and amateur radio stations	A-Std	A-Std	A-Std	A-Std
Delicatessen			A-Std	A-Std
Food service marts			A-Std	A-Std
Governmental uses:				
Parks and recreation facilities	P		P	P
Parking structures as accessory to permitted maritime uses on a separate zoning lot		S-Std		
Professional offices		S-Std		
Restaurant, standard	S-Std	S-Std		S-Std
Retail sales of non maritime-related goods	S-Std	S-Std		
Telecommunications facilities	A-Std	A-Std	A-Std	A-Std
Temporary uses	P-Std	P-Std	P-Std	P-Std
Transient boater services, such as laundry, pool, recreation facilities			A-Std	

Thomas A. Weigand
Certified General Appraiser
Certified Public Accountant

Thomas Weigand brings extensive professional valuation experience to Treffer Appraisal Group. As managing member of the appraisal firm for the last ten years, Tom oversees and organizes appraisal assignments throughout Maryland, Delaware, Washington DC and Northern Virginia. Certified as a General Appraiser, Tom's role reaches beyond the scope of manager; he also contributes as an appraiser for the firm in both commercial and residential assignments, including property valuation, underwriting, construction inspections, foreclosed property, liquidations, workouts, property tax appeals, negotiation and litigation support including expert testimony.

In addition to his qualifications as a Maryland Certified General Appraiser, Tom also brings an extensive background in the financial field as a Certified Public Accountant. In addition to his CPA license, Tom holds a Bachelor of Arts Degree in Accounting from Loyola College of Maryland. Prior to joining Treffer Appraisal Group, Tom was Vice President of Finance at R.S. Leitch Company in Edgewater, Maryland, one of the state's largest petroleum distributors. During his seventeen year career at R.S. Leitch Company he was responsible for all financial matters of the company, as well as acquisitions of new businesses and management of all existing businesses. With his extensive background in office management, client relations, property and business valuation, Tom is able to address the challenges of managing Treffer Appraisal Group on a daily basis, as well as business development and mentorship for the appraisal staff.

Tom originally practiced his CPA license with McLean, Koehler, Sparks and Hammond, a Baltimore based public accounting firm. During his seven years at the firm Tom progressed from staff accountant to accounting manager. During his time with McLean, Koehler, Sparks and Hammond, Tom experienced a wide variety of accounting engagements including audits of manufacturers, wholesalers, construction companies and non profits. Additionally, Tom was involved in business valuations for many of the firm's clients which provided an excellent foundation for transition to the appraisal industry.

Thomas A. Weigand - CPA

PROFESSIONAL PROFILE

EDUCATION:

Bachelor of Arts - Accounting, 1979 – Loyola College (Baltimore, Maryland)

APPRAISAL INSTITUTE – RECENT COURSES AND ACCOMPLISHMENTS

Successfully passed the comprehensive MAI exam - January 2009
Demonstration report pending

Leadership Development and Advisory Council (LDAC)-May 2012 and May 2014

Litigation Appraising: Specialized Topics and Applications (15 course hours and 1 exam hour) November 11-12, 2010

Uniform Appraisal Standards for Federal Land Acquisitions (16 hours) January 14-15, 2010

Hotel Appraising: New Techniques for Today's Uncertain Times (7 hours) January 8, 2010

Appraising Distressed Commercial Real Estate (7 hours) November 6, 2009

Valuation of Conservation Easements (36 course hours and 3 exam hours) April 13-17, 2009

Appraising Historic Preservation Easements (18 course hours and 2 exam hours) January 14-16, 2009

Uniform Appraisal Standards for Federal Land Acquisitions: Practical Applications for Fee Appraisers (16 hours) November 10-11, 2008

The Appraiser as an Expert Witness: Preparation and Testimony (15 course hours and 1 exam hour) October 9-10, 2008

REO Appraisal: Appraisal of Residential Property Foreclosure (7 hours) September 17, 2008

Advanced Income Capitalization (36 course hours and 3 exams hours) July 28-August 2, 2008

Report Writing and Valuation Analysis (36 course hours and 3 exams hours) April 28-May 3, 2008

Advanced Applications (36 course hours and 4 exam hours) March 31-April 5, 2008

General Market Analysis and Highest and Best Use (28 course hours and 2 exam hours) October 22, - October 25, 2007

Office Building Valuation (7 hours) September 14, 2007

Attacking & Defending an Appraisal in Litigation (14 hours) July 26-27, 2007

General Applications (37 course hours and 3 exam hours) April 2, - April 7, 2007

Advanced Sales Comparison & Cost Approaches (36 course hours and 4 exam hours) January 19, - January 25, 2007

Liability Management for Residential Appraisers (7 hours) October 6, 2006

Basic Income Capitalization (36 course hours and 3 exam hours) February 28, - March 5, 2005

MARYLAND CHAPTER OF THE APPRAISAL INSTITUTE

Skip Seward Commercial Development & Market Update (6 hours) 2007 – 2014

CENTRAL PENNSYLVANIA CHAPTER OF THE APPRAISAL INSTITUTE

Subdivision Valuation (7 hours) March 23, 2007

ANNE ARUNDEL COMMUNITY COLLEGE

Valuation Litigation (6 hours) April 19, 2005

Analysis/Valuation of Subdivisions (6 hours) April 14, 2005

Valuation of Income Producing Properties (6 hours) April 06, 2005

Real Estate Investment Analysis (6 hours) June 17, 2005

Introduction to Income and Cost Approaches (15 hours) March 19, 2005

Introduction to Real Estate Appraising (45 hours) December 15, 2004

Real Estate Appraisal Standards (15 hours) December 11, 2004

Applications of Real Estate Appraising (15 hours) November 13, 2004

MARYLAND ASSOCIATION OF APPRAISERS, INC.

Appraising to Yellow Book Standards, (CE Credit), May 21, 2008

Acquisition / Right-Of -Way Appraising (CE Credit), May 8, 2008

Understanding Market Trends & Their Impact on Value (3 hours) November 7, 2006

National USPAP Course Standards of Practice & Ethics (7 hours) May 9, 2006

Capitalization Rates, Discount Rates, and Ratios (7 hours) March 23, 2006

Interpreting Plats, Plots & Plans (8 hours) March 21, 2006

Appraising Small Commercial Properties (15 hours) March 15-16, 2006

Fannie Mae's 2005 Revised Appraisal Forms (6 hours) October 17, 2005

MARYLAND ENVIRONMENTAL TRUST

Conservation Easements- Legal and Financial Aspects (3 hours) October 18, 2010

EXPERT TESTIMONY

During the past four years I have been designated in a variety of legal matters including issues related to property tax appeals, divorce, foreclosure, and construction claim cases. Services included valuations reports, deposition and testimony. I have testified before the Anne Arundel County Property Tax Appeals Board and the Maryland Tax Court for numerous property tax appeal cases.

Arbitration Hearing

Lowden vs. Mortimer Construction – October 2010

Construction defects

Swanton, Maryland (Garrett County)

I have testified in both District Court and Circuit Court on the following matters:

Johnson v. Johnson – August 2012
Circuit Court for Anne Arundel County, Case No. 2011-159-459

Wanda Jean Higgs v. M & T Bank, August 2012, Federal Court (Bankruptcy), Case No. 12-21383-DER

Snow Capital Strategies, et al., v. Frank A. Perna, Jr. et al., - October 2011
Circuit Court for Fairfax County, Virginia CL No. 2010-17488

G&G, LLC vs. Wincopia Farms, et al – July 2008
Circuit Court of Maryland, Case No. 13-C-07-069129

Lawley, Lawley and Willoughby vs. Northam, Immell and Hileman
Federal Court, Case No. 10-CV-1074

I am qualified as Real Estate Appraiser Expert for the Maryland Commission of Real Estate Appraisers and Home Inspectors. This is the entity that issues all appraiser licenses for the State of Maryland.

Approved Appraiser – Maryland Department of General Services

PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants
Maryland Association of Certified Public Accountants
Appraisal Institute – MAI Candidate Associate Member
Maryland Association of Appraisers – Current Board Member
Institute of Real Estate Management

OTHER ASSOCIATIONS

Treasurer and Board Member of The Maryland Chapter of the Appraisal Institute

Member of Parole (Annapolis) Rotary Club (1989-2007)
Board of Directors - Providence Center, Inc. (2002- Present)
Board of Directors – Loyola College Alumni Association (2004-2005)
Active Member of the Annapolitan Club, Annapolis, Maryland (2007-Present)