RP Appraisal Partners

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April 12, 2016.

C/o Ms. Malú Blázquez Arsuaga, Executive Director
Local Redevelopment Authority (LRA) - Roosevelt Roads
355 F.D. Roosevelt Ave. / Fomento Industrial Bldg. Office 106
Hato Rey, PR 00918

RE: Appraisal Services Proposal

Dear Ms. Blázquez:

Thanks for considering RP Appraisal Partners, P.S.C. We are pleased to submit a time and fee proposal for the "as is" market value as the fee simple estate of 11 properties as on the "SDP Tasadores" as amended by "Adendas 1 y 2".

The purpose of the appraisal is to estimate the "as is" **market value** of the **fee simple estate** in the properties as of the observation date. This proposal is for **Appraisal Reports in "narrative" format** complying with the Uniform Standards of Professional Appraisal Practice (USPAP), Supplemental Standards of Professional Appraisal Practice and Code of Professional Ethics of the Appraisal Institute and the laws and regulations of the United States of America and the Commonwealth of Puerto Rico. To complete the appraisal the following information is required:

- Deed or title study showing legal description and ownership.
- Site and project plans.
- Name and telephone number of contact person for the observation of the properties.
- Any other information deemed pertinent for the valuation of the properties (i.e., leases, etc.).

Completion will require a maximum of *three months* after the observation of the properties and the delivery of all requested information but on or before August 31, 2016 at a rate of about four appraisal reports per month considering the engagement will start on or about the first week of June 2016. Our fee will be as follows;

Tabla de Cotizaciones Tasaciones para edificios y áreas para el Proyecto de Redesarrollo de Roosevelt Roads	
Edificios y áreas	**Costo de tasaciones Valor en el Mercado**
1. Muelle #1	$5,000.00
2. Muelle #2	$5,000.00
3. Muelle #3	$8,000.00
4. Edificio #1205	$5,500.00
5. Edificio #3188	$4,000.00
6. Marina Comercial	$7,500.00
7. Navy Lodge	$12,000.00
8. Walk Ups	$8,500.00
9. Fuel Tank Farm	$25,000.00
10. Area Industrial B2	$15,000.00
11. Punta Puerca	$12,000.00
Precio total por la tasación de los 11 edificios y/o áreas de ser adjudicados todos a su compañía	$100,000.00

You will be furnished with one (1) original signed hardcopy of each appraisal report and one (1) CD of the reports. The fee includes the cost of all expenses incurred in the preparation of the report. The fees will be paid in the following manner; 1/3 of it at the time of signing the contract, 1/3 at the time of delivery of the appraisal reports and 1/3 no later than one month after the delivery of the appraisal reports. This proposal is valid for a period of three months, or until August 31, 2016 if we are contracted for the performance of this engagement.

The Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP) will protect the required information about the properties. This means that all the information provided will remain confidential and will be used only for the purpose of the appraisal.

A copy of the General Assumptions and Limiting Conditions that will be part of the appraisal work file and report are attached. Please understand that the terms, provisions and conditions contained within the body of this letter, together with your additional instructions and the attached General Assumptions and Limiting Conditions, will constitute our agreement regarding the appraisal of the subject properties.

An addendum with a “Memorial Explicativo del Proyecto” and the Qualifications of the appraisers have been included. If you need to discuss in further detail this **proposal**, please contact us at 939-337-4490 or 787-612-7618. You can also contact Héctor R. Correa Carrasquillo at 787-444-1640. Thank you for considering our firm for the performance on this engagement.

Regards,

Eric S. Rodríguez Príncipe
Certified General Real Estate Appraiser
872 EPA / 223 CG
Senior Partner

Héctor R. Correa Carrasquillo
Certified General Real Estate Appraiser
1241 EPA / 354 CG
Senior Appraiser

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

The appraisers will not be required to give testimony or appear in court because of having made this appraisal, with reference to the properties in question, unless arrangements have been previously made thereof.

Any cause of action resulting between the appraisers and the client in conjunction with this appraisal, either directly or indirectly, it is not limited in damages to the amount of the appraisal fee received for the assignment. Furthermore, it is agreed that you will indemnify RP Appraisal Partners for any damages, costs, expense, and attorney's fees resulting from any cause of action by any interested party, other than the client, concerning the appraisal report.

Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with the proper written qualification and only in its entirety.

In the case where an improvement is considered, the distribution of the total valuation between land and improvements applies only under the reported highest and best use of the properties. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media, without written consent and approval of the appraiser. Nor shall the appraisers, firm or professional organization of which the appraisers are members, be identified without prior written consent of the appraisers.

The physical condition of the improvements described herein is based on visual inspection only. No liability is assumed for the soundness of structural members, including roof (wear and leakage), foundation (settling or leakage), footings, exterior and interior walls, partitions, floors, or any other part of the structure, since no engineering tests were made of same and no termite inspection was conducted. Furthermore, we accept no legal responsibility for the efficiency of the plumbing and electrical systems, air conditioning equipment, or any major appliances. Unless otherwise noted, all of these items appeared adequate and operational.

In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as the presence of urea formaldehyde foam insulation or asbestos, and/or existence or toxic waste, which may be or may not be present on the properties, has not been considered. The appraiser is not qualified to detect such substances. We urge the client to retain an expert in this field if desired.

This appraisal and report have been prepared under the following general assumptions and limiting conditions:

1. Information furnished by others is assumed to be true, factually correct, and reliable. No responsibility for its accuracy is assumed by the appraiser. Should there be any material error in the information provided to the appraiser; the results of this report are subject to review and revision.

2. All mortgages, liens and encumbrances have been disregarded unless so specified within this report. The subject properties are analyzed as though under responsible ownership and competent management. It is assumed in this analysis that there were no hidden or unapparent conditions of the properties, subsoil, or structures, including hazardous waste conditions, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them. No responsibility is assumed for legal matters existing or pending, nor is opinion rendered as to title, which is assumed to be good.

3. The appraiser assumes that no hazardous wastes or mold contamination exists on or in the subject properties unless otherwise stated in this report. The existence of hazardous material, which may or may not be present on the properties, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the subject properties. The appraiser however, is not qualified to detect such substances or detrimental environmental conditions. The value estimate rendered in this report is predicated upon the assumption that there is no such material on or affecting the properties which would cause a diminution in value. No responsibility is assumed by the appraiser for any such conditions, or for any expertise or environmental engineering knowledge required to discover same. The client is urged to retain an expert in this field if so desired.

4. It is assumed that there is full compliance with all applicable federal, state, and local land use laws and environmental regulations and unless non-compliance is noted, described, and considered herein.

5. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and/or analysis of this properties to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the properties together with a detailed analysis of the requirements of the ADA could reveal that the properties are not in compliance with one or more elements of the ADA. If so, this fact could have a negative effect upon the value of the properties. Since the appraiser has no direct evidence relating to this issue, the appraiser did not consider possible noncompliance with the requirements of the ADA in estimating the value of the subject properties.

6. It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

7. Possession of this report, or a copy thereof, does not carry with it the right of publication.

8. Unless prior arrangements have been made, the appraiser, by reason of this report, is not required to give further consultation or testimony, or to be in attendance in court with reference to the properties that are the subject of this report.

9. The appraiser has made no legal survey nor has he/she commissioned one to be prepared. Therefore, reference to a sketch, plat, diagram or previous survey appearing in the report is only for the purpose of assisting the reader to visualize the properties.

10. Unless otherwise noted, this appraisal has not given any specific consideration to the contributory or separate value of any mineral and/or timber rights associated with the subject real estate.

11. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute.

12. The signatory of this appraisal is a fully qualified commercial appraiser who has been involved in the valuation and/or review of many similar properties. This education and experience in valuing similar properties satisfies the competency provision of USPAP. The qualifications of the appraiser are attached to this report.

13. This appraisal has been made subject to current market terms of financing.

14. This appraisal was prepared by the appraiser named herein for the exclusive use of the client named herein. The information and opinions contained in this appraisal set forth the appraisers best judgment in light of the information available at the time of the preparation of this report. Any use of this appraisal by any other person or entity, or any reliance or decisions based on this appraisal are the sole responsibility and at the sole risk of the third party. The appraiser accepts no responsibility for damages suffered by any third party as a result of reliance on or decisions made or actions taken based on this report.

15. If the cost approach to value was developed and presented in this appraisal report, if has been done so only as a measure of additional support for the final opinion of the defined value herein. Use of the cost approach data and/or analysis in whole or part for any other purpose is not intended by the appraiser. Nothing set forth in the appraisal should be relied upon for the purpose of determining the amount or type of insurance coverage to be placed on the subject properties. The appraiser assumes no liability for and does not guarantee that any insurable value estimate inferred from this report will result in the subject properties being fully insured for any loss that may be sustained. Further, the cost approach may not be reliable indication of replacement or preproduction costs for any date other than the effective date of this appraisal due to changing costs of labor and materials and due to changing building costs and governmental regulations and requirements.

Memorial Explicativo del Proyecto

1.1 Tasaciones en formato narrativo según se desglosa en la siguiente tabla

Edificios y áreas	Informe en formato narrativo	Metodos de Valorazión Aplicables			Costo Propuesto
		Ventas Comparables	Capitalización de Ingresos	Costo	
1. Muelle #1	X			X	$ 8,000.00
2. Muelle #2	X			X	5,000.00
3. Muelle #3	X			X	5,000.00
4. Edificio #1205	X	X	X		5,500.00
5. Edificio #3188	X	X	X		4,000.00
6. Marina Comercial	X		X	X	7,500.00
7. Navy Lodge	X		X	X	12,000.00
8. Walk Ups	X	X		X	8,500.00
9. Fuel Tank Farm	X			X	25,000.00
10. Area Industrial B2	X	X	X		15,000.00
11. Punta Puerca	X	X			12,000.00

Explicación de los metodos de valoración

En los *Estándares Uniformes de la Práctica Profesional de Valoración* se define tasación o valoración como "el acto o proceso de desarrollar una opinión de valor". Existen tres (3) métodos básicos de avalúo de bienes inmuebles. En estos métodos se analiza, si aplican, data de tres áreas diferentes del mercado, cuando la misma existe. Los tres métodos básicos de avalúo son el Método de Costo, el Método de Ventas Comparables y el Método de Ingreso.

Cuando se basan en data real, estos métodos reflejan comportamientos típicos en el mercado de bienes raíces. El análisis de los atributos legales, físicos y económicos de la propiedad permiten concluir su mejor y más provechoso uso, conclusión que a su vez determina los métodos de valoración aplicables a cada propiedad. El desarrollo de los métodos aplicables resulta en indicaciones separadas de valor las cuales son reconciliadas en un estimado final de valor. A continuación se describen brevemente los tres métodos básicos de avalúo.

Método de Costo

En el Método de Costo se desarrolla un estimado del costo de reproducción o remplazo de las mejoras en la fecha efectiva de la tasación, incluyendo una partida de incentivo para el desarrollador, junto con un estimado de las pérdidas en valor ocurridas por el desgaste físico normal, deficiencias de diseño, o influencias externas a la propiedad (e.e., depreciación total). Al estimado del costo depreciado de las mejoras se le suma el valor estimado del solar. La suma representa la indicación de valor por el Método de Costo.

Método de Ingreso

En el Método de Ingreso, el ingreso neto operacional (NOI, por sus siglas en inglés) prospectivo de una propiedad se calcula restándole al ingreso bruto potencial (PGI, por sus siglas en inglés) partidas por desocupación y pérdida de ingreso, y por los gastos operacionales. Para justificar los estimados, se analizan rentas de mercado, estados de ingresos y gastos operacionales de la propiedad para años previos, y data comparable de gastos operacionales. Cuando se aplica la técnica de capitalización más apropiada al estimado prospectivo de ingreso neto operacional, el resultado es la indicación de valor de la propiedad por el Método de Ingreso.

Método de Ventas Comparables

En el Método de Ventas Comparables la propiedad objeto se compara con propiedades similares que se hayan vendido recientemente. Se desarrollan unidades y elementos de comparación y luego de aplicar técnicas cuantitativas o cualitativas de ajustes, se estima el valor de la propiedad.

1.2 A. Compañía de tasación organizada como corporación ante el Departamento de Estado del Estado Libre Asociado de Puerto Rico

B. Cinco tasadores y un consejero externo según se desglosa en la siguiente tabla

Tasadores	Posición	Lic. EPA	Cert. Gen.	Designaciones		
				MAI	AI-GRS	CCIM
Eric S. Rodríguez Príncipe	Socio Senior	X	X			
Héctor R. Correa Carrasquillo	Tasador Senior	X	X			
Carlos E. Hernandez Matos	Tasador Senior	X	X			
Arnaldo Torres Cruz	Tasador	X				
Héctor Mercado Sotolongo	Tasador	X				
John A. Robinson	Tasador Consejero			X	X	X

C.Ver Curriculum Vitaes en la Adenda para cada tasador

D.Ver licencias y certificaciones generales según aplique para cada tasador

E.Ver referencias provistas en Adenda

1.3 El tiempo de ejecución proyectado para el proyecto es de tres meses comenzando en la primera semana de junio de 2016 y terminando en ó antes del 31 de Agosto de 2016. Se proyecta entregar al menos cuatro informes de tasación a finales de junio 2016, cuatro informes de tasación adicionales a finales de julio 2016 y los últimos tres informes de tasación en ó antes del 31 de agosto de 2016.

1.4 Contamos con los servicios de un asesor externo con las más altas credenciales y amplia experiencia en el campo de la tasación. (Ver Curriculum Vitae de John A. Robinson, MAI, AI-GRS, CCIM).

2.1 El registro del proponente se envío vía correo electrónico el 14 de marzo de 2016. Nuestro representante fue Héctor R. Correa Carrasquillo.

2.2 Ver tabla de cotizaciones incluída como parte de la propuesta donde se provée un descuento de $7,500 del total de $107,500.