

April 12, 2016

Mrs. Malu Blázquez
Executive Director
Roosevelt Roads Local Redevelopment Authority
#355 F.D. Roosevelt Ave., Office 106
Hato Rey, P.R. 00918

Re: Request for Proposal: SDP Tasaciones 2016-001

Dear Mrs. Blázquez,

I am pleased to submit for your consideration a proposal for professional real estate appraisal services as part of the RFP process of reference (hereon SDP 2016-001). In conformance with SDP 2016-001 (as amended by Addenda #2 of April 5, 2016), I am formally quoting to provide the requested appraisal services for the following facilities:

| No. | Item | ID |
|-----|------------|----------------|
| 1 | Property 1 | Pier 1 |
| 2 | Property 2 | Pier 2 |
| 3 | Property 3 | Pier 3 |
| 4 | Property 7 | Navy Lodge |
| 5 | Property 9 | Fuel Tank Farm |

The general scope of work of the assignments would entail the development of an opinion of the market value of the real estate, in fee simple, of each property as of a current date of value. Each appraisal would be prepared in a narrative format in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Ethics of the Appraisal Institute, as well as to the applicable laws and regulations for the performance of real estate appraisal works in Puerto Rico.

The specific scope of work for the development of each appraisal would vary based on the specific characteristics of each of the properties being appraised, as well as on the market to which each property caters.

Properties 1, 2 and 3

In the case of Properties 1, 2 and 3, the local market pertaining to these types of properties is virtually controlled entirely by the Puerto Rico Ports Authority (PRPA); which is the owner of most of the cargo and passenger piers on the Island. My market research reveals that all of these facilities typically operate under different types of lease agreements in which the PRPA (as landlord) grants the rights of occupancy and use of the demised premises to market participants (as tenants) over determined periods typically ranging between 5 to over 30 year terms. Based on this, the market data available would support the development of the Income Capitalization Approach to value, as the most appropriate and applicable, to estimate the market value of Properties 1, 2 and 3.

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In the case of the Sales Comparison Approach, no real estate sales transactions of properties which characteristics would be considered comparable to Properties 1, 2 and 3 have taken place during the past 5 to 10 years. Therefore, the development of the Sales Comparison Approach is not applicable in this case. As to the development of the Cost Approach to value, a similar situation exists. A preliminary research revealed a limited number of sales transactions which could potentially be analyzed as comparables to develop an opinion of the market value of the upland component. However, there is no true comparable market data available to accurately estimate the market value of the submerged land component. Furthermore, there is no local market data available to accurately estimate the development costs of the existing improvements on Properties 1, 2 and 3, nor their accrued depreciation, and support a credible estimate of their contributory value to the overall property. In addition, based on current market conditions and the historical behavior of the local market, it is my opinion that an indication of value by the cost approach would be given nominal consideration during purchase negotiations by the most probable buyer of these types of properties. Because of this, the Cost Approach to value is also concluded not to be applicable in this case.

Property 7

This property refers to a former lodging facility which has remained closed for over the past 10 years, and which improvements currently carry significant accrued depreciation from all types (i.e. physical, functional, and external). Based on my initial assessment of the property, as well as of the markets to which it could potentially cater, the improvements could either be used for the former lodging purpose, or converted into an alternate economic use such as a home for the elderly. In either scenario, these types of facilities are mainly transacted under the premises of the Income Capitalization Approach. However, in some cases, when sufficient reliable market data is available, the Sales Comparison Approach is given certain weight. Having said that, given the actual condition of the improvements on the property, as well as the economic characteristics of the neighborhood, it is my opinion that the most probable buyer of Property 7 would give serious consideration to a value indication derived by the Sales Comparison Approach, given the existence of true comparable market data. My preliminary research revealed a reasonable number of sales transactions which could potentially be analyzed as comparables to develop an opinion of the market value of Property 7 in its present "as is" condition. Based on this, the market data available would support the development of the sales comparison approach to value, as the most appropriate and applicable, to estimate the market value of Property 7 in this case. The development of the Cost Approach is concluded not to be applicable in this case for similar reasons as those explained for the valuation of Properties 1, 2 and 3.

Property 9

Property 9 is considered a special purpose property, where the improvements constructed are specific to the industrial use on the property for an owner user. These types of properties are not frequently transacted in the open market unless purchased for a different use, and involving the demolition of the existing improvements. In the case of Property 9, based on my initial assessment of the facility, the existing improvements appear to still contribute to the value of the property. During my research, I found a limited; yet reasonable number of comparable sales transactions spanning from 2006 to 2015, and which should provide an adequate basis to estimate a market value opinion of Property 9 by the Sales Comparison Approach.

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In the case of the Income Capitalization Approach, these types of properties are commonly used for third-party storage of materials in the tanks existing on the property by way of lease agreements. However, the revenues from these types of leases are purely based on the capabilities of machinery and equipment on the property and, in many instances, based on business considerations not fully attributable to the real estate. Therefore, given the behavior of the local market to which Property 9 caters, the development of the Income Capitalization Approach is concluded not applicable to develop a market value opinion of the real estate. As to the cost approach, its development is concluded not to be applicable in this case for similar reasons as explained before.

A brief explanation of each of the approaches to value is summarized as follow:

Income Capitalization Approach (Concluded applicable for the valuation of Properties 1, 2 and 3)

1. Research the market for comparable leasing transactions (i.e. rentals, listings, etc.), overall vacancy and/or collection loss allowances, and real estate related operating expenses.
2. Selection of the most reliable transactions for the valuation of the property, and analysis of the transactions using a rental rate per selected unit of comparison; to estimate the Potential Gross Income (P.G.I.) of the property.
3. Deduct the typical annual amount of income that would not be collected because of vacancies and/or collection problems to estimate the Effective Gross Income (E.G.I.).
4. Deduct the real estate related operating expenses from the EGI to estimate the Net Operating Income (N.O.I.). These include variable and fixed expenses, and reserves for the replacement of the improvement's short-lived items (as applicable).
5. Development of a market value indication for the property either by the direct or yield capitalization techniques.

Sales Comparison Approach (Concluded applicable for the valuation of Properties 7 and 9)

1. Research the market for comparable data for similar properties.
2. Select the most reliable data for the valuation of the property.
3. Analyze the data using a market supported unit of comparison.
4. Reach a market value indication for the property through comparative analyses (either quantitative and/or qualitative).

Cost Approach (Concluded not applicable for the valuation of the properties)

1. Research for comparable market data (i.e., sales, purchase options, listings, etc.) to estimate the market value of the land "as though vacant".
2. Estimate the replacement or reproduction cost new of the improvements based on industry-accepted cost manual, and/or on local market information regarding direct and indirect costs, and entrepreneurial incentives (when applicable).
3. Analyze the overall characteristics of the improvements (physical and economic) to estimate any amount of accrued depreciation (i.e., physical, functional and external).

4. Deduct the accrued depreciation, if any, from the estimated cost new of the improvements.
5. Reconcile the market value indication of the property by adding the market value indication for the land "as though vacant" to the depreciated cost of the improvements.

Quoted Professional Fees

Based on the properties quoted in this proposal, and on the scope of work of each appraisal to be developed, the professional fees and the time-delivery of each appraisal report are as follow:

| No. | Item | ID | Fee | Time-delivery |
|------------|-------------|----------------|------------|----------------------|
| 1 | Property 1 | Pier 1 | \$8,000 | 3 to 4 weeks |
| 2 | Property 2 | Pier 2 | \$8,000 | 3 to 4 weeks |
| 3 | Property 3 | Pier 3 | \$8,000 | 3 to 4 weeks |
| 4 | Property 7 | Navy Lodge | \$10,000 | 3 to 4 weeks |
| 5 | Property 9 | Fuel Tank Farm | \$10,000 | 3 to 4 weeks |

The professional fees, as quoted, in the table above are for the appraisal of each of the properties individually, and these amount to an aggregate of \$44,000. However, the professional fee for the appraisal of the five (5) quoted properties, if awarded all under this proposal, is **\$35,000**. The time-delivery of the appraisal works, if awarded all under this proposal, would be between 6 to 8 weeks.

Payment Terms

If awarded individually, the payment terms would require a 50% deposit upon award of the quoted appraisal work, and full payment of the remaining balance upon delivery of the appraisal report.

If awarded all quoted appraisal works, the payment terms would require an initial deposit of \$10,000 upon award of the quoted appraisal work, and full payment of the remaining balance upon delivery of the appraisal reports.

I appreciate the opportunity of being able to offer you my professional services, and hope that this proposal best suites your needs. If you are in agreement with this proposal, please indicate your acceptance by signing a copy and returning it to the undersigned. If you have any questions about the proposal, please contact me at your convenience.

Very truly yours,



Pedro C. Navarro Acevedo, MAI
Real Estate Professional Appraiser
State Certified License No. 1151EPA
Certified General License No. 270CG

Accepted by _____ this _____ of 2016.

Pedro C. NAVARRO ACEVEDO, MAI

Organizational Structure of Proponent

I, Pedro C. Navarro Acevedo, MAI am an independent license/certified real estate appraiser in good standing under the laws and regulations of the Commonwealth of Puerto Rico. I have been working in the Puerto Rico real estate appraisal industry since 1998; when I started as an assistant real estate appraiser with the firm ODV Appraisal Group. In 2005, I became a licensed real estate appraiser and in 2009 I received my General Certification. In the following year of 2010, I became an MAI designated member of the Appraisal Institute. For the past almost seven (7) years I have been working in association with the appraisers firm McCloskey, Mulet & Bonnin; where I currently continue to provide my professional services as an independent real estate appraiser.

Client References

1. Mr. Robert F. McCloskey Díaz
President
McCloskey, Mulet & Bonnin Appraisers P.S.C.
Contact Info. (787) 774-6520 / rmccloskey@mmbpr.com
2. Mrs. María de Lourdes Nigaglioni
Chief Financial Officer (CFO)
SALUS Puerto Rico
Contact Info. (787) 789-1919 ó (787) 789-2180 ext. 1105 / mnigaglioni@saluspr.com
3. Mr. Noel Román
President
Plaza del Mar Holdings LLC
Contact Info. (787) 698-4848 / noelroman8@gmail.com
4. Dra. Vilma Padilla
President
FAVISUS, LLC
Contact Info. (787) 692-0355 / vpadilla.favisus@gmail.com

Pedro C. Navarro Acevedo Professional Credentials

Please refer to the following page.



PEDRO C. NAVARRO ACEVEDO, MAI

Parque de Villa Caparra • 5 Zuania • Guaynabo, PR 00966
Phone: 787.368.3182 • Email: pnavaro@mmbpr.com

LICENSE

Puerto Rico Licensed Professional Real Estate Appraiser, **EPA License No. 1151**
Puerto Rico Certified General Real Estate Appraiser, **Certificate No. 270**

PROFESSIONAL AFFILIATIONS

MAI designated member – Appraisal Institute

OFFICES HELD

Appraisal Institute Puerto Rico and Caribbean Chapter –
Board of Directors 2012- 2014

EDUCATION

Bachelor in Business Administration 2004
METROPOLITAN UNIVERSITY OF PUERTO RICO
SAN JUAN, PUERTO RICO
MAJOR: INFORMATION SYSTEMS

PROFESSIONAL EXPERIENCE

| | |
|--|-------------------------------------|
| Independent Real Estate Appraiser In association with McCloskey, Mulet & Bonnin Appraisers P.S.C. | October 2009 – Present |
| Independent Real Estate Appraiser In association with ODV Appraisal Group P.S.C. | September 2005 – August 2009 |
| Assistant Appraiser In association with ODV Appraisal Group P.S.C. | May 1998 – September 2005 |

APPRAISAL WORK COMPETENCY (PUERTO RICO AND UNITED STATES VIRGIN ISLANDS)

Office Buildings, Retail Properties (single and multitenant occupancy), Industrial Properties (warehouse, manufacturing, etc.), Vacant Land (commercial, industrial, residential, agricultural, conservation, etc.), Residential Projects (single-family, multifamily, subsidized rental housing), Lodging (hotels, guesthouses, etc.), Service Stations, and Special Purpose Properties (cemeteries, asphalt plants, quarries, hospitals, ambulatory medical clinics, automobile dealerships, special-care homes for the elderly, etc.), etc.

Pedro C. NAVARRO ACEVEDO, MAI

Parque de Villa Caparra • 5 Zuania • Guaynabo, PR 00966 • Phone: 787.368.3182 • Email: pnavaro@mmbpr.com

NOTABLE ASSIGNMENTS

OFFICE BUILDINGS

Yabucoa New Urban Center, Yabucoa ¹
United States Virgin Islands GERS Headquarters, St. Thomas ²
United States Virgin Islands GERS Headquarters, St. Croix ²

SPECIAL-PURPOSE PROPERTIES

Capehart Parcel, Former Naval Station Roosevelt Roads, Ceiba ¹
Vaello Shipyard, Cataño ¹
UPR Comprehensive Cancer Center Hospital, San Juan ²
Clínica Las Américas Guaynabo, Inc. (d/b/a SALUS), Bayamón ²
HIMA San Pablo Medical Ambulatory Center, Caguas ²
Feasibility Study - FAVISUS Specialized Care Home for the Elderly, Hatillo ²
Banco Popular Cupey Center / EVERTEC, San Juan ²
Bella Group Automobile Dealership Portfolio ²
Borinquen Memorial Cemetery Portfolio ¹
Memorial Group Cemetery Portfolio ²

INDUSTRIAL

Serralles Industrial Facilities, Camuy ²
GIB (Me Salve) Headquarters and Warehouse/Distribution Center, Cataño ²
Alonso & Carus Iron Works Manufacturing Facility, Cataño ²
Better Roads Asphalt Manufacturing Plant, Bayamón ²
Proposed Paradise Industrial Park, Caguas ¹



¹ Appraisal work performed in association with ODV Appraisal Group P.S.C.

² Appraisal work performed in association with McCloskey, Mulet & Bonnin Appraisers P.S.C.

Pedro C. NAVARRO ACEVEDO, MAI

Renovado
26/Aug/2017


Estado Libre Asociado de Puerto Rico
Commonwealth of Puerto Rico
DEPARTAMENTO DE ESTADO
Department of State
Secretaría Auxiliar de Juntas Examinadoras
Office of the Assistant Secretary of State for Examining Boards
La Junta Examinadora de Evaluadores Profesionales de Bienes Raíces
The Examining Board of Real Estate Appraisers

por la presente certifica que
hereby certifies that

Pedro C Navarro Acevedo

por haber cumplido todos los requisitos de Ley, ha sido inscrito
en el Registro de esta Junta como
having met all the requirements of law, has been registered as:

Evaluador Profesional Certificación General
Certified General Professional Appraiser

En testimonio del cual se expide esta licencia para el ejercicio de dicha profesión bajo el sello de la Junta.
In testimony whereof, this license is issued to practice as a professional, under the seal of the Board of Examiners.

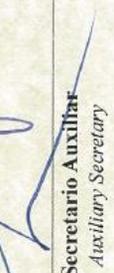
En San Juan, Puerto Rico, hoy día 26 de agosto de 2013.
In San Juan, Puerto Rico, on August 26, 2013.



Licencia Número: **270CG**
Certificate Number:

Vencimiento: **25 de agosto de 2017**
Expires: August 25, 2017


Presidente
(Board President)


Secretario Auxiliar
Auxiliary Secretary

Pedro C. NAVARRO ACEVEDO, MAI



Estado Libre Asociado de Puerto Rico
Commonwealth of Puerto Rico

DEPARTAMENTO DE ESTADO
Department of State

Secretaría Auxiliar de Juntas Examinadoras
Office of the Assistant Secretary of State for Examining Boards

La Junta Examinadora de Evaluadores Profesionales de Bienes Raíces
The Examining Board of Real Estate Appraisers

por la presente certifica que
hereby certifies that

Pedro C Navarro Acevedo

por haber cumplido todos los requisitos de Ley, ha sido inscrito
en el Registro de esta Junta como
having met all the requirements of law, has been registered as:

Evaluador Profesional Licencia Estatal
State Certified Professional Appraiser

(Para evaluar todo tipo de propiedad, Gobierno Estatal y/o Municipal donde no exista un Interés Federal)

En testimonio del cual se expide esta licencia para el ejercicio de dicha profesión bajo el sello de la Junta.
In testimony whereof, this license is issued to practice as a professional, under the seal of the Board of Examiners.

En San Juan, Puerto Rico, hoy día 26 de agosto de 2013.
In San Juan, Puerto Rico, on August 26, 2013.



Licencia Número: **1151EPA**
Certificate Number:

Vencimiento: **10 de septiembre de 2017**
Expires: September 10, 2017


Presidente
(Board President)


Secretario Auxiliar
Auxiliary Secretary

Renovado
26/Aug/2013

Pedro C. NAVARRO ACEVEDO, MAI