Commonwealth of The Bahamas
Eleuthera Island

Appraisal Report of
Sky Beach Club Development – Governor’s Harbour
ELEUTHERA, BAHAMAS

For Mr. Michael Reardon

On the 24th September 2010, the undersigned was requested to inspect and value the property described below situated in Governor’s Harbour in the Southern District of the Island of Eleuthera, one of the Islands of the Commonwealth of The Bahamas.

**LIMITING CONDITIONS:**
The following are the limiting Conditions of the agreement:-

I. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

II. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

III. Responsible ownership and competent property management are assumed.

IV. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

V. All engineering is assumed to be correct. The plot plans and illustrative materials in this report are included only to assist the reader in visualizing the property.

VI. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

VII. It is assumed that there is full compliance with all applicable, local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.

VIII. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
IX. It is assumed that all required licenses, certificates of occupancy consents, or other legislative or administrative authority from any local government or national government 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.

X. It is assumed that the utilization of the land and the improvements are within the boundaries or property lines of the property described, and that there is no encroachment or trespass unless noted in the report.

The valuation is in Bahamian dollars I have made a careful inspection of the subject property, and my appraisal report follows:

REPORT

DESCRIPTION OF PROPERTY:
Location: This lot of land is located on the eastern side of The Main Queen’s Highway in the vicinity of “HEARTEAST” & HUT POINT as shown on the interfaced location plan; situate in the Township of Governor’s Harbour; in the Southern District of the Island of Eleuthera, in the Commonwealth of the Bahamas.

Site Plan

Type: In consideration of the Highest and Best Use for the subject property; the restrictive conveyance and zoning requirement of this lot; the proposed, as approved by the Dept. of Physical Planning, and the trend of the immediate area, determines that commercial type development would constitute the Highest and Best Use of this Lot of Land.
**Legal Description:** All that piece parcel or lot of land and improvements containing approximately 21.151 Acres, situated in the vicinity of “HEARTEASE” and HUT POINT, Governor’s Harbour, in a Subdivision called and known as “Sky Beach Club Subdivision”, in the Southern District of the Island of Eleuthera, one of the Islands of the Commonwealth of The Bahamas, and bounded and abutting as follows: Northwardly by a 30’ wide road reservation known as “Bank Road; Southwardly by a 30’ wide road reservation known as “Eleuthera Main Highway”; Westwardly by land now or formerly the property of Wykee Estates, Eastwardly by land now or formerly the property of “Siboney”

- The total area of this parcel of land is approx. 21.151 acres

**Note!** This appraiser can verify that the boundary marker and/or stakes are visible, sufficient to verify the identity of the lots of land being appraised.

**AREA:** approximately 21.151 Acres

**NEIGHBOURHOOD:**
This particular section of Governor’s Harbour is firmly established with commercial development Predominant developed values therein are in the vicinity of One Hundred and Fifty Thousand (B$150,000.00) to Five Hundred and Seventy Five Thousand (B$575,000.00) Bahamian Dollars. Further similar type developments and/or improvements to existing properties continue at an average pace; and Real Property values are holding steady.

**MEAN HOUSEHOLD INCOME B$:**

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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>All Bahamas</td>
<td>16265</td>
<td>22515</td>
<td>22575</td>
<td>25449</td>
</tr>
<tr>
<td>New Providence</td>
<td>17820</td>
<td>23458</td>
<td>24640</td>
<td>26782</td>
</tr>
<tr>
<td>Grand Bahama</td>
<td>17337</td>
<td>24742</td>
<td>25745</td>
<td>25293</td>
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</tbody>
</table>

Income for all of the Bahamas has increased by $9184 from 1988 to 1992

**SITE AND STRUCTURAL IMPROVEMENTS:**
This site encompasses 4 single storey structures that are of C.B.S. construction. There is a private pool overlooking the Atlantic Ocean. The roof is flat and is on rigid insulation base with reinforced concrete slab assembly on insulated deck forms with integrated vapor barriers on furring members @ 18” o/c, and coated with elastomeric acrylic polymer weathering membrane-trowel finish and textured on rigid insulation base. The interior walls are of metal studs clad with durock and plastered. The ceiling is of 1” x 6’ cypress and varnished. The bathrooms are complete with fixtures are of the highest standard, and Sauna Baths enclosed in ¼” glass enclosure. The closets are walk-in spacious closets. There is an open kitchen with commercial equipment of high quality and a bar area. There is a concrete patio decking overlooking the Atlantic Ocean and the club house. There is a private pool area to the front of this said building, properly decked with cement stones and ficus trees. This property is well landscaped with grass; Palm and other ficus trees. **This structure was built in accordance with the plans and specifications and at a standard acceptable to the Ministry of Public Works.**
**Floor Layout @ Each Level**

The layout is satisfactory; all of the rooms are average sizes, with adequate access to the exterior.
UTILITIES AND SERVICES:
Utilities available are as follows: Electricity Supply, Telephone Service, and Water Supply all to be by Public Corporation; and, the quality, condition, and access to utility hookups is considered satisfactory. Sewerage disposal is to be by individual Septic Tank and Soak away. The roads are properly Asphalt Paved, and drainage is fair. Regular scheduled Public Bus Transportation is available along Market Street. Primary, Secondary and High School, both Private and Public; and, all Denominational Churches, are located within One (1) to Two and a Half (2 ½) Miles; and, Shopping Centre is located within Walking Distance.

ACCOMODATION:
Four (4) Bedrooms; Four (4) Bathrooms; Powder Room; Foyer; Kitchen; Great Room; Utility Room; Dining Room; Library; Linen Closet; Pantry; Storage Areas; Exterior Decks.

THE CAPITALIZATION OF NET RENTALS
The gross net rent received is reduced to a net figure by deduction of estimated expenses and the resulting net figure is capitalized to yield an investment return. The rental market is affected by the economy and in the mint condition, the highest rent for this property would be as follows:-

<table>
<thead>
<tr>
<th>Proposed Five (5) Units</th>
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<tbody>
<tr>
<td>(Four Units @ $3,000.00 weekly)</td>
<td>B$ 12,000.00</td>
<td>Real Property Tax</td>
</tr>
<tr>
<td>(One Unit @ 3,500.00 weekly)</td>
<td>B$ 3,500.00</td>
<td>Building Insurance</td>
</tr>
<tr>
<td>Annual income</td>
<td>B$ 15,000.00</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross Potential Income</th>
<th>B$180,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Expenses</td>
<td>B$101,500.00</td>
</tr>
<tr>
<td>Less, Projected Expenses</td>
<td>B$101,500.00</td>
</tr>
<tr>
<td>Less, 5% Vacancy Factor</td>
<td>B$ 78,500.00</td>
</tr>
<tr>
<td>Net Projected Revenue</td>
<td>B$ 58,875.00</td>
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</table>

DEFINITION OF MARKET VALUE:
Market Value as used in this report is defined as:
The Highest price in terms of money which the property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a specified date and the passing of title from seller to buyer under conditions whereby:

1.) Buyer and Seller are typically motivated.
2.) Both parties are well informed or well advised and acting in what they consider their best interest.
3.) A reasonable time is allowed for exposure in the open market.
4.) Payment is made in cash or its equivalent.

5.) Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.

6.) The price represents a normal consideration for the property sold unaffected by financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.

METHODS OF VALUATION:
In determining the value of properties, three approaches to value are considered:
  1) Cost Approach
  2) Income Approach
  3) Recent or Comparable Sales Approach

Thus the following:

COST APPROACH:
In the cost approach, the cost to construct a building and the value of an existing building are compared. The cost approach to value reflects market thinking in the recognition that market participants relate value to cost. Thus by applying the cost approach; this appraiser estimates the difference in worth to a buyer between the actual property being appraised and a newly constructed building with optimal utility. The resulting figure, plus the value of the lot of land, plus any entrepreneurial profit provide a value indication through the application of the cost approach.

The principle of substitution is basic to the cost approach. The Cost of a new building is substituted for that of the existing one, with some adjustments to compensate for depreciation of the existing building due to general deterioration and other factors. This appraiser has estimated the cost to build a structure identical to the subject in design and material. The principal affirms that no prudent investor would pay more for a property than the amount for which he or she can obtain, by purchases of a site and construction of a building without undue delay, a property of equal desirability and utility. Consequently, current reproduction cost, prior to any deduction for accrued depreciation, plus land value, plus entrepreneurial profit, provides a measure against which prices for already improved properties may be judged.

The Reproduction Cost Estimate of this Proposed Four (4) Unit Apartment includes Direct and Indirect Costs.

Direct construction costs are cost directly related to materials and labor. Every stage of construction is broken down into separate cost for materials and labor. The required expenditure for the electrical system, for instance, must (may) take into account both the cost of materials at an estimated price per unit; and the cost of labor for the required number of hours at the going rate per hour. This appraiser were able to estimate material unit quantities and costs as well as work times and labor rates; including cost such as professional fees, financing costs during construction.

Indirect Cost which is cost involved in necessary, but not construction-related expenses such as surveys and entrepreneurial profit is also added.

This is the method used in this case

INCOME APPROACH:
This considers the Potential Net Income that a rented property will produce, which income is converted to value by a Capitalization Rate. The income capitalization approach is based on the premise that there is a relationship between the income a property can earn and the property’s value. Under the income capitalization approach, the value of property is estimated by the amount of income it can be expected to produce. The process requires an accurate estimation of income and expenses and the selection of a capitalization rate and capitalization technique by which net income is processed into value. Generally, the value found by the income approach for an income producing property is the most important approach used and is the one this appraiser relies on most heavily in the final value conclusion.

**COMPARABLE SALES APPROACH:**
In order to arrive at the Market Value of the subject property, the sales comparison approach to value was used. The Sales Comparison Approach is a method of estimating market value whereby a subject property is compared with comparable properties that have been sold recently. The sales comparable approach is applicable to all developed properties for which there is sufficient number of properly recorded recent, reliable transactions to create value patterns in a market, and where the market contains an insufficient number of properly recorded transactions to create value patterns, the application to the approach may be limited or inappropriate.

The sales comparison approach requires the appraiser to have direct access to the following data: Sales and listing prices of each property considered competitive with and comparable to the subject property; the data of sale of each transaction; the size, accommodations and condition of competitive property; financing terms; condition of sale (motivation of buyer and seller); and each property’s location, physical and income characteristics.

**Note:** There is no register of Real Estate Sales in the Country and because of the absence of such a register to record Real Estate Sales makes it impossible to determine value on the bases of The Sales Comparison Approach.

<table>
<thead>
<tr>
<th>Comparable #</th>
<th>Description/Location</th>
<th>Acres</th>
<th>$/sf</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Balara Bay</td>
<td>12.463</td>
<td>2.763</td>
</tr>
<tr>
<td>2</td>
<td>Governors Harbour Bayfront</td>
<td>17</td>
<td>4.389</td>
</tr>
<tr>
<td>3</td>
<td>N of Bethel/Boller Bayfront</td>
<td>3</td>
<td>3.436</td>
</tr>
<tr>
<td>4</td>
<td>Banana Beach</td>
<td>0.25</td>
<td>5.501</td>
</tr>
<tr>
<td>5</td>
<td>French Leave/access only</td>
<td>0.75</td>
<td>7.652</td>
</tr>
<tr>
<td>6</td>
<td>Banks Road/access only</td>
<td>0.5</td>
<td>30.303</td>
</tr>
<tr>
<td>7</td>
<td>Hut Point Bay</td>
<td>5</td>
<td>6.887</td>
</tr>
<tr>
<td>8</td>
<td>Banks Road/access only</td>
<td>4.5</td>
<td>10.219</td>
</tr>
<tr>
<td>9</td>
<td>Governors Harbour Hilltop</td>
<td>1.7</td>
<td>18.905</td>
</tr>
<tr>
<td><strong>10</strong></td>
<td>Bethel/Boller Bightland</td>
<td>24.37</td>
<td>4.19 (proposed)</td>
</tr>
<tr>
<td></td>
<td>Bethel/Boller Bightland</td>
<td>24.37</td>
<td>2.063 (current appraisal estimate)</td>
</tr>
</tbody>
</table>

Average cost per sf  8.57
Discard Highest & Lowest  5.56
**Comparable #1**

Balara Bay Tract  
Governor's Harbour, Central Eleuthera

**Listing No:** ES10558

**Price:** $1,500,000  
**Property Area:** 12.463 acres  
**Type:** Vacant Land  
**Amenities:** Beach/Waterfront, Hill Top/View

A gorgeous tract of land approximately 2 miles north of Governor's Harbour. This tract runs from sea to sea and is 12.463 acres with approximately 235 ft on the Atlantic coast and approx. 300 ft on the lee side of the Island in the protected Balara Bay. The views from this land are stunning on either side of the Island and from the top hills in the middle one will have views of both sunrise and sunset over the 2 seas. This is a fantastic development opportunity.

**Comparable #2**

Governor's Harbour  
Governor's Harbour, Central Eleuthera  
More Information

**Listing No:** ES10555

**Price:** $3,250,000  
**Property Area:** 17 acres  
**Type:** Vacant Land  
**Amenities:** Beach/Waterfront

Prime location at the Entrance of Governor's Harbour. This 17 acre site features great elevations, dense vegetation and magnificent views of historic Cupid's Cay, Governor's Harbour and the Eleuthera. Ideal for single family home/time-share/Caribbean Bar. Not restricted - level hill.
**VALUATION:**
In accordance with the above, I have valued the cost of the above property as follows:-

### Infrastructure Hard Cost
- **Land**
  - BS $1,000,000.00
- **Equipment & Vehicles**
  - BS $145,000.00
- **Turn Key Cost of 3 Bungalows**
  - BS $820,000.00
- **Bistro Bar**
  - BS $85,000.00
- **Bistro Grill and Bathhouse**
  - BS $415,000.00
- **Tiki Pool and Patio**
  - BS $250,000.00
- **Tiki Spa**
  - BS $30,000.00
- **Guard House & Gate**
  - BS $40,000.00
- **Maintenance Building with Restaurant Cooler, Laundry Facility, etc.**
  - BS $150,000.00
- **Infrastructure (Storm Drainage, Wells, Roads, Water and Electricity)**
  - BS $3,750,000.00
- **Landscaping**
  - BS $500,000.00
- **Excavation and Earthworks for entire property**
  - BS $1,250,000.00
- **Retaining Walls**
  - BS $150,000.00

**Total**
- BS $8,585,000.00

### Soft Costs
- **Closing costs and Stamp Tax on Landing Closing**
  - BS $340,000.00
- **Developer Paid Closing Costs**
  - BS $95,000.00
- **Real Estate Taxes**
  - BS $45,000.00
- **Buyout of Previous Partners**
  - BS $1,150,000.00
- **Interest Expenses/Reserves**
  - BS $700,000.00
- **Freight And Shipping**
  - BS $225,000.00
- **Construction Management General conditions**
  - BS $289,000.00
- **Architectural**
  - BS $185,000.00
- **Engineering and Surveying**
  - BS $930,000.00
- **Interior Design and Custom Furniture Design**
  - BS $126,000.00
- **Legal**
  - BS $165,000.00
- **Insurance**
  - BS $50,000.00

**Total**
- BS $4,300,000.00

### Value of remaining Lots
- **Clubhouse Pad**
  - BS $500,000.00
- **SBC Common Area**
  - BS $500,000.00
- **Lot #1**
  - BS $275,000.00
- **Lot #2**
  - BS $250,000.00
- **Lot #3**
  - BS $175,000.00
- **Lot #4**
  - BS $175,000.00
- **Lot #5**
  - BS $255,000.00
- **Lot #6**
  - BS $300,000.00
Lot #7       BS 325,000.00
Lot #12      BS 450,000.00
Lot #16      BS 350,000.00
Lot #17      BS 350,000.00
Lot #18      BS 275,000.00
Lot #19      BS 325,000.00
Lot #21      BS 450,000.00
Lot #22      BS 425,000.00
Lot #23      BS 425,000.00
Lot #24      BS 425,000.00
Lot #25      BS 425,000.00
Lot #27      BS 500,000.00
Lot #28      BS 500,000.00
Lot #30      BS 750,000.00
Lot #31      BS 750,000.00
Lot #32      BS 750,000.00
Lot #34      BS 900,000.00
Lot #35      BS 900,000.00

BS11,675,000.00

Resort Homes Currently for Sale
Lot #9       BS 1,600,000.00
Lot #13      BS 1,625,000.00
Lot #14      BS 1,650,000.00
Lot #29      BS 1,800,000.00

BS 6,675,000.00

TOTAL COSTS    BS31,235,000.00

In my opinion, the Market Value of the above-described property as determined on this 24th day of September 2010, would be Thirty One Million Two Hundred and Thirty Five Thousand (B$31,235,000.00) Bahamian Dollars.

B$31,235,000.00

Note: The above figure of B$31,235,000.00 includes movable items.
The appraiser is concerned with one kind of value, and that is Market Value. This is the concept from which all appraisal theory extends.

**MARKET VALUE FURTHER DEFINED:**

a. As defined by the courts, it is the highest price estimated in terms of money which a property will bring in if exposed for sale in the open market, allowing a reasonable time to find a purchaser who buys with the knowledge of all the uses to which it is adapted and for which it is capable of being used.

b. Frequently, it is referred to as the price at which a willing seller would sell and a willing buyer will buy, neither being under abnormal pressure.

c. It is the price acceptable if a reasonable time is allowed to find a purchaser and if both seller and prospective buyer are fully informed.

*(The American Institute of Real Estate, Appraisal Terminology and Handbook)*

**CERTIFICATION AND STATEMENT:**

I, the undersigned, a Licensed, Certified and Registered Real Estate Appraiser; do hereby certify that I have personally inspected the property situated as described above, on the Island of New Providence and to the best of my knowledge and belief, the statements of fact contained in the report and upon which the opinions herein are based are true and correct, subject to the assumption and limiting Employment in and compensation for making this appraisal are in no way contingent upon the value reported, and I certify that I have no interest, either present or contemplated, in the subject property. I have no personal interest or bias with respect to the subject matter of the appraisal report or the parties involved.

This appraisal report identifies all the limiting conditions (imposed by the term of my assignment or by the undersigned) affecting the analyses, opinions and other conclusions contained in this report.

__________________________
Godfrey Anthony Bethell RIM; SCV; CREA; Q.S.
Licensed & Certified Appraiser
Member BREA, License #0397