

McCLOSKEY, MULET & BONNIN APPRAISERS, P. S. C.

REAL ESTATE APPRAISERS AND CONSULTANTS

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APPRAISAL REPORT

**(GROUP OF PARCELS)
PARCELS 1 TO 10, P-1 TO P-4, R-1, 12, X-1, X-2
RIO BAYAMON NORTH COMMUNITY
ROAD PR-177
BAYAMON, PUERTO RICO**

PREPARED

For: Mr. Juan Vaquer Castrodad
Vice-President
Government Development Bank for Puerto Rico
PO Box 42001
San Juan, Puerto Rico, 00940-2001

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Certified Real Estate Appraiser

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Effective Date of Value: October 18, 2016

Date of Report: November 1, 2016

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November 1, 2016

Mr. Juan Vaquer Castrodad
Vice-President
Government Development Bank for Puerto Rico
PO Box 42001
San Juan, Puerto Rico 00940-2001

**Re: Group of Parcels (Parcels 1 to 10, P-1 to P-4, 12, X-1, X-2)
Río Bayamón North Community
Bayamón, Puerto Rico**

Dear Mr. Vaquer:

At your request, we have completed an appraisal of the property of reference. Parcels 1 to 10 and P-1 to P-4 are part of the Río Bayamón North Community Master Plan, located on Road PR-177 of Bayamón, Puerto Rico. Parcels R-1, 12, X-1 and X-2 are not part of the master plan, but rather part of the original tract in which the master plan was developed. All of the parcels are owned by the Government Development Bank for Puerto Rico (GDB), and the combined property is currently part of a Request for Proposals (RFP) being managed by the Department of Housing of Puerto Rico, in which they are proposed to be sold in bulk to a single purchaser.

The types of value requested are the market values of the individual parcels comprising the overall subject property, as well as the market value of the subject property under a "bulk sale" scenario (value to a single purchaser or bulk value) also as of a current date.

The intended use of the report is to establish the asking price for the combined subject property, in a Request for Proposals (RFP) process managed by the Department of Housing. The intended users include the Department of Housing of Puerto Rico and the Government Development Bank for Puerto Rico.

This is a letter of transmittal and should not be relied upon without the accompanying report, which sets forth the description and analysis of the market area and the subject properties, the comparable market data, and the analysis carried out in order for us to arrive at the value opinions reported therein. Possession of the accompanying 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(s) other than the identified users without our written consent, and in any event, only with proper written qualification and only in its entirety

Respectfully submitted,

Rafael E. Bonnin Surís, MAI, CRE
Certified General Real Property Appraiser
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APPRAISAL REPORT



**RIO BAYAMON NORTH COMMUNITY
ROAD PR-177
BAYAMON, PUERTO RICO**

**MCCLOSKEY, MULET & BONNIN APPRAISERS, P.S.C.
REAL ESTATE APPRAISERS AND CONSULTANTS**

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Subject Properties

Parcels 1 to 10, P-1 to P-4, R-1, 12, X-1, X-2 Río Bayamón North Community, Bayamón, Puerto Rico.

Areas / Uses as per Master Plan

Parcel	Area (SM)	Use	BLU	BLU/Cuerda
1	26,130.25	Residential	375	56.41
2	9,445.38	Residential	150	62.42
3	22,487.17	Mixed-Use	350/47,000	68.02
4	27,328.11	Mixed-Use	400/55,000	64.12
5	20,665.21	Residential	300	57.06
6	16,324.58	Institutional	5,000	N/A
7	14,492.96	Residential	250	67.80
8	16,370.71	Mixed-Use	300/5,000	73.03
9	11,604.21	Residential	200	67.74
10	16,251.48	Mixed-Use	267/5,000	65.58
P-1	66,245.64	Central Park	N/A	N/A
P-2	16,180.04	Central Park	N/A	N/A
P-3	13,479.12	Central Park	N/A	N/A
P-4	10,622.37	Central Park	N/A	N/A
R-1	25,430.13	Remnant Parcel	N/A	N/A
12	3,957.14	Remnant Parcel	N/A	N/A
X-1	85,040.58	Municipality - Golf Complex	N/A	N/A
X-2	26,372.71	Wetlands-Mitigation	N/A	N/A

Client

Government Development Bank for Puerto Rico

Property Rights Appraised

Fee Simple Estate

Intended Use/Users of Appraisal

The intended use of the report is to establish the asking price for the combined subject property, in a Request for Proposals (RFP) process managed by the Department of Housing. The intended users include the Department of Housing of Puerto Rico and the Government Development Bank for Puerto Rico.

Types of Value Requested

The types of value requested are the market values of the individual parcels comprising the overall subject property, as well as the market value of the subject property under a "bulk sale" scenario (value to a single purchaser or bulk value) also as of a current date.

Effective Date of Value

October 18, 2016

Date of Report

November 1, 2016

Extraordinary Assumptions

See Page 3

Hypothetical Conditions

None

Valuation Techniques

For the individual market values of parcels comprising the subject property we developed the Sales Comparison Approach since there were similar comparable sales available.

For the market value of the combined subject property under a “bulk sale” scenario we developed a Subdivision Development Analysis. The reason is that there are no comparable sales of a group of development parcels with a combined area of over 200,000 square meters (54 cuerdas), with over 2,500 approved basic living units and with full infrastructure improvements.

Final Market Value Opinions Subject to Extraordinary Assumptions

The following two tables present our final value conclusions. The first table shows individual market values of the parcels comprising the subject property, assuming there would be demand for their concurrent development as of a current date. The second table shows the market value of the combined subject property under a “bulk sale” scenario, known as the Bulk Value or Market Value to a Single Purchaser. This value is lower than the aggregate of retail values since a buyer of the subject property would have to incur in sales and holding expenses, and would also require a return on the investment since the project would be developed (or the individual parcels re-sold) during a prolonged absorption period that depends of future demand. Therefore, a typical buyer would not be able to pay the retail value of the parcels since it would then make non-feasible any future development.

Aggregate of Retail Values as of October 18, 2016

Parcel #	Units or SM	\$/Unit or SM	ARV	Parcel #	Units or SM	\$/Unit or SM	ARV				
1	375	\$16,000	\$6,000,000	6	17,811	\$95	\$1,700,000				
2	150	\$16,000	\$2,400,000	Total Institutional	17,811	\$95	\$1,700,000				
5	300	\$16,000	\$4,800,000	X-1	85,040.58	\$3	\$300,000				
7	250	\$16,000	\$4,000,000	X-2	26,372.71	\$0	\$0				
9	200	\$16,000	\$3,200,000	Total Other Parcels	111,413.29	\$3	\$300,000				
R-1	25,430.13	\$175	\$4,500,000								
12	3,957.14	\$175	\$700,000								
Total Residential	1,275		\$25,600,000								
3	389	\$16,000	\$6,200,000								
4	446	\$16,000	\$7,100,000								
8	304	\$16,000	\$4,900,000								
10	271	\$16,000	\$4,300,000								
Total Mixed-use	1,410	\$16,000	\$22,500,000								
Grand Total (ASSUMING ALL SOLD AT PRESENT TIME. TOTAL IN DCF IS HIGHER DUE TO PROJECTED PRICE INCREASES)								\$50,100,000			

Bulk Value (Market Value to a Single Purchaser) of All Properties as of October 18, 2016

Type of Value	Effective Date	Market Value
Market Value to a Single Purchaser (Bulk Value)	10/18/2016	\$19,600,000

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined by USPAP 2016-17 as “an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

The following extraordinary assumptions were used in the preparation of this appraisal:

- 1- The areas of the parcels are assumed to be as per the following sources:
 - a. Parcel 1 to 10: Master plan guidelines.
 - b. Parcels P-1 to P-4: Parcel plan provided by client
 - c. Parcels R-1, X-1, X-2, 12 Parcel diagrams provided by client.
- 2- That the annual maintenance expenses for the park parcels be the amounts provided by the GDB, adjusted by the appraisers for unforeseen expenses. These expenses were estimated at a rounded \$600,000 per year.
- 3- That the annual maintenance expenses for the mitigation parcel (Parcel X-2) be the amount provided by the GDB, and further that these expenses be required only until May 31, 2019, as stipulated by the client based on the 5-year monitoring requirement and the compensatory mitigation work completion date of May 2014 indicated in Monitoring Report # 1 dated October 2014.
- 4- According to a presentation on Río Bayamón North from 2015, some of the parcels located on the north section of the master plan and bounding with the El Polvorín community had been encroached upon by neighbors of said community, specifically with horse stables, rear yard extensions and tree stands. According to an email thread provided by the client, the only remaining encroachment is a horse stable. This appraisal is subject to the extraordinary assumption that any encroachments currently affecting the subject parcels be eliminated within 60 days from the effective date of value of this appraisal.

If the above assumptions result different, the market value opinions in this appraisal may be impacted and should be considered null and void.

Hypothetical Conditions

A hypothetical condition is defined by USPAP 2016-17 as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis”. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

No hypothetical conditions were used in the preparation of this appraisal.

GENERAL ASSUMPTIONS

This appraisal report has been prepared with the following general assumptions:

1. 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.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated. All taxes are assumed to be current.
3. The property is appraised as though under responsible, adequately capitalized ownership and competent property management.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or non-apparent 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.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless any nonconformity has been stated, defined and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, 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.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. The availability of capacity and/or connection rights to any or all public utilities has not been determined by us. The value estimate reported herein is contingent upon and limited to said capacity and right of connection.
12. We are not experts in the identification of hazardous substances or detrimental environmental conditions. Our routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. The values estimated in this report are based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions.

GENERAL LIMITING CONDITIONS

1. We will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.
2. Any cause of action resulting between the appraiser and the client in conjunction with this appraisal, either directly or indirectly, will be limited in damages to the amount of the appraisal fee received for the assignment. Furthermore, it is agreed that you will indemnify McCloskey, Mulet & Bonnin Appraisers, P.S.C., Robert F. McCloskey Díaz and Rafael E. Bonnin Surís, 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 or report.
3. The distribution of the total valuation between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
4. 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 our written consent and approval. Nor shall our identity, firm or professional organization of which we are members be identified without prior written consent.
5. 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 (structural soundness, 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, the heating and air conditioning equipment, or any major appliances. At the time of inspection all of these items appeared adequate and operational.
6. 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 of toxic waste, which may or may not be present on the property, has not been considered. We are not qualified to detect such substances. The client is urged to retain an expert in this field if desired.
7. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey or analysis of this property 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 property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact upon the value of the property. Since there is no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
8. We are not aware of the presence of archaeological deposits and/or artifacts within the subject or in adjacent properties. The physical inspection of the property did not reveal any evidence of such deposits and/or artifacts; however, we are not qualified to detect archeological deposits and/or artifacts and assume no responsibility in this respect. The value reported herein and the estimated construction and/or marketing time for the property are predicated on the assumption that the subject does not have any such archeological artifacts.

SCOPE OF WORK

Problem Identification

In order to define the problem to be solved, we identified the following assignment elements:

- client and any other intended users;
- intended use of the appraisers' opinions and conclusions;
- type and definition of value;
- effective date of the appraisers' opinions and conclusions;
- subject of the assignment and its relevant characteristics;
- assignment conditions

The above assignment elements have been presented in the Summary of Salient Facts and Conclusions and some will be discussed in greater detail in the following sections.

Competency

The appraisers certify that they have the competency to carry out this assignment, gained with the experience in appraising numerous parcels within master plans, as well as by having the relevant education and professional credentials.

Property Inspection

In developing the opinions of market value presented in this report, we began with the physical inspection of the subject properties, carried out during October 2016. The inspection included a perimeter inspection of the property, and examination of aerial photographs and other documentation.

We also reviewed the following documents, provided by the client.

- Copy of the Río Bayamón North Community master plan
- Title deed
- Plans showing the areas of the subject parcels
- Request for Proposal for subject properties
- Law 130 of 2016

Identification of Property Characteristics

The areas of the subject parcels were extracted from design guidelines, surveys and parcel diagrams plans provided by the client as applicable, and are assumed correct. Location and topographic features were observed during the property inspection. Regulatory characteristics were identified by examination of the documentation submitted by the client, which is assumed accurate and current. Other relevant characteristics were identified and rated from visual inspection.

Extent of Research into Physical and Economic Factors

The property' current physical condition, background, and history were researched with all due diligence expected of a professional real estate appraiser in the course of performing appraisal services. The interests, easements, covenants, restrictions, and other aspects were researched using the appropriate sources. A market analysis was developed in order to estimate the demand for, and the marketability of, the subject property.

Extent of Appraisal Process

Appraisal Methodology

The subject property is comprised of a series of individual parcels, most part of a master planned community, and others remnant parcels with different uses.

For the individual market values requested for the parcels, we developed the Sales Comparison Approach, in which the comparable sales selected were adjusted for differences with each subject property, and the adjusted sales were reconciled into a single market value opinion for each of the subject properties.

For the requested market value of the property under a "bulk sale" (Market Value to a Single Purchaser) scenario, we used a technique known as Subdivision Analysis, based on a Discounted Cash Flow (DCF). The reason is that there are no comparable sales of a group of development parcels with a combined area of over 200,000 square meters (54 cuerdas), with over 2,500 approved basic living units and with full infrastructure improvements.

In this technique, we prepared a pro-forma showing the prospective market value of each parcel at the time it is projected to come into the market; the required expenses to achieve those values; and, the resulting net sales revenues from hypothetical sales of the different parcels. These net sales revenues were then discounted to a present value figure using a market-derived yield rate (inclusive of entrepreneurial profit). The present value figure is indicative of the bulk value of the properties (market value to a single purchaser).

PREMISES OF THE APPRAISAL

STATEMENT OF THE PROBLEM

Premises

Identification of the Property

The following table summarizes most important characteristics of the parcels comprising the subject property:

Parcel	Area (SM)	Use	BLU	BLU/Cuerda
1	26,130.25	Residential	375	56.41
2	9,445.38	Residential	150	62.42
3	22,487.17	Mixed-Use	350/47,000	68.02
4	27,328.11	Mixed-Use	400/55,000	64.12
5	20,665.21	Residential	300	57.06
6	16,324.58	Institutional	5,000	N/A
7	14,492.96	Residential	250	67.80
8	16,370.71	Mixed-Use	300/5,000	73.03
9	11,604.21	Residential	200	67.74
10	16,251.48	Mixed-Use	267/5,000	65.58
P-1	66,245.64	Central Park	N/A	N/A
P-2	16,180.04	Central Park	N/A	N/A
P-3	13,479.12	Central Park	N/A	N/A
P-4	10,622.37	Central Park	N/A	N/A
R-1	25,430.13	Remnant Parcel	N/A	N/A
12	3,957.14	Remnant Parcel	N/A	N/A
X-1	85,040.58	Municipality - Golf Complex	N/A	N/A
X-2	26,372.71	Wetlands-Mitigation	N/A	N/A

Parcels 1 to 5 and 7 to 10 are development parcels within the Río Bayamón North (RBN) master plan. The figures under column heading BLU show the number of residential basic living units assigned in the master plan. Parcels with two figures are mixed-use parcels. The first number shows the number of residential basic living units assigned to the parcel, and the second number the amount of retail space assigned to the parcel. A basic living unit is defined as a 3-bedroom unit.

Parcel 6 is an institutional parcel, and the figure under BLU shows the square feet assigned to this parcel.

Parcels P-1 to P-4 are the four parcels comprising the master plan's central park. It is a loss leader, since its maintenance costs are greater than any revenues it may be able to generate from rental for private activities and such.

However, the park is an amenity that benefits the development parcels in the master plan, and has a positive impact in the value of said development parcels. Its value will therefore be reflected in the market value conclusions for the developable parcels.

Parcel R-1 is a remnant parcel located west of Parcel 9. It is not part of the master plan, so it has no assigned units. However, it is considered developable.

Parcel 12 is a remnant parcel located west of Parcel 10. It is not part of the master plan, so it has no assigned units. However, it is considered developable.

Parcel X-1 is a remnant parcel, located at the west boundary of the original tract in which the master plan was developed, and bounding with the Bayamón River. It is impacted by transmission lines of the Puerto Rico Electric Power Authority. Currently, the Municipality of Bayamón uses the parcel as part of its municipal golf course, free of charge, as per an Entrance and Occupation Agreement dated December 3, 2012. A copy of the document is included in the addenda for reference. As requested by the client, this parcel is being appraised as though unencumbered by such agreement. This is a reasonable assumption since the agreement has a 180-day cancellation clause on behalf of the GDB.

Parcel X-2 is a remnant parcel, located adjacent and east of the master plan parcels. This parcel consists of a wetlands/mitigation area, required by the United States Corps of Engineers as part of the approval process for the master plan. This parcel has no development potential, and its only possible use is conservation. Since its conservation was mandated as part of the permitting process for the master plan, it cannot take advantage of the tax credits available under Law 183 of December 27, 2001 as amended, as per Article 4 (11) of said law.

Types of Value Appraised

The types of value requested are the market values of the individual parcels comprising the overall subject property, as well as the market value of the subject property under a "bulk sale" scenario (value to a single purchaser or bulk value) also as of a current date.

Owner of Record

The Government Development Bank for Puerto Rico

Client

The Government Development Bank for Puerto Rico

Intended Users/Use of the Report

The intended use of the report is to establish the asking price for the combined subject property, in a Request for Proposals (RFP) process managed by the Department of Housing. The intended users include the Department of Housing of Puerto Rico and the Government Development Bank for Puerto Rico.

Property Rights Appraised

The market value opinions requested are for the fee simple estate.

Effective Dates of Value

The effective date of value is October 18, 2016

Date of the Report

The date of this appraisal report is November 1, 2016.

Reasonable Exposure Time

Reasonable exposure time is one of a series of conditions in most market value definitions. Exposure time is always presumed to precede the effective date of the appraisal. Exposure time is defined as follows: "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of sale at market value on the effective date of the appraisal; retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Exposure time is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable efforts.

Based on the general evidence available and aware of the current market conditions affecting Puerto Rico, and after consultations with professionals active in the vacant land market, an 18-30 month exposure period was concluded with.

Definitions

Definition of Market Value

"Market Value" is defined in the Federal Reserve System, Federal Register, Vol. 55, No. 165, Part 34.43 (f) as follows:

"Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of the sale as 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 own best interests;
- 3- A reasonable time is allowed for exposure in the open market;
- 4- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

- 5- 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."

Value Terms

Value in this report is in terms equivalent to cash, U.S. dollars (\$).

Definition of Fee Simple Estate¹

An absolute fee; a fee without limitations of any particular class or heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

Definition of Bulk Value²

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

Definition of Bulk Sale³

The sale of multiple parcels of real estate to one buyer in one transaction. A bulk sale may include dissimilar properties in different locations or a group of lots or units in the same project. Typically, the bulk sale price is less than the sum of the values of the individual parcels.

History of the Property

The Uniform Standards of Professional Appraisal Practice require that in developing a real property appraisal, an appraiser must disclose any transaction of the property being appraised, if it occurred within a three-year period prior to the effective date of the appraisal. The subject's current owner acquired the subject property over three years ago therefore further analysis is not required.

¹ Dictionary of Real Estate Appraisal, 6th Edition, published in 2015 by the Appraisal Institute.

² Dictionary of Real Estate Appraisal, 6th Edition, published in 2015 by the Appraisal Institute.

³ Dictionary of Real Estate Appraisal, 6th Edition, published in 2015 by the Appraisal Institute.

PRESENTATION OF DATA

PUERTO RICO GENERAL DATA

Puerto Rico is the smallest of the Greater Antilles with a land area of approximately 8,960 square miles and is located about 1,000 miles southeast of Miami, Florida. The Island is 100 miles long and 35 miles wide, and is roughly rectangular in shape. Topography is generally level around the coast, with the central region comprised of several interconnecting mountain ranges. Puerto Rico was a Spanish colony for approximately four centuries, shortly after being discovered by Columbus in 1493.



In 1898, the Island came under sovereignty of the United States as part of the Treaty of Paris, which ended the Spanish-American war. Residents of Puerto Rico have held U.S. citizenship since 1917. In 1952, the Island approved its own constitution and since then it has been a U.S. Commonwealth.

Puerto Rico shares a common defense, economic market, and currency with the United States. The official language is Spanish, although English is widely spoken. Residents of Puerto Rico do not pay federal taxes, except for Social Security taxes and income taxes by federal employees. The following pages contain information about the Island-wide social, economic, governmental, and environmental forces that affect property value.

Population

According to recent publications, the Island's population has decreased to ± 3.5 million people, with about a third residing in the San Juan Metropolitan Area.



According to the 2010 Census, the population of the Island of 3,725,789 decreased for the first time in recent history by 82,800 or -2.2% from the 2000 Census count of 3,808,610.

The reduction in population was brought about by several factors such as a reduction in the birth rate together with a net migration to the United States. Only Puerto Rico and Michigan experienced reductions in the overall population count in the last census.

The population slipping has continued its declining trend, as evidenced by recent statistics released by the US Census Bureau. Reportedly, Puerto Rico's overall population decreased by nearly ±250,000 since the 2010 census count. As shown on the following table, the estimated population for the Island by as of July 2015 was estimated at 3.47-million, for a reduction a 6.7% reduction during the 5-year period.

Annual Estimates of the Resident Population for Puerto Rico: April 1, 2010 to July 1, 2015							
Geographic Area	April 1, 2010	Population Estimate (as of July 1)					
	Census	2010	2011	2012	2013	2014	2015
Puerto Rico	3,725,789	3,721,526	3,678,736	3,634,487	3,593,079	3,534,888	3,474,182
Source: U.S. Census Bureau, Population Division							
Release Date: December 2015							

Other reports indicate population reductions in most of the 78 municipalities. The island's largest cities were among the hardest hit in terms of population loss. San Juan lost the most with 5,912 inhabitants, leaving the capital city with a population of 382,299 or a 1.5% decrease for the year.

The declining trend in population is in fact the greatest percentage loss of any US jurisdiction, which according to experts is mostly composed of young well-prepared professionals. The Census also revealed that the population is also getting older, as the population percentage above 60 years of age now represents 23% of the total. In the 24 years, from 1990 to 2014 (most recent data available), the median age of the Puerto Rican population has increased from 29 years to 38 years.

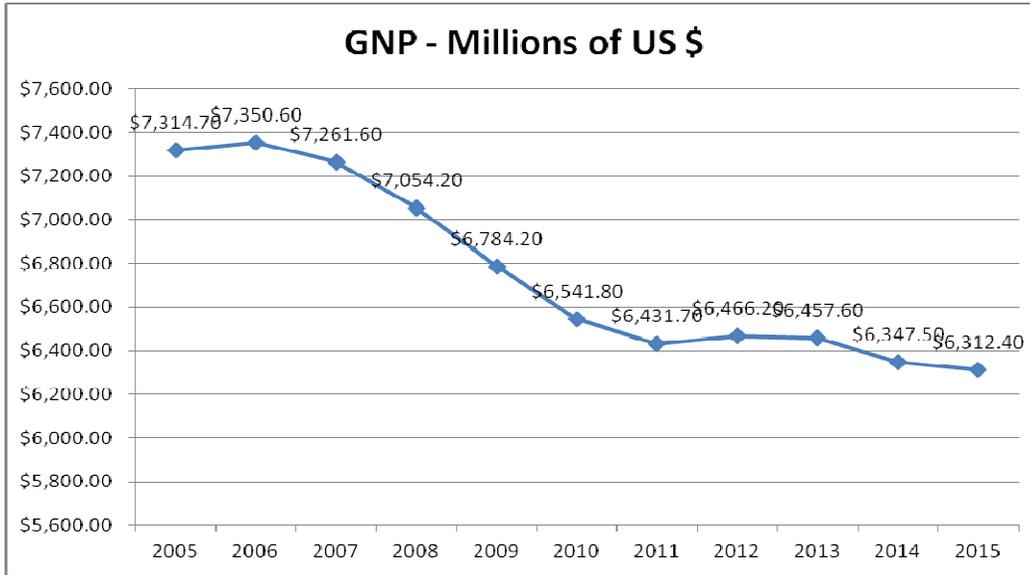
Population Over 60 Years of Age				
Year	1990	2000	2010	2014
Over 60 yrs	465,736	585,701	760,075	800,507
Total Population	3,522,037	3,808,610	3,725,789	3,534,888
% over 60 years	13%	15%	20%	23%
Median Age	29 yrs.	32 yrs.	37 yrs.	38 yrs.

Source: US Census Bureau

Economic Performance

The economy of Puerto Rico has been immersed in one of the longest recessionary periods in its modern history. The Island's economic downfall is now in its tenth year, as statistical facts show that it first went into negative territory in 2006.

The economic slowdown was initially caused in part by the government's fiscal situation that started with the two-week government shutdown at the end of April 2006; which was then followed by an increase in basic commodities and services such as gasoline, electricity, water, tollgate fees, and the implementation of a sales tax. The economic decline was then aggravated by the world economic slowdown and the financial crisis.



The historical data shows that the economy peaked in 2006, and has since in a generally declining trend up to 2011. Year 2012 shows a marginal increase, with marginal decreases from 2013 to 2015. Prior to the latest revision of the 2012 and 2013 figures, it appeared as though the economy had stabilized. However, the most recent figures now show a continued decline.

During early 2014 major rating agencies downgraded bonds from the Puerto Rico government and its public corporations to junk status. This is significant, considering that the Island is heavily leveraged with over \$70 billion in debt, at more than 10 times the per-capita debt than the median in the United States. Currently, the government has defaulted on several bond payments.

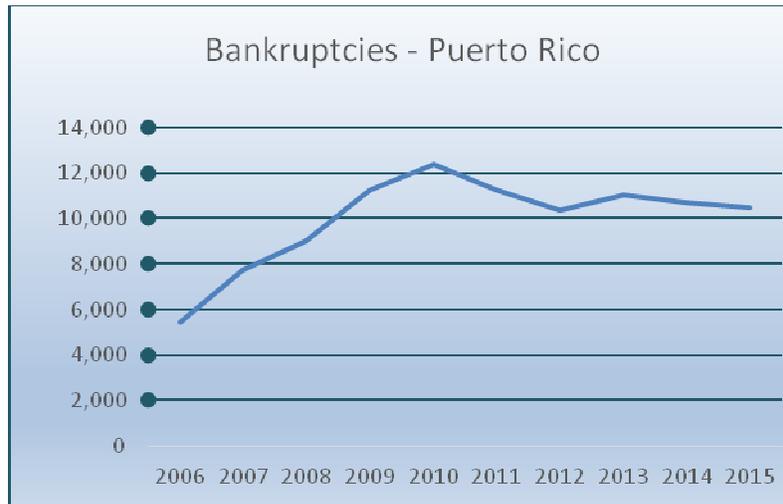
On June 30, 2016, President Barak Obama signed the ‘Puerto Rico Oversight, Management, and Economic Stability Act’ or “PROMESA”. This act establishes an Oversight Board over the Puerto Rico Government, with the intent of assisting the Island in re-structuring all or part of its debt, develop a five-year fiscal plan, and promote economic development.

The Board has had two meetings since it became operational, and a fiscal plan is expected by the end of 2016.

Bankruptcies

The data shows increasing trend in bankruptcies since 2006 to 2010 and then the levelling with a slight reduction up the end of 2015. As shown below, about 100,000 bankruptcies were filed during the past decade. The following table summarizes the historical drift of bankruptcies in Puerto Rico since 2006:

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	5,436	7,751	9,048	11,293	12,380	11,265	10,362	11,040	10,716	10,469
Absolute Change		2,315	1,297	2,245	1,087	-1,115	-903	678	-324	-247
(%)		42.6%	16.7%	24.8%	9.6%	-9.0%	-8.0%	6.5%	-2.9%	-2.3%



Cement Sales

The following table summarizes cement bags sale of 94 pounds in Puerto Rico during the past 10-year period:

Cement Production (Thousands of 94 pound sacks)										
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	36,910	32,564	30,429	21,975	16,332	16,814	17,411	13,838	13,572	12,053
Absolute Change		-4,346	-2,135	-8,454	-5,643	482	597	-3,573	-266	-1,519
(%)		-11.8%	-6.6%	-27.8%	-25.7%	3.0%	3.5%	-20.5%	-1.9%	-11.2%

The preceding table shows how the overall construction industry has been greatly affected by the ongoing economic recession. Cement sales show a yearly declining trend up to 2011 and 2012 when moderate improvements of 3% and 3.5% were registered. After that, the statistics show a downward spiral for 2013 to 2015. This situation is confirmed with the following table, showing the value of construction permits, which follows a similar trend as cement sales:

Total Construction Permits										
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	9,206	8,140	7,507	5,487	5,200	4,358	4,040	3,660	3,855	
Absolute Change	-597	-1,066	-633	-2,020	-287	-842	-318	-380	195	
%	-6.1%	-11.6%	-7.8%	-26.9%	-5.2%	-16.2%	-7.3%	-9.4%	5.3%	

Value of Construction Permits (Thousand \$)										
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Año Natural	2,489,579	2,433,764	2,195,638	1,546,865	1,041,132	1,629,172	944,481	919,165	991,208	
Absoluto	-305,372	-55,815	-238,126	-648,773	-505,733	588,040	-684,691	-25,316	72,043	
Crecimiento (%)	-10.9%	-2.2%	-9.8%	-29.5%	-32.7%	56.5%	-42.0%	-2.7%	7.8%	

Gross National Product and Per Capita Income Data

The following table presents selected income and product statistical facts for the past nine years, as published by the Puerto Rico Planning Board on their *Income and Product* issue of 2014 (last data published).

	2006	2007	2008	2009	2010	2011r	2012r	2013r	2014p
Gross National Product - Current Price	57,854	60,643	62,703	63,618	64,295	65,721	68,086	68,768	69,202
Gross National Product - Constant Price 1954	7,351	7,262	7,054	6,784	6,542	6,432	6,466	6,451	6,392
Per Capita - Current Price	15,172	15,983	16,624	16,962	17,233	17,742	18,580	19,002	19,373
Personal Income - Current Price	13,627	14,030	15,155	15,739	16,078	16,516	16,981	17,755	17,855
Disposable Income	12,707	13,145	14,346	14,959	15,308	15,852	16,336	17,121	17,201
Per Capita - Constant Price 1954	1,928	1,914	1,870	1,809	1,753	1,736	1,765	1,783	1,789
Personal Income	2,595	2,607	2,658	2,653	2,669	2,718	2,733	2,865	2,807

Although the gross national product at current prices reflects a basic steady increase in terms of constant prices (1954 as the base year) they reflect a reduction from year 2006 to 2011, followed by a basic stabilization.

Consumer Price Index

The following table illustrates the behavior of the Consumer Price Index (CPI) for all families in Puerto Rico based on data published by the Department of Labor.

The data shows that the inflation rate has decreased beginning in 2011, from a 2.9% increase in that year and then reflecting a steady decrease to calendar year 2015 when it crossed into a 0.7% decline.

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	98.041	102.186	107.510	107.809	110.476	113.679	115.209	116.431	117.090	116.212
Absolute Change		4.1	5.3	0.3	2.7	3.2	1.5	1.2	0.7	-0.9
Inflation		4.2%	5.2%	0.3%	2.5%	2.9%	1.3%	1.1%	0.6%	-0.7%

Retail Sales

The following table presents the trend of retail sales from 2006 to 2014, the most recent year available. The source of the data is the Puerto Rico Planning Board

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total	\$34,808,227	\$34,816,130	\$35,165,796	\$34,453,297	\$34,384,415	\$35,314,085	\$36,190,996	\$37,392,605	\$27,859,914
Absolute Change		\$7,903	\$349,666	-\$712,499	-\$68,882	\$929,670	\$876,911	\$1,201,609	-\$9,532,691
Change (%)		0.0%	1.0%	-2.0%	-0.2%	2.7%	2.5%	3.3%	-25.5%

The data shows mostly stable retail sales over the past years; with slightly decreasing figures reported during 2009 and 2010 as compared to 2008. Sales then rebounded in 2011, and then suffered a catastrophic decline of 25.5% in calendar year 2014. No figures are yet available for 2015.

Employment by Industrial Sector - Work Force Characteristics

The following table presents the industrial composition by employment sector of the entire Island for fiscal years 2006 through 2014 (last data published), as reported by the Department of Labor and Human Resources:

NUMBER OF EMPLOYED PERSONS BY MAJOR INDUSTRIAL SECTORS: FISCAL YEARS																		
In thousands of persons 16 years and over																		
	2006		2007		2008		2009		2010		2011		2012r		2013r		2014p	
Agric., Forestry, and Fishing	22	2%	16	1%	15	1%	18	2%	18	2%	19	2%	20	2%	17	2%	17	2%
Manufacture	135	11%	137	11%	128	11%	111	10%	101	9%	97	9%	95	9%	95	9%	86	9%
Mining	a/		a/		1	0%	a/		a/		1	0%	a/		a/		a/	
Construction	88	7%	98	8%	84	7%	70	6%	57	5%	50	5%	56	5%	47	5%	42	4%
Commerce	269	21%	262	21%	256	21%	242	21%	238	22%	234	22%	228	22%	226	22%	231	23%
Wholesale	24	2%	29	2%	31	3%	28	2%	25	2%	23	2%	22	2%	21	2%	22	2%
Retail	245	20%	233	18%	225	19%	215	19%	211	20%	211	20%	209	20%	208	20%	212	21%
FIRE	46	4%	44	3%	42	3%	42	4%	40	4%	39	4%	34	3%	29	3%	29	3%
Transportation	24	2%	24	2%	23	2%	26	2%	22	2%	18	2%	16	2%	18	2%	20	2%
Communication	15	1%	16	1%	16	1%	16	1%	15	1%	12	1%	14	1%	15	1%	12	1%
Other Public Services	16	1%	15	1%	16	1%	16	1%	14	1%	13	1%	13	1%	13	1%	13	1%
Services	351	28%	363	29%	354	29%	344	30%	325	30%	332	32%	339	33%	342	33%	340	34%
Government	285	23%	290	23%	269	22%	259	23%	256	24%	230	22%	224	22%	213	21%	205	20%
TOTAL	1,254	100%	1,263	100%	1,203	100%	1,144	100%	1,075	100%	1,047	100%	1,035	100%	1,030	100%	1,007	100%

r- Revised figures
p- Preliminary figures.
a/ Less than 1,000.

FIRE stands for Finances, Insurance and Real Estate.

The workforce of Puerto Rico has reflected a declining tendency since 2007 with reductions in the 5% - 6% range from 2008 to 2010 and in the 1% - 3% from 2011 to 2013. According to the data published by the U.S. Bureau of Labor Statistics, the workforce of Puerto Rico as of July 2014 was in the range of 1,007,000, or approximately -2.2% below the reported figure for FY2013. In a broader view, it is evident that the island's workforce has declined by $\pm 250,000$ since 2006. The largest employment sectors in Puerto Rico have historically been Service, with a most recent historical average of 33%; followed by Commerce (22%), and Government (20%).

The participation of these three industrial sectors has remained relatively stable over the past 10-year period, although the sectors of Commerce and Service have both increased during the last years. The Government Sector, on the other hand, has reduced itself; an expected result considering the current economic situation of the local government.

The Construction and Manufacturing sectors have reduced during the past years, with both reflecting significant reductions during 2014. Based on the projected additional taxation to multinational manufacturing companies established on the Island; along with the proposed increments in the cost of basic utilities such as water and electricity (reducing the competitiveness and cost effectiveness of keeping operations in Puerto Rico) detract the probability of growth of this industrial sector. Furthermore, the ongoing economic recession on the Island has seriously weakened the construction sector by eroding the effective demand for new developments, and limiting the availability of financing and capital for these ventures. The agriculture has been neglected since the first half of the past century, and in spite of this administration's efforts to boost this industry; potential real growth is not projected to have a significant impact. Based on the foregoing, the economic distribution of the local workforce is not projected to improve in the near term future.

Employment and Unemployment

In an effort to avert the downgrading of the central government credit, the past administration resorted in 2009 to cut recurring expenses that amounted to \$3,200 million per year. In that same year, approximately 24,000 government employees were laid off, or were offered early retirement packages in order to lower the huge payroll. Additionally, government agencies were consolidated, professional services contracts were cut, and many lease agreements of space occupied by the government were not renewed. In addition to the governmental layoff, private enterprise was also forced to reduce personnel in an effort to cope with the general economic distress. The following chart presents the unemployment rates as reported by Puerto Rico Planning Board for the past 10-year period.

Unemployment Rate										
Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Rate	11%	11%	11%	14%	16%	16%	15%	14%	14%	13%
Change		-0.4	0.6	2.5	2.6	-0.1	-1.0	-1.2	0.3	-1.3
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Rate	11%	11%	12%	15%	16%	16%	15%	14%	14%	
Change		0.7	0.6	3.5	1.1	-0.4	-1.5	-0.2	-0.4	

The unemployment in Puerto Rico has historically been considerably higher than on the Mainland U.S. However, after a stabilized rate in the range of 11% prior to the full impact of the economic recession; the unemployment rate increased to a staggering 16% in FY2010 and remained at that level throughout FY2011. By FY2012 the rate reduced to 15% and in FY 2013 and 2014 it dropped again to 14%. The reduction has continued as evidenced of the 13% reported by 2015 and recent government announcements claiming further reductions into the 12% realm by the end of calendar 2015.

Although this could be interpreted as positive signs, the fact is that little or no progress has been made with regard to new jobs and the published rates are merely a function of a lower workforce, which continues to decline to the present, as evidenced in the table following table:

Labor Force (Thousand People)										
Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	1,410	1,415	1,355	1,326	1,285	1,246	1,212	1,182	1,162	1,138
Change		5	-60	-29	-41	-39	-34	-30	-20	-24
%		0.4%	-4.2%	-2.1%	-3.1%	-3.0%	-2.7%	-2.5%	-1.7%	-2.1%
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	1,419	1,387	1,345	1,302	1,269	1,223	1,201	1,170	1,146	
Change		39	-32	-42	-43	-33	-46	-22	-31	-24
%		2.8%	-2.3%	-3.0%	-3.2%	-2.5%	-3.6%	-1.8%	-2.6%	-2.1%

Labor Force Participation (%)

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total	48.1%	48.2%	47.4%	46.1%	44.8%	43.1%	41.8%	41.8%	40.7%	39.6%	
Change		0.1	-0.8	-1.3	-1.3	-1.7	-1.3	0.0	-1.1	-1.1	
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fiscal - Average	48.2%	48.6%	46.8%	46.0%	44.5%	43.3%	41.7%	41.3%	40.8%	39.8%	40.1%
Change		0.3	-1.7	-0.8	-1.6	-1.2	-1.6	-0.4	-0.6	-0.9	0.3
Total	48.9%	47.7%	46.3%	44.7%	43.5%	42.0%	41.5%	40.8%	40.1%		
Change		-1.2	-1.4	-1.6	-1.2	-1.5	-0.5	-0.7	-0.7		

Conclusion

The results released by the Census Bureau for the 2010 Census reveal what some consider being a “demographic chaos”, where the overall population for the Island has dropped by 2.2% from 2000, and the percentage of the senior population has risen over the same period. Alarming enough is the fact that this trend appears to continue; with the present population currently reflecting a reduction of 58,705 persons, or about -1.6% from 2010.

In addition, over 200,000 jobs have been lost since 2008, and the local economy continues to face serious challenges that do not portray any potential recuperation in the near-term future. An increase in cost of basic commodities and services such as gasoline, electricity, water, tollgate fees, and the recently implemented business to business expansion of the sales tax is adding to the ongoing deterioration of the local economy. The high level of prices has eroded the savings of many individuals, and weakened the local real estate market as well. The overall perception of the general population is mainly pessimistic; with little to no expectations of an economic recovery in the near future.

REGIONAL AND CITY ANALYSIS

In this section we will evaluate demand drivers for the subject region. After considering the socio-economic and location characteristics of this area, we have concluded that, in addition to Bayamón, the region that has influence over the subject properties also includes the municipalities of Carolina, Cataño, Guaynabo, San Juan and Trujillo Alto. These municipalities comprise the subject's market area. Together, they occupy an approximate 190 square miles of land area and are the center of Puerto Rico's economic activity. Nevertheless, each is politically independent of the other, as they have their own municipal government, mayor, and tax system.



Access

An extensive road network links the San Juan Metropolitan Area. The most important arteries include the Baldorioty de Castro Avenue (Loíza Expressway), the 65th Infantry Highway (Road PR-3), De Diego Expressway (Road PR-22), Las Américas Expressway (Road PR-18), and the Luis A Ferré Expressway (Road PR-52). The Baldorioty de Castro Avenue serves the northern part of San Juan and leads east providing access to the municipality of Carolina. Baldorioty de Castro Avenue eventually connects with the 65th Infantry Avenue to the south.

The 65th Infantry Highway (Road PR-3) leads from the Río Piedras Sector of San Juan towards Carolina and continues east. This artery links the San Juan Metropolitan Area with the northeastern sector of the Island. De Diego Expressway leads from the municipality of San Juan west toward the municipality of Bayamón and continues west. This expressway links the San Juan Metropolitan Area with the northwestern sector of the Island. Las Américas Expressway mainly serves the municipality of San Juan in a north to south direction. It is considered an important artery of the metropolitan area because it converts into the Luis A. Ferré Expressway at its southern end. The Luis A. Ferré Expressway (Road PR-52) leads south from the Río Piedras Sector of San Juan towards the municipality of Caguas, and continues south. This expressway links the San Juan Metropolitan Area with the southern region of the Island.

In essence then, there are three major arteries, which can be conceived to form a "T". De Diego Expressway leads west, Road PR-3 leads east, and the Luis A. Ferré Expressway leads south. Two of these are expressways, while State Road No. 3 is a multi-lane artery.

The Baldorioty de Castro Avenue provides extended access from the municipality of San Juan to Road PR-3, and Las Américas Expressway provides extended access from the municipality of San Juan to the Luis A. Ferré Expressway.

Population

According data published by the U.S. Census Bureau, the region bore the brunt of the population decrease during the most recent 2000-2010 decade, decreasing by 6.5% as compared to the previous decade. Overall, the San Juan Metropolitan Area accounted for 83.6% of the total island wide population loss during the past decade. The population change in the subject region is summarized in the following table:

REGIONAL POPULATION							
	2010	Annual % Inc.	2000	Annual % Inc.	1990	Annual % Inc.	1980
Bayamón	208,116	-0.8%	224,044	20.5%	220,262	1.2%	196,206
Carolina	176,762	-0.6%	186,076	0.5%	177,806	0.7%	165,954
Cataño	28,140	-0.7%	30,071	-1.4%	34,587	2.8%	26,243
Guaynabo	97,924	-0.2%	100,053	0.7%	92,886	1.4%	80,742
San Juan	395,326	-1.0%	434,374	-0.1%	437,745	0.1%	434,849
Trujillo Alto	74,842	-0.1%	75,728	2.2%	61,120	1.7%	51,839
Region Total	772,994	-0.7%	826,302	0.3%	804,144	0.6%	759,627
Puerto Rico Total	3,725,789	-0.2%	3,808,610	0.8%	3,522,037	1.0%	3,196,520

The following table from the US Census shows that the decreasing trend in population has continued until 2015, the most recent date for which this information is available as of the date of this report.

Geography	Population Estimate (as of July 1)							
	April 1, 2010 (Census)	Estimates Base	2010	2011	2012	2013	2014	2015
Bayamón	208,116	208,396	207,917	204,751	201,311	197,806	193,406	189,159
Carolina	176,762	176,762	176,421	173,836	171,106	168,477	165,269	161,884
Cataño	28,140	28,140	28,083	27,631	27,176	26,754	26,200	25,641
Guaynabo	97,924	97,924	97,798	96,618	95,358	94,170	92,470	90,879
San Juan	395,326	395,196	393,971	386,658	379,239	372,166	363,862	355,074
Trujillo Alto	74,842	74,842	74,759	73,887	73,013	72,097	70,818	69,615
Total Region	981,110	981,260	978,949	963,381	947,203	931,470	912,025	892,252
% Change				-1.6%	-1.7%	-1.7%	-2.1%	-2.2%
Puerto Rico	3,725,789	3,726,157	3,721,527	3,686,771	3,642,281	3,595,839	3,548,397	3,548,398
% Change				-0.9%	-1.2%	-1.3%	-1.3%	0.0%

The fact that population has been and is expected to continue declining, is a negative characteristic.

Population Density

The following table summarizes the population densities of each municipality resulting from the 2014 Census population estimates. The municipality of San Juan, where the subject properties are located, shows a population density of 7,425.2 persons per square mile of land area.

Municipality	Area in Square Miles	2015 Population	2015 Population per Square Mile
Bayamón	44.38	189,159	4,262.3
Carolina	45.33	161,884	3,571.2
Cataño	4.82	25,641	5,319.7
Guaynabo	27.13	90,876	3,349.6
San Juan	47.82	355,074	7,425.2
Trujillo Alto	20.75	69,615	3,354.9
Regional Total	190.23	892,249	4,690.4
Puerto Rico Total	3,425	3,548,397	1,036.0

Median Age / Persons per Household

The next table presents information on household size and median age extracted from the Census for the municipalities in the region. The most recent published information by the US Census is for 2014.

2014 US CENSUS - Median Age - Persons/Household			
Municipality	Median Age	Persons/Household	
		Owners	Renters
Bayamón	38.9	2.74	2.65
Carolina	38.9	2.71	2.61
Cataño	36.2	2.88	2.89
Guaynabo	40.5	2.72	2.65
San Juan	39.9	2.53	2.47
Trujillo Alto	37.3	2.96	2.84
Puerto Rico	38.1	2.93	2.82

Income per Capita

Next, we will look at income per capita in order to ascertain the socio-economic characteristics of the trade area. The most recent data available as of the date of this report is for 2014.

Municipality	2014 Census Data
Bayamón	12,975
Carolina	14,937
Cataño	10,592
Guaynabo	21,992
San Juan	16,931
Trujillo Alto	15,182
Average	92,609
Puerto Rico	11,068

We should underscore that Income per Capita figures released by the Census are considered to be affected for under-reporting, a common practice in Puerto Rico. Economists have in the past state that in order to reflect accurate per capita income, the reported figures should be adjusted upward by between 20% and 25%. As we can see, the average income per capita for the subject region is significantly above the Island average, consistent the fact that the San Juan Area Metropolitan Area is the most important location for employment, especially in the services sector.

Work Force Characteristics

The table that follows illustrates the industrial composition by employment sector of the region, for the First Quarter of 2016 (most recent published data as of the date of this report). FIRE stands for Finances, Insurance and Real Estate. TCPU stands for transportation, communication, and public utilities.

EMPLOYMENT BY SECTOR - First Quarter 2016

Municipality	Agricultural	Construction	Manufacturing	TCUP	Wholesale	Retail	FSBR	Services	Government	Others	Total
Bayamón	20	826	2,269	1,403	3,743	11,412	1,473	25,784	8,456	0	55,386
Carolina	0	1,103	2,959	4,203	1,445	8,917	1,511	21,591	4,140	0	45,869
Cataño	0	140	711	1,498	1,715	708	206	4,333	722	0	10,033
Guaynabo	59	1,446	2,176	5,276	4,999	4,094	3,960	21,224	3,028	46	46,308
San Juan	139	6,087	4,182	13,080	7,707	24,003	22,780	118,027	47,615	0	243,620
Trujillo Alto	35	417	236	141	477	1,980	263	5,391	895	0	9,835
Market Area	253	10,019	12,533	25,601	20,086	51,114	30,193	196,350	64,856	46	411,051
Puerto Rico	13,018	22,286	73,079	46,873	29,127	128,778	42,822	398,748	135,514	500	890,745

% OF EMPLOYMENT BY SECTOR - First Quarter 2016

Municipality	Agricultural	Construction	Manufacturing	TCUP	Wholesale	Retail	FSBR	Services	Government	Others	Total
Bayamón	0.0%	1.5%	4.1%	2.5%	6.8%	20.6%	2.7%	46.6%	15.3%	0.0%	100%
Carolina	0.0%	2.4%	6.5%	9.2%	3.2%	19.4%	3.3%	47.1%	9.0%	0.0%	100%
Cataño	0.0%	1.4%	7.1%	14.9%	17.1%	7.1%	2.1%	43.2%	7.2%	0.0%	100%
Guaynabo	0.1%	3.1%	4.7%	11.4%	10.8%	8.8%	8.6%	45.8%	6.5%	0.1%	100%
San Juan	0.1%	2.5%	1.7%	5.4%	3.2%	9.9%	9.4%	48.4%	19.5%	0.0%	100%
Trujillo Alto	0.4%	4.2%	2.4%	1.4%	4.9%	20.1%	2.7%	54.8%	9.1%	0.0%	100%
Market Area	0.1%	2.4%	3.0%	6.2%	4.9%	12.4%	7.3%	47.8%	15.8%	0.1%	100%
Puerto Rico	1.5%	2.5%	8.2%	5.3%	3.3%	14.5%	4.8%	44.8%	15.2%	0.1%	100%

The largest employment sectors in the region include Services (47.8%), Government (15.8%), and Retail (12.4%). Together, they account for 76.0% of total employment in the area. The large Services Sector component is logical, since the San Juan Metropolitan area is the center of the Island's economic activity.

Labor Force

The following table shows how the labor force has changed in the subject municipality of Carolina, and the rest of the region, since 2010.

Bayamón

Item	Aug-2016	2015	2014	2013	2012	2011	2010
Labor Force	67,200	68,300	68,700	70,000	71,800	75,900	77,600
Employed	61,100	62,000	61,600	62,100	63,200	65,600	66,700
Unemployed	6,100	6,300	7,100	7,800	8,500	10,300	10,900
Unemployment Rate	9.08%	9.22%	10.33%	11.14%	11.84%	13.57%	14.05%

Carolina

Item	Aug-2016	2015	2014	2013	2012	2011	2010
Labor Force	62,500	63,600	63,800	65,300	67,000	70,400	72,500
Employed	57,000	57,900	57,500	58,600	59,500	61,600	62,900
Unemployed	5,500	5,600	6,300	6,700	7,500	8,800	9,700
Unemployment Rate	8.80%	8.81%	9.87%	10.26%	11.19%	12.50%	13.38%

Cataño

Item	Aug-2016	2015	2014	2013	2012	2011	2010
Labor Force	8,000	8,200	8,300	7,700	7,800	8,300	7,500
Employed	7,200	7,300	7,300	6,500	6,600	6,800	6,100
Unemployed	800	900	1,000	1,200	1,200	1,400	1,400
Unemployment Rate	10.00%	10.98%	12.05%	15.58%	15.38%	16.87%	18.67%

Guaynabo

Item	Aug-2016	2015	2014	2013	2012	2011	2010
Labor Force	37,300	37,600	37,400	38,400	39,000	40,700	41,500
Employed	34,900	35,400	35,000	35,100	35,600	36,700	37,100
Unemployed	2,400	2,200	2,400	3,300	3,400	4,000	4,300
Unemployment Rate	6.43%	5.85%	6.42%	8.59%	8.72%	9.83%	10.36%

San Juan

Item	Aug-2016	2015	2014	2013	2012	2011	2010
Labor Force	137,100	138,200	138,400	140,100	143,900	151,700	157,400
Employed	125,900	127,700	127,000	126,300	128,900	134,200	138,100
Unemployed	11,200	10,500	11,500	13,700	14,900	17,500	19,300
Unemployment Rate	8.17%	7.60%	8.31%	9.78%	10.35%	11.54%	12.26%

Trujillo Alto

Item	Aug-2016	2015	2014	2013	2012	2011	2010
Labor Force	27,200	27,400	27,500	27,700	28,200	29,400	33,000
Employed	25,100	25,500	25,300	25,100	25,400	26,200	29,300
Unemployed	2,100	1,900	2,200	2,600	2,800	3,200	3,600
Unemployment Rate	7.72%	6.93%	8.00%	9.39%	9.93%	10.88%	10.91%

Region

Item	Aug-2016	2015	2014	2013	2012	2011	2010
Labor Force	339,300	343,300	344,100	349,200	357,700	376,400	389,500
Employed	311,200	315,800	313,700	313,700	319,200	331,100	340,200
Unemployed	28,100	27,400	30,500	35,300	38,300	45,200	49,200
Unemployment Rate	8.28%	7.98%	8.86%	10.11%	10.71%	12.01%	12.63%

As can be seen the labor force is consistently shrinking, as shown by the trend from 2010 to 2014. The number of employed persons; however, appears to have stabilized since 2013, ranging from a rounded 314,000 to 316,000.

Conclusion

The Greater San Juan Metropolitan Area, as a whole, has the highest population density and the highest income distribution on the Island. The subject region, as defined, includes many of the affluent municipalities of the San Juan Metropolitan Area. The region shows decreasing population and stabilized employment but with a shrinking labor force, consistent with the recessionary conditions impacting the Island since 2007.

BAYAMON HOUSING CHARACTERISTICS

The table that follows presents selected housing characteristics for the municipality of Bayamón, per the American Community Survey published by the Census Bureau.

Subject	Bayamón Municipio, Puerto Rico			
	Estimate	Margin of Error	Percent	Percent Margin of Error
HOUSING OCCUPANCY				
Total housing units	83,736	+/-523	83,736	(X)
Occupied housing units	71,928	+/-696	85.9%	+/-0.7
Vacant housing units	11,808	+/-604	14.1%	+/-0.7
Homeowner vacancy rate	3.9	+/-0.6	(X)	(X)
Rental vacancy rate	10.0	+/-1.2	(X)	(X)
BEDROOMS				
Total housing units	83,736	+/-523	83,736	(X)
No bedroom	2,075	+/-288	2.5%	+/-0.3
1 bedroom	4,020	+/-356	4.8%	+/-0.4
2 bedrooms	12,280	+/-547	14.7%	+/-0.6
3 bedrooms	49,070	+/-865	58.6%	+/-1.0
4 bedrooms	14,387	+/-628	17.2%	+/-0.7
5 or more bedrooms	1,904	+/-208	2.3%	+/-0.2
HOUSING TENURE				
Occupied housing units	71,928	+/-696	71,928	(X)
Owner-occupied	50,059	+/-689	69.6%	+/-0.8
Renter-occupied	21,869	+/-661	30.4%	+/-0.8
Average household size of owner-occupied unit	2.74	+/-0.03	(X)	(X)
Average household size of renter-occupied unit	2.65	+/-0.06	(X)	(X)
GROSS RENT				
Occupied units paying rent	15,962	+/-594	15,962	(X)
Less than \$200	2,526	+/-331	15.8%	+/-1.9
\$200 to \$299	1,125	+/-213	7.0%	+/-1.3
\$300 to \$499	3,295	+/-336	20.6%	+/-1.9
\$500 to \$749	4,514	+/-323	28.3%	+/-1.9
\$750 to \$999	2,934	+/-355	18.4%	+/-2.1
\$1,000 to \$1,499	1,346	+/-232	8.4%	+/-1.4
\$1,500 or more	222	+/-102	1.4%	+/-0.6
Median (dollars)	547	+/-19	(X)	(X)
No rent paid	5,907	+/-416	(X)	(X)
GROSS RENT AS A PERCENTAGE OF HOUSEHOLD INCOME (GRAPI)				
Occupied units paying rent (excluding units where GRAPI cannot be computed)	15,245	+/-569	15,245	(X)
Less than 15.0 percent	1,284	+/-244	8.4%	+/-1.6
15.0 to 19.9 percent	1,662	+/-221	10.9%	+/-1.4
20.0 to 24.9 percent	1,873	+/-303	12.3%	+/-1.8
25.0 to 29.9 percent	1,767	+/-270	11.6%	+/-1.7
30.0 to 34.9 percent	1,411	+/-188	9.3%	+/-1.2
35.0 percent or more	7,248	+/-468	47.5%	+/-2.5
Not computed	6,624	+/-446	(X)	(X)

As seen from the preceding table, of the total 83,736 housing units in Bayamón, approximately 85.9% were occupied (71,928 units), and out of this, approximately 21,869 units (30.8%) were under renter occupancy. The rental vacancy rate reported for the municipality was 10.0%.

From the data, we can also see how most of the housing units in Bayamón are 3-bedroom units (58.6%), followed by 4-bedroom units (17.2%) and 2-bedroom units (14.7%). Given the average household size for the municipality (2.74 for owner occupancy and 2.65 for renter-occupancy), we can see why the 2- to 4-bedroom product are the most common.

The most common gross rents at rented units in Bayamón are in the \$500 to \$749 per month bracket (28.3%), followed by the \$300 to \$499 per month bracket (20.6%) and the \$750-999 per month bracket (18.4%).

NEIGHBORHOOD ANALYSIS

The subject parcels are part of the overall Río Bayamón North Community (RBNC) master plan. This community is envisioned as a mixed-use transit oriented development, and is located on the northeastern quadrant of the intersection formed by Road PR-177 and the Bayamón River. Although located in Bayamón, the community is only 500 meters west of the boundary with Guaynabo and two kilometers west of the boundary with San Juan.

Access Characteristics

Road PR-177 is an important connector road stretching in an west-east axis from Road PR-174 about 700 meters west of RBNC up to Road PR-176 in the Cupey Sector of San Juan, almost 10 kilometers east of the subject. The road has three lanes in each direction, but even so there is substantial traffic buildup at key intersections, including those immediately east and west of the project (Road PR-174 to the west and Ramírez de Arellano Avenue to the east). The traffic buildup creates a problem at peak hours, since Road PR-177 eastbound and Ramírez de Arellano Avenue together with Martínez Nadal Expressway northbound are the current ways of access between the subject and the De Diego Expressway. Furthermore, Road PR-177 is the access road to Road PR-1 and Las Américas Expressway.

Road PR-177 feeds incoming traffic from Guaynabo into the immediate area. The artery runs west from within the municipality of Guaynabo into the intersection formed by Lomas Verdes Avenue and Aguas Buenas Avenue one block west of the subject. In this area, the artery is finished with an asphalt roadbed consisting of four lanes with a concrete divider. The condition of the artery is average. Concrete sidewalks are installed at some sections, as are concrete curbs and gutters.

Due to the high vehicular traffic experimented in the area, the former PITUSA retail center was condemned to make way for an improved entrance to the Municipality with new traffic flow and intersections. The improvement is noticeable and the access qualities of the properties have been enhanced. In addition, the usual traffic jam at the entrance to Bayamón has been greatly reduced.

Incorporated in this neighborhood is the Minillas Industrial Subdivision, developed by the Puerto Rico Industrial Development Corporation (PRIDCO) commencing in about 1950 and continuing about 20 years. The subdivision consists of two sections, both located east of PR-174 and divided by Lomas Verdes Avenue. The northernmost sector is located at the western quadrant of the corner of PR-174 and Lomas Verdes Avenue. This sector, due to its good exposure to traffic has shown some transition to commercial uses, with the purchase of several properties during 2002 for the subsequent construction of a Costco retail warehouse store. The southern portion of the park is mostly industrial in character and also includes some retail uses with an Amigo supermarket and an auto retailer both fronting PR-177

There are two projects that could have a positive impact on the subject's linkages if they are ever built. The first one consists of improvements to the intersection of Road PR-177 with Ramírez de Arellano Avenue to the north and Santa Ana Street to the south.

According to the project manager from the Puerto Rico Highways Authority, there are four alternatives currently under consideration. The most convenient in terms of traffic flow is a bridge over Road PR-177 with left-turn ramps in each direction, and marginal streets for right turns in each direction.

This alternative; however, is also the most expensive and thus the less likely to be built. Other alternatives include a two-lane bridge with right hand turns only, and closing the intersection to traffic between Ramírez de Arellano Avenue and Santa Ana Streets. The government has discussed this issue for years, and it is impossible to determine when the government will improve this intersection. For purposes of this appraisal, we assume no improvements to this intersection.

The other project is the proposed extension of Los Filtros Avenue northbound from Road PR-177 to Road PR-2, running close to the eastern boundary of the Bayamón River and actually crossing the western portion of the Río Bayamón Norte original tract (Parcel X-1 in this report). According to the project manager for the intersection at Ramírez de Arellano Avenue, the Secretary of Transportation and Public Works has indicated that although a good idea, this project would require channeling the Bayamón River, and, in his opinion, would therefore be too costly. Therefore, this appraisal does consider said extension.

The northeastern portion of the subject project bounds with the train's right of way, and actually connects with a proposed platform just east of the Jardines de Caparra Station. There is pedestrian access to this station, but no vehicular access to the parking lot located north of the tracks.

According to a GDB consultant, the foundations for a vehicular bridge that will cross the train line from north to south were built as part of the master plan infrastructure. However, the bridge itself is not to be built until there are sufficient residential units built and occupied at the community to warrant this investment. Nevertheless, there is street parking within the master plan so this should not be an issue. There is also an agreement between the GDB and the Puerto Rico Highways Authority states that the new head-house will be constructed when demand from the community justifies the expense. However, we consider the construction of this head-house uncertain until there is sufficient construction at the subject community to justify it.

The train affords the project convenient access to numerous facilities. The two stations to the west of the project provide access to Bayamón's town core, El Cantón Mall, the municipality's sports complex and courthouse to the west. The stations to the east provide access to supporting facilities at various points, including the Corporate Office Park, the Metropolitan Bus Authority main terminal, the Puerto Rico Medical Center, the Cupey Campus of Metropolitan University, the Río Piedras campus of the University of Puerto Rico, the San Juan Courthouse, the Hato Rey financial district, and the southern area of Santurce where the YMCA and Sagrado Corazón University are located.

LOW-INCOME HOUSING RENTAL MARKET

Public Housing Submarket

The public housing rental market in Puerto Rico is managed by the Puerto Rico Public Housing Administration. According to an inventory report provided by the agency, as of August 1, 2016, there were a total of 294 public housing projects in Puerto Rico comprising a total inventory of available housing units of 62,165. The reported figures exclude demolished projects as well as tax credit projects.

As reported by the personnel from the agency, these projects typically operate at full occupancy with considerably long waiting lists of interested tenants; thus, maintaining year-round nominal frictional vacancies.

As reported by the personnel from the PHA, the current *Fixed Monthly Rates (gross), Utilities Discounts, and Qualifiable Deductions* established for public housing units in the San Juan Region are as follows:

Unit Type	Fixed Monthly Rate	Utility Deductions		Qualifiable Deductions		
		AAA	AEE	Elderly	Handicaped	Minor
1-bedroom	\$391	\$20	\$30	\$400	\$400	\$480
2-bedroom	\$463	\$20	\$40	\$400	\$400	\$480
3-bedroom	\$601	\$20	\$40	\$400	\$400	\$480
4-bedroom	\$717	\$20	\$50	\$400	\$400	\$480
5-bedroom	\$820	\$20	\$50	\$400	\$400	\$480

Section 8 Submarket

The following table presents the *Fair Market Rents* determined by HUD for FY 2016 for the municipality of Bayamón, as extracted from the agencies' webpage.

Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
Final FY 2017 FMR	\$430	\$459	\$553	\$743	\$924
Final FY 2016 FMR	\$407	\$456	\$548	\$736	\$895
Percentage Change	5.7%	0.7%	0.9%	1.0%	3.2%

Low Income Housing Tax Projects

The following statements are an extract from the webpage of the Puerto Rico Government Development Bank webpage:

The Puerto Rico Housing Finance Corporation and the Puerto Rico Housing Bank and Finance Agency merged under Act 103 of August 11, 2001, as amended. The name of the entity was changed to Puerto Rico Housing Finance Authority (PRHFA) and its corporate structure remained as that of a subsidiary of the Government Development Bank. The principal mission of this agency is to promote the development of low-income housing and provide financing, subsidies and incentives so that people may acquire or lease a dignified home. The programs available through the PRHFA for those purposes are:

- Mortgage loans to developers for the construction, improvement, operation and maintenance of rental and for-sale housing for low to moderate income families.
- Mortgage loans to citizens of low and moderate income.
- Mortgage Loan Insurance Program (Act No. 87).
- Disposition of repossessed properties.
- Housing subsidy programs aimed at boosting home purchases.
- Section 8 program of the U.S. Housing Act (PHA).

In addition, the PRHFA is:

- Performance Based Contract Administrator (PBCA) for HUD's subsidy contracts for Section 8 projects in Puerto Rico.
- Administrator of the HOME Investment Partnerships Program since 2010.
- Puerto Rico's State Credit Agency for the Low-Income Housing Tax Credit program under Section 42 of the U.S. Internal Revenue Code, as amended.
- Responsible for the Puerto Rico Community Development Fund, a Community Development Entity participating in the New Markets Tax Credits Program of the U.S. Treasury Department. This tax credits program helps to provide funds for for-sale housing projects in the Commonwealth of Puerto Rico.

As indicated in the foregoing extract, the PRHFA is the responsible entity for the development, and or renovation, of low-income housing projects in Puerto Rico. According to the information provided by administrative personnel of the PRHFA, 16 projects with 1,792 units have been awarded LIHTC funds from 2013 to 2015. An additional 24 projects were awarded funds from 2011 to 2012. The following table shows a sample of projects awarded LIHTC projects in recent years.

Project Name	Location	Year of LIHTC Award	Project Cost	Total Units	LIHTC Rents								
					1-bedroom		2-bedroom		3-bedroom		4-bedroom		
The Golden Residence at Floral Park	Floral Park, Hato Rey	2011	\$22.0M	160	\$480 per mth	n/a	per mth	n/a	per mth	n/a	per mth	n/a	per mth
Metropolis Apartments	Floral Park, Hato Rey	2012	N/A *	185	n/a	per mth	n/a	per mth	\$397	per mth	\$421	per mth	
Balserio Elderly	University Gardens, Río Piedras	2012	\$12.4M	74	n/a	per mth	n/a	per mth	n/a	per mth	n/a	per mth	n/a
View Point at Domenech	Baldrich, Hato Rey	2012	\$22.5M	120	\$500	per mth	n/a	per mth	n/a	per mth	n/a	per mth	n/a
Plaza Gran Victoria	Santurce Sur	2012	\$16.4M	98	\$475	per mth	n/a	per mth	n/a	per mth	n/a	per mth	n/a
San Cristobal Apartments **	Old San Juan	2013	\$19.4M	50	n/a	per mth	n/a	per mth	n/a	per mth	n/a	per mth	n/a

* The project referred to an almost 100% finished multifamily project converted for low-income housing purposes.

** In construction

Of the six (6) projects above, five (5) have been already developed. As indicated by the administrators, The Golden Residence at Floral Park took approximately 4 months to achieve full occupancy, Viewpoint at Domenech and Plaza Gran Victoria took 3 months each, and Metropolis Apartments took approximately 6 months. However, this last project has a rental unit combination of LIHTC units, Section 8 units, and elderly units under Law 176 of P.R. Also, it has the largest inventory of the sample.

Most of the recently introduced inventory in the market of San Juan refers to homes for the elderly; whose preferred product are 1-bedroom units. These rents basically ranged from \$475 to \$500 per month at the surveyed projects. The Metropolis Apartments project includes 1-bedroom and 2-bedroom units; yet, these are not rent as LIHTC units but rather as elderly units under Law 176. The monthly rents for the 1-bedroom and 2-bedroom units were reported at \$526 and \$585, respectively.

Given the level of occupancy at properties funded with LIHTC, as well as the historical absorption of the most recently developed projects in San Juan; it is evident that there is an unsatisfied demand for this type residential product in San Juan. Currently, there are four (4) proposed projects in San Juan which will include LIHTC units. They are Las Gladiolas (140 units), the Puerta de Tierra (174 units), Golden Residences at The Village (140 units) and the subject Ciudad Lumen (140 units).

Unrestricted-Rent Market

The following table presents the range of unrestricted-rent market survey based on current asking rents at residential units in Bayamón. The source of our survey was taken from two locally recognized websites (ClasificadosPR.com and CompraoAlquila.com.pr) as of October 14, 2016:

Unit Type	Min	Max
3BR-2BA	\$770	\$1,130
2BR-2BA	\$600	\$800

The preceding table shows the achievable rents for unrestricted rent unit that could be built at Río Bayamón Norte.

SITE ANALYSIS

Location, Access and Frontage

The subject parcels are accessed by interior streets of the Río Bayamón Norte Community master plan.



Areas

The following site areas were extracted from the sources identified in the Extraordinary Assumptions on Page 3, and are assumed correct.

Parcel	Area (SM)	Parcel	Area (SM)
1	26,130.25	P-1	66,245.64
2	9,445.38	P-2	16,180.04
3	22,487.17	P-3	13,479.12
4	27,328.11	P-4	10,622.37
5	20,665.21	R-1	25,430.13
6	16,324.58	12	3,957.14
7	14,492.96	X-1	85,040.58
8	16,370.71	X-2	26,372.71
9	11,604.21		
10	16,251.48		

Configuration, Topography and Subsoil

Parcels 1 to 10, P-1 to P-4 and 12 have either rectangular or almost rectangular configuration. Parcel R-1 has irregular configuration, but is considered functional.

Parcel X-1 bounds the Bayamón River by the west. It has irregular configuration and level topography. Parcel X-2 is the mitigation parcel of the project, and is affected by the Marqués Creek as well as planted wetlands as part of the mitigation process for the project. It is irregular in configuration and has level to gently sloping topography.

We have not reviewed any subsoil study of the subject parcels. The land in the developable parcels is assumed to be adaptable for normal usage without abnormal expenditures. However, only a sub-soil study can accurately determine the adequacy of sub-soil conditions. The appraisers assume no liability in this respect.

Utilities and Services

The subject property's road and utilities infrastructure was completed on December 2015. Utilities include electricity, telephone, Cable TV, potable water, and storm and sanitary sewers. Typical services such as police protection, firefighting, street clean-up, and postal services, are to be provided by the Commonwealth, Federal and Municipal Governments, and are available to the subject.

Zoning

Parcels 1 to 10 and P-1 to P-4 are part of a special zoning district identified as CRB (Comunidad Río Bayamón). Development has to comply with the approved master plan, and the design guidelines for the community. The following table summarizes the uses and design guidelines for these parcels:

Parcel	Area (SM)	Use	Tipology
1	26,130.25	Residential	4-8 story building
2	9,445.38	Residential	4-8 story building
3	22,487.17	Mixed-Use	6-16 story mixed-use building
4	27,328.11	Mixed-Use	6-16 story mixed-use building
5	20,665.21	Residential	4-12 story building
6	16,324.58	Institutional	4-12 story building
7	14,492.96	Residential	4-12 story building
8	16,370.71	Mixed-Use	4-12 story mixed-use building
9	11,604.21	Residential	4-12 story building
10	16,251.48	Mixed-Use	4-12 story building
P-1	66,245.64		Central Park
P-2	16,180.04		Central Park
P-3	13,479.12		Central Park
P-4	10,622.37		Central Park

Parcels R-1 and 12 do not fall within the master plan, but both appear in the Municipality of Bayamón Calification Plan as high-density residential (R-A).

Parcel X-1 does not fall within the master plan, but appears in the Municipality of Bayamón Calification Plan as forest (B-Q).

Parcel X-2 does not fall within the master plan, but appears in the Municipality of Guaynabo's Zoning Map as R-3 (now R-I), an intermediate-density residential district.

Tax Data and Assessed Valuation

Puerto Rico's Real Estate Tax Rates are based on two (2) separate factors, one is the rate fixed by the Legislature of Puerto Rico, standard for all parts of the Commonwealth, and the other, is the rate set by the municipality where the given property is located.

The law in Puerto Rico provides for a 10% discount on the property taxes, which are collected in two (2) yearly payments, if these are paid within 30 days following the mailing of the tax invoice.

The Municipal Reform Law of 1991 transferred all property tax responsibilities from the Commonwealth Government's Treasury Department to the individual Island Municipalities, creating the Municipal Income Collection Center (CRIM). The current tax rate for the municipality of Bayamón is 9.58%. No property tax information was submitted by the client.

It is assumed that the parcel assessments are in line with similar parcels, and that property taxes are current. No responsibilities are assumed for any pending tax liability. We do not represent ourselves as experts in tax matters and assume no liability in this respect. Confirmation of current tax conditions should be made with the pertinent tax authorities.

Easements, Expropriation and Encroachments

The only parcel that appears affected by easements is Parcel X-1, which is affected by an electrical right of way for transmission lines. The easements assumed at the remaining subject parcels are those typical for the connection utilities, which are not considered to affect marketability.

According to a presentation on Río Bayamón North from 2015, some of the parcels located on the north section of the master plan and bounding with the El Polvorín community had been encroached upon by neighbors of said community, specifically with horse stables, rear yard extensions and tree stands. According to an email thread provided by the client, the only remaining encroachment is a horse stable. This appraisal is subject to the extraordinary assumption that any encroachments currently affecting the subject parcels be eliminated within 60 days from the effective date of value of this appraisal.

Flood Classification

The following table shows the flood zone-classification for the subject non-park parcels as per Sheets No. 72000C0345J and No. 72000C0365J of the Flood Insurance Rate Map, dated November 2009. The table was prepared for illustrative purposes based on examination of the maps, but only a licensed professional can certify the actual flood zone classification.

Parcel	Zone	Meaning
1	Unshaded X	Area outside de 0.2% chance flood.
2	Unshaded X	Area outside de 0.2% chance flood.
3	Unshaded X	Area outside de 0.2% chance flood.
4	Unshaded X	Area outside de 0.2% chance flood.
5	Unshaded X	Area outside de 0.2% chance flooding.
6	Unshaded X	Area outside de 0.2% chance flooding.
7	Unshaded X	Area outside de 0.2% chance flooding.
8	Unshaded X	Area outside de 0.2% chance flooding.
9	Unshaded X	Area outside de 0.2% chance flooding.
10	Unshaded X	Area outside de 0.2% chance flooding.
P-1	Unshaded X	Area outside de 0.2% chance flooding.
P-2	Unshaded X	Area outside de 0.2% chance flooding.
P-3	Unshaded X	Area outside de 0.2% chance flooding.
P-4	Unshaded X	Area outside de 0.2% chance flooding.
R-1	Shaded X	Area between 0.2% and 1% chance flooding.
R-2	Unshaded X	Area outside de 0.2% chance flood.
X-1	Zone AE	Area within 1% chance flooding. Based flood elevations determined.
X-2		Area outside de 0.2% chance flooding.

Wetlands

Parcel X-2 is a wetlands/mitigation area required by the United States Army Corps of Engineers for the approval of the master plan. According to documentation submitted by the client, the property owner is required to monitor and maintain this area until May 31, 2019. This is assumed correct.

Environmental Impact

No environmental impact studies were made in conjunction with this appraisal report and none were provided to the appraisers. The value opinions contained herein could be impacted by subsequent environmental impact studies, research, investigation, and resulting governmental actions.

Hazardous Materials

The presence of certain materials, such as asbestos, urea formaldehyde, radon gas, toxic waste and others can have a significant negative impact upon the value of unimproved and improved properties. We are not qualified to detect such substances or to certify if a site is contaminated or not. For purposes of this appraisal, it is assumed that there are no potential pollutants in or on the property subject of this report. The client is advised to seek the opinion of an environmental expert, if desired.

Proximity to Nuisances, Hazards or Detrimental Conditions

We inspected the subject property's immediate neighborhood in order to determine the proximity to nuisances, hazards or detrimental influences. In this inspection, we were unable to perceive any item that may be considered detrimental to the subject properties. It is assumed that none exist.

Law 130 of 2016

Law 130 of 2016 allows a developer to claim tax credits of 50% of eligible costs in the development of strategic projects, including the construction of affordable rental housing units in areas adjacent to mass transportation, or in the ports area of the San Juan Inlet, subject to the recommendation by the Department of Housing. The subject parcel is located adjacent to the Piñero Station of the Urban Train, and has been recommended by the Department of Housing. Therefore, if the parcel is developed with affordable rental housing, the tax credits can be claimed. The law requires the tax credits to be amortized in 10 years, and allows their sale to third parties.

Memorandum of Understanding (MOU)

According to the client, there is an MOU with the Puerto Rico Aqueducts and Sewers Authority by which the subject units will not have to pay the typical connection fee of \$1,000 per unit. This credit was agreed for a 15-year term, of which 5 have elapsed leaving 10 years remaining. Only \$1,000 per built unit can be claimed, and any unclaimed credits after the 10 years remaining will expire.

Conclusion of Site Analysis

The subject developable parcels are have adequate location, configuration and market appeal for development in phases.

Improvements

Rio Bayamon North Community has a Central Park that includes 3 bridges providing pedestrian circulation within the park. It includes a Tennis clubhouse with 8 tennis courts, 4 basketball courts, 1 volleyball court, and a jogging trail. Furthermore, central park includes paved areas, 7 playgrounds, 6 gazebos and a plaza.

Additional site improvements include asphalt-paved streets and traffic areas, with reinforced concrete curbs/gutters and sidewalks, as well as street illumination. The project's electricity is underground and its common areas are landscaped.

The project complies with the ADA accessibility guidelines and design parameters for new developments. Sidewalks interconnect the subject lots and the streets, without steps and with the required dimensions.

In conclusion, the community's site and park improvements are consistent with market expectancies for this type of planned unit development. The subject project's location and amenities, positions the development favorably within the market.



RIO BAYAMON NORTH COMMUNITY MASTER PLAN

MCCLOSKEY, MULET & BONNIN APPRAISERS, P.S.C.
REAL ESTATE APPRAISERS AND CONSULTANTS



AERIAL PHOTO DATED JULY 2015

ANALYSIS OF DATA

HIGHEST AND BEST USE ANALYSIS

Highest and Best Use as defined in the *Dictionary of Real Estate Appraisal, Sixth Edition*, published by The Appraisal Institute is as follows:

“The reasonably probable and legal use of vacant land or an improved property, which 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 profitability.”

Highest and Best Use of Land or a Site as Though Vacant is defined as follows:

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”

Highest and Best Use of Property as Improved is defined as follows:

“The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continued to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and construction a new one.”

Highest and Best use of Site as Though Vacant

Legally Permissible Uses

In all cases an appraiser must first consider which uses are legally permissible. Private restrictions, zoning, building codes, historic district controls, and environmental regulations must be investigated before since they may preclude many potential uses. The next is the selection of the uses that being legally permissible and physically possible would be economically feasible and result in maximum profitability to the subject site.

The subject parcels located within the master plan are zoned for residential development, utilities, mixed residential/commercial development, institutional use and park areas as per the Río Bayamón North Community Master Plan. We therefore conclude that legally permissible uses include those specified in the design guidelines for each parcel.

Parcels R-1 and 12 are not located within the master plan, but are classified by the Municipality of Bayamón as high-density residential parcels. Therefore, residential use is considered legally permissible in them.

Parcel X-1 is zoned for forest use. Uses permitted include agricultural, public and recreational uses, agro-tourist use, eco-tourist use, and one- or two-family residential per tract. These are considered the legally permissible uses at the parcel.

Parcel X-2 is zoned for medium-density residential, but it is a wetlands/mitigation area required by the United States Army Corps of Engineers as part of the approvals for the master plan. Therefore, the only legally permissible use for this property is conservation.

Physically Possible Uses

The development of subject properties into the legally permissible uses is considered physically possible, with the exception of Parcel X-1 which is almost entirely affected by an electrical right of way which limits uses to those that do not include structures below right of way. This limits the development potential of this parcel.

Financially Feasible Uses

Residential Parcels (Parcels 1, 2, 5, 7, 9, R-1, 12)

The development of the subject residential parcels into multi-family residential projects as per the zoning parameters would yield a higher residual land value than low-density residential development. However, the for-sale residential development market has been negatively affected during the ongoing recessionary period, particularly for units priced over \$200,000. However, current conditions for the affordable residential market appear favorable so there is latent demand for development of the subject parcels for this type of housing. This development would take place in phases as demand permits.

Our analysis of the market indicates that the target for-sale market for which there appears to be demand at the present time is for units priced under \$200,000. There also appears to be demand for affordable rental units, both for families and for the elderly. Law 130 of 2016 allows for tax credits of 50% of eligible development costs to be claimed in affordable rental housing projects built in parcels located adjacent to mass transit or the port area of the San Juan Inlet, subject to recommendation by the Department of Housing. As of the effective date of this appraisal, the subject properties have been recommended by the Department of Housing for this type of development; therefore, developments in the subject properties can claim these tax credits. This makes their development into affordable rental housing projects financially feasible. This development would take place in phases as demand permits.

Residential/Commercial Mixed Use Parcels (Parcels 3, 4, 8, 10)

There are four parcels within the master plan that have mixed residential/commercial use. These lots are identified below:

Parcel	Area (SM)	Use	BLU
3	22,487.17	Mixed-Use	350/47,000
4	27,328.11	Mixed-Use	400/55,000
8	16,370.71	Mixed-Use	300/5,000
10	16,251.48	Mixed-Use	267/5,000

Parcels 8 and 10 have very small commercial areas located at the corners of the lots facing the public park. Given their small size, the fact that these areas front interior streets without through commercial traffic exposure, is not a negative issue. Parcels 3 and 4; however, have substantial commercial areas. These parcels are located at either side of the connector between the community's main circulation road and the train right of way. Their demand would thus need to come almost exclusively by train riders as the parcels do not have frontage to a street with commercial traffic.

Under current market conditions, these parcels would not be developable with mixed use. Therefore, their highest and best use is to hold them vacant until the end of the project when there would be substantial development in the other parcels, creating demand for them.

Institutional Parcel (Parcel 6)

The ongoing deterioration of the local economy along with increasing construction costs (i.e., labor, materials, etc.) detract from the financial feasibility of many proposed developments at this time. However, the development of institutional facilities is typically driven by the specific needs of end-users, and in many instances these facilities are developed with some sort of government or non-profit entities assistance. Considering this, we conclude that the highest and best use of the institutional parcel is development into an institutional use.

Park Parcels (Parcels P-1, P-2, P-3, P-4)

The only uses allowed in these parcels are utilities and park use. These parcels basically serve the community, and that is their intended use. These parcels do not have an economic value on their own, but rather their economic value is reflected in the values of the surrounding development parcels, which count the subject park parcels as an amenity.

Parcel X-1

Parcel X-1 has a limiting zoning classification, is flood-prone, and is also affected by an electrical right of way. Therefore, its only financially feasible use is as support for an adjacent use (access, parking, etc.). Currently, it is being used by the Municipality of Bayamón as part of its municipal golf course, under an Entrance and Occupation Agreement.

Parcel X-2

Parcel X-2's only legally permissible use is its continued use as a wetlands/mitigation parcel, since this was a requirement for the Río Bayamón North master plan to be approved.

Maximally Productive Use – Highest and Best Use Conclusion

Residential Parcels (Parcels 1, 2, 5, 7, 9, R-1, 12)

Based on the preceding analysis, we conclude that the highest and best use of the subject residential components as though vacant and assumed ready for development is development into affordable housing by phases. Given the benefits offered by Law 130 of 2016, the most likely developments would be affordable rental housing projects by phases.

Residential/Commercial Mixed Use Parcels (Parcels 3, 4, 8, 10)

Based on the preceding analysis, we conclude that the highest and best use of the subject mixed residential/commercial components as though vacant assumed ready for development is development into affordable housing by phases.

Institutional Parcel (Parcel 6)

Based on the preceding analysis, we conclude that the highest and best use of Parcel 6 as though vacant assumed ready for development is for institutional use.

Park Parcels (Parcels P-1, P-2, P-3, P-4)

The highest and best use of these parcels is for park areas to support the community.

Parcel X-1

Based on the preceding analysis, we conclude that the highest and best use of Parcel X-1 is as an accessory use with no vertical construction, given the limitations imposed by zoning and more importantly by the electrical right of way running over the parcel.

Parcel X-2

Based on the preceding analysis, we conclude that the highest and best use of Parcel X-2 is continued use as a wetlands/mitigation parcel.

INTRODUCTION TO THE APPRAISAL PROCESS

There are three basic valuation approaches, which appraisers may use in the development of a market value opinion. They are the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach.

As indicated in the Scope of Work Section, we will value the overall property using a Subdivision Analysis method, with a Discounted Cash Flow Analysis.

The main steps in the Subdivision Analysis are:

- I. Develop a market value opinion, as of a current date, for each property component assuming it have the necessary utilities and roads infrastructure for development.
- II. Develop an indication of when there will be demand for each property component, to determine in which year of the pro-forma it will come into the market, and adjust the market value opinions developed in Part I to reflect the prospective market value opinion of each property component, as of the year it will be included in the pro-forma.
- III. Deduct appropriate development, marketing and holding expenses, and calculate the annual net revenues to be received during the forecasted development period.
- IV. Estimate a market-derived yield rate that considers the entrepreneurial incentive that would be required by a typical investor to undertake this project.
- V. Prepare a Discounted Cash Flow where the annual net revenues are discounted to a present value figure, indicative of the current market value of the overall property subject to the Extraordinary Assumptions identified within the report.

PART I
MARKET VALUE OPINION OF PROPERTY COMPONENTS
ASSUMED READY FOR DEVELOPMENT AND WITH ADEQUATE DEMAND

The following sections contain the valuation analyses carried out to estimate the market value of the individual subject property components, assuming them with the necessary utilities and roads infrastructure for development (which they have), and with adequate demand for current development.

PART I
SECTION A
VALUATION OF PARCELS 1-5, 7-10, R-1 AND 12
(RESIDENTIAL PARCELS)

Valuation Technique

The residential parcels will be valued using the Sales Comparison Approach.

The steps in the Sales Comparison Approach follow:

1. Research the market to obtain information on sales transactions, listings, and offers to purchase and sell properties that are similar to the subject in terms of property type, date of sale, size, physical condition, location, and zoning.
2. Verify the information by confirming that the data obtained are factually accurate and that the transactions reflect arm's-length, market considerations. Verification may elicit additional information about the market.
3. Select relevant units of comparison (e.g., price per cuerda, price per square meter, price per unit to be developed) and develop a comparative analysis for each unit deemed relevant.
4. Compare the comparable sale properties with the subject using the elements of comparison and adjust the sale price of each comparable to the subject property *or* eliminate the sale property as a comparable.
5. Reconcile the various value indications produced from the analysis of the comparable into a single value indication.

Sales Comparison Approach – Unit of Land Area as Unit of Comparison

The following pages include the analysis of the comparable sales selected for analysis. The proposed number of units at Transactions 1 to 5, all of which are one-bedroom units since the properties were purchased for elderly rental housing, were converted into basic living units (BLU's) using the Puerto Rico Planning Board's conversion factor (a one-bedroom unit is equal to 0.6 basic living units).

The following table shows that the fully residential parcels part of the Río Bayamón North master plan have an average development density of 61 BLU per cuerda.

Parcel	Area (SM)	Area (Cds)	BLU	Units/Cda
1	26,130.25	6.65	375	56.41
2	9,445.38	2.40	150	62.42
5	20,665.21	5.26	300	57.06
7	14,492.96	3.69	250	67.80
9	11,604.21	2.95	200	67.74
Total/Average	82,338.01	20.95	1,275	60.86

Government Development Bank for Puerto Rico
Re: Parcels 1 to 10, P-1 to P-4, R-1, 12, X-1, X-2 Río Bayamón North Community
November 1, 2016
Page 51

SUMMARY OF COMPARABLE SITE TRANSACTIONS

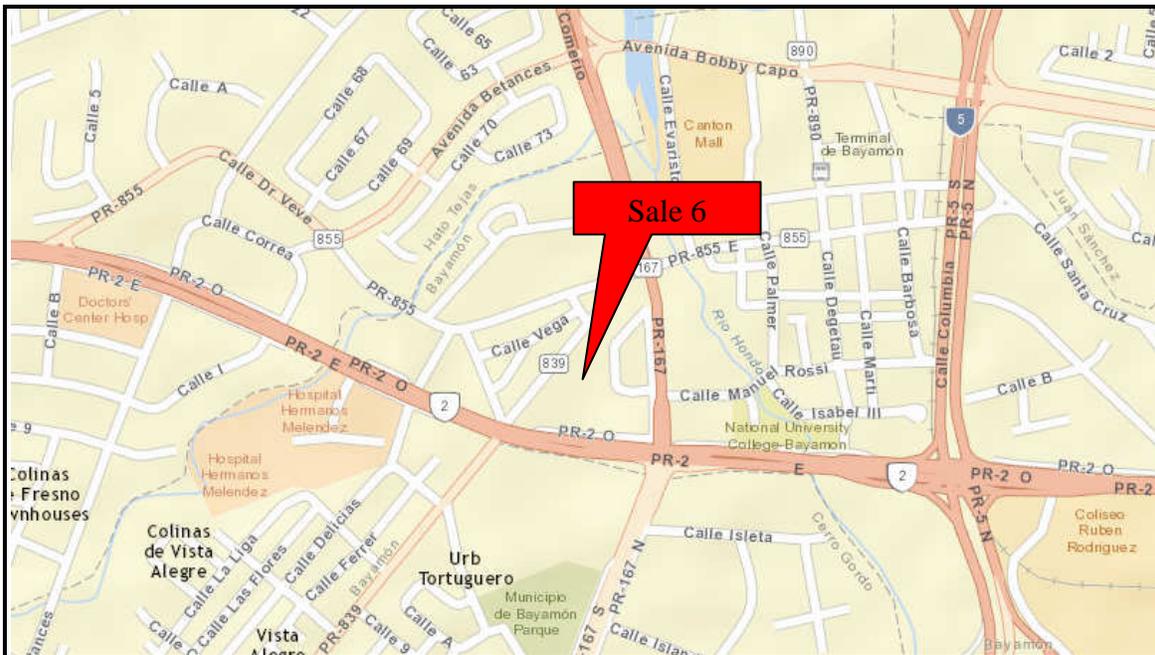
	Transaction 1 - Sale	Transaction 2 - Sale	Transaction 3 - Sale	Transaction 4 - Sale
Location	1312 Ponce de León Avenue Santurce Ward San Juan, PR	Site of Balseiro Elderly Río Piedras Sector San Juan, PR	108 Domenech Avenue Río Piedras Sector San Juan, PR	Llorens Torres Street Floral Park Subdivision San Juan, PR
Date of Sale	August-13	June-13	December-13	October-11
Seller	Ponce de León Building	Leopoldo Czeplow odzki	PRHTA	Universidad Politécnica de Puerto Rico
Buyer	1312 Ponce de León Elderly Housing LLC	Balseiro Affordable Housing LLC	View point at Domenech LLC	The Golden Residence LLC
Deed	10	6	29	13
Notary	Gilberto Oliver	Gilberto Oliver	Gilberto Oliver	Vanessa Muller
Sale Price	\$860,000	\$740,000	\$1,915,449	\$1,300,000
Area of Parcel (Square Meters)	1,657.12	1,210.80	1,744.92	3,763.91
Unit Price (S.P. per SM)	\$518.97	\$611.17	\$1,097.73	\$345.39
Units	98	74	120	160
Basic Living Units (BLU)	59	44	72	96
Unit Price (\$/BLU)	\$14,626	\$16,667	\$26,603	\$13,542
Unit Price (\$/Unit)	\$8,776	\$10,000	\$15,962	\$8,125
Density (SM/BLU)	28	27	24	39
Density (BLU/Cuerda)	139	144	162	100
Zoning	Residential	Residential	Residential	Residential
Topography	Level	Level	Level	Level
Flooding	Zone X	Zone X	Zone X	Zone X
Shape	Rectangular	Rectangular	Rectangular	L-Shape
Highest & Best Use	Residential	Residential	Residential	Residential
Comments	This site was purchased for the construction of Plaza Gran Victoria, a LIHTC project for the elderly.	This site was purchased for the construction of Balseiro Elderly, a LIHTC project for the elderly.	This site was purchased for the construction of View point at Domenech, a LIHTC project for the elderly.	This site was purchased for the construction of The Golden Residence, a LIHTC project for the elderly.

SUMMARY OF COMPARABLE SITE TRANSACTIONS

	Transaction 5 - Option	Transaction 6 - Sale	Transaction 7 - Sale
Location	Boulevard Martínez Nadal Monacillos Ward San Juan, PR	Road PR-167 Pueblo Ward Bayamón, PR	Boulevard Martínez Nadal Monacillos Ward San Juan, PR
Date of Sale	September-15	February-12	August-15
Seller	D' Group Development	Municipality of Bayamón	Scotiabank de Puerto Rico
Buyer	Ciudad Lumen, LLC	Parque 228 LLC	Caross LLC
Deed	N/A	9	49
Notary	N/A	Arnaldo I. Fernandini	Joseorlando Mercado
Sale Price	\$1,782,500	\$2,722,500	\$1,500,000
Area of Parcel (Square Meters)	4,128.62	22,687.66	8,626.64
Unit Price (S.P. per SM)	\$431.74	\$120.00	\$173.88
Units	140	150	N/A
Basic Living Units (BLU)	84	150	N/A
Unit Price (\$/BLU)	\$21,220	\$18,150	N/A
Unit Price (\$/Unit)	\$12,732	\$18,150	N/A
Density (SM/BLU)	49	151	N/A
Density (BLU/Cuerda)	80	26	N/A
Zoning	Residential	Residential	Residential
Topography	Almost Level	Level	Level
Flooding	Zone X	Zone X	Zone X
Shape	Almost Rectangular	Irregular	Almost Rectangular
Highest & Best Use	Residential	Residential	Residential
Comments	This site was purchased for the construction of Ciudad Lumen, a LIHTC project for the elderly.	This parcel was purchased after an RFP process, with the municipality of Bayamón promoting the construction of low-cost housing. The units have a price cap, and in exchange the municipality offered a series of incentives to the development entity. The prices of the units are approximately \$150,000.	N/A



LAND SALES MAP



Analysis of Comparable Transactions

Seven transactions were selected for analysis in order to determine the market value of the subject residential parcels. Transactions 1 to 5 were purchased or optioned for the development of Low Income Housing Tax Credit (LIHTC) elderly rental projects, and all are located in different areas of San Juan. Transaction 6 was purchased for the construction of a for-sale condominium project targeting the low-income market. Transaction 7 is a residential parcel located adjacent to Transaction 5.

The units of comparison to be used in the valuation of the subject properties is the sale price per basic living unit (BLU) for those parcels that are part of the master plan and have units assigned, and the sale price per square meter for those parcels that are not part of the master plan and do not have assigned units.

Adjustment Process

It is a basic characteristic of real estate that no two properties are exactly alike. To estimate the value of the subject, the comparable sales have to be adjusted for their differences with the subject. The common elements of comparison are:

- real property rights conveyed
- financing terms
- conditions of sale
- expenditures made immediately after purchase
- market conditions
- location
- physical characteristics
- economic characteristics
- use
- non realty components of value

The adjustment process requires that the sales first be adjusted for real property rights conveyed, then for financing terms, then for conditions of sale, then for expenditures made immediately after purchase and then for market conditions. After these adjustments are applied, the sales can then be adjusted for differences, location, physical characteristics and others mentioned above as needed.

The adjustments are estimated by comparative analysis, with the use of **quantitative or qualitative** techniques. In **quantitative** analytical techniques, mathematical processes are used to identify which elements of comparison require adjustment and to measure the amount of these adjustments. These processes include paired data analysis, statistical analysis, graphic analysis, trend analysis, cost-related analysis and secondary data analysis. **Qualitative** techniques study relationships indicated by market data without recourse to quantification. This technique reflects the imperfect nature of real estate markets. Qualitative techniques include relative comparison analysis, ranking analysis or personal interviews.

The adjustment process follows.

Property Rights Conveyed

All sales were for the fee simple estate, so none of them requires an adjustment for this element of comparison.

Financing Terms

All transactions were cash to the seller, so no adjustments for this element of comparison are required.

Conditions of Sale

Transactions 1 to 6 had typical conditions of sale, and do not require an adjustment for this element of comparison. Transaction 7 was sold by the lender, which had foreclosed on the property. However, its unitary price does not appear impacted by this condition. In our opinion, the reason Transaction 5 sold shows a much higher price is due to the fact that it is an option agreement, which will close once financing for the project, which involves LIHTC, is finalized. On the other hand, Transaction 7 was sold in its "as is" condition, without any assured subsidies, tax credits or project financing. Therefore, we conclude that Transaction 7 does not require an adjustment for conditions of sale. Nevertheless, we will consider this issue in the final value reconciliation.

Buyer Expenditures Immediately after the Purchase

The only sale that required such expenses was Transaction 3. However, these expenses generated additional tax credits so in our opinion this had no impact in price. We will therefore not apply an adjustment to this sale for this element of comparison.

Market Conditions

The comparable transaction date from 2011 to 2015, and do not show a need for a market conditions adjustment during that time period. Transactions 1 to 6 were purchased for residential developments with subsidies and/or tax credits. This type of development has not been affected by the deteriorated economic conditions in Puerto Rico. Therefore, there is ample demand for said units. Considering this, we conclude that no market conditions adjustments are necessary for Transactions 1 to 6. Transaction 7 dates from 2015, so it is subject to current market conditions. Therefore, it does not require an adjustment for this element of comparison.

Location

Transactions 1 to 5 are located in different areas of San Juan. San Juan and Bayamón have similar fair market rents for tax credit projects, so they are considered similar in location to the subject properties.

Transaction 6 is located in Bayamón, the same municipality as the subject properties, and is also considered similar in location. Transaction 7 is located adjacent to Transaction 5, and therefore it is also considered similar in location to the subject properties. It follows that none of the transactions requires an adjustment for location.

Physical Characteristics

All comparable transactions are considered similar in physical characteristics to the subject properties, or the market does not recognize a difference in price due to any perceived differences in physical characteristics, except for size. Therefore, no adjustments for physical characteristics other than size are required.

Size Adjustment

The comparable sales developed with high-density LIHTC projects range in size from a rounded 1,200 to 4,200 square meters, whereas the subject's development parcels average a rounded 17,500 square meters. Transaction 6 was purchased for a walk-up type development and has over 20,000 square meters, but its lower price per square meter is partially a function of its lower development density when compared to Transactions 1 to 5. The development details of Transaction 7 could not be confirmed, so we will not use this sale to analyze size difference. Based on the market data, we conclude that the indications from Transactions 1 to 5 require an adjustment for size.

The following table shows the unit price comparison between Transaction 1 and Transaction 5 (the two most recent transactions of sites purchased for affordable rental housing without considering Transaction 3 which is considered an outlier).

Comparable	Area (SM)	Adjusted Price/SM
Transaction 1	1,657.12	\$519
Transaction 5	4,128.62	\$432
Adjustment for Larger Size		-17%

The preceding table demonstrates that larger residential development parcels sell for lower unitary prices and vice-versa. Only one paired sales analysis, and no parcels of the subject's average size were available to compare unitary prices of the comparables against the subject's average area of 17,500 square meters.

Based on the preceding analysis, we conclude that the larger parcels (with areas larger than 3,700 square meters) require a negative 5% adjustment for size, and the smaller parcels (with areas smaller than 1,800 square meters) require a 15% higher adjustment, meaning a negative 20% adjustment.

Economic Characteristics

Credit with Puerto Rico Aqueducts and Sewers Authority (\$1,000 per Unit)

According to the client, there is an Memorandum of Understanding (MOU) with the Puerto Rico Aqueducts and Sewers Authority by which the subject units will not have to pay the typical connection fee of \$1,000 per unit. This credit was agreed for a 15-year term, of which 5 have elapsed leaving 10 years remaining. Only \$1,000 per built unit can be claimed, and any unclaimed credits after the 10 years remaining will expire.

In our opinion, the impact in value of this credit is not dollar for dollar, since the comparable sales in which we will base our final value conclusions either were developed with Low Income Housing Tax Credits (which allowed developers to claim tax credits in a portion of the construction costs), or had other forms of subsidies from the government. Furthermore, the credit would apply only to the units built within the 10 years remaining as per the MOU. Considering this, we will not apply an adjustment for this condition, but rather will consider it qualitatively in our final unitary value reconciliation.

Use, Non-Realty Components of Value

All comparable transactions are considered similar in these elements of comparison to the subject property, so no adjustments are required.

Adjustment Grid

The following table summarizes the adjustment process carried out:

COMPARABLE SITE TRANSACTIONS - ADJUSTMENT GRID

Element	Transaction 1 - Sale	Transaction 2 - Sale	Transaction 3 - Sale	Transaction 4 - Sale
Sale Price	\$860,000	\$740,000	\$1,915,449	\$1,300,000
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment	\$0	\$0	\$0	\$0
Adjusted Price	\$860,000	\$740,000	\$1,915,449	\$1,300,000
Financing Terms	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment	\$0	\$0	\$0	\$0
Adjusted Price	\$860,000	\$740,000	\$1,915,449	\$1,300,000
Conditions of Sale	Typical	Typical	Typical	Typical
Adjustment	\$0	\$0	\$0	\$0
Adjusted Price	\$860,000	\$740,000	\$1,915,449	\$1,300,000
Expenditures after Purchase	None	None	None	None
Adjustment	\$0	\$0	\$0	\$0
Adjusted Price	\$860,000	\$740,000	\$1,915,449	\$1,300,000
Date of Sale	August-13	June-13	December-13	October-11
Comparison	Similar	Similar	Similar	Similar
Adjustment	0.0%	0.0%	0.0%	0.0%
Adjusted Price	\$860,000	\$740,000	\$1,915,449	\$1,300,000
Size (SM)	1,657.12	1,210.80	1,744.92	3,763.91
Basic Living Units (BLU)	59	44	72	96
Units/Cuerda	139	144	162	100
Adjusted Price/SM	\$518.97	\$611.17	\$1,097.73	\$345.39
Adjusted Price/BLU	\$14,626	\$16,667	\$26,603	\$13,542
Adjusted Price/Unit	\$8,776	\$10,000	\$15,962	\$8,125
Quantitative Adjustments				
Size	-20%	-20%	-20%	-5%
Adjusted Unit Price (\$/BLU)	\$11,701	\$13,333	\$21,283	\$12,865
Qualitative Adjustments				
Location	Neutral	Neutral	Neutral	Neutral
Physical Characteristics	Neutral	Neutral	Neutral	Neutral
Economic / Use / Non-Realty Items	Neutral	Neutral	Neutral	Neutral
Overall Direction of Adjustments	Neutral	Neutral	Neutral	Neutral

COMPARABLE SITE TRANSACTIONS - ADJUSTMENT GRID

Element	Transaction 5 - Option	Transaction 6 - Sale	Transaction 7 - Sale
Sale Price	\$1,782,500	\$2,722,500	\$1,500,000
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple
Adjustment	\$0	\$0	\$0
Adjusted Price	\$1,782,500	\$2,722,500	\$1,500,000
Financing Terms	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment	\$0	\$0	\$0
Adjusted Price	\$1,782,500	\$2,722,500	\$1,500,000
Conditions of Sale	Typical	Typical	Typical
Adjustment	\$0	\$0	\$0
Adjusted Price	\$1,782,500	\$2,722,500	\$1,500,000
Expenditures after Purchase	None	None	None
Adjustment	\$0	\$0	\$0
Adjusted Price	\$1,782,500	\$2,722,500	\$1,500,000
Date of Sale	September-15	February-12	August-15
Comparison	Similar	Similar	Similar
Adjustment	0.0%	0.0%	0.0%
Adjusted Price	\$1,782,500	\$2,722,500	\$1,500,000
Size (SM)	4,128.62	22,687.66	8,626.64
Basic Living Units (BLU)	84	150	N/A
Units/Cuerda	80	26	N/A
Adjusted Price/SM	\$431.74	\$120.00	\$173.88
Adjusted Price/BLU	\$21,220	\$18,150	N/A
Adjusted Price/Unit	\$12,732	\$18,150	N/A
Quantitative Adjustments			
Size	-5%	0%	N/A
Adjusted Unit Price (\$/BLU)	\$20,159	\$18,150	N/A
Qualitative Adjustments			
Location	Neutral	Neutral	Neutral
Physical Characteristics	Neutral	Neutral	Neutral
Economic / Use / Non-Realty Items	Neutral	Neutral	Neutral
Overall Direction of Adjustments	Neutral	Neutral	Neutral

Reconciliation – Residential Parcels Part of Master Plan

The adjusted unitary prices for Transactions 1 to 6 (the number of BLU's in Transaction 7 could not be determined) are summarized below:

Transaction	BLU/Cuerda	Price/BLU	Price/SM
Transaction 3	162	\$21,283	\$878
Transaction 2	144	\$13,333	\$489
Transaction 1	139	\$11,701	\$415
Transaction 4	100	\$12,865	\$328
Transaction 5	80	\$20,159	\$410
Average	125	\$15,868	\$504
Median	139	\$13,333	\$415
Parcels 1, 2, 5, 7, 9	61		
Transaction 6	26	\$18,150	\$120

The preceding table demonstrates that typically, projects with higher density have a lower price per BLU than projects with lower density. This means that the subject fully residential parcels, with an average density of 61 units per cuerda, have an average unitary value lower than \$18,150 per BLU indicated by Transaction 6 at 26 units per cuerda, and greater than a rounded \$14,500, the mid-point indication between the average and the median of Transactions 1 to 5. Considering this, as well as the potential impact of the MOU with the Puerto Rico Aqueducts and Sewers Authority, we conclude a unitary market value indication of \$16,000 per BLU. With this indication, we calculated the individual values of Parcels 1, 2, 5, 7 and 9 as follows:

Parcel	Area (SM)	Use	BLU	Units/Cda	Value/BLU	Value (Rd)	Per SM
1	26,130.25	Residential	375	56.41	\$16,000	\$6,000,000	\$230
2	9,445.38	Residential	150	62.42	\$16,000	\$2,400,000	\$254
5	20,665.21	Residential	300	57.06	\$16,000	\$4,800,000	\$232
7	14,492.96	Residential	250	67.80	\$16,000	\$4,000,000	\$276
9	11,604.21	Residential	200	67.74	\$16,000	\$3,200,000	\$276
Total/Average	82,338.01	Residential	1,275	60.86	\$16,000	\$20,400,000	\$248

The preceding value, calculated using the sale price per BLU as the unit of comparison, is equivalent to an average \$248 per square meter. This is logical since higher-density parcels do show a greater value per square meter and vice-versa. Therefore, it is logical that the inferred value is lower than those of Transactions 1 to 5, and greater than that of Transaction 6. The inferred value is also greater than the \$174/sm of Transaction 7, which does not have the right to claim tax credits.

Reconciliation – Mixed Use Parcels Part of Master Plan

To value the mixed-use parcels that are part of the subject master plan, we converted the assigned commercial areas to additional BLU's using an allowance of 1,200 square feet per BLU. With this, and the concluded unitary value above, we calculated the individual values of Parcels 3, 4, 8 and 10 as follows:

Parcel	Area (SM)	Use	BLU	BLU Converted	Units/Cda	Value/BLU	Value (Rd)	Per SM
3	22,487.17	Mixed-Use	350/47,000	389	68.02	\$16,000	\$6,200,000	\$276
4	27,328.11	Mixed-Use	400/55,000	446	55.97	\$16,000	\$7,100,000	\$260
8	16,370.71	Mixed-Use	300/5,000	304	93.43	\$16,000	\$4,900,000	\$299
10	16,251.48	Mixed-Use	267/5,000	271	94.12	\$16,000	\$4,300,000	\$265
Total/Average	82,437.47	Mixed-Use	1,317/70,700	1,410	65.60	\$16,000	\$22,500,000	\$273

Reconciliation – Residential Parcels Not Part of Master Plan (R-1 and 12)

To value the residential parcels not part of the master plan, we will consider that the inferred value per square meter for the full residential parcels in the master plan was estimated at a rounded \$248 per square meter. We will apply a 30% negative adjustment to this value, to account for the fact that these subject properties will require a more extensive permitting process. This negative adjustment results in an adjusted unitary market value rounded at \$175 per square meter.

With the above indication, we calculated the individual values of these two subject properties as follows:

Parcel	Area (SM)	Use	Value/SM	Value
R-1	25,430.13	Residential	\$175	\$4,500,000
12	3,957.14	Residential	\$175	\$700,000
Total/Average	29,387.27	Residential	\$175	5,200,000

PART I
SECTION B
VALUATION OF PARCEL 6 (INSTITUTIONAL PARCEL)

Valuation Technique

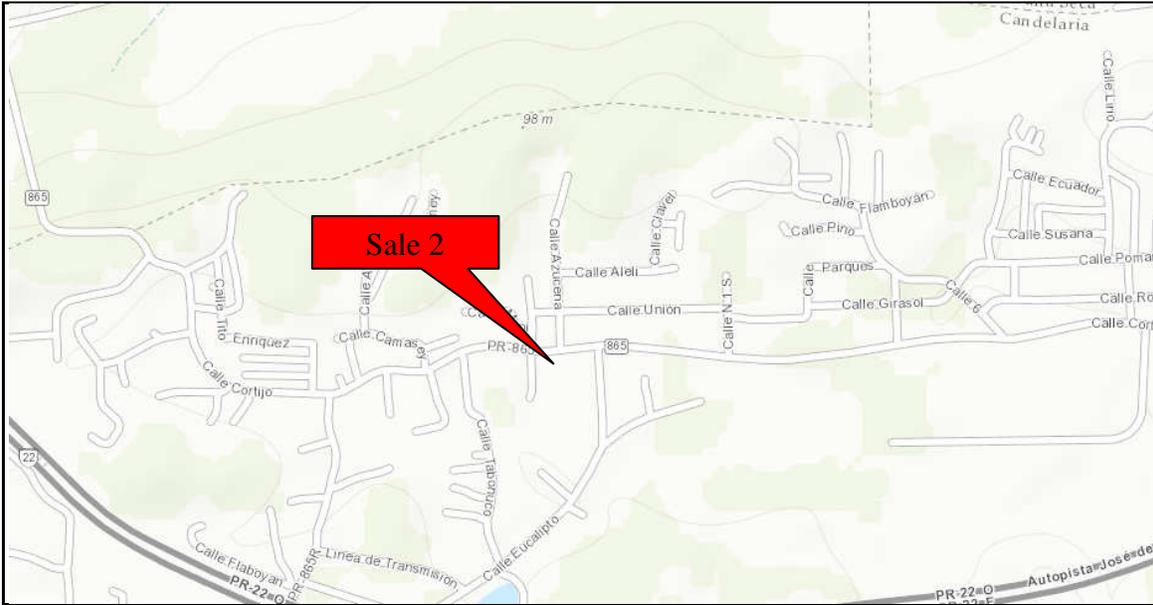
The institutional parcel will be valued using the Sales Comparison Approach. The steps in the approach were presented in the preceding section.

Sales Comparison Approach

The following table contains the relevant information of the comparable sales used in this analysis:

SUMMARY OF COMPARABLE SITE TRANSACTIONS

	Transaction-1	Transaction-2	Transaction-3	Transaction-4
Location	Lot 1 C-A, Road PR-199 Santa Rosa Ward Guaynabo PR	South of Road PR-865 Candelaria ward Toa Baja PR	Northwest corner of Tapia and Rivero Streets, Pueblo Ward Guaynabo, Puerto Rico	Lot IV-4 Parque Escorial Development Carolina, Puerto Rico
Date of Sale	August-12	May-12	September-13	June-13
Seller	Desarrolladora Parklane, LLC	AirCon, Inc.	Municipio de Guaynabo	Land Development Associates
Buyer	Municipio de Guaynabo	Iglesia Discipulos de Cristo	Atlantic University Collage	The Universal Church, Inc.
Deed	January-00	33	32	222
Notary	Rafael Quiñonez Vigo, esq.	Priscilla Alvarez Torres, Esq.	Rafael Quiñones Vigo, Esq	José A. Rivera
Sale Price	\$926,700	\$625,000	\$1,004,000	\$1,410,000
Area of Parcel (Square Meters)	8,797.42	6,053.00	4,081.06	7,774.39
Unit Price (S.P. per SM)	\$105.34	\$103.25	\$246.01	\$181.36
Zoning	R-I (Intermediate Residential)	C-I (Intermediate Commercial)	Dotacional	C-I (Intermediate Commercial)
Topography	Level below street grade	Level	Level	Level
Flooding	Zone A	Zone X - Minimal	Zone X - Minimal	Zone X - Minimal
Shape	Almost rectangular	Rectangular	Rectangular	Rectangular
Highest & Best Use	Institutional	Institutional	Institutional	Institutional
Comments	The municipality of Guaynabo purchased the site for its future development for institutional purposes. The buyer archived a zoning change after the purchase from residential to commercial.	It was purchased by a local religious (church) organization. This property was previously purchased on 2005 by Air Con (current seller) for \$875,000. These two transactions reflect a drop in price of a rounded 29%.	The property was purchased by the owner of an adjacent property for expansion of its institutional facility.	The property was purchased by a church to build a temple. The project never materialized and the parcel is again in the market. A recent offer of \$1,000,000 or \$128.63 was received.



LAND SALES MAP





LAND SALE MAP

Analysis of the Comparable Transactions

For the valuation of the subject institutional parcel, we listed four transactions acquired for the development of institutional uses. The transactions took place between 2012 and 2013 and are the only parcels available for analysis. They vary in size from 4,081 to 8,797 square meters and their unitary prices range from a rounded \$100 to \$245 per square meters.

Adjustment Process

The adjustment process was explained in the preceding section.

Real Property Rights Conveyed Adjustment

The comparable transactions were transferred in fee simple estate, the same rights appraised for the subject parcel. Therefore, no adjustments for this element of comparison are required.

Financing Terms Adjustment

All comparable transactions had all cash to seller terms, so no adjustments for this element of comparison are necessary.

Conditions of Sale Adjustment

This adjustment calls for positive or negative adjustments to the comparable transactions where either the seller or buyer was motivated by undue stimulus. No atypical conditions of sale existed in the transactions, since all were driven by the buyer's specific needs, and not by investment/feasibility considerations. Therefore, none of the sales requires an adjustment for this element of comparison.

Expenditures Made Immediately After Purchase

None of the transactions required expenditures immediately after the purchase, so no adjustments are necessary for this element of comparison.

Market Conditions Adjustment

Adjustments for market conditions are sometimes necessary to reflect the fact that since the time the comparable sales were transacted, general values may have appreciated or depreciated due to inflation or deflation and investor's perceptions of market conditions may have changed. The four sales took place between 2012 and 2013. The Puerto Rico economy has continued to deteriorate since, and the fact that no more recent sales are available is indicative of the need for a negative market conditions adjustment. For analysis purposes, we will apply a negative 3% per year adjustment to all transactions.

Location

Transactions 1 and 3 are similar to the subject in terms of access and overall appeal as an institutional parcel, and therefore do not require an adjustment for location. The location of Transaction 2 ranks inferior to the subject on a qualitative basis since is located in Toa Baja and the overall appeal of its neighborhood is inferior. Therefore, this sale requires a positive adjustment for location. Transaction 4 is located within Parque Escorial, a planned unit development in Carolina considered to have similar location characteristics to the subject. Therefore, it is considered similar in location and does not require an adjustment for this element of comparison.

Physical Characteristics

Zoning

Given their institutional end use, which is allowed under the zoning classification of the comparable sales, we are of the opinion that no adjustment for this element of comparison is warranted.

Flood Zone Condition

Transaction 1 falls within a flood-prone area, and is thus considered inferior to the subject on this element of comparison. Transactions 2 to 4 are similar to the subject, as they fall outside flood-prone areas. Therefore, they do not require an adjustment for this element of comparison.

Size

All transactions are smaller than the subject. Therefore, all of them require a negative adjustment for this element of comparison.

Economic Characteristics, Use, Non-Realty Components of Value

All comparable transactions are considered similar in these elements of comparison to the subject properties, so no adjustments are required.

Adjustment Grid

The adjustment grid summarizing the process previously described follows:

COMPARABLE SITE TRANSACTIONS - ADJUSTMENT GRID - AS IS CONDITION

Element	Transaction-1	Transaction-2	Transaction-3	Transaction-4
Sale Price	\$926,700	\$625,000	\$1,004,000	\$1,410,000
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment	\$0	\$0	\$0	\$0
Adjusted Price	\$926,700	\$625,000	\$1,004,000	\$1,410,000
Financing Terms	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment	\$0	\$0	\$0	\$0
Adjusted Price	\$926,700	\$625,000	\$1,004,000	\$1,410,000
Conditions of Sale	Typical	Typical	Typical	Typical
Adjustment	\$0	\$0	\$0	\$0
Adjusted Price	\$926,700	\$625,000	\$1,004,000	\$1,410,000
Expenditures after Purchase	None	None	None	None
Adjustment	\$0	\$0	\$0	\$0
Adjusted Price	\$926,700	\$625,000	\$1,004,000	\$1,410,000
Date of Sale	August-12	May-12	September-13	June-13
Comparison	-3%	Superior	Superior	Superior
Years Elapsed	4.16	4.47	3.13	3.34
Adjustment	-11.9%	-12.7%	-9.1%	-9.7%
Adjusted Price	\$816,371	\$545,468	\$912,661	\$1,273,728
Size (SM)	8,797.42	6,053.00	4,081.06	7,774.39
Adjusted Price/SM	\$92.80	\$90.12	\$223.63	\$163.84
Location and Other Characteristics				
Location	Similar	Inferior + +	Similar	Similar
Flood Zone	Inferior	Similar	Similar	Similar
Zoning	Similar	Similar	Similar	Similar
Size	Superior	Superior - -	Superior - -	Superior
Adjusted Price/SM	\$92.80	\$90.12	\$223.63	\$163.84
Direction of Qualitative Adjustments	Neutral	Neutral	Negative	Negative
Relative Comparison to Subject	Similar	Similar	Superior - -	Superior

Reconciliation

The adjusted comparable sales indicate that the unitary market value of the property should be between a rounded \$90 and \$95 per square meter. We therefore conclude with an indication of \$95 per square meter.

With the preceding unitary value conclusion, we arrived at the following value conclusion for the subject institutional parcel.

Area (SM)	Value/SM	Value	Rounded
16,324.58	\$95	\$1,550,835	\$1,600,000

PART I
SECTION C
VALUATION OF PARCELS P-1 TO P-4
(PARK PARCELS)

Valuation of Utilities and Park Parcels

The park parcels constitute an amenity of the community, without any value attributable to them from an investor's perspective when purchasing the subject properties as a single asset. Rather, they enhance the value of the residential parcels. For this reason, we conclude that a typical market participant considering a transaction of the subject parcels as a single property would not assign a market value to these particular lots.

PART I
SECTION D
VALUATION OF NON-DEVELOPABLE PARCELS

Valuation Technique

Parcel X-1 is a remnant parcel, located at the west boundary of the original tract in which the master plan was developed. It is impacted by transmission lines of the Puerto Rico Electric Power Authority, and it is zoned for forest (B-Q), a very limiting zoning classification. Currently, the Municipality of Bayamón uses the parcel as per an Entrance and Occupation Agreement. A copy of the document is included in the addenda for reference. As requested by the client, this parcel is being appraised as though unencumbered by such agreement. In the Highest and Best Use Analysis, we concluded that this parcel's highest and best use is an accessory use with no vertical construction, given the limitations imposed by zoning and more importantly by the electrical right of way running over the parcel. It will be valued using the Sales Comparison Approach, whose steps were explained in a preceding section.

Parcel X-2 is a remnant parcel, located adjacent and east of the master plan parcels. This parcel consists of a wetlands/mitigation area, required by the United States Army Corps of Engineers as part of the approval process for the master plan. This parcel has no development potential, and its only possible use is conservation. Since its conservation was mandated as part of the permitting process for the master plan, it cannot take advantage of the tax credits available under Law 183 of December 27, 2001 as amended, as per Article 4 (11) of said law. In our opinion, this parcel, which is a requirement for the master plan to be approved, has no market value.

Sales Comparison Approach

The following table contains the relevant information of the comparable sales used in this analysis. Given the limitations on Parcel X-1, we conclude that the best comparables are remnant parcels adjacent to residential developments, which lack development potential and were sold for conservation. Two such transactions were obtained. They are presented below.

SUMMARY OF COMPARABLE SITE TRANSACTIONS

	Transaction 1	Transaction 2
Location	Lot E-1 (Remnant) Ciudad Jardín Bairoa Bairoa Ward Caguas, PR	End of Colini Street Bairoa Ward Caguas, PR
Date of Sale	September-15	September-15
Seller	Eslegna, Inc.	Figue Holdings Corp.
Buyer	Fideicomiso de Conservación de PR	Fideicomiso de Conservación de PR
Deed	3	4
Notary	N/A	N/A
Sale Price	\$152,000	\$131,000
Area of Parcel (Cuerdas)	13.79	11.94
Area of Parce (SM)	54,188.70	46,928.86
Unit Price (S.P. per Cuerda)	\$11,025	\$10,972
Unit Price (S.P. per SM)	\$2.81	\$2.79
Highest & Best Use	Conservation	Conservation
Comments	This is a remnant parcel of a single-family residential subdivision.	This is a parcel located adjacent to a single-family residential subdivision.

Analysis of the Comparable Transactions

The two comparable sales were purchased for conservation use. They are considered the most recent and comparable sales that can be used to determine the market value of Parcel X-1.

Adjustment Process

The adjustment process was explained in a preceding section.

Real Property Rights Conveyed Adjustment

The comparable transactions were transferred in fee simple estate, the same rights appraised for the subject property components. Therefore, no adjustments for this element of comparison are required.

Financing Terms Adjustment

Both comparable transactions had all cash to seller terms, so no adjustments for this element of comparison are necessary.

Conditions of Sale Adjustment

This adjustment calls for analysis and positive or negative adjustments to the sales where either the seller or buyer were motivated by undue stimulus. No such condition existed in any of the transactions, so no adjustments for this element of comparison are necessary.

Expenditures Made Immediately After Sale

This is an adjustment that is required when the property being purchased has structures that need to be demolished or significant requirements in order to make the property functional. In the case at hand, no such expenditures were necessary so no adjustments for this element of comparison are necessary.

Market Conditions Adjustment

Adjustments for market conditions are sometimes necessary to reflect the fact that since the time the comparable sales were transacted, general values may have appreciated or depreciated due to inflation or deflation and investor's perceptions of market conditions may have changed. The two transactions date from 2015, so they are recent. Therefore, no adjustments for market conditions are required.

Location

The comparable transactions are located in Caguas, adjacent to residential developments. They have similar location characteristics to the subject, and therefore do not require adjustments for this element of comparison.

Physical Characteristics

The two sales are considered similar to the subject in how the market views their physical characteristics for purposes of conservation. Therefore, they do not require adjustments for these elements of comparison.

Use Characteristics

The comparable properties have the same use as the highest and best use concluded for the subject, so no other adjustments are required.

Economic Characteristics, Non-Realty Components of Value

All comparable transactions are considered similar in these elements of comparison to the subject properties, so no adjustments are required.

Adjustment Grid

The adjustment grid summarizing the process previously described follows:

COMPARABLE SITE TRANSACTIONS - ADJUSTMENT GRID

Element	Transaction 1	Transaction 2
Sale Price	\$152,000	\$131,000
Property Rights Conveyed	Fee Simple	Fee Simple
Adjustment	\$0	\$0
Adjusted Price	\$152,000	\$131,000
Financing Terms	Cash to Seller	Cash to Seller
Adjustment	\$0	\$0
Adjusted Price	\$152,000	\$131,000
Conditions of Sale	Typical	Typical
Adjustment	\$0	\$0
Adjusted Price	\$152,000	\$131,000
Expenditures after Purchase	None	None
Adjustment	\$0	\$0
Adjusted Price	\$152,000	\$131,000
Date of Sale	September-15	September-15
Comparison	Similar	Similar
Adjustment	0.0%	0.0%
Adjusted Price	\$152,000	\$131,000
Size (SM)	54,188.70	46,928.86
Adjusted Price/SM	\$2.81	\$2.79
Qualitative Adjustments		
Location	Neutral	Neutral
Physical Characteristics	Neutral	Neutral
Use Characteristics	0%	0%
Adjusted Price/SM	\$2.81	\$2.79
Overall Direction of Adjustments	Neutral	Neutral

Reconciliation

The adjusted sales cluster around a unitary indication of close to \$3.00 per square meter, equivalent to \$11,000 per cuerda. Considering this, we conclude with a unitary market value of \$3.00 per square meter for Parcel X-1.

With the preceding unitary value conclusion, we arrived at the following value conclusion for the subject parcel:

Area (SM)	Value/SM	Value	Rounded
85,040.58	\$3.00	\$255,122	\$300,000

PART II
ESTIMATED ABSORPTION AND APPRECIATION

Absorption – Residential and Mixed – Use Parcels

The following table demonstrates the rapid absorption rate of affordable rental housing projects, both for the elderly and for families.

For Rent Projects

Project	Municipality	New/Conversion	Target	Year Completed	Units	Months Rented	Units/Month	Units/Yr
Golden Residence	San Juan	New	Elderly	2013	160	4	40	480
View Point	San Juan	New	Elderly	2015	120	3	40	480
Plaza Gran Victoria	San Juan	New	Elderly	2015	98	3	33	392
Metropolis	San Juan	Conversion	Families/Elderly	2014	185	6	31	370

The preceding table shows that LIHTC projects have rapid absorptions, with the four projects analyzed achieving full occupancy from 3 to 6 months after completion, with inferred absorption rates of 30 to 40 units per month, or 370 to 480 units per year.

This does not mean that Río Bayamón North can consistently achieve such a rapid absorption rate, since the preceding projects are located in different areas of San Juan, whereas the subject properties are all at a single location and thus cannot capture all demand in and of itself.

Considering this, we conclude with an average absorption rate of 300 units per year for three years, and of 150 units per year after that. We will forecast the sale of the first residential parcel on Year 0, since the project's infrastructure has been completed and the parcels are ready to come into the market.

We will consider that Parcels 1 and 2, with views to the active area of the park, would be the first ones to be developed. The next parcels would be Parcels 8 and 10, which have views to the park, followed by Parcels 9, 7 and 5 which have views to the park but bound with the perimeter of the project at the rear so they are less attractive than Parcels 8 and 10. The last two parcels within the master plant that will be forecasted to be developed are Parcels 3 and 4, with the large commercial areas. After that, we will forecast the absorption of Parcels R-1 and 12, the two residential remnant parcels without units assigned in the master plan.

The following table shows the timing for each of the subject residential development properties coming into the market, beginning in Year 0.

ABSORPTION SCHEDULE

Year	Units/Year	1	2	8	10	9	7	5	3	4	R-1/12
0	N/A	375									
1	300	75									
2	300	(225)	150								
3	300		(150)	300							
4	150			150							
5	150			0	267						
6	150				117						
7	150				(33)	200					
8	150					50					
9	150					(100)	250				
10	150						100				
11	150						(50)	300			
12	150							150			
13	150							0	350		
14	150								200		
15	150								50		
16	150								(100)	400	
17	150									250	
18	150									100	
19	150									(50)	R-1/12

Appreciation

No appreciation will be considered for the first five years while the economy recuperates. After that, a rounded 3% per year increase in land values will be forecasted.

<p>PART III ESTIMATED SALES, MARKETING AND HOLDING EXPENSES</p>

Marketing and Holding Expenses

The following sales, marketing and holding expenses will be considered in the Discounted Cash Flow:

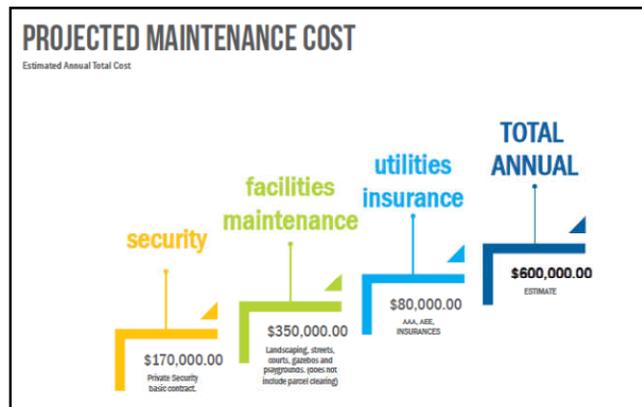
Supervision and Administration Costs:	\$60,000 per year
Property Taxes, Miscellaneous:	1% of sales revenues, pro-rated
Marketing Expenses	2% of sales revenues, pro-rated
Sales Expenses	2% of sales revenues
Park Maintenance	See computation below
Maintenance of Wetlands/Mitigation Area (Parcel X-2)	See computation below

Park Maintenance

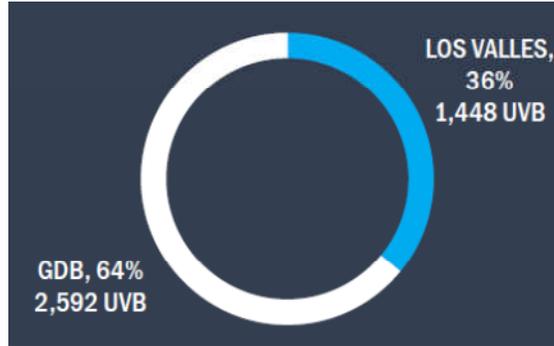
The following table summarizes the park maintenance expenses, as provided by the GDB and assumed correct for purposes of this appraisal.

MAINTENANCE COSTS				
COMPANY	DESCRIPTION	MONTHLY	MONTHS	ANNUAL
TWINS	Parks maintenance, street medians maintenance.	\$ 11,449.00	12.0	\$137,388.00
RANGER	Security	\$ 10,000.00	12.0	\$120,000.00
AEE	Electricity for streets parks, courts.			\$60,000.00
AAA	Water for parks, courts.			\$10,000.00
SEGUROS	Public liability, etc.			N/A
TOTAL		\$ 21,449.00		\$327,388.00

The preceding table indicates annual expenses of close to \$330,000, plus insurance expenses that were not provided. The preceding amounts are a function of the park not being in operation. With the park facilities operating, it is likely that these expenses will increase. A presentation prepared in 2015 of the project shows an estimate of \$600,000 per year, as shown below:



For analysis purposes, we will consider annual expenses rounded at \$600,000. According to the client, as demonstrated in the following image, the subject property accounts for 64% of the basic living units approved at the project. Therefore, we will consider 64% of the \$600,000 annual maintenance expenses, or \$384,000 per year.



The maintenance expenses will be pro-rated among the adjusted basic living units in the developable parcels that are plan of the master plan (Parcels 1 to 5 and 7 to 10). These parcels add up to 2,685 adjusted basic living units (BLU), so the subject’s park maintenance expenses are equivalent to \$143 per unit per year. In the DCF, once a parcel is developed, we will assume that the project in said parcel will contribute the \$143 per unit per year, so the expenses in the DCF will decrease as the parcels are projected to be developed. A 3% annual increment for inflation will be projected.

Mitigation Parcel Expenses

The following table summarizes the maintenance expenses for the wetlands/mitigation area (Parcel X-2), as provided by the GDB and assumed correct for purposes of this appraisal. According to the documentation submitted by the client, these expenses are required only until May 31, 2019. This will be considered in the Discounted Cash Flow.

MAINTENANCE COSTS				
COMPANY	DESCRIPTION	MONTHLY	MONTHS	ANNUAL
AMBIENTA	Maintenance of wetlands and preparation of reports for U.S. Army Corps of Engineers	\$ 6,900.00	12.0	\$82,800.00

A 3% annual increment for inflation will be projected.

<p>PART IV DISCOUNT (YIELD) RATE</p>
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Discount Rate Selection

A Discounted Cash Flow (DCF) analysis can be carried out either by considering profit as a line item expense and discounting the resulting cash flows at a discount rate that considers only time value of money and risk, or by using a discount rate that includes profit, and is a true yield rate or IRR (internal rate of return). We selected the second alternative since there is better benchmark data to select an appropriate discount rate.

The following table shows the published indication from two applicable sources:

Source	As of	Min	Max	Average
PWC Real Estate Investors Survey	Second Quarter 2016	10.00%	20.00%	15.50%
Realty Rates (Mixed Use)	Second Quarter 2017	9.10%	28.29%	18.14%

The above benchmarks are for the full development process, which includes both construction and absorption risk.

In order to conclude with an appropriate discount rate, considered the following issues:

Reduced-Risk Factors:

- Infrastructure development is completed so there is no construction risk
- We are estimating a discount rate for the timing of the parcels coming into the market and not for their development per se

Increased-Risk Factors:

- There are 2,685 basic living units, and the absorption period is long, adding risk to the projection.

Based on the preceding factors, we conclude with a discount rate between the minimum and average indications published by PWC, for a rounded 12.5%. For parcels expected to come into the market in Year 0, we deducted a profit allowance of 10% of the price from these sales since a buyer of the entire property would also require a profit/return on these parcels.

<p>PART V DISCOUNTED CASH FLOWS</p>

Discounted Cash Flow

The discounted cash flows of the project follow.

*Government Development Bank for Puerto Rico
 Re: Parcels 1 to 10, P-1 to P-4, R-1, 12, X-1, X-2 Río Bayamón North Community
 November 1, 2016
 Page 92*

				11	12	13	14	15	16	17	18	19	20	
RIO BAYAMON PARCELS - GDB														
ITEM				Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Total
				11	12	13	14	15	16	17	18	19	20	
REVENUES														
ARV-Residential Parcels				\$5,700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,800,000	\$0	\$29,800,000
ARV-Mixed-Use Parcels				\$0	\$0	\$7,900,000	\$0	\$0	\$9,900,000	\$0	\$0	\$0	\$0	\$27,000,000
ARV-Institutional Parcel				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,700,000
ARV-Commercial Parcel				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ARV-Other Parcels				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300,000
TOTAL REVENUES				\$5,700,000	\$0	\$7,900,000	\$0	\$0	\$9,900,000	\$0	\$0	\$7,800,000	\$0	\$58,800,000
DEVELOPMENT COSTS														
	Total Project Cost	Years	Annual Inc.											
Supervision and Administration	\$60,000	all	0%	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$1,200,000
Taxes, Miscellaneous	1.0%			\$29,400	\$29,400	\$29,400	\$29,400	\$29,400	\$29,400	\$29,400	\$29,400	\$29,400	\$29,400	\$588,000
Marketing Expenses	2.0%			\$58,800	\$58,800	\$58,800	\$58,800	\$58,800	\$58,800	\$58,800	\$58,800	\$58,800	\$58,800	\$1,176,000
Sales Expenses	2.0%			\$114,000	\$0	\$158,000	\$0	\$0	\$198,000	\$0	\$0	\$156,000	\$0	\$1,176,000
Central Park Maintenance (Per Unit Per Year)	\$143		3%	\$218,150	\$194,999	\$170,263	\$134,521	\$96,481	\$99,376	\$51,178	\$0	\$0	\$0	\$4,247,633
Mitigation Area Maintenance Per Year	\$82,800			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$226,646
Entrepreneurial Incentive	10%			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$800,000
Total Expenses				\$480,350	\$343,199	\$476,463	\$282,721	\$244,681	\$445,576	\$199,378	\$148,200	\$304,200	\$148,200	\$9,414,279
Net Retail Sales				\$5,219,650	(\$343,199)	\$7,423,537	(\$282,721)	(\$244,681)	\$9,454,424	(\$199,378)	(\$148,200)	\$7,495,800	(\$148,200)	\$49,385,721
Present Worth Factor	12.50%			0.2737	0.2433	0.2163	0.1922	0.1709	0.1519	0.1350	0.1200	0.1067	0.0948	
Present Worth of Stream	12.50%			\$1,428,774	(\$83,506)	\$1,605,566	(\$54,353)	(\$41,813)	\$1,436,133	(\$26,921)	(\$17,787)	\$799,687	(\$14,054)	\$19,587,217
Cumulative Value				\$15,984,265	\$15,900,759	\$17,506,325	\$17,451,972	\$17,410,159	\$18,846,292	\$18,819,371	\$18,801,584	\$19,601,271	\$19,587,217	\$0
Discounted Market Value														

RECONCILIATION AND FINAL VALUE OPINIONS

Approaches Developed

The subject property was valued using a Subdivision Analysis method, with a Discounted Cash Flow. The values of the individual parcels were estimated using the Sales Comparison Approach.

Value Indications

The following two tables present our final value conclusions. The first table shows individual market values of the parcels comprising the subject property, assuming there would be demand for their concurrent development as of a current date. The second table shows the market value of the combined subject property under a “bulk sale” scenario, known as the Bulk Value or Market Value to a Single Purchaser. This value is lower than the aggregate of retail values since a buyer of the subject property would have to incur in sales and holding expenses, and would also require a return on the investment since the project would be developed (or the individual parcels re-sold) during a prolonged absorption period that depends of future demand. Therefore, a typical buyer would not be able to pay the retail value of the parcels since it would then make non-feasible any future development.

Aggregate of Retail Values as of October 18, 2016

Parcel #	Units or SM	\$/Unit or SM	ARV	Parcel #	Units or SM	\$/Unit or SM	ARV				
1	375	\$16,000	\$6,000,000	6	17,811	\$95	\$1,700,000				
2	150	\$16,000	\$2,400,000	Total Institutional	17,811	\$95	\$1,700,000				
5	300	\$16,000	\$4,800,000	X-1	85,040.58	\$3	\$300,000				
7	250	\$16,000	\$4,000,000	X-2	26,372.71	\$0	\$0				
9	200	\$16,000	\$3,200,000	Total Other Parcels	111,413.29	\$3	\$300,000				
R-1	25,430.13	\$175	\$4,500,000								
12	3,957.14	\$175	\$700,000								
Total Residential	1,275		\$25,600,000								
3	389	\$16,000	\$6,200,000								
4	446	\$16,000	\$7,100,000								
8	304	\$16,000	\$4,900,000								
10	271	\$16,000	\$4,300,000								
Total Mixed-use	1,410	\$16,000	\$22,500,000								
Grand Total (ASSUMING ALL SOLD AT PRESENT TIME. TOTAL IN DCF IS HIGHER DUE TO PROJECTED PRICE INCREASES)								\$50,100,000			

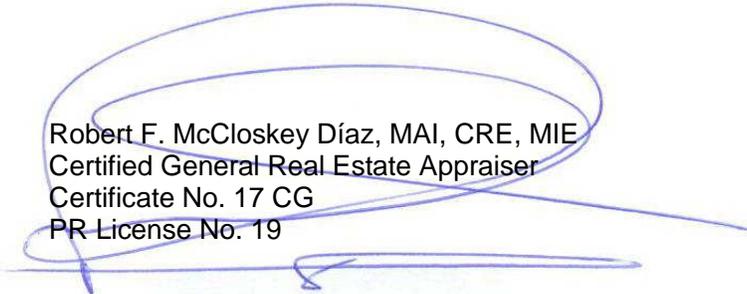
Bulk Value (Market Value to a Single Purchaser) as of October 18, 2016

Type of Value	Effective Date	Market Value
Market Value to a Single Purchaser (Bulk Value)	10/18/2016	\$19,600,000

CERTIFICATION OF THE APPRAISER

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 are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have performed an appraisal of the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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.
- My 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 opinion, the attainment of stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional appraisal assistance in the preparation of this report.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- 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, I, **Robert F. McCloskey Díaz**, have completed the requirements under the continuing education program of the Appraisal Institute.

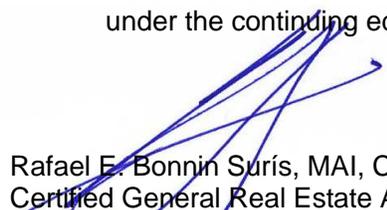


Robert F. McCloskey Díaz, MAI, CRE, MIE
Certified General Real Estate Appraiser
Certificate No. 17 CG
PR License No. 19

CERTIFICATION OF THE APPRAISER

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 are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have performed an appraisal of the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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.
- My 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 opinion, the attainment of stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional appraisal assistance in the preparation of this report.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- 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, I, **Rafael E. Bonnin Surís**, have completed the requirements under the continuing education program of the Appraisal Institute.


Rafael E. Bonnin Surís, MAI, CRE
Certified General Real Estate Appraiser
Certificate No. 11 CG
PR License No. 613

ADDENDA

QUALIFICATIONS OF THE APPRAISERS

PROFESSIONAL QUALIFICATIONS

Robert F. McCloskey Díaz, MAI, CRE, MIE

President, McCloskey, Mulet & Bonnin, Appraisers, P.S.C.

Designations

MAI-	Appraisal Institute
CRE-	The Counselors of Real Estate
SRA-	Appraisal Institute
MIE-	Institute of Evaluators of Puerto Rico

Education

Cornell University, Ithaca, New York

University of Puerto Rico, Río Piedras, Puerto Rico - B.B.A.

Licenses

Puerto Rico Appraiser License No. 19

Certified Real Estate Appraiser

Commonwealth of Puerto Rico

Certificate No. 17

(In Compliance with Title XI of FIRREA)

Government of the Virgin Islands of the United States

Certificate No. 0-13909-2B

Qualified Appraiser

Banco Cooperativo de P. R.

Banco Gubernamental de Fomento de PR

Banco Popular de Puerto Rico

Banco Santander de Puerto Rico

Bank of Boston

Bank of Nova Scotia

Chase Manhattan Bank, N. A.

Chase Manhattan Bank, N. A. - New York

Chase Manhattan Bank, N. A. - St. Thomas, U.S.V.I.

Citibank, N A.

Deutsche Bank

Federal Deposit Insurance Corporation

Federal National Mortgage Association

FirstBank Puerto Rico

First National Bank of Chicago

Independence Bank, Providence, Rhode Island

Knickerbocker Federal Savings
Mellon Bank of Pittsburgh
Mortgage Guaranty Insurance Corporation
Oriental Bank and Trust
Puerto Rico Industrial Development Corporation
Royal Bank of Canada
Scotiabank de P. R.
Wells Fargo Bank

Expert Witness For

Superior Court of Justice
- Expert Qualified Witness

United States Bankruptcy Court for the District of P. R.
- Expert Qualified Witness

United States District Court for the Southern District of Florida

United States District Court for the District of Puerto Rico

United States of America - General Services Administration

Special Certificate

I received a Certificate of Completion for the Valuation of Conservation Easements certificate program, completed on May 11, 2013, as offered by the American Society of Appraisers, the American Society of Farm Managers and Rural Appraisers and the Appraisal Institute and endorsed by the Land Trust Alliance. This certificate indicates that I have the completed the Valuation of Conservation Easements educational requirements and passed the examination.

Real Estate Appraisal Experience

Single Family Residential, Apartment Houses, Condominium Projects, Income Producing Properties, Industrial Properties, Special Purpose Properties, Hotels, Hospitals, Residential Developments, Pharmaceuticals, etc.

Offices Held

Appraisal Institute- 1992-1993, 1997
Puerto Rico Chapter - Board of Directors

Appraisal Institute
President Puerto Rico Chapter 1996

Society of Real Estate Appraisers
Vice Governor
District 13 1976-1978

Society of Real Estate Appraisers
President - Puerto Rico Chapter No. 171 1974-1975

Appointments

Appointed by the Governor of
Puerto Rico to the Real Estate
Appraiser Licensing Board for the
Commonwealth of Puerto Rico

1978-1982

PROFESSIONAL QUALIFICATIONS

Rafael E. Bonnin Surís, MAI, CRE

Vice-President, McCloskey, Mulet & Bonnin, Appraisers, P.S.C.

Professional Designations

MAI – Appraisal Institute (Continuing Education Certified)

CRE - The Counselors of Real Estate

Education

Georgia Institute of Technology

Atlanta, Georgia (1986)

Bachelor Industrial Engineering

Licenses

Real Estate Appraiser

License No. 613

Certified General Appraiser

Certificate No. 11

(Compliance with Title XI of FIRREA)

Qualified Instructor – Appraisal Institute

Real Estate Courses

Basic Appraisal Principles

Basic Appraisal Procedures

Residential Highest & Best Use and Market Analysis

Basic Income Capitalization

Residential Sales Comparison and Income Capitalization Approaches

Residential Site Valuation and Cost Approach

Advanced Income Capitalization

Real Estate Seminars

What Clients would Like their Appraisers to Know

Analyzing Operating Expenses

Understanding and Testing DCF Valuation Models

Appraisal Review – General

Appraisal Review – Single-Family Residential

Analyzing Commercial Lease Clauses

Appraisal Consulting – A Solutions Approach for Professionals
Rates and Ratios – Making Sense of GIMs, OARs, and DCFs
The Road Less Traveled – Special Purpose Properties
Case Studies in Highest and Best Use

Teaching Experience - Other

Universidad Politécnica

Associate Professor

Expert Witness For

Superior Court of Justice
- Qualified Expert Witness

United States Bankruptcy Court for the District of P. R.
- Qualified Expert Witness

Offices Held

President – Unión Panamericana de Asociaciones de Valuación	2011-2012
Chair, Audit Committee – Appraisal Institute	2007
National Director Region X – Appraisal Institute	2004-2006
Chair Region X – Appraisal Institute	2006
President – Puerto Rico and Caribbean Chapter of the Appraisal Institute	2003
Vice-Chair Instructor Subcommittee – Appraisal Institute	2003-2005
Director – Puerto Rico and Caribbean Chapter of the Appraisal Institute	1998/1995
Secretary - Puerto Rico and Caribbean Chapter of the Appraisal Institute	1997/1993
Candidate Liaison - Puerto Rico and Caribbean Chapter of the Appraisal Institute	1996/1992
Treasurer - Puerto Rico and Caribbean Chapter of the Appraisal Institute	1994
Young Advisory Council of the Appraisal Institute March 18-19, 1993	1993

Appointments

Secretary of the Board of Examiners of Real Estate Appraisers	2000-2002
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Appraisal Experience

Valuation of going concerns, specialized industrial facilities, retail properties, proposed residential and commercial projects, healthcare facilities and other complex properties. Preparation of market studies for master planned communities and urban redevelopment projects.

Consulting Experience

Preparation of market studies, feasibility studies and highest and best use studies for residential, resort and commercial developments.

Expert Witness For

Superior Court of Justice
- Expert Qualified Witness

United States Bankruptcy Court for the District of P. R.
- Expert Qualified Witness

United States District Court for the District of Puerto Rico

EXHIBITS

US ARMY CORPS OF ENGINEERS PERMIT

**MCCLOSKEY, MULET & BONNIN APPRAISERS, P.S.C.
REAL ESTATE APPRAISERS AND CONSULTANTS**



ARMY TO
ATTENTION

DEPARTMENT OF THE ARMY
JACKSONVILLE DISTRICT CORPS OF ENGINEERS
ANTILLES OFFICE
400 FERNANDEZ JUNCOA AVENUE
SAN JUAN, PUERTO RICO 00901-3298

Antilles Regulatory Section
SAJ-1996-01062(PM-CGR)
Permit modification # 1

June 18, 2009

Mr. Javier Ramos
Senior Vice President
Government Development Bank
for Puerto Rico
P. O. Box 42001
San Juan, Puerto Rico 00940-2001

Dear Mr. Ramos:

We acknowledge receipt of the revised mitigation plan dated in June 2009 and submitted on June 16, 2009 for the reference permit number. The U.S. Army Corps of Engineers has completed the review and evaluation of your modification requests received on December 28, 2008 and June 8, 2009, in which you asked to revise the extent of the impacts and the mitigation plan authorized by Department of the Army permit number SAJ-1996-1062(IP-CGR), for the canalization of El Marquéz Creek and the discharge of fill material over approximately 7.82 acres of wetlands for the construction of Rio Bayamón North Community. The project is located at Juan Sánchez Ward, Municipality of Bayamón, Puerto Rico.

The proposed modification is to modify the permit description as follows:

To canalize approximately 676 meters long of El Marquéz Creek. The channel of the creek will be realigned through the construction of an open earth channel with riffle-pool system and the following dimensions at the main channel: 5.2 meters wide at the top and 1.2 meters at the bottom. One-span bridges will be built along the new channel. The construction of this channel will require a discharge of fill material over approximately 2.65 acres of a portion of El Marquéz Creek. In addition, to discharge fill material over approximately 8.4 acres of wetlands at the project site for the construction of access roads, slopes and berms for the retention pond, recreational areas, and residential and commercial buildings which are part of the complex "Rio Bayamón North Community". Approximately, 0.17 acres of herbaceous wetlands would be temporarily impacted due to the construction of the retention pond. In addition, approximately 0.67 acres of herbaceous wetlands will be disturbed for the construction of the bottom of the retention pond.

The modification must be completed in accordance with the above project description, enclosed drawings, attachments and the following special conditions, which are incorporated in, and made a part of the permit. Special conditions number 3, 4, 5, 7 and 10 of your permit has been replaced by this modification.

Special Conditions:

3. Compensatory Mitigation: By December 31, 2010, the Permittee shall complete the following mitigation objectives in accordance with the approved compensatory mitigation plan (Attachment 1m) as detailed on Figures 5, 9, 10-24 of Final Mitigation Plan-Revised dated June 2009:

a. On-site Mitigation

(1) Wetland Enhancement:

Area B: Approximately 1.97 acres of herbaceous wetlands will be enhanced by the management of nuisance exotic species such as *Typha domingensis* and the planting of herbaceous species such as *Nymphoides indica*, *Sagittaria lancifolia*, and *Cyperus giganteus*.

Area E: This mitigation area has approximately 11.96 acres of herbaceous and forested wetlands, as well as transitional species. Area E-1 and E-2 will be enhanced by the planting of herbaceous and forested species as well as transitional species in accordance to Table 5 on page 24 of the attached mitigation plan. Various sections at Area E-1 will be filled to achieve the desire planting elevations and the hydrology. Area E-2 is an existing transitional forest that will be preserved.

Area D: Approximately 4.14 acres of herbaceous wetlands will be enhanced by the planting of herbaceous and forested species as well as transitional species in accordance to Table 4 on page 24 of the attached mitigation plan.

(2) Wetland Creation:

Area A: As part of the authorized permit, El Marquez creek will be realigned through the construction of an open earth channel with riffle-pool system. Approximately, 1.25 acres of herbaceous wetlands along the new channel will be created by the planting of herbaceous species in accordance to Table 1 on page 16 of the attached mitigation plan.

Area C: This mitigation site covers an area of approximately 4.25 acres of the new channel's terrace and edges. Herbaceous plants as well as transitional species will be planted in accordance to Table 3 on page 23 of the mitigation plan.

4. The mitigation sites shall be cleared and graded as needed to the elevations necessary to provide the required hydrology for the creation and enhancement of the wetland species.

5. The permittee shall commence the mitigation works for Areas B and E upon receipt of this permit modification letter and shall commence the planting in Areas A, C and D when channel's grading is completed.

7. Monitoring and Reporting Timeframes: To show compliance with the performance standards the Permittee shall complete the following:

a. Perform a time-zero monitoring event of the wetland mitigation areas within 60 days of completion of the compensatory mitigation objectives identified in the Compensatory Mitigation Special Condition of this permit modification.

b. Submit the time-zero report to the Corps within 60 days of completion of the monitoring event. The report will include at least one paragraph depicting baseline conditions of the mitigation site(s) prior to initiation of the compensatory mitigation objectives and a detailed plan view drawing of all created, enhanced and/or restored mitigation areas.

c. Subsequent to completion of the compensatory mitigation objectives, perform semi-annual monitoring of the wetland mitigation areas for the first 3 years and annual monitoring thereafter for a total of no less than 5 years of monitoring.

d. Submit annual monitoring reports to the Corps within 60 days of completion of the monitoring event. Semi-annual monitoring will be combined into one annual monitoring report.

e. Monitor the mitigation area(s) and submit annual monitoring reports to the Corps until released in accordance with the Mitigation Release Special Condition of this permit modification.

f. The reports shall be submitted to the following address: U.S. Army Corps of Engineers, Antilles Regulatory Division, Enforcement Section, 400 Fernández Juncos Avenue, San Juan, Puerto Rico 00901-3299.

10. Mitigation Release: The Permittee's responsibility to complete the required compensatory mitigation, as set forth in the Compensatory Mitigation Special Condition of this permit will not be considered fulfilled until mitigation success has been demonstrated and written verification has been provided by the Corps. A mitigation area which has been released will require no further monitoring or reporting by the

Permittee; however the Permittee, Successors and subsequent Transferees remain perpetually responsible to ensure that the mitigation area(s) remain in a condition appropriate to offset the authorized impacts in accordance with General Condition 2 of the permit.

16. Reporting Format: Annual monitoring reports shall follow a 10-page maximum report format for assessing compensatory mitigation sites. The Permittee shall submit all documentation to the Corps on 8½-inch by 11-inch paper, and include the following:

a. Project Overview (1 Page):

(1) Department of the Army Permit Number

(2) Name and contact information of Permittee and consultant

(3) Name of party responsible for conducting the monitoring and the date(s) the inspection was conducted

(4) A brief paragraph describing the purpose of the approved project, acreage and type of aquatic resources impacted, and mitigation acreage and type of aquatic resources authorized to compensate for the aquatic impacts.

(5) Written description of the location, any identifiable landmarks of the compensatory mitigation project including information to locate the site perimeter(s), and coordinates of the mitigation site (expressed as latitude, longitudes, UTM's, state plane coordinate system, etc.).

(6) Dates compensatory mitigation commenced and/or was completed

(7) Short statement on whether the performance standards are being met

(8) Dates of any recent corrective or maintenance activities conducted since the previous report submission

(9) Specific recommendations for any additional corrective or remedial actions.

b. Requirements (1 page): List the monitoring requirements and performance standards, as specified in the approved mitigation plan and special conditions of this permit, and evaluate whether the compensatory mitigation project site is successfully achieving the approved performance standards or trending towards success. A table is a recommended option for comparing the performance standards to the conditions and status of the developing mitigation site.

c. Summary Data (maximum of 4 pages): Summary data should be provided to substantiate the success and/or potential challenges associated with the compensatory mitigation project. Photo documentation may be provided to support the findings and recommendations referenced in the monitoring report and to assist the PM in assessing whether the compensatory mitigation project is meeting applicable performance standards for that monitoring period. Submitted photos should be formatted to print on a standard 8 1/2" x 11" piece of paper, dated, and clearly labeled with the direction from which the photo was taken. The photo location points should also be identified on the appropriate maps.

d. Maps and Plans (maximum of 3 pages): Maps shall be provided to show the location of the compensatory mitigation site relative to other landscape features, habitat types, locations of photographic reference points, transects, sampling data points, and/or other features pertinent to the mitigation plan. In addition, the submitted maps and plans should clearly delineate the mitigation site perimeter(s). Each map or diagram should be formatted to print on a standard 8 1/2" x 11" piece of paper and include a legend and the location of any photos submitted for review. As-built plans may be included.

e. Conclusions (1 page): A general statement shall be included that describes the conditions of the compensatory mitigation project. If performance standards are not being met, a brief explanation of the difficulties and potential remedial actions proposed by the Permittee or sponsor, including a timetable, shall be provided. The District Commander will ultimately determine if the mitigation site is successful for a given monitoring period.

17. Remediation: If the compensatory mitigation fails to meet the performance standards 5 years after completion of the compensatory mitigation objectives, the compensatory mitigation will be deemed unsuccessful. Within 60 days of notification by the Corps that the compensatory mitigation is unsuccessful, the Permittee shall submit to the Corps an alternate compensatory mitigation proposal sufficient to create the functional lift required under the permit. The alternate compensatory mitigation proposal may be required to include additional mitigation to compensate for the temporal loss of wetland function associated with the unsuccessful compensatory mitigation activities. The Corps reserves the right to fully evaluate, amend, and approve or reject the alternate compensatory mitigation proposal. Within 120 days of Corps approval, the Permittee will complete the alternate compensatory mitigation proposal.

18. The permittee shall restore through the planting of wetlands species the approximately 0.17 acres of herbaceous wetlands that would be temporarily impacted.

The impact of your proposal on navigation and the environment have been reviewed and found insignificant. The permit is hereby modified in accordance with your request. You should attach this letter to the permit. All other conditions of the permit remain in full force and effect.

If you have any questions concerning permit modification, please contact the project manager Miss Carmen G. Román at the letterhead address, by telephone at 787-729-6905, extension 3062 or by electronic mail at carmen.g.roman@usace.army.mil.

Thank you for your cooperation with our permit program. The Corps Jacksonville District Regulatory Division is committed to improving service to our customers. We strive to perform our duty in a friendly and timely manner while working to preserve our environment. We invite you to take a few minutes to visit the following link and complete our automated Customer Service Survey: <http://regulatory.usacesurvey.com/>. Your input is appreciated – favorable or otherwise.

BY AUTHORITY OF THE SECRETARY OF THE ARMY:


Paul L. Grosskruger
Colonel, U.S. Army
District Commander

Enclosures

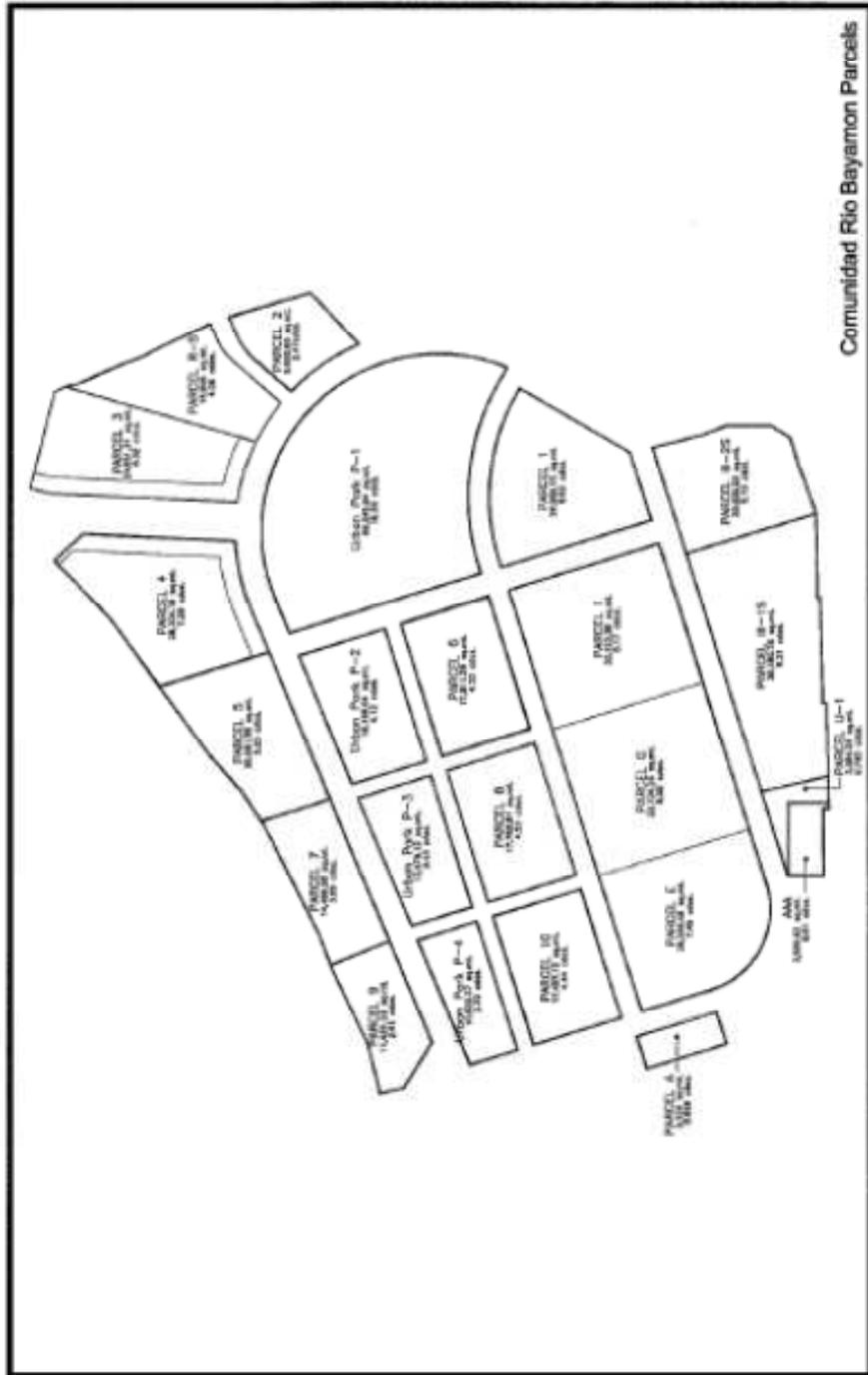
Copy furnished:
Mr. Jaime Pabón, PBS&J, 268 Muñoz Rivera Avenue, Suite 1602, San Juan, Puerto Rico 00918


Román/CESAJ-RD-NA
Castillo/CESAJ-RD-NA

Attachments to Department of the Army
Permit Modification 1
SAJ-1996-1062(IP-CGR)

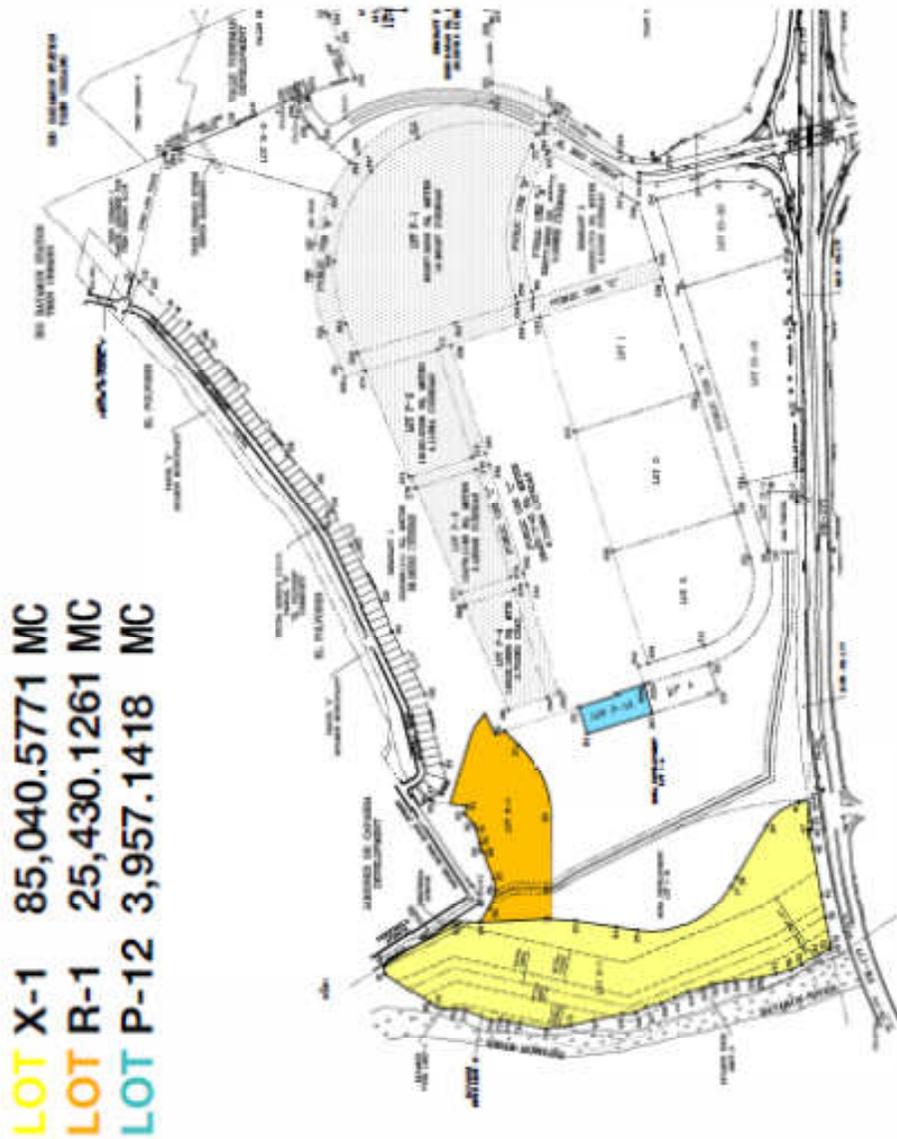
- 1 m. Final Mitigation Plan – Revised dated June 2009
- 2 m. Plan view drawing – addition impacts for construction of retention pond.
- 3 m. Regulatory Guidance Letter No. 08-03 dated 10 October 2008

PARCEL DIAGRAMS, SURVEYS



Comunidad Rio Bayamon Parcels

PARCEL PLAN (AREAS PARCELS P-1 to P-4)



PARCEL DIAGRAM (AREA PARCELS X-1, R-1, 12)



PLAN ILLUSTRATING REVISED PERIMETER OF PARCEL U-1