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Cindy Lederer

Brandon Beard  
Maranda Henderson

June 26, 2012

Bay Waveland School District  
c/o Mr. Ronnie Artigues  
Butler Snow Attorneys  
833 Highway 90, Suite 1  
Bay St. Louis, MS 39520

Re: Summary Appraisal Report of the Bay Tech Building  
(The "As Is" Market Value of the Fee Simple Interest)  
Located at 200 North Second Street  
Bay St. Louis, Hancock County, Mississippi 39520

Dear Mr. Artigues:

In accordance with your request dated May 4, 2012, we have made an appraisal of the above-referenced property, as of the date of our most recent site visitation of the subject property, May 17, 2012, which is the effective date of the appraisal. The date of this appraisal report is the date of its final printing, or June 26, 2012. We have not made an appraisal of the subject property within the three years prior to the date of this appraisal report. The subject property contains a total of approximately 56,465 square feet (1.30 acres) of land and is currently being utilized as an unoccupied commercial building with a gross building area of 29,000 square feet. The subject property is currently owned by Magnolia Group, LLC. As of the effective date of this appraisal report, the subject property is under an option to purchase; however, the details of the option to purchase are unknown. The Hancock County Tax Assessor's Office designates the subject property as Tax Parcel Numbers 149F-0-29-271.000, 149F-0-29-270.000 and 149F-0-29-268.000.

The summary appraisal report, of which this letter is a part, presents the descriptive information, pertinent data, and conclusions that have been considered in reaching the opinion of value. The conclusion of value contained herein is subject to the attached assumptions and limiting conditions. This report has been written in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Foundation, and the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.



Bay Waveland School District  
June 26, 2012  
Page 2

Based on our analysis, and subject to the assumptions and limiting conditions contained in this report, it is our opinion that the "As Is" Market Value of the Fee Simple interest in the subject property as of May 17, 2012, is:

**FIVE HUNDRED EIGHTY THOUSAND DOLLARS**

**\$580,000**

Respectfully submitted,

Martin Winfree, MAI  
State-Certified General Appraiser #GA-516

Trista M. Whitten  
State-Licensed Residential Appraiser #LA-1770  
License Obtained with NO Experience

Jason Garner  
State-Certified General Appraiser #GA-713

**BWSD Public Report Sold Release**



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ADDENDA

    CURRENT FEMA FLOOD HAZARDS MAP

    COMPARABLE LAND SALE DESCRIPTIONS WITH LOCATION MAP

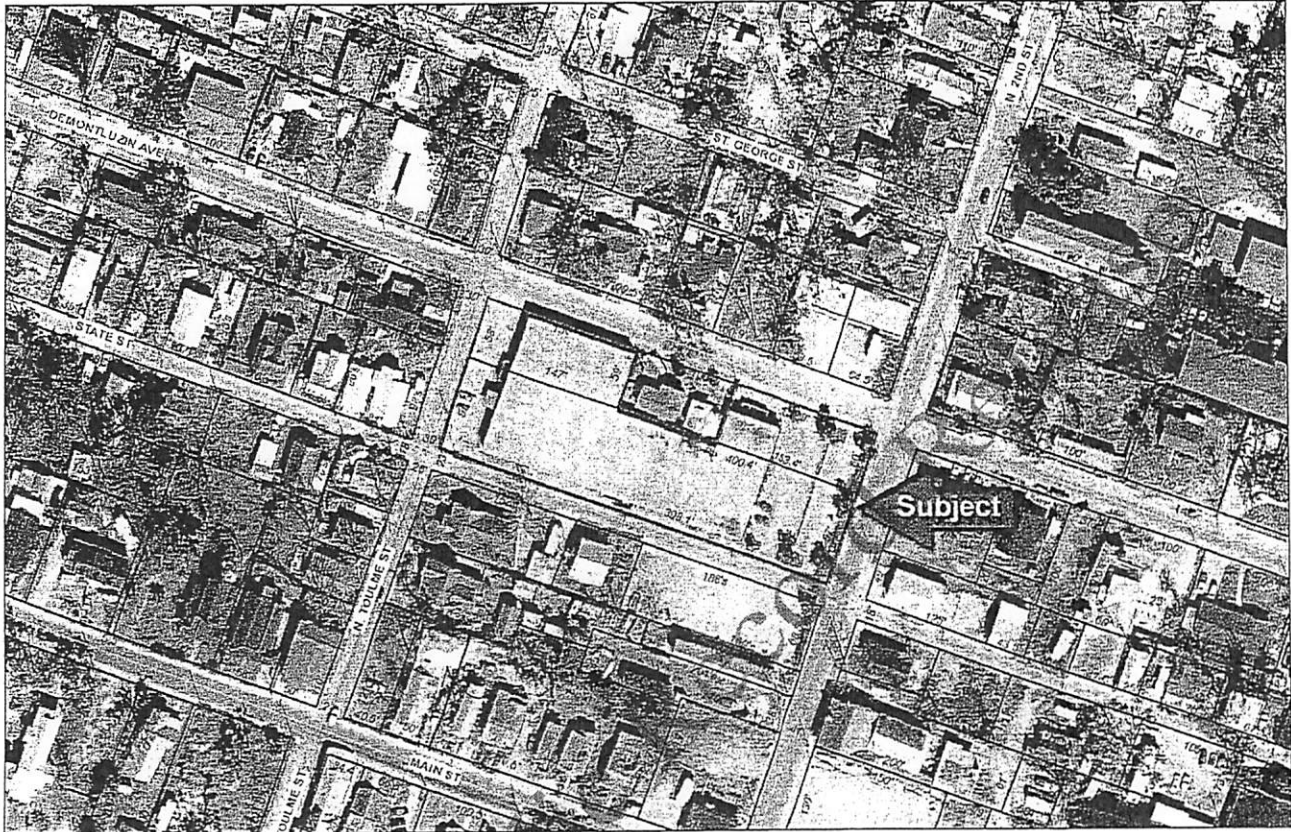
    COMPARABLE IMPROVED SALE DESCRIPTIONS WITH LOCATION MAP

    QUALIFICATIONS OF THE APPRAISERS

BLMSD Public Record Release



AERIAL PHOTOGRAPHY



Note: This aerial photograph was procured from Google Earth™ and indicates the approximate boundaries of the subject property outlined in red.

BWSD Public



## EXECUTIVE SUMMARY

**Effective Date(s) of Appraisal:** "As Is" Market Value: May 17, 2012

**Date(s) of Site Visitation:** May 17, 2012

**Date of the Appraisal Report:** June 26, 2012

**Name of Property:** Bay Tech Building

**Location:** Located on the northwest side of North Second Street, southwest of Demontluzin Avenue, Bay St. Louis, Hancock County, Mississippi

**Address:** 200 North Second Street, Bay St. Louis, Mississippi 39520

**Current Owner(s):** Magnolia Group, LLC

**Prospective Owner(s):** Bay Waveland School District

**Current Use:** Now used as an Unoccupied Commercial Building with a Gross Building Area of 29,000 Square Feet.

**Land Area:** 56,465 square feet (1.30 acres)

**Census Tract:** 28045-9301.00

**Zoning:** C1 (Central Business District)  
*Source: City of Bay St. Louis Online Zoning Map*

**Ownership Interest Held:** Fee Simple

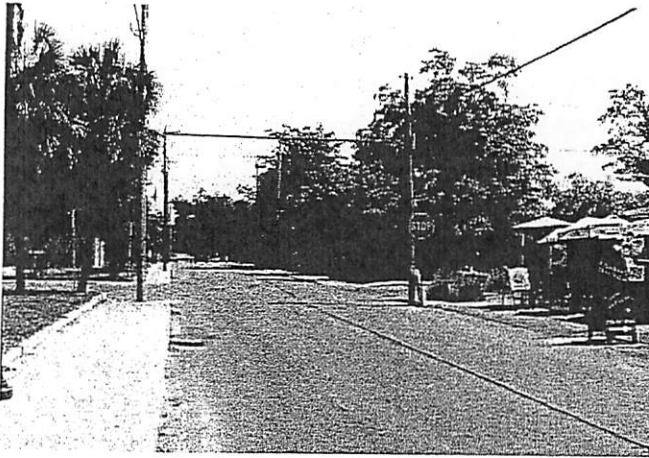
**Final Conclusion(s) of Value:**  
*Conclusion of "As Is" Market Value* **\$580,000**

**Appraisers:** Martin Winfree, MAI  
Jason Garner  
Trista M. Whitten

Photographs of the subject property are provided on the following pages.



PHOTOGRAPHS OF THE SUBJECT PROPERTY



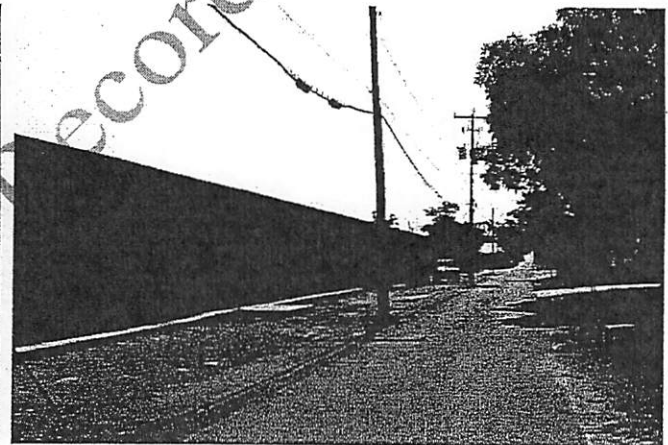
Street view of North Second Street, facing northeast



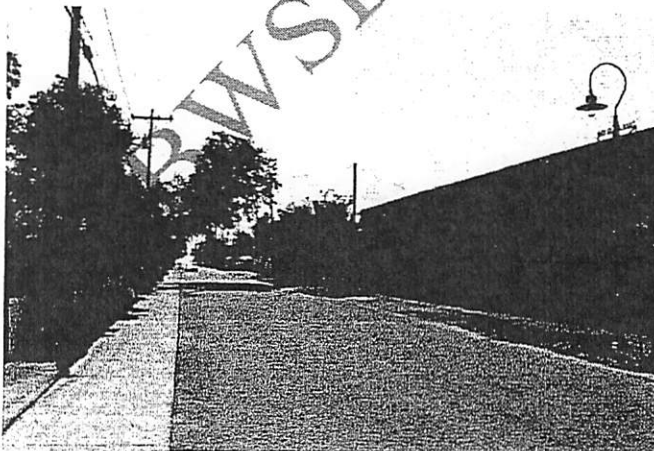
Street view of North Second Street, facing southwest



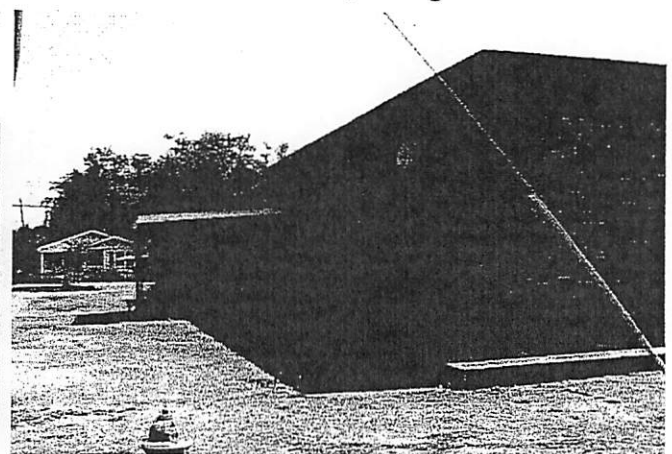
Street view of State Street, facing northwest



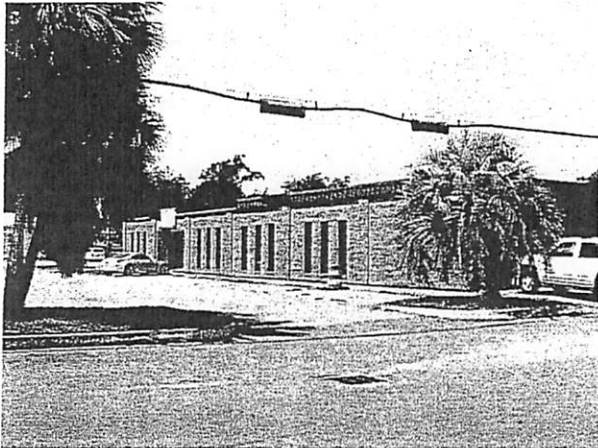
View of the south side of building and street view of State Street, facing southeast



Street view of Demontluzin Avenue, facing east



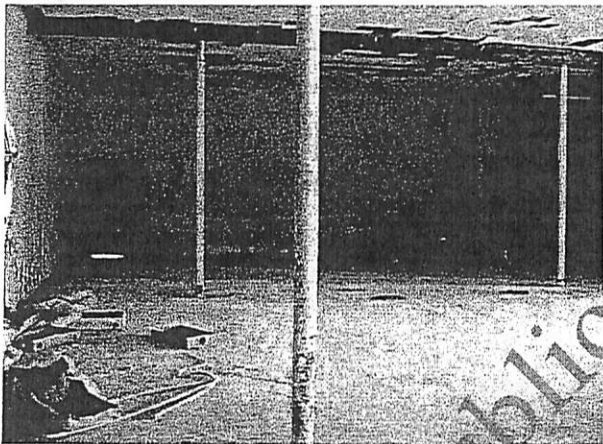
View of the west side of building from State Street, facing northeast



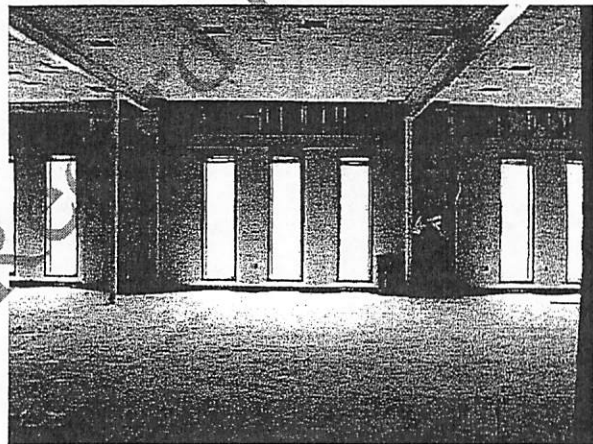
View of the front of the building, facing southwest



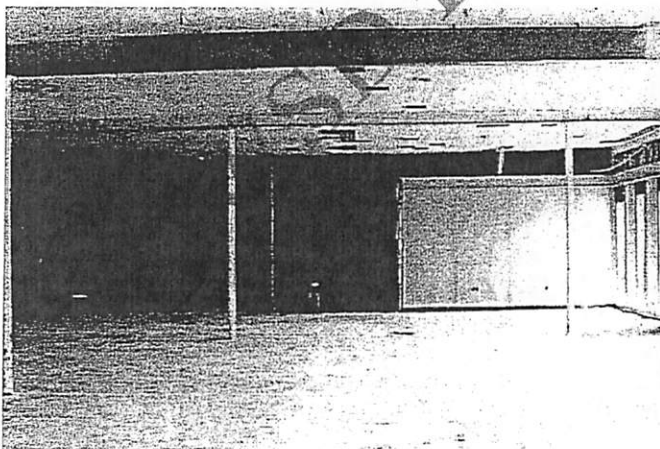
View of the side of the building along Demontluzia Avenue



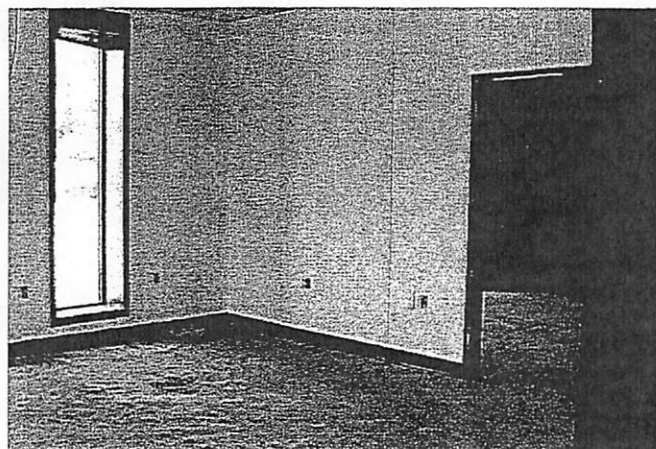
Interior view of the building



Interior view of the building



Interior view of the building



Interior view of the building



## ASSUMPTIONS AND LIMITING CONDITIONS

1. The appraiser(s) certify that, to the best of their knowledge and belief, the statements contained in this appraisal are correct, subject to the limiting conditions set forth below, and that this appraisal has been made in conformity with the accepted practices of the Appraisal Institute.
2. This property has been appraised as though free of all liens and encumbrances, unless otherwise stated herein. No responsibility is assumed for matters legal in nature, nor is any opinion of title rendered herewith. Good title is assumed.
3. The undersigned appraiser(s) herein, by reason of this report, are not required to give testimony in court, with reference to the property herein appraised, unless arrangements have been previously made.
4. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser(s) or the firm with which they are connected, or any reference to the Appraisal Institute or the MAI or SRA Designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the undersigned.
5. Certain information in this report was furnished from sources believed to be reliable; however, such information is not guaranteed to be correct, although it has been checked insofar as possible and is believed to be correct.
6. The appraiser(s) are not familiar with any engineering or geological studies made to determine the bearing capacity of the land or that indicates any mineral contents of a significant nature. Because improvements in the area appear to be structurally sound, we assume that soil and subsoil conditions are stable.
7. The appraiser(s) are not aware of any existing mineral right reservations that would have an impact on value. Unless otherwise stated, our opinion of value reports the fee simple interest of the surface rights only.
8. Plats, maps, and other exhibits in this report are used merely to help the reader visualize the property and its surroundings, and no responsibility is assumed for their cartographic accuracy.
9. The value opinion(s) reported herein are under the purpose and land-use premise stated. They are not valid for any other purpose or premise and must not be used in conjunction with any other property or intended use.
10. It is assumed that the property will be efficiently managed and that ownership is in responsible hands.
11. Full compliance with all applicable federal, state, and local environmental regulations is assumed, as well as all applicable zoning, use, and occupancy regulations and restrictions as stated and considered in this report.





ASSUMPTIONS AND LIMITING CONDITIONS – Continued

12. In this assignment, the existence of any hazardous or potentially hazardous material possibly located on the site or used in development of the site or any improvements thereon, such as but not limited to urea formaldehyde foam insulation, asbestos, hydrocarbons, toxic waste, etc., was not observed by the appraiser(s) and has not been considered. The appraiser(s) have no knowledge of any such materials on or in the property, but are not qualified to detect such substances. The presence of such materials may have an effect on the value or use of the property. It is assumed that there are no hazardous material spills, etc., resulting from underground storage tanks or other causes associated with the subject property. Full compliance with all environmental laws is assumed. The client is urged to retain an expert in this field if desired. We wish to clearly emphasize that the detection of any such hazardous materials is beyond the scope of this valuation analysis. We do not purport to be qualified engineers trained to detect such substances, and cannot assume liability for matters relating to the presence of, or impact from, any detected substances.
13. The appraiser(s) are not environmental engineers or construction contractors. We do not purport to have expertise in either of these fields and, therefore, are not qualified to test for the existence of, let alone the effect of any of the organisms and life forms as listed and discussed below. We recommend that the client hire a qualified professional to investigate these matters. This appraisal does not reflect any value influence, and the appraiser(s), individually and/or as a company shall not be liable for Damages and/or Claims Expenses resulting from any Claim made against Global Valuation Services, Inc. or the appraiser(s) individually for, based upon, or arising from:
- (a) Any actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of, or growth or presence of any of the following; or
  - (b) The actual or alleged failure to detect, report, test for, monitor, clean up, remove, contain, dispose of, treat, detoxify, neutralize, or in any way respond to, assess the effects of, prevent, or advise of the existence of any of the following:  
Any Fungi or Microbes, or of any spores, mycotoxins, odors, or any other substances, products or byproducts produced by, released by, or arising out of the current or past presence of Fungi or Microbes. This exclusion applies regardless of whether any other causes, events, materials or products contributed concurrently or in any sequence to the injury, damage, expense, cost, loss, liability or legal obligation claimed. For purposes of the above:
    - "Fungi" means any type of fungus, bacterial matter, mold, mildew, mycotoxins, spores, or spores or byproducts produced or released by Fungi.
    - "Microbes" means any non-fungal microorganism or non-fungal colony-form organism that causes infection or disease.
14. The value opinion(s) assume no impact on value because of "Section 404 wetlands", as defined by the U.S. Army Corps of Engineers. Unless specifically noted, we have found no evidence of wetlands, but are not experts in this field and urge the client to seek the advice of an expert to determine any potential impact of wetlands on the property.



ASSUMPTIONS AND LIMITING CONDITIONS – Continued

15. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not been provided with a specific compliance survey and 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 effect upon the value of the property. Though we have considered most potential value-influencing areas of the ADA, a full compliance study is beyond the scope of this appraisal. We recommend consultation with a qualified architect or engineer to obtain complete and accurate information regarding ADA compliance.
16. This appraisal/site visitation is not a building inspection, structural inspection, or pest inspection. By preparing this report, the appraiser(s) are not acting as building inspectors, structural engineers, or pest inspectors. In performing the limited site visitation of this property, areas that were readily accessible were visually observed, and the review of both the property and the plans of the proposed facility (if any) is superficial only. This site visitation is not technically exhaustive and does not offer warranties or guarantees of any kind. It is advised to have the structure/property (including building plans, if any) inspected/reviewed by an inspector/reviewer that offers such warranted or guaranteed inspection if there is concern regarding adverse or negative conditions and/or design.
17. Any projections, forecasts, etc. regarding future patterns of income and/or expenses, prices/values, etc. represent the best estimates by the appraiser(s) of investor anticipations with respect to these items, based on information available at the date of appraisal or analysis. Such information includes forecasts/projections published by recognized sources such as economists, financial publications, investor surveys, etc. Economic trends can affect future behavior of income, expenses, values, etc. Changes in these items caused by future occurrences could result in values different from those established in this report. We accept no responsibility for economic variables in the future that were not widely known or anticipated at the date of analysis (inflation rates, economic upswings or downturns, fiscal policy changes, etc.).
18. The appraisers reserve the right to change and revise valuations in this report if any undisclosed information or errors, particularly those of a mathematical or typographical nature, come to our attention at a later date.
19. All mechanical equipment in the buildings is assumed to be in average to good working order, unless otherwise stated and treated elsewhere in the report.

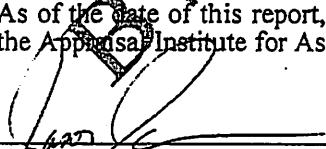


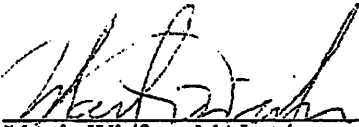
### APPRAISERS' CERTIFICATION

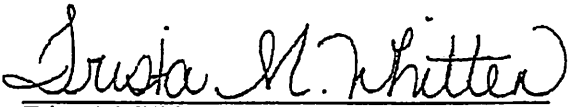
We hereby certify that the following statements are true:

- The statements of fact contained in this appraisal are true and correct.
- The reported analyses, opinions and conclusions presented in this appraisal report are limited only by the reported assumptions and limiting conditions, and are our personal, impartial and unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have performed no services, as an appraiser(s) or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding the acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with the assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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 opinions, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- This report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Jason Garner has made a personal site visitation of the property that is the subject of this report Martin Winfree, MAI and Trista M. Whitten have not.
- No one has provided significant professional assistance to the person(s) signing this certification. Market data verification was performed by the Global Valuation Services, Inc. staff as stated in the descriptions of the comparable data. This is not considered to be significant professional real estate appraisal assistance as defined by USPAP, but it is disclosed for clarification purposes.
- We have made a field visitation of the local comparable sales relied upon in making this appraisal.
- The subject property and the comparable sales were, on the date(s) of their visitation (if made), as represented by the photographs contained in this report.
- The appraiser(s) are competent to complete this assignment in accordance with the Competency Rule as established by USPAP.
- As of the date of this report, Martin Winfree, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- As of the date of this report, Jason Garner has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

PUBLIC RECORD RELEASE

  
 \_\_\_\_\_  
 Jason Garner  
 State-Certified General Real Estate Appraiser  
 Certificate #GA-773

  
 \_\_\_\_\_  
 Martin Winfree, MAI  
 State-Certified General Real Estate Appraiser  
 Certificate #GA-516

  
 \_\_\_\_\_  
 Trista M. Whitten  
 State-Licensed Residential Real Estate Appraiser  
 Certificate #LA-1770  
License Obtained with NO Experience



## IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is known as the Bay Tech Building and is located on the northwest side of North Second Street, southwest of Demontluzin Avenue, Bay St. Louis, Hancock County, Mississippi, with an address of 200 North Second Street, Bay St. Louis, Mississippi 39520. The subject contains 56,465 square feet (1.30 acres) of land. The subject property is currently owned by Magnolia Group, LLC. The Hancock County Tax Assessor's Office identifies the subject property as Tax Parcel Numbers 149F-0-29-271.000, 149F-0-29-270.000 and 149F-0-29-268.000. A partial tax map showing the subject property is given in the Land Description section of this appraisal report.

## CLIENT, INTENDED USE AND OTHER INTENDED USERS

The intended use of this appraisal is for the internal purposes of our client. Our client, Bay Waveland School District is the intended user of this appraisal report. There are no other intended users of this appraisal.

## DEFINITION(S) OF VALUE

### Market Value

*The Dictionary of Real Estate Appraisal*, Fifth Edition, published by the Appraisal Institute (Chicago: Appraisal Institute, 2010), describes market value as:

The major focus of most real property appraisal assignments. . . . The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.

The definition of market value utilized in this appraisal report is taken from Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and is the same definition used by the Comptroller of the Currency, the Board of Governors of the Federal Reserve Systems, and the Federal Deposit Insurance Corporation. This definition of market value is presented below.



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 seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from buyer to seller 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 interest;
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 arrangement 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.

#### EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions and Hypothetical Conditions are applicable assumptions and limiting conditions that are not encountered in typical appraisal assignments and are normally specific to the property under appraisal. Due to their nature, these Extraordinary Assumptions and Hypothetical Conditions are prominently displayed throughout the appraisal report. The use of these Extraordinary Assumptions and Hypothetical Conditions might have affected the results of the appraisal assignment.

According to *The Uniform Standards of Appraisal Practice*, 2012-2103 Edition, published by the Appraisal Foundation (United States of America: Appraisal Foundation, 2011), an Extraordinary Assumption is defined 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.” Comment: 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 same source defines a Hypothetical Condition 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.” Comment: Hypothetical conditions assume conditions 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.

In this appraisal, there are no Extraordinary Assumptions or Hypothetical Conditions.

#### DATE(S) OF VALUATION

The effective date of this appraisal is May 17, 2012, the date of our most recent site visitation of the subject property. The date of this report is the date of its final printing, or June 26, 2012.

#### SCOPE OF WORK

The appraisers performed the site visitation(s) of the subject property and its environs on May 17, 2012. In the course of the site visitation(s), the appraisers walked over representative portions of the land; viewed the exterior and interior of the building; and drove along the relevant nearby roads and highways. The subject property contains approximately 56,465 square feet (1.30 acres) of land and is improved with a 29,000 square foot building (shell).

In researching the data for this appraisal, we performed primary research in Hancock County and expanded our research into the other counties in the Mississippi Gulf Coast region; investigated the supply and demand elements of commercial real estate in the Bay St. Louis / Waveland market area; and consulted with real estate agents, other appraisers, market participants, and other knowledgeable sources. The Cost Approach, Sales Comparison Approach, Income Capitalization Approach, and Development Approach (a variant of the Income Capitalization Approach) have been considered during the development process of this appraisal. However, only the Sales Comparison Approach has been developed, as the Cost and Income Capitalization Approaches have been deemed inapplicable in the appraisal of the subject property. Following the presentation of the approach to value, a reconciliation section discusses the relative merits of the approach used in the particular case of the property being appraised. This analysis leads to the final conclusions by the appraisers. The scope of work that is described in this section of the appraisal report is considered by us to be sufficient to produce credible assignment results in the context of the intended use of this appraisal, and it is intended to meet the minimal requirements of Standards I and II of the Uniform Standards of Professional Appraisal Practice,



as well as the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.

### LEGAL DESCRIPTION

The following is an image clip of the legal description of the subject property, as taken from the most recent deed(s) on the subject property, as described in the following section of the appraisal report.

Lots 449, 450, 451, 486, and 487 First Ward, City of Bay St. Louis, Hancock County, Mississippi

And

Lots 1, 4, 5 and 6, Block 6, Perkins Subdivision, First Ward, City of Bay St. Louis, Hancock County, Mississippi, known as the "Old Jitney Jungle" Building.

### OWNERSHIP AND SALES HISTORY OF THE SUBJECT PROPERTY

The subject property is currently owned by Magnolia Group, LLC. The subject was conveyed to the current owner from Bay Technical Associates, Inc. by a Warranty Deed dated June 19, 2007, that was recorded on June 22, 2007 in Deed Books 2007, Page: 12422, in the Office of the Chancery Clerk of Hancock County, Mississippi. According to MLS No. 174601, the purchase price was \$950,000. We have used this sale of the subject property as an improved comparable (improved sale No. 1) in the Sales Comparison Approach.

There have been no transactions involving the subject property that have been recorded within the three years prior to the effective date of this appraisal. As of the effective date of this appraisal report there is an option to purchase in place; however, the details of the option were not shared with the appraisers.

### ESTIMATE OF REASONABLE EXPOSURE TIME

Typically, the definition of market value assumes that a reasonable time is allowed for exposure of the subject property to the open market. *The Dictionary of Real Estate Appraisal*, Fifth Edition, published by the Appraisal Institute (Chicago: Appraisal Institute, 2010), shows the following as the second definition of "exposure time":



The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis

Exposure time is based on real estate sales activity within the subject's defined market or on a regional/national basis in some circumstances (though this is not the case for the subject property). Hurricane Katrina devastated the region in August 2005, and the market has been stressed more recently by the current recession and the recent oil spill in the Gulf; however, there is still some demand for commercial real estate in the Mississippi Gulf Coast region.

In many cases, sales of properties such as this are negotiated without the property actually being placed on the market for sale. Where the information was available, the comparable sales utilized in the Sales Comparison Approach were exposed on the open market for 53 to 54 days prior to closing. Based upon the available information, we have arrived at opinions of value based upon an exposure time of 12 to 18 months. This would allow for adequate exposure to result in an optimal price under the definition of market value.

### PROPERTY RIGHTS APPRAISED

The interest held by the current owners in the subject property is the Fee Simple interest (or estate). As defined by *The Dictionary of Real Estate Appraisal*, Fifth Edition, published by the Appraisal Institute (Chicago: Appraisal Institute, 2010), fee simple is an "[a]bsolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. In addition, the subject property is appraised subject to all easements of record.

### MISSISSIPPI GULF COAST AREA ECONOMIC/DEMOGRAPHIC ANALYSIS

**Location** – The subject property is located within the area commonly known as the Mississippi Gulf Coast region, including the three counties in Mississippi that lie along the Gulf of Mexico – Hancock, Harrison, and Jackson – as well as the next tier of counties to the north – Pearl River County, Stone County and George County. The economies in the cities in Harrison County, Hancock County and western Jackson County are related mainly to tourism, but southeastern Jackson County has a more industrialized base. The Mississippi Gulf Coast region is depicted on the following map.