

REAL PROPERTY SERVICES, INC.

Tax Map

SCOPE OF THE APPRAISAL

The term "scope of the appraisal" means the extent of the process of collecting, confirming, and reporting data. This scope encompasses the necessary research and analysis required to prepare a report in accordance with the intended use of the "Standards of Professional Practice" of the Appraisal Institute, and the "Uniform Standards of Professional Practice" of the Appraisal Foundation.

The Appraisal Assignment was to furnish your office with an estimate of the market value of the leased fee interest in the subject property based upon the highest and best use as of the effective date of this appraisal. Use Analysis in this report will reflect that in the opinion of the writers, the property's highest and best use is for continued commercial use as improved.

The effective date of this appraisal is as shown in this report. Other information regarding the subject property such as zoning, taxes, and utilities was obtained from appropriate government agencies in the City of Birmingham and Jefferson County.

The Area Description was based on information available from the Chamber of Commerce, Bureau of the Census, and local professionals, as well as on information compiled within the offices of Real Property Services, Inc. The Neighborhood Description was based on an inspection of the neighborhood and data that was researched by Real Property Services, Inc.

Three approaches to value were considered by the appraisers in the estimation of a real property market value for the subject: the Cost Approach, the Sales Comparison Approach, and the Income Approach. In developing these approaches to value, the market data used was collected by Real Property Services, Inc. based on our research and discussions with real estate professionals such as realtors, purchasers and/or sellers of properties, other appraisers, and persons knowledgeable of the comparable properties used in analyzing the subject property.

After assembling the information and data defined in this "Scope of the Appraisal," and applying it to the subject property through the approaches to value, a final estimate of market value for the subject properties was made. This estimated market value for the subject property is as noted within this appraisal report.

HIGHEST AND BEST USE ANALYSIS

Highest and Best Use is defined on page 171 of The Dictionary of Real Estate Appraisal, Third Edition, as published by The Appraisal Institute 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,

"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,

"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 continues 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 constructing a new one."

In determining the Highest and Best Use, the primary test is to discover which program a future utilization is able to develop the highest net return on the land over a substantial period of time. This type of highest and best use estimate is always developed from the perspective of potential purchaser/users who constitute an active market for the subject market.

AS THOUGH VACANT

Physically Possible:

The physical configuration of the property lends itself well to most types of downtown area developments. The subject contains 7,000± square feet, which does limit the size of developments the site could handle. The site is suitable for most any type of commercial venture, such as a retail store, office building, or light industrial facility. The only large-scale development that may overcome this size restraint would be a multiple level development. Overall, the site is best suitable for most any type of development, but any large-scale development must be a multi-story development.

Legally Permissible:

The subject property is zoned B-4, Central Business District, by the City of Birmingham. This zoning classification allows for most types of commercial uses with the intent to provide areas for office, retail and service.

Financially Feasible:

The subject area is considered to be on the western edge of the central business district. Currently, most uses in the immediate area are retail in nature with some offices. The CBD has expanded in the past 5 to 10 years with many buildings in the downtown area being renovated. Most buildings in the subject immediate area have yet to see this new demand. However, buildings located one to two blocks east of the subject have experienced some of this demand. As demand in the CBD and surrounding neighborhoods continue, it could be assumed that the subject area would increase in demand as well. Therefore, it is the writers' opinion that the highest and best use for the subject site as though vacant would be for some form of commercial use.

AS IMPROVED

Physically Possible:

The subject improvements consist of a two story facility containing 14,000± square feet of gross building area. Approximately 7,000± square feet is currently finished, all of which is on the ground or first floor. The building was built in 1900 and renovated in 19898 according to tax records. The first floor consists of low quality retail/office space. The second floor is basically an unfinished shell, designed for office space.

Legally Permissible:

The subject property is zoned B-4, Central Business District, by the City of Birmingham. This zoning classification allows for most types of commercial uses with the intent to provide areas for office, retail and service.

Financially Feasible / Maximally Productive:

It is the writers' opinion that the subject's improvements contribute substantially to the value of the site. Due to the layout of the two-story building and the subject neighborhood, the main use would be for retail use on the first floor with office or storage uses on the second floor. Most buildings in the immediate area consist of ground floor retail space. Above ground floor space is either used for offices if finished or storage if this above ground space is unfinished. Therefore, it is the writers opinion that the highest and best use as improved would be for continued commercial use.

ESTIMATE OF REASONABLE EXPOSURE TIME

Implicit in the definition of market value is that adequate time for exposure to the market has occurred predating the effective date of the appraisal. In order to determine the appropriate exposure time for the subject property, it is necessary to consider market conditions, and the highest and best use of the property. An estimate of reasonable exposure time is contingent on the assumed use of the property and the value range considered. It is the writers' opinion that the highest and best use for the subject would be as continued commercial use. In addition, the value range for which this estimate of reasonable exposure time is considered are the value ranges discussed within the valuation section later in this report. It is possible that a shorter exposure to the market would result in a lower value than reported herein.

In order to estimate a reasonable exposure time inherent in the value conclusions reached in this report, the writers considered the number of similar properties available on the market in the subject neighborhood. As discussed, the subject area of its neighborhood has not seen the increases in demand that other sections of the CBD have seen in the past. This is highlighted by the fact that rental rates in the area have been stagnant for some time with little to no increases. There have been some sales of buildings, but most have been located further to the east of the subject. Therefore, it is the writers' opinion that a exposure time of 12 to 24 months would be required for the subject property at the value level reported herein. This exposure time is implicitly assumed to have occurred prior to the date of appraisal, and appears both reasonable and market oriented.

ESTIMATE OF REASONABLE MARKETING PERIOD

Similar to the concept of reasonable exposure time is that of a reasonable marketing period. The significant difference, however, is that the marketing period is an estimate of a future period of time that active marketing would likely be required in order to realize the value for the subject properties concluded herein. Exposure time was a historical estimate that is assumed to be implicit in the value conclusions reached below.

The estimated exposure time and marketing period can vary depending on anticipated changes in market conditions which would impact the future oriented estimate of marketing period but would not be incorporated in the historical data used to estimate the exposure time. While the information presented above is a good starting point for an estimate of a reasonable marketing period for the subject properties, it is not sufficient by itself. In addition to this historical data, the writers have considered anticipated changes in market conditions which would influence the reasonable marketing period for the subject property, as well as consulted knowledgeable market participants in the area. As stated, the subject is located on the western edge of the CBD. As demand grows throughout the downtown market, it would be reasonable to assume that the subject area will benefit as does the rest of the neighborhood. Therefore, it is the writers' opinion that a reasonable marketing period for the subject property would best be estimated to be in the range of 12 to 24 months barring any unforeseen changes in market conditions.

THE APPRAISAL PROCESS

The appraisal process is a systematic analysis of the factors that bear upon the value of real estate. It is an orderly program by which the problem is defined, the work necessary to solve the problem is planned, and the data acquired, classified, analyzed and interpreted into an estimation of a real property market value. Three basic appraisal approaches are used by the appraiser in the estimation of a real property market value: the Cost Approach, the Sales Comparison Approach, and the Income Approach.

The Cost Approach is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is most applicable for new improvements. This process requires that the site being appraised be compared with sales of similar vacant parcels in order to arrive at an estimate of site value as of the date of the appraisal. The replacement cost of the improvements is then estimated. From this replacement cost, estimated depreciation from all sources is deducted in order to arrive at an estimate of the indicated present worth of the improvements. This indicated depreciated improvement value is then added to the indicated site value to give the estimated market value of the property by this approach.

The Sales Comparison Approach is based on an analysis of sales of similar recently sold properties in order to derive an indication of the most probable sales prices of the property being appraised. Current listings are also sometimes analyzed as they tend to set the upper limit of the value range in any market. These properties are all compared to the subject property on the basis of several key criteria including size, location, quality of construction, land-to-building ratios, time, and conditions influencing the sale as well as other factors, to the extent that such factors are relevant. The differences in the data are analyzed, and adjustments are made to result in an indication of market value from this approach.

By way of the Income Approach, anticipated benefits (dollar income or amenities) to be derived from the ownership of the property are converted into a value estimate. This approach is widely applied in appraising income producing properties whereby anticipated future income and/or reversions are discounted to a present worth figure through the discounting process. The appraiser is primarily concerned with the future benefits resulting from net income which is the net result after deducting expenses and vacancy from potential gross income. The specified net operating income is then projected and discounted together with an estimate of the reversionary value of the property in order to arrive at a value indication for the subject property through this approach.

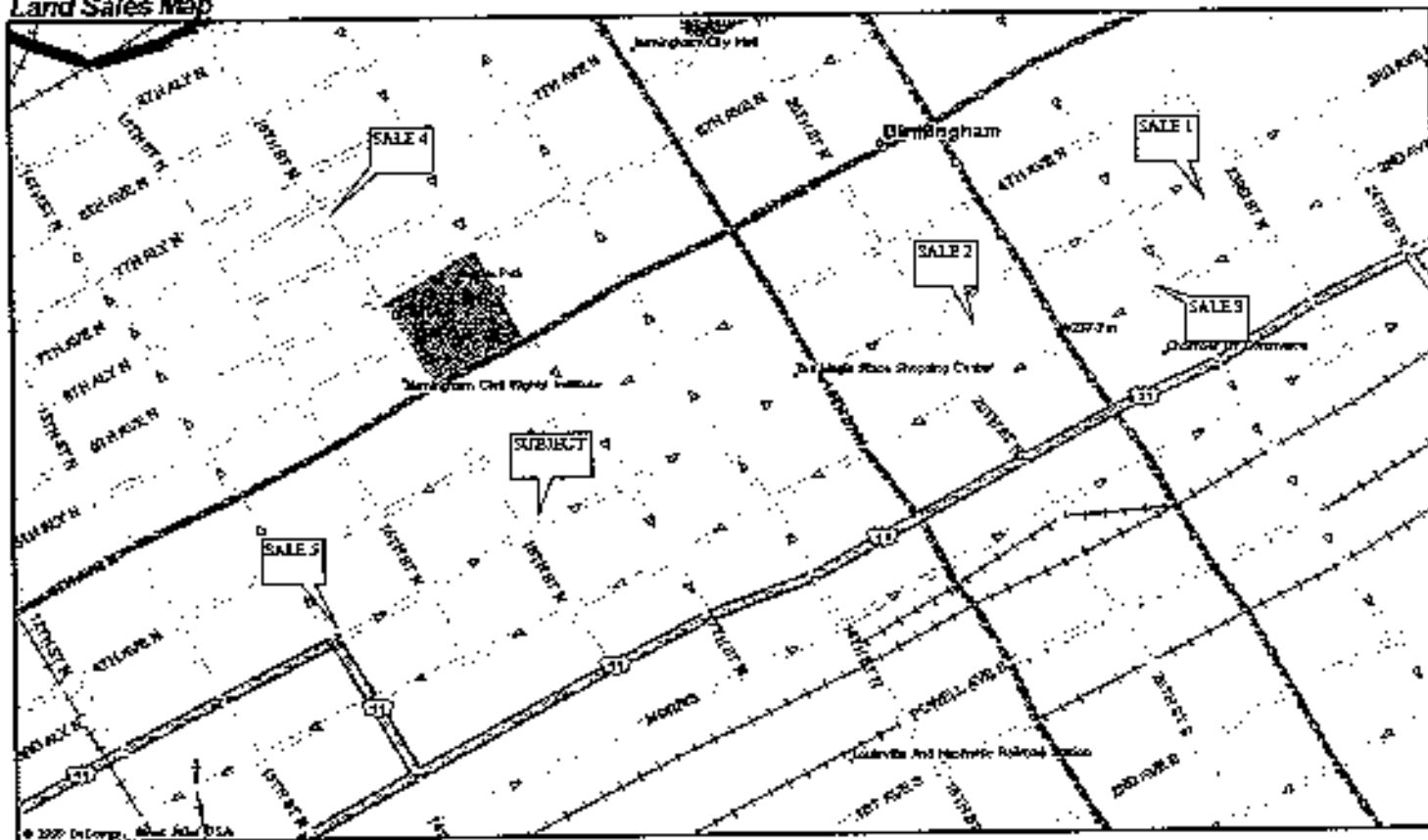
Upon completion of the three approaches, the appraiser generates a final value estimate by reviewing the quality of all of the data developed and utilized in the three approaches to value. In the final reconciliation, the appraiser considers all of the differences among the data and the three approaches to make a determination as to the most applicable and supportable considerations to arrive at the final value estimate.

THE COST APPROACH

In this approach, the land is valued "as if unimproved" on the basis of comparison with similar tracts of land recently sold in the same market area. To this is added the estimated replacement cost of the subject improvements, less an estimate of accrued depreciation from all sources. This summation results in an estimate of value by the cost approach. The subject building was originally constructed in the 1900's and renovated in 1988 according to the Jefferson County tax records. The Cost Approach is most applicable for new facilities with little or no depreciation having occurred. The difficulty in measuring depreciation for a building the age of the subject is what makes this approach less desirable. Therefore, the writers have not considered the Cost Approach applicable in this instance.

ESTIMATE OF SITE VALUE: The subject property was compared to several other tracts of similar vacant land which sold between the years of 1991-1994. Adjustments were then made to the sales prices indicated for these comparable sites to better equate these indications to the subject property. After these adjustments were made, an estimate of the site value of the subject property was derived based on these indications. The transactions involving sites which were considered the most similar to the subject property are summarized in the table below, followed by a discussion of the adjustments required, and an estimate of the value of the subject site. More complete details related to each sale are attached as an addendum to this report.

Land Sales Map



LAND SALES COMPARISON CHART

Sale #	Sale Date	Location	Physical Characteristics	Size (SF)	SP Per SF
1	3/91	Superior	Similar	4,000	\$10.00
2	6/92	Superior	Inferior	7,500	\$7.00
3	1/94	Superior	Superior	5,000	\$12.00
4	4/94	Inferior	Superior	10,000	\$8.50
5	1/95	Inferior	Similar	7,000	\$4.00

The first factor considered was market conditions at time of sale. The sales occurred from March of 1991 to January of 1995. There was no data available to directly compare for purposes of estimating a time adjustment. All differences are explained by other factors. Therefore, no adjustment for time was considered necessary.

All of the sales were reportedly arm's length transactions. The indicated prices are in line with other sales, and the motivation of the buyers and sellers is not considered to have unduly influenced the transactions in this instance. Therefore, no adjustments were made for this factor.

The next factor considered was location. The subject parcel is located at 1612-1614 3rd Avenue North. The subject has frontage along 3rd Avenue North and an alley to the rear of the subject. Sales 1, 2 and 3 are all located on 2nd Avenue North, but in higher demand areas. The highest demand areas in the neighborhood start on 20th Street and continue to 22nd Street. Therefore, Sales 1, 2, and 3 are considered superior and require a downward adjustment. Sales 4 and 5 are located in more industrialized areas rather than commercial. Therefore, both of these sales were considered inferior requiring an upward adjustment.

The next factor considered was physical characteristics. The subject has a level topography and sits level with road grade of 3rd Avenue North. The subject is an interior site in the 1600 Block of 3rd Avenue North. Sales 1 and 5 also have level topographies and are also interior lots of a typical downtown city block. Therefore, Sales 1 and 5 are considered similar in terms of physical characteristics and require no adjustments. Sales 2, 3, and 4 were level sites like the subject, but were corner sites and not interior. Therefore, these sales are considered superior and require a downward adjustment.

The next factor considered in equating the sales to the subject property was size. Typically with vacant commercial properties, a larger site will tend to sell for less on a per unit basis than an otherwise similar smaller site. This is due to a concept known as marginal utility which considers the fact that increases in size do not always lead to proportional increases in the overall utility of a site. The subject contains 7,000+/- square feet. Sales 1, 3, and 4 were all significantly smaller sites than the subject. Therefore, these sales were considered to be superior and

required a downward adjustment. Sale 2, 4, and 5 contain between 7,000 and 10,000+/- square feet. This is in a competitive size range of the subject's site size. Therefore, these sales are considered similar and require no adjustments.

The next and final factor considered was whether or not the site was improved with paving or any structures. The subject "as vacant" would be a cleared, level lot with no type of improvements. Sales 1 and 3 were improved with paving at the time of the sale. Therefore, these sales are considered superior requiring downward adjustments. Sales 2, 4, and 5 were considered similar requiring no adjustments.

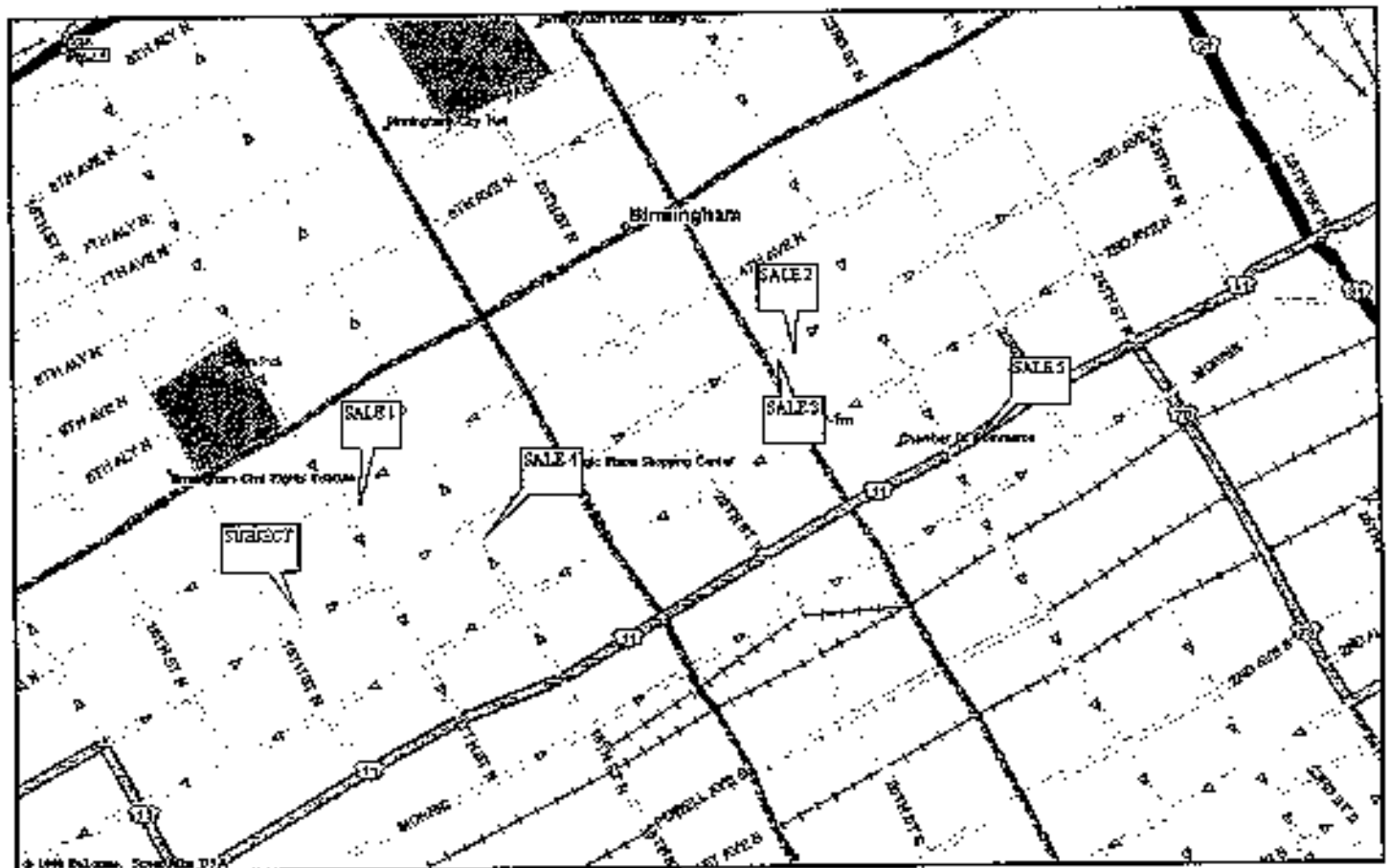
After considering all adjustments and the sales as they relate to the subject, the sales provided a range of indications from about \$5.00 to \$9.00 per square foot. The writers concluded that the Sales 2 and 5 should have the most reliance placed upon them as they required the least amount of adjustments. After analyzing and considering each of the sales as it relates to the subject property, it is the writers' opinion a market value of about \$7.00 per square foot appears appropriate for the subject tract. Based on the indications and discussion above, it is the writers' opinion that the market value of subject tracts as of the effective date of this appraisal is best estimated at \$49,000 or say \$50,000.

\$50,000
(7,000 SF X \$7.00/SF)

SALES COMPARISON APPROACH

The Sales Comparison Approach, or Market Data Approach, is the method of estimating market value whereby the subject property is compared with comparable properties that have recently been sold, based upon the highest and best use analysis previously indicated within this report. One premise of the Sales Comparison Approach is that the market will determine a price for the property being appraised in the same manner that it determines prices of comparable, competitive properties. Essentially, the Sales Comparison Approach is a systematic procedure for carrying out comparative shopping.

The first step in the Sales Comparison Approach is to make a thorough research of sales that would be considered comparable to the subject property. Within the Sales Comparison Approach, the writer considered supply and demand, balance, substitution, and other applicable considerations to retail facilities. The sales listed, as well as others, were considered and principal units of comparison were selected for use in the valuation process of the Sales Comparison Approach. The sales given the greatest consideration in this approach to value are shown in the addenda of this report.



IMPROVED SALES COMPARISON CHART

SALE #	SALE DATE	LOCATION	Land To Build.	Quality & Cond.	Size (SF)	Price/SF
1	6/91	1701 4 th Ave N Superior	.5/1 Similar	Superior	12,600	\$19.84
2	7/92	2109 3 rd Ave N Superior	.5/1 Similar	Superior	7,550	\$22.25
3	12/92	1801 3 rd Ave N Superior	.5/1 Similar	Superior	10,000	\$18.50
4	12/94	2118 2 nd Ave N Superior	.5/1 Similar	Inferior	6,000	\$10.42
5	8/96	2212 3 rd Ave N Superior	.58/1 Similar	Inferior	7,000	\$10.71

These are the most recent sales of which the writer are aware involving similar retail/office facilities in the subject area. These sales are considered the most appropriate for comparison to the subject. Several factors were considered appropriate for consideration in this instance, and these include location, size, and quality and condition. Prior to adjustment, the sales ranged from \$10.42 to \$22.25 on a per square foot basis.

The first factor considered was market conditions at time of sale. The sales occurred from June of 1991 to August of 1996. No adjustment for time appears to be indicated by the sales presented. Differences in price are all explained by other differences. Therefore, no adjustments were made for this factor.

All of the sales were reportedly arm's length transactions. The indicated prices are in line with other sales, however, and the motivation of the sellers is not considered to have unduly influenced the transactions in this instance. Therefore, no adjustments for conditions of sale were considered necessary for the sales.

The next factor considered was location. In terms of commercial/retail properties, location is mainly based on exposure and access to the market. The subject is an interior building located on a major thoroughfare in the subject neighborhood on the fringe of the Central Business District. As previously discussed, the subject is located on the western edge of the neighborhood. Many areas to the east of the subject have experienced new demand in the past. This has been in the form of renovations of older buildings and some new development. The subject area is still somewhat stagnant at this time. Sales 1 and 3 are on the subject's side of 20th Street North, however, these two sales are closer to the CBD and are considered superior in terms of location than the subject. Sales 2, 4, and 5 are located on the opposite side of 20th Street North, which is in an area that is more developed. Therefore, all the sales were considered superior in terms of location and all required downward adjustments.

The next factor considered was the quality and condition of the sales. The subject building was constructed in the 1900's and renovated in 1988 according to tax records. However, the subject contains 3,500± square feet of finished area in the building. The entire 2nd floor of the subject is unfinished space. The other 3,500± square feet on the ground floor is open space used for a photography studio and is not considered to be fully finished area. All the sales were built in similar time frames and are considered similar in terms of quality. Sale 1 was renovated after the date of sale, but was still superior to the subject at the time of sale. Therefore, Sale 1 is considered to be superior to the subject and requires a downward adjustment. Sales 2 and 3 contain more finished area than the subject and also are superior in terms of condition to the subject. Therefore, Sales 2, and 3 are also considered superior requiring downward adjustments. Sales 4, and 5 are both older buildings and were inferior to the subject at the time of the sale. Both these buildings required major Therefore, Sales 4, and 5 were considered inferior requiring upward adjustments.

The next factor considered was the land-to-building ratio. Land-to-building ratios are calculated by dividing the amount of land area by the amount of building area. This helps identify the amount of excess land that may be utilized for expansion, parking or whatever may be needed. The higher the ratio the more excess land available. The subject has a ratio of .5/1 based on the total gross building area of the subject. This is common in the downtown market as most multi-story sales have ratios of less than 1/1. Sales 1, 2, 3, and 4 all have .5/1 land to building ratios, which are in a competitive range with the subject. Sale 5 has a land to building ration of .5/1, which is also considered within a competitive range of the subject. Therefore, all of the sales are considered similar and require no adjustments.

The last factor considered was the size. The subject contains approximately 14,000± square feet of gross building area. The market has shown that smaller size facilities demand a higher per square foot price than larger ones and vice versa. Sales 1 and 3 are in a competitive size range with the subject, and were therefore considered similar requiring no adjustments. Sales 2, 4, and 5 are significantly smaller than the subject, therefore, these sales are considered superior requiring downward adjustments.

After considering all adjustments, the price per square foot ranged from \$10.42 to \$15.87. The writers examined all the sales thoroughly and concluded that sales 1, 4 and 5 were considered to be competitive with the subject with sales 2 and 3 supporting the value conclusion below as well.

Considering each sale as it relates to the subject property, it is the writers' opinion that a value indication of \$12.50 per square foot, would be most appropriate for the subject property indicating a value of \$175,000. Therefore, it is the writers' opinion that the best estimated value by the Sales Comparison Approach is as follows:

\$175,000

(14,000± SF x \$12.50/SF)

INCOME APPROACH

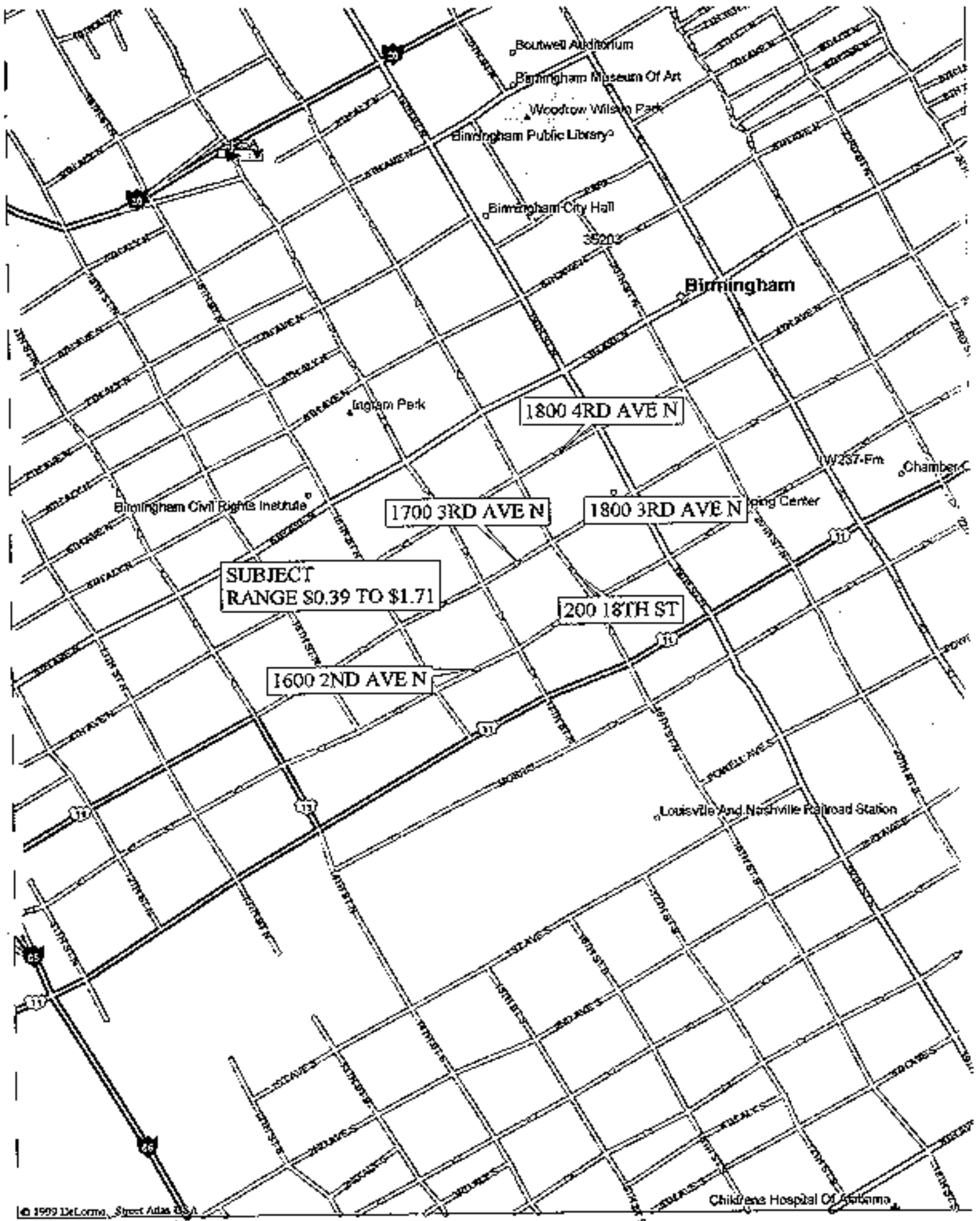
Income-producing properties are typically purchased for investment purposes, and from the investor's point of view, earning power is the critical element that effects the property's value. One essential value premise is the higher the earnings, the higher the value. An investor who purchases income-producing real estate is essentially trading a sum of present dollars for the right to receive future benefits. The subject property would qualify as an income-producing property, deriving income through the leasing of the office and storage space.

The assignment was to provide your office with rental values for each year 1992-1997 as well as property valuations for 1993 and 1997. The review of the leases you provided included several that apparently were never executed and we are not able to determine if the rents were paid. As an example, there were five leases starting in 1995 for one year. According to a letter dated November 3, 1995 from Mel Burns to John Morrow, the only tenant at that time that was paying rent was American Bail & Bonding Company. He stated that three other leases had been secured but the only one that seems to be activated was for the Williamson Photo in side A. The current tenant in side B appears to be a job placement company that pays \$1,500 per month or \$18,000 per year for the lower part of side B (3,500+-sf) and the total upstairs (7,000+-). This amounts to an average of \$1.71 per SF for the 10,500+- sf. Williamson Photo pays \$1.20 per SF for the space they occupy in side A.

Our review of the rental market in the area comes from Mr. Charles Parrish of Watts & Company who handles most of this type of property in the market area as well as an interview of local tenants. Both indicate that the rental market in this area has been stagnant for years and that there have been no rental increases. Existing tenants have been able to keep the same rate.

The properties in the area rent on a per space instead of a per SF basis. This is due to several factors, including the quality of the space, who made improvements to the space (the tenant or the owner), the location, etc. However, a unit of measure has to be determined and for purposes of this report, a per SF basis has been made. Rents in the area vary widely due to location. The closer to 20th street, which is the main business district, the higher the rent. This is reflected in the map on the following page that shows the range of rents in each area.

Following the map is a chart showing the rents in the area as well as the rental information for the subject. As can be seen on the chart the rents vary by location as well as other factors. Rentals 15 & 16 are the most similar to the subject, however, I understand that the tenants made improvements at their cost and the current rents reflect that position. The subject is partially finished and falls more in line with the existing rent in side A as well as side B. In my opinion, a fair rent for the years 1992-1997 would be \$1.70/SF for the entire building. This would produce a Gross Potential Income of \$23,800 (14,000 sf x \$1.70 = \$23,800).



Boutwell Auditorium
Birmingham Museum Of Art
Woodrow Wilson Park
Birmingham Public Library

Birmingham City Hall

Birmingham

Ingram Park

1800 4RD AVE N

Birmingham Civil Rights Institute

1700 3RD AVE N

1800 3RD AVE N

SUBJECT
RANGE \$0.39 TO \$1.71

200 18TH ST

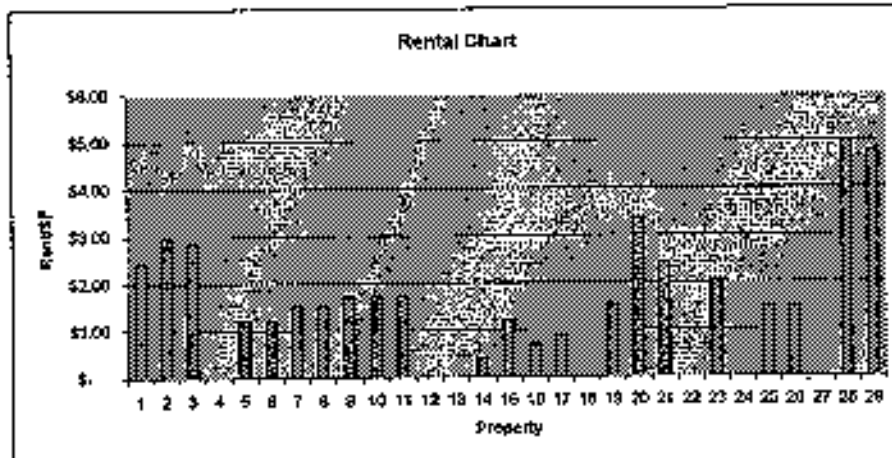
1600 2ND AVE N

Louisville And Nashville Railroad Station

Childrens Hospital Of Alabama

**RENTAL SURVEY
BY LOCATION**

NUMBER	DATE	NAME	LOCATION	SIZE	RENT	RENT/SF	COMMENTS
1	2000	IND STAFFING	1600-02 2ND AVE N	5,000	\$ 12,129	\$	2.43 FIRST FLOOR
2	2000	HAIR IMAGES	1604 2ND AVE N	2,500	\$ 7,500	\$	3.00 FIRST FLOOR
3	2000	HATCHER FLORIST	1606 2ND AVE N	2,500	\$ 7,200	\$	2.88 FIRST FLOOR
4	1995	WILLIAMSON PHOTO	1612A 3RD AVE N	3,500	\$ 4,200	\$	1.20 FIRST FLOOR
5	2000	WILLIAMSON PHOTO	1612A 3RD AVE N	3,500	\$ 4,200	\$	1.20 FIRST FLOOR
6	1995	A & S DIVERSIFIED	1614 3RD AVE N	3,500	\$ 5,400	\$	1.54 FIRST FLOOR
7	1995	AMER BAIL & BONDING	1614 3RD AVE N	3,500	\$ 5,400	\$	1.54 FIRST FLOOR
8	1995	AFRICAN AMER INST	1614 3RD AVE N	10,500	\$ 18,000	\$	1.71 ONE SIDE 1ST FL & 2nd
9	1995	AFRICAN AMER INST	1614 3RD AVE N	10,500	\$ 18,000	\$	1.71 ONE SIDE 1ST FL & 2nd
10	1995	HILLIARD FOR CONGRESS	1614 3RD AVE N	10,500	\$ 18,000	\$	1.71 ONE SIDE 1ST FL & 2nd
11	1997	AMER TRST LIFE	1614 3RD AVE N - 2 OFF	UNKNOWN	\$ 7,200	UNKNOWN	FIRST FLOOR
12	1996	HILLIARD FOR CONGRESS	1614 3RD AVE N	UNKNOWN	\$ 9,000	UNKNOWN	FIRST FLOOR
13	1995	KEVIN ARRINGTON - CHURCH	1614B 3RD AVE N	7,000	\$ 2,700	\$	0.39 UPSTAIRS
14	2000	ALA BALLEE	1616 3RD AVE N	3,500	\$ 1,200	\$	1.20 STORAGE
15	2000	COMM BLD	1618 3RD AVE N	10,500	\$ 7,278	\$	0.69 ONE SIDE 1ST FL & 2nd
16	2000	SERA TECH	1620 3RD AVE N	14,000	\$ 12,380	\$	0.88 TWO STORY, 3RD FL UNF
17	2000	BEAUTY SUPPLIES	1717 3RD AVE N	3,500	\$ 5,400	\$	1.54 FIRST FLOOR
18	2000	CUT ABOVE HAIR	1725 3RD AVE N	2,500	\$ 8,400	\$	3.36 FIRST FLOOR
19	2000	CROWN	1727 3RD AVE N	5,000	\$ 12,000	\$	2.40 TWO STORY FINISHED
20	1995	NATL LOAN	1806 3RD AVE N	3,500	\$ 7,200	\$	2.06 FIRST FLOOR
21	1995	FAMOUS SHOE SHOP	1800 4TH AVE N	3,500	\$ 5,100	\$	1.46 FIRST FLOOR
22	1995	SUNNY BOY PRODUCTS	1811 4TH AVE N	3,500	\$ 5,100	\$	1.46 FIRST FLOOR
23	1999	UNITED HAIR	220 18TH ST N - EST SIDE	1,500	\$ 7,500	\$	5.00 FIRST FLOOR
24	1999	NEW JERUSALEM	230 N 18TH ST - EST SIDE	3,000	\$ 14,400	\$	4.80 FIRST FLOOR



RENTAL #	LOCATION
1-3	1600 blk 2ND Ave N
4-16	1600 blk 3rd Ave N SUBJECT LOCATION
17-19	1700 blk 3rd Ave N
20	1800 blk 3rd Ave N
21-22	1800 blk 4th Ave N
23-24	200 blk 18th N

NOTE: NUMBERS 8,9 & 10 IN
SUBJECT NOT SIGNED

Vacancy and Credit Loss: The property is currently leased to two tenants on the ground floor with second floor vacant at the effective dates of this appraisal. Due to the location of the property and the time estimated that it would take to lease the property if vacant, a 10%.

Effective Gross Income: Effective Gross income is calculated by subtracting the estimated vacancy and credit loss amount from the Potential Gross Income. Therefore, the total effective gross income for property is calculated to be \$21,420.

Estimate of Operating Expenses: The daily expenditures required to maintain the building in an operable condition are considered first in this analysis. The expenses incurred by the landlord are listed below as follows.

Management: Professional management companies within the Birmingham area have historically charged a management fee of between 2% and 6% of Effective Gross Income. Due to the multiple tenants and type of lease a management fee of 5% is estimated.

Taxes: The actual taxes for the subject property were discussed earlier in this report. The writers based the tax amounts on these figures and estimated taxes plus any additional fees to be in the range of \$2,500 per year. The tax was higher in 1993 but was reduced. A buyer would consider the lower taxes in all years.

Insurance: An insurance expense of \$0.10 per square foot has been estimated based on estimated expenses from comparable properties. This is considered reasonable and is market justified and indicates an expense of \$1,400.

Repairs and Maintenance: This expense is for exterior maintenance and repairs including the roof. Comparable data indicated an annual expense of \$.05 per square foot. This indicates a total expense of \$700 per year. This is considered to be market supported.

Total Expenses: Based on the preceding estimates, an estimate can be made for the total expenses associated with operating the subject property. This figure for each year, when deducted from the estimated effective gross income results in the projected net operating income for the subject property. This can be converted into an estimate of the value of the property by means of direct capitalization.

Estimate of Net Operating Income: The projected net operating income results from deducting total expenses from the estimated effective gross income. The effective gross income has previously been estimated at \$21,420. Deducting the estimated expenses of \$5,671 indicates a net operating income of \$15,749.

Estimate of Value by Capitalization Rate: The first step in the direct capitalization technique is to estimate an appropriate capitalization rate in order to translate the net rental rate figure estimated above into an indication of value for the subject property as a whole. Since there were no sales indicating an overall capitalization rate (OAR), an alternate method was applied to use other market information to develop a capitalization rate. This is the band-of-investment mortgage equity technique, which takes a weighted average of prevailing debt and equity rates in the market to arrive at an estimated overall capitalization rate. For the subject property, a loan to value ratio of about 75% would be considered appropriate. A market oriented mortgage rate to a qualified buyer of about 8.5% would be

most appropriate on a 15 year term (due to the age of the property), indicating a mortgage constant of .1182; this is the debt component. A market oriented equity dividend rate of about .10 is estimated for the subject property. An estimated overall capitalization rate can be calculated from these terms. These calculations are shown in the chart below.

Band of Investment: Mortgage / Equity Method

Error! Bookmark not defined. Component	Proportion	Required Return	Weighted Return
Debt (75%, 15 year loan)	75.0%	.1182	.0887
Equity	25.0%	.1000	.0250
			.1137
			Say 11.25%

Conclusion: Due to the age of the property and the large amount of vacant space it is the writers opinion an overall capitalization rate in the range of 11.25% would be appropriate. A chart showing the direct capitalization process is shown on the following page. The indication of value by the Income Approach by way of direct capitalization is produced by dividing the net operating income of \$15,749 by the estimated overall capitalization rate. This direct capitalization technique produced an estimated market value of \$139,991. Therefore, it is the writers' opinion that the market value of the subject property as of the date of appraisal is best estimated by way of the Income Approach to be:

\$140,000

INCOME APPROACH (continued)**DIRECT CAPITALIZATION TECHNIQUE**

Potential Gross Income		\$23,800
4,000 SF @ \$1.70/SF		
Vacancy		\$ 2,380
Less 10%		
EGI		\$21,420
Expenses		
Management 5%	\$1,071	
Taxes	\$2,500	
Insurance	\$1,400	
Repairs and Maintenance	<u>\$700</u>	
Total Expenses		<u>\$5,671</u>
Net Operating Income		\$15,749
OAR 11.25%		\$139,991
Estimated Value		\$140,000

RECONCILIATION

Two indication of the market value of the leased fee interest in the subject property have been estimated based on the three approaches to value. To summarize, these are:

Cost Approach	Not Applicable
Sales Comparison Approach	\$175,000
Income Approach	\$140,000

In order to arrive at a single estimate of value for the fee simple estate in the subject property, it is necessary to consider each of the approaches to value and to analyze their strengths and weaknesses. The following paragraphs summarize this analysis.

The Income Approach to value is considered applicable to the property. Rents were analyzed for the subject as well as the market area. Therefore, this approach was considered particularly applicable in this instance and was given substantial weight in the final estimation of value.

The Sales Comparison Approach is also considered a good approach to value in this instance. The writers were able to locate several properties that have sold in the recent past. These sales were discussed with appropriate adjustments made when necessary to better relate the sales to the subject property. It is the writers' opinion that the adjustments made to the sales were reliable. Therefore, strong consideration of this approach has therefore been given in the final value estimate.

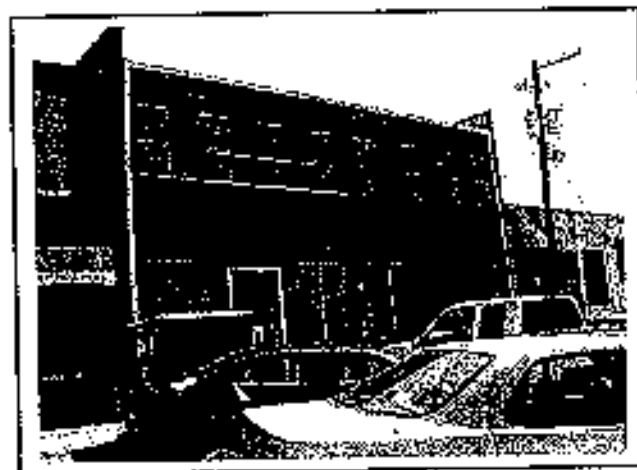
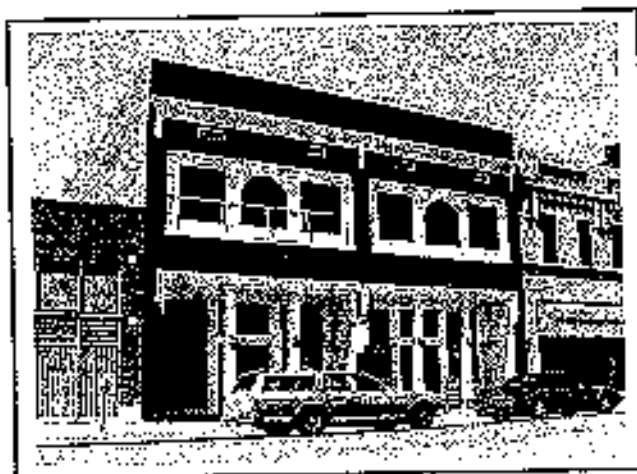
The Cost Approach is typically used for buildings that have been recently constructed and have little to no depreciation. The subject facility is an older building that has been partially renovated since that time. It would be difficult to estimate the exact amount of depreciation that would be associated with the subject building as will have both older structural features and newer interior finishes. Therefore, the writers have considered the Cost Approach not applicable in this instance.

Therefore, based on the analysis contained in this report, and the factors discussed above, the writers' have given primary consideration to the Income Approach and Sales Comparison Approaches to value. Based on this, it is the writers' opinion that the market value of the subject property as of the effective dates of appraisal is best estimated at:

ONE HUNDRED FIFTY THOUSAND DOLLARS
(\$150,000)

ADDENDA

Subject Property Photographs



LAND SALE NO. 1

Property Identification

Record ID 169
Property Type Commercial, Commercial
Address 213 22nd Street North, Birmingham, Jefferson County, Alabama
Location Birmingham CBD
Tax ID 22-36-1-029-004.000

Sale Data

Grantor Mila B. Hendon
Grantee Robert L. Crook, Jr
Sale Date March 04, 1991
Deed Book/Page 3992/860
Recorded Plat Lot 10 Block 83 Bham
Property Rights Fee
Conditions of Sale Arm's Length
Financing Cash

Sale Price \$40,000

Land Data

Zoning B-4, Commercial
Topography Level
Utilities All
Dimensions 40 x 100
Shape Rectangular
Parking Paved
Flood Info No

Land Size

Gross Land Size 0.092 Acres or 4,000 SF
Front Footage 40 ft 22nd Street N

Indicators

Sale Price/Gross Acre \$435,587
Sale Price/Gross SF \$10.00
Sale Price/Front Foot \$1,000

Remarks

Site is a interior parcel on 22nd Street North. Improved with paved parking lot.

LAND SALE NO. 2

Property Identification

Record ID 170
Property Type Commercial, Commercial
Address Parcel 1 - 3rd Ave N, Parcel 2 - 21st Street N, Birmingham,
Jefferson County, Alabama
Location CBD
Tax ID 22-36-2-012-006, Part of 18 & all of 19

Sale Data

Grantor Resolution Trust Corp (RTC)
Grantee Masscy Building Parnters
Sale Date June 19, 1992
Deed Book/Page 4316/758
Property Rights Fee
Conditions of Sale Arm's Length
Financing Cash

Sale Price \$52,500

Land Data

Zoning B-4, Commercial
Topography Level
Utilities All
Shape 2 rectangular lots
Flood Info No

Land Size

Gross Land Size 0.172 Acres or 7,500 SF
Front Footage 50 ft 3rd Ave N

Indicators

Sale Price/Gross Acre \$304,913
Sale Price/Gross SF \$7.00

Remarks

Sale of two seperate tracts in same block. First tract is a 50 x 100 on 3rd Ave N. The second tract are part of two adjacent tracts located on 21st Street North.

LAND SALE NO. 3

Property Identification

Record ID 171
Property Type Commercial, Commercial
Address 2130 3rd Ave N, Birmingham, Jefferson County, Alabama
Location CBD
Tax ID 22-36-1-041-015.000

Sale Data

Grantor Al C Garber (Trustee)
Grantee Cook's Pest Control
Sale Date January 19, 1994
Deed Book/Page 9401/8664
Property Rights Fee
Conditions of Sale Arm's Length
Financing Cash

Sale Price \$60,000

Land Data

Zoning B-4, Commercial
Topography Level
Utilities All
Dimensions 50 x 100
Shape Rectangular
Flood Info No

Land Size

Gross Land Size 0.115 Acres or 5,000 SF
Front Footage 150 ft Total Frontage: 50 ft 2nd Ave N; 100 ft 22nd Street N

Indicators

Sale Price/Gross Acre \$522,739
Sale Price/Gross SF \$12.00
Sale Price/Front Foot \$400

Remarks

Site was improved with paved parking lot.

LAND SALE NO. 4**Property Identification**

Record ID 172
Property Type Commercial, Commercial
Address 1421 7th Avenue North, Birmingham, Jefferson County, Alabama
Location CBD
Tax ID 22-35-1-017-001

Sale Data

Grantor Edward W. Mudd
Grantee Alabama Property Company
Sale Date April 29, 1994
Deed Book/Page 940S/9390
Property Rights Fee
Conditions of Sale Arm's Length
Financing Cash

Sale Price \$65,000

Land Data

Zoning M-1, Light Industrial
Topography Level
Utilities All
Shape Square
Flood Info No

Land Size

Gross Land Size 0.230 Acres or 10,000 SF
Front Footage 200 ft Total Frontage: 100 ft 7th Ave N; 100 ft 15th Street N

Indicators

Sale Price/Gross Acre \$283,138
Sale Price/Gross SF \$6.50
Sale Price/Front Foot \$325

Remarks

Lots 3 and 4 Block 39 Birmingham. APCO purchase of land in CBD area.

LAND SALE NO. 5**Property Identification**

Record ID	173
Property Type	Commercial, Commercial
Address	1400 4th Ave N, Birmingham, Jefferson County, Alabama
Location	CBD
Tax ID	22-36-2-043-002.000

Sale Data

Grantor	William S. Pritchard
Grantee	City View Mtg. Company
Sale Date	January 02, 1995
Deed Book/Page	9501/0445
Property Rights	Fee
Conditions of Sale	Arm's Length
Financing	Cash
Sale Price	\$28,000

Land Data

Zoning	M-1, Light Industrial
Topography	Level
Utilities	All
Dimensions	50 x 140
Shape	Rectangular
Flood Info	No

Land Size

Gross Land Size	0.161 Acres or 7,000 SF
Front Footage	50 ft 4th Ave N

Indicators

Sale Price/Gross Acre	\$174,238
Sale Price/Gross SF	\$4.00
Sale Price/Front Foot	\$560

Remarks

Interior lot.

IMPROVED SALE NO. 1**Property Identification**

Record ID	153
Property Type	Commercial, Office
Address	1701 4th Ave North, Birmingham, Jefferson County, Alabama
Location	CBD
Tax ID	22-36-2-034-006

Sale Data

Grantor	City of Birmingham
Grantee	Henry L. Penick
Sale Date	June 08, 1994
Deed Book/Page	4038/482
Property Rights	Fee
Conditions of Sale	Arm's Length
Financing	Cash

Sale Price	\$250,000
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Land Data

Land Size	0.145 Acres or 6,300 SF
Front Footage	185 ft Total Frontage: 45 ft 4th Ave N; 140 ft 17th Street N
Zoning	B-4, Commercial
Topography	Level
Utilities	All
Dimensions	45 x 140
Shape	Rectangular
Flood Info	No

General Physical Data

Building Type	Multi-tenant, Office
Gross SF	12,600
Construction Type	Concrete Block
HVAC	Typical
Stories	2
Year Built	1925
Condition	Fair at time of Sale
Location	CBD

Indicators

Sale Price/Gross SF	\$19.84
Floor Area Ratio	2.00
Land to Building Ratio	0.50:1

Remarks

Purchase of older building that was renovated after sale for attorney offices on second floor and retail on first. Purchase was of shell building. \$150,000 spent for upgrades.

IMPROVED SALE NO. 2**Property Identification**

Record ID 155
Property Type Commercial, Office
Address 2109 3rd Avenue North, Birmingham, Jefferson County,
Alabama
Location CDB
Tax ID 22-36-2-002-001

Sale Data

Grantor RTC
Grantee Curtis Gordon, et al
Sale Date July 06, 1992
Deed Book/Page 4328/368
Property Rights Fee
Conditions of Sale Arm's Length
Financing Cash

Sale Price \$168,000

Land Data

Land Size 0.115 Acres or 5,000 SF
Front Footage 53 ft 3rd Avenue North
Zoning Commercial
Topography Level
Utilities All
Shape Regular
Flood Info None

General Physical Data

Building Type Single tenant, Office
Gross SF 7,550
Construction Type Concrete Block
Roof Type Flat
Foundation Slab
HVAC Typical
Stories 2
Year Built 1925
Condition Fair
Location CBD

Indicators

Sale Price/Gross SF \$22.25
Floor Area Ratio 1.51
Land to Building Ratio 0.66:1

Remarks

Lot 8, Block 84, Birmingham

This is a typical 2-story office building purchased for renovation for attorney offices.

IMPROVED SALE NO. 3**Property Identification**

Record ID 156
Property Type Commercial, Office
Address 1801 3rd Avenue North, Birmingham, Jefferson County,
Alabama
Location CBD
Tax ID 22-36-2-029-002.000

Sale Data

Grantor The Leasing Corporation, Inc.
Grantee Birmingham Landmarks, Inc./Al. Theater
Sale Date December 14, 1992
Deed Book/Page 4441/707
Property Rights Fee
Conditions of Sale Arm's Length
Financing Cash

Sale Price \$185,000

Land Data

Land Size 0.115 Acres or 5,000 SF
Front Footage 100 ft 3rd Avenue North; 50 ft 18th Street North
Zoning Commercial
Topography Level
Utilities All
Shape Regular
Flood Info None

General Physical Data

Building Type Single tenant, Office
Gross SF 10,000
Construction Type Masonry
Roof Type Flat
Foundation Slab
HVAC Typical
Stories 2
Year Built 1920
Condition Fair
Location CBD

Indicators

Sale Price/Gross SF \$18.50
Floor Area Ratio 2.00
Land to Building Ratio 0.50:1

Remarks

Map # - 42 M15-2

This is the sale of a typical two-story office building in the CBD, but located on the outer fringe of the neighborhood.

IMPROVED SALE NO. 4**Property Identification**

Record ID 158
Property Type Commercial, Office
Address 2118 2nd Avenue North, Birmingham, Jefferson County, Alabama
Location CBD
Tax ID 22-36-1-041-011.000

Sale Data

Grantor Harold E. Roberts, etal
Grantee Denaburg Investments LLC
Sale Date December 14, 1994
Deed Book/Page 9414/3978
Property Rights Fee
Conditions of Sale Arm's Length
Financing Compass Bank Mortgage for \$50,000

Sale Price \$62,500

Land Data

Land Size 0.080 Acres or 3,500 SF
Front Footage 25 ft 2nd Ave N
Zoning B-4, Commercial
Topography Level
Utilities All
Dimensions 50 x 140
Shape Irregular
Flood Info No

General Physical Data

Building Type Single tenant, Office
Gross SF 6,000
Construction Type Brick
Roof Type Tar and Gravel
Foundation Slab
HVAC Typical
Stories 2
Year Built 1924 renovated in 1995
Condition Fair to Average
Location CBD

Indicators

Sale Price/Gross SF \$10.42
Floor Area Ratio 1.71
Land to Building Ratio 0.58:1

Remarks

Property was purchased and renovated after purchase for use as office space.

IMPROVED SALE NO. 5**Property Identification**

Record ID	159
Property Type	Commercial, Office
Property Name	Maloy Offices
Address	2212 3rd Ave North, Birmingham, Jefferson County, Alabama
Location	CBD
Tax ID	22-36-1-028-007.000

Sale Data

Grantor	Louie Reese, Jr., etal
Grantee	Richard Mzloy and Steve Morgan
Sale Date	August 27, 1996
Deed Book/Page	9610/7965
Property Rights	Fee
Conditions of Sale	Arm's Length
Financing	Cash
Sale Price	\$75,000

Land Data

Land Size	0.080 Acres or 3,500 SF
Front Footage	25 ft 3rd Ave N
Zoning	B-4, Commercial
Topography	Level
Utilities	All
Dimensions	25 x 140
Shape	Rectangular
Flood Info	No

General Physical Data

Building Name	Maloy's Offices
Building Type	Single tenant, Office
Gross SF	7,000
Construction Type	Brick
Roof Type	Tar and gravel
Foundation	Slab
HVAC	Typical
Stories	2
Year Built	1910 Renovated 1960/1997
Condition	Fair to Average
Location	CBD

Indicators

Sale Price/Gross SF	\$10.71
Floor Area Ratio	2.00
Land to Building Ratio	0.50:1

Remarks

Office located across from Red Cross Building on eastern edge of CBD.



Six Office Park Circle, Suite 120
Birmingham, Alabama 35223
Phone: (205) 879-4529
Facsimile: (205) 879-4530
e-mail: brps@rpserv.com Internet URL: <http://www.rpserv.com>

704 South Fourth Street
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REAL PROPERTY SERVICES, INC.

PROFESSIONAL REAL ESTATE ANALYSIS, VALUATION & COUNSELING

REAL PROPERTY SERVICES, INC.

PROFESSIONAL REAL ESTATE ANALYSIS, VALUATION & COUNSELING

October 4, 2000

Mr. Ken Kellner
Committee of Standard of Official Conduct
HT 2 - The Capitol
Washington D.C. 20515-6328

RE: Typographical Error
American Trust Building
1612-1614 3rd Avenue North
Birmingham, AL
RPS FILE # 99-066

Dear Mr. Kellner:

This letter is to inform you that there was a typographical error in the original report that was previously sent to you. On Page 1 - Summary of Facts and Conclusions under the Fair Market Rent it should read 1614, and not 1613. This was a typographical error on the writers part, and we apologize for any inconvenience.

If any other assistance is needed, please feel free to contact us at Real Property Services, Inc.

Very truly yours,
REAL PROPERTY SERVICES, INC.



T. Julian Skinner, III
Alabama Certified General Real Property Appraiser #G00070

TJS/csk