Brookhollow Industrial Property
8901 Directors Row
Dallas, TX

Narrative Appraisal Report

Duane Huynh
Jennifer Mollenshott
Wil Morgan
December 9, 2006

Dr. J. Andrew Hansz, Ph.D., CFA
University of Texas at Arlington
Arlington, Texas

Subject: (Fair) Market Value Appraisal
Brookhollow Industrial Property
8901 Directors Row
Dallas, Dallas County, Texas 75219

Dear Dr. Hansz:

Duane Huynh, Jennifer Mollenshott and Wil Morgan are pleased to submit the narrative appraisal report of the referenced subject property. The purpose of this appraisal is to develop an opinion of the fair market value of the fee simple estate of the property as of September 20, 2006, the effective date of this appraisal and the date of the site inspection. The subject’s value will be estimated as if vacant. The attached report sets forth the data, research, analyses, and conclusions for this appraisal.

The report is prepared in conformity with the guidelines set forth in class and in the text. Our opinion of market value is premised upon the Assumptions and Limiting Conditions contained within this report.

The site has an area of 48,896 square feet and is improved with one industrial warehouse/office building of 16,000 square feet.

Based on the analyses and conclusions in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed herein, it is our opinion that the market value of the fee simple estate of the property, as if vacant, as of September 20, 2006 is:

$495,000

Four Hundred Ninety Five Thousand Dollars

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

Duane Huynh                           Jennifer Mollenshott                       Wil Morgan
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## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

<table>
<thead>
<tr>
<th>Property</th>
<th>Brookhollow Industrial Property 8901 Directors Row Dallas, Dallas County, Texas 75219</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Description</td>
<td>Brookhollow Industrial District, Block 53/7940 Lot 5 and abandoned DART ROW, 1.1225 acres</td>
</tr>
<tr>
<td>Owner of Record</td>
<td>English O B</td>
</tr>
<tr>
<td>Date of Report</td>
<td>December 9, 2006</td>
</tr>
<tr>
<td>Effective Date of Appraisal</td>
<td>September 20, 2006</td>
</tr>
<tr>
<td>Land Area</td>
<td>1.1225 acres; 48,896 square feet</td>
</tr>
<tr>
<td>Building Area</td>
<td>16,000 square feet</td>
</tr>
<tr>
<td>Year Built</td>
<td>1960</td>
</tr>
<tr>
<td>Zoning Designation</td>
<td>Industrial/Research</td>
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<td>Property Rights Appraised</td>
<td>Fee Simple Estate</td>
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<tr>
<td>Market Value Indications</td>
<td></td>
</tr>
<tr>
<td>Cost Approach</td>
<td>$1,208,857.70</td>
</tr>
<tr>
<td>Replacement Cost</td>
<td>$825,160</td>
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<td>Depreciation</td>
<td>$280,554.40</td>
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<td>Land Value</td>
<td>$664,252.13</td>
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<td>Sales Comparison Approach</td>
<td>$484,000</td>
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<tr>
<td>Income Approach</td>
<td>$427,385</td>
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<tr>
<td>Market Value Conclusion</td>
<td>$495,000</td>
</tr>
<tr>
<td>Cost Approach</td>
<td>Weighted 5%</td>
</tr>
<tr>
<td>Sales Comparison Approach</td>
<td>Weighted 50%</td>
</tr>
<tr>
<td>Income Approach</td>
<td>Weighted 45%</td>
</tr>
</tbody>
</table>
PART ONE: INTRODUCTORY INFORMATION

PURPOSE OF APPRAISAL

The purpose of the appraisal is to develop an opinion of the (fair) market value of the fee simple interest in the property as of the effective date of the appraisal, September 20, 2006. “Market value” is defined in the addenda. We note that the client requested us to appraise the “fair” market value in accordance with the commonly accepted definition of market value. Unless otherwise stated, all factors pertinent to a determination of value are considered as of this date.

IDENTIFICATION OF THE PROPERTY

The property consists of one 16,000 square foot industrial building on 1.1225 acres of land. The street address is 8901 Directors Row, Dallas, Texas 75247. The site has an area of 1.1225 acres, or 48,896 square feet, and is legally described as Brook Hollow Industrial District, Block 53/7940, Lot 5 and abandoned DART Row.

HISTORY OF THE PROPERTY

The property was developed after the park location was reclaimed from the 100-year floodplain. The Trinity River is adjacent to the park to the west. Most buildings in the park, including the subject property, were built in the 1950s and 1960s. Some buildings have exceeded their industrial and manufacturing lifecycle and have become showrooms for various businesses. This is partly as a result of the obsolete facilities for trucking. The roads are narrow for modern standards, and the dock heights are not sufficient for 18-wheelers, in most cases. The turn around radius for an 18-wheeler is also inadequate for most buildings in the industrial park.

PART TWO: DESCRIPTION, ANALYSIS AND CONCLUSIONS

REGION AND CITY ANALYSIS

Description:

- Employment – According to the Greater Dallas Chamber of Commerce, major employers in the area include: AMR, Centex Corporation, Texas Instruments, Sprint, Perot Systems Corporation, Dallas Independent School District and Brinker International. According to the Bureau of Labor Statistics, the Dallas area (Dallas, Irving and Plano metropolitan area) has seen inconsistent employment trends over the last six years. A graphical trend of all non-farm employment is below (not adjusted for seasonal employment):
Population – According to the U.S. Census Bureau, the Dallas area has an increasing population since 1990. Population increased at a rate of 29.4% between 1990 and 2000. The rate of which population increases has slowed drastically to only 8.3% between 2000 and 2003. The U.S. Census Bureau estimated the 2005 population of Dallas County to be 2,305,454.

Conclusion: While the employment growth appears to be very cyclical, there is currently a positive outlook for the area. Population also continues to increase in the area, mostly due to the amount of land still available for development outside of the city limits. Redevelopment continues in declining neighborhoods within Dallas County, particularly in the south Dallas area.

NEIGHBORHOOD ANALYSIS

Boundaries: The subject is in northwest Dallas. For purposes of this report, the neighborhood boundaries are best described as follows:
- North: TX-183
- South: TX-356
- East: Mockingbird Lane
- West: Trinity River

Predominating Type of Development: The neighborhood area is predominantly industrial. The boundaries encase the Brookhollow Industrial Park.

History of the Area: Brookhollow Industrial Park was the first planned industrial park in Dallas and was also the first to place deed restrictions on the property within the park. These restrictions consisted of minimum setback requirements, as well as landscaping requirements. The park was developed after it was reclaimed from the 100-year floodplain.

Range of Sale Price and Rents: Sale prices in the area average $28.80 per square foot, while rents in the area average $4.50 per square foot monthly.
**Life State and Trend:** The properties within the industrial park appear to be at the decline stage of their life cycle. Most are functionally obsolete and are no longer being used for industrial transport, but for office space, minor transport and even factory showrooms. There appears to be a trend towards more showroom facilities due to the functional obsolescence.

**Extent Build-Up:** The industrial park is near 100% developed. Only one vacant parcel of land was noticed during the inspection.

**Most Probable Source of Financing:** The most probable source of financing is a typical lender or equity investors.

**Location and Accessibility of Neighborhood:** The neighborhood is primarily accessible by TX-183. Secondary access is from Regal Row, Mockingbird Lane and Profit Avenue. Road access is average. Public transportation is provided by the City of Dallas and is considered average. Bus stops were noticed within the neighborhood, but mostly on the outskirts.

**Public Services:** Fire and police protection are considered average for the area.

**Planning, Zoning and Other Restrictions:** The property is zoned IR, or Industrial Research district. This zoning classification has certain yard, lot and space restrictions, which are as follows:

- Front yard – minimum is 15 feet
- Side yard – when adjacent to other zoning classifications, the minimum is 30, but it is zero when adjacent to another IR classification
- Rear yard – the minimum rear yard is 30 feet when the property is adjacent to other zoning classifications, but it is zero in other cases
- Height – the maximum structure height is 200 feet
- Dwelling unit density – there is no dwelling unit density requirement for this zoning classification
- Floor area ratio – the required floor area ratio is 2.0 for combined uses, such as the Brookhollow property
- Lot coverage – the maximum lot coverage is 80%, which includes aboveground parking structures
- Lot size – there is no minimum lot size
• Stories – the maximum amount of stories is 15 above grade; parking garages are exempt, but must comply with the 200 feet maximum height restriction

• Additional provisions – a Development Impact Review (DIR) is required if estimated trip is greater than 6,000 trips per day and 500 trips per acre per day

• Primary use – research and development, light industrial, office and supporting commercial uses

Vacancy and/or Occupancy Rate: The current occupancy rate in the Brookhollow Industrial Park is 85%, according to data provided by George Roddy.

Turnover in Ownership/Occupancy: Numerous for sale signs implies that there is a higher than average turnover rate in property owners.

Adequacy of Utilities: All major utilities appear to be available (due to the availability of office space in the buildings), including electricity, gas, water, sewer, trash, phone and cable.

Detrimental Influences, Nuisances and/or Hazards: Fire and police protection are considered average for this type of neighborhood. It was stated by our inspection escort Joe Milkes, that theft is prevalent on the weekends and after regular business hours. No major security systems or services were noticed. No police patrols or crime watch signs were noticed.

Land Use: Neighborhood land uses include a mix of commercial and industrial. Other land use characteristics are summarized in the following outline format:

<table>
<thead>
<tr>
<th>Predominant Age of Improvements</th>
<th>35 to 55 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predominant Quality and Condition</td>
<td>Fair to average quality and condition</td>
</tr>
<tr>
<td>Approximate Percent Developed</td>
<td>95%</td>
</tr>
<tr>
<td>Percent Developed as Single-Family</td>
<td>0%</td>
</tr>
<tr>
<td>Life Cycle Stage</td>
<td>End of decline and may be entering modest revitalization</td>
</tr>
<tr>
<td>Infrastructure/Planning</td>
<td>Average</td>
</tr>
<tr>
<td>Predominant Location of Undeveloped Land</td>
<td>One parcel noticed in central area of industrial park</td>
</tr>
<tr>
<td>Prevailing Direction of Growth</td>
<td>None known</td>
</tr>
<tr>
<td>Subject’s Immediate Surrounding Land Use</td>
<td></td>
</tr>
<tr>
<td>North:</td>
<td>Commercial</td>
</tr>
<tr>
<td>South:</td>
<td>Industrial</td>
</tr>
<tr>
<td>East:</td>
<td>Commercial</td>
</tr>
<tr>
<td>West:</td>
<td>Commercial and Industrial</td>
</tr>
</tbody>
</table>
**Analysis/Conclusion:** The property is in an area of maturity and seems to fit into the neighborhood’s average cost per square foot and rental rates. The rates remain low due to the higher vacancy rate. The property also appears to be in line with the zoning restrictions for the IR classification. All utilities appear available to support office and warehouse space, with few nuisances or hazards in the immediate area.

**TAXES AND ASSESSMENT ANALYSIS**

**Current/Historical Trends and Subject Property Assessment:** According to the Dallas Central Appraisal District, the estimated taxable value is $480,000. The figure is comprised of a $333,310 appraised value for improvements and $146,690 value for land. The historical property assessment is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Improvement</th>
<th>Land</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$333,310</td>
<td>$146,690</td>
<td>$480,000</td>
</tr>
<tr>
<td>2005</td>
<td>$229,800</td>
<td>$135,000</td>
<td>$364,800</td>
</tr>
<tr>
<td>2004</td>
<td>$229,800</td>
<td>$135,000</td>
<td>$364,800</td>
</tr>
<tr>
<td>2003</td>
<td>$229,800</td>
<td>$135,000</td>
<td>$364,800</td>
</tr>
<tr>
<td>2002</td>
<td>$215,000</td>
<td>$135,000</td>
<td>$350,000</td>
</tr>
<tr>
<td>2001</td>
<td>$215,000</td>
<td>$135,000</td>
<td>$350,000</td>
</tr>
<tr>
<td>2000</td>
<td>$215,000</td>
<td>$135,000</td>
<td>$350,000</td>
</tr>
<tr>
<td>1999</td>
<td>$303,170</td>
<td>$135,000</td>
<td>$438,170</td>
</tr>
</tbody>
</table>

**Current/Historical Trends and Subject Property Tax Rates:** The current tax rates are listed in the chart below. Historical tax rate information was not available for this property.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Tax Rate per $100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dallas</td>
<td>$0.7292</td>
</tr>
<tr>
<td>Dallas ISD</td>
<td>$1.5026</td>
</tr>
<tr>
<td>Dallas County</td>
<td>$0.2189</td>
</tr>
<tr>
<td>Dallas County Community College</td>
<td></td>
</tr>
<tr>
<td>Parkland Hospital</td>
<td>$0.2540</td>
</tr>
</tbody>
</table>
Current/Historical Trends and Subject Property Tax: The current estimated property taxes for the subject property are $13,395.72 and the breakdown is reflected in the chart below. Historical property tax information was not available for this property.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>City</th>
<th>School</th>
<th>County</th>
<th>College</th>
<th>Hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Rate per $100</td>
<td>$0.73</td>
<td>$1.50</td>
<td>$0.22</td>
<td>$0.09</td>
<td>$0.25</td>
</tr>
<tr>
<td>Taxable Value</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$480,000</td>
</tr>
<tr>
<td>Estimated Taxes</td>
<td>$3,500.16</td>
<td>$7,212.67</td>
<td>$1,050.88</td>
<td>$412.80</td>
<td>$1,219.20</td>
</tr>
<tr>
<td>Total Estimated Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SITE DATA AND ANALYSIS

Dimensions, Shape and Area of Site: The property is comprised of 1.1225 acres or 48,896 square feet. The lot is rectangular shaped.

Topography: The land seems to slope from north to south.

Soil and Sub-Soil Conditions: A soil report was not provided for review, however, based on our inspection of the property and observation of development on nearby sites, we assume that the subject is not affected by any adverse soil conditions that would restrict it from being developed to its highest and best use.

Drainage: Appears adequate.

Utilities and Services: The building is fully serviced by utilities including water, sewer, trash, phone, cable, gas and electricity.

Access: Access is average and is from Profit and Directors Row. Regal Row and Mockingbird Lane are the spine streets, with TX-183 being the closest major highway.

Manmade Improvements: There are paved streets and sidewalks in the neighborhood. Curbs are slightly deteriorated on the site, most likely from semi-truck strikes.

Parking: The building offers 14 parking spaces in the front and 12 dedicated parking spaces in the rear fenced area.
Landscaping: Due to original deed restrictions, landscaping is above-normal for an industrial park; hedges and trees are apparent on site, with large grass setbacks.

Proximity of Hazards, Nuisances and/or Detrimental Influences: It was stated during the inspection that after-hours and weekend crime is prevalent due to lack of security in the area. Noise is also prevalent during the day due to the nature of business in the area, but is assumed to be average for an industrial park.

Flood Zone: The subject property is in a 100-year floodplain, which was reclaimed before the construction of the industrial park.

Easements and Encroachments: Neither a title report nor survey was provided for review. We are not aware of any easements, encumbrances, or restrictions that would adversely affect the use of the site. A title search is recommended to determine whether any adverse conditions exist. We assume that there are no easements, encumbrances, or restrictions that would restrict the property from being developed to its highest and best use.

Most Probable Buyer: Taking into account the age, quality and size of the subject, the most likely buyer would be a local or regional investor or limited partnership.

Zoning (Designation/Meaning): The property is zoned IR for Industrial Research district.

Zoning (Allowable Uses): The IR zoning classification allows for light manufacturing and research and development. Other uses such as medical/infectious waste incinerator, municipal waste incinerator, organic compost recycling and asphalt/concrete batching may be done with special authorizations.

Zoning Conformity. The property appears to be in conformity with current zoning.

DESCRIPTION AND ANALYSIS OF IMPROVEMENTS

Current Use: The property is currently used for office space, warehouse and a small shop (in the warehouse portion of the building).

Stories/Dimensions: The improvements consist of a one-story building, which is approximately 60’ by 200’ or 16,000 square feet.

Quality and Type of Construction: The building is considered “super improved” in relation to other industrial parks, due to its brick façade. Most other buildings in a similar neighborhood would be tilt-wall construction. The building also has some ornate masonry work near the main entrance and the office space has been improved to include updated lighting and private offices.
Construction Details: The building has a brick exterior framework, and has a more finished out warehouse space than other warehouses. The office space has also been updated with newer lighting. The restrooms seem original, with sheetrock ceilings and older tile floors. The building has a slab foundation and no basement. The office space is approximately 9 feet high and the warehouse space is approximately 18 feet high. The roof is tar and gravel. The office space is typically commercial grade carpeting with some vinyl tile, textured and painted walls and dropped acoustic ceilings. The warehouse consists of concrete floors, steel truss ceilings, above-average wall finishes, exposed ceiling trusses and fluorescent lighting.

Building Layout: The office space is closest to the main entrance and comprises approximately 25% of the building. Warehouse space is in the rear and comprises the remaining 75%.

Age and Condition: The condition of the improvements is average for their age. The building is experiencing foundation movement and foundation cracks were noticed on the corner of the building. A large stair-step crack was noticed in the brick on the west side of the building.

Deferred Maintenance: Minimal deferred maintenance was observed. Most of the physical depreciation is accrued due to the building’s age.

Personal Property: No personal property is included in this valuation.

Effective Age: The improvements were built in 1960, making the true age of the building 46 years old. As also stated below in the cost approach valuation method, improvements have been made to the property (e.g. updated interior lighting, updated interior finishes, etc.) resulting in an estimated effective age of 30 years.

Economic Life: As also mentioned below in the cost approach valuation method, the Marshall Valuation Service estimates the life expectancy of an industrial building to be 50 years.

Functional Utility: Some functional obsolescence is apparent at the subject property. There is a lack of utility by means of dock height, turnaround area for semi-trucks, distance of interior columns from one another and ceiling height. These factors may result in a loss in value due to the lack of utility or desirability of the property inherent to those factors.

External Influences: No external depreciation is estimated for the subject property. The property is on a corner lot and is accessible by two streets and the industrial park is accessible by major roadways. Interest rates are still very reasonable, and it is assumed that financing terms will not degrade the value of the property.
HIGHEST AND BEST USE ANALYSIS

Definition and Source: Before an opinion of value can be developed, the highest and best use of the property must be determined for both the subject site as though vacant, and for the property as improved. The highest and best use must be:

- Legally permissible under the zoning laws and other restrictions that apply to the site.
- Physically possible for the site.
- Financially feasible.
- Capable of producing the highest value from among the permissible, possible and financially feasible uses.

Land as if Vacant:

Legally Permissible – Zoning is IR for industrial use.

Physically Possible – Utilities are available and construction with almost any improvement is physically possible.

Financially Feasible – Current available interest rates and favorable financing terms allow for most uses.

Conclusion as Vacant – Due to the industrial area, as well as industrial zoning, the highest and best use for the land as if vacant would be development of an industrial flex (warehouse and office space and/or light manufacturing) building.

Property as Improved:

Legally Permissible – Zoning is IR for industrial use.

Physically Possible – Even though slighting functionally obsolete, the building still has remaining life for an industrial use.

Financially Feasible – Current available interest rates and financing terms would allow for renovation of the structure to allow for future uses.

Conclusion as Improved – Industrial Flex Building (warehouse and office space and/or light manufacturing)

Highest and Best Use Conclusion: The highest and best use of the subject property is to utilize the existing building with an industrial flex use, since the building has a positive value. This conclusion is legally possible, physically possible financially possible and results as the maximally productive use.
COST APPROACH

Site Valuation:

*Description of the Process* – The cost approach assumes that an informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land, or when the property has unique or specialized improvements for which there is little or no sales data from comparable property. The subject property contains an old building, and thus it is difficult to estimate depreciation. For this main reason, the cost approach is seldom used in developing a value determination for older properties, and will be assigned the smallest weight when the same value is reconciled.

*Description of Comparable Sales* – The comparable sales used for this approach were extracted from the Dallas area, and were provided by George Roddy. The comparables are of same or similar zoning. An effort was made to collect land sales of similar size, financing terms, general location and external factors (i.e. lot location).

*Quality of Comparable Sales* – The Brookhollow Industrial District is in its decline stage and is mostly developed. Therefore, recent land sales within that park are not available. The land sale comparables used are as similar to the area as possible, but more stress was placed on the same or similar zoning factor, rather than relative location in accordance to the Brookhollow Industrial Park.

*Support for Adjustments* –

- **Property rights conveyed**: The adjustment for property rights conveyed recognizes that differences in legal interest or estate between the subject and comparable properties may occur. In this analysis, it is assumed that all comparable sales occurred in the fee simple and therefore, no adjustments were made.

- **Financing terms**: All sales utilized in this analysis are assumed to have used conventional financing.

- **Conditions of sale**: Unique motivation may exist in some cases, but in this analysis, all sales are assumed to have been arms’ length transactions.

- **Market conditions**: The real estate market is very cyclical, and land sales are not very prevalent in industrial parks due to the age of their development. In this valuation analysis, adjustments were made for time. A conservative 3% annual appreciation was given to the comparables.
• **Location**: Since all comparable sales are zoned industrial and are located in or near industrial parks, no adjustments were required for general locational characteristics.

• **Size**: The size of the comparables and subject property vary, sometimes greatly. Adjustments were made based on the size difference between the comparables and subject property.

• **Shape and topography**: This adjustment takes into account that a property’s shape and topography may restrict its development. All of the comparables were similar in terms of shape and topography and no adjustments were made.

• **Zoning**: All properties considered in this valuation were of industrial zoning classification.

*Land Comparables Grid –*

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Subject</th>
<th>Comparable 1</th>
<th>Comparable 2</th>
<th>Comparable 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>8901 Directors Row, Dallas, TX</td>
<td>Harry Hines Blvd and Research Row, Dallas, TX</td>
<td>Cash Road, 175 Feet South of Irving Blvd, Dallas, TX</td>
<td>Directors Row and Profit Drive, Dallas, TX</td>
</tr>
<tr>
<td>Sales Price</td>
<td>N/A</td>
<td>$960,000.00</td>
<td>$348,000.00</td>
<td>$670,000.00</td>
</tr>
<tr>
<td>Property Rights</td>
<td>Fee</td>
<td>Fee</td>
<td>Fee</td>
<td>Fee</td>
</tr>
<tr>
<td>Time Difference</td>
<td>N/A</td>
<td>35 months ago</td>
<td>30 months ago</td>
<td>Current</td>
</tr>
<tr>
<td>Size in SF</td>
<td>48,896 SF</td>
<td>204,558 SF</td>
<td>36,355 SF</td>
<td>30,000 SF</td>
</tr>
<tr>
<td>Price per square foot</td>
<td>N/A</td>
<td>$4.69</td>
<td>$9.57</td>
<td>$22.33</td>
</tr>
<tr>
<td>Zoning</td>
<td>Industrial</td>
<td>Industrial</td>
<td>Industrial</td>
<td>Industrial</td>
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**Adjustment Grid –**

<table>
<thead>
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<th>Attribute</th>
<th>Subject</th>
<th>Comparable 1</th>
<th>Comparable 2</th>
<th>Comparable 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>8901 Directors Row, Dallas, TX</td>
<td>Harry Hines Blvd and Research Row, Dallas, TX</td>
<td>Cash Road, 175 Feet South of Irving Blvd, Dallas, TX</td>
<td>Directors Row and Profit Drive, Dallas, TX</td>
</tr>
<tr>
<td>Property Rights</td>
<td>Fee</td>
<td>Fee</td>
<td>Fee</td>
<td>Fee</td>
</tr>
<tr>
<td>Adjustment for Property Rights</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Sales Price</td>
<td>N/A</td>
<td>$960,000.00</td>
<td>$348,000.00</td>
<td>$670,000.00</td>
</tr>
<tr>
<td>Price per square foot</td>
<td>N/A</td>
<td>$4.69</td>
<td>$9.57</td>
<td>$22.33</td>
</tr>
<tr>
<td>Date of Sale</td>
<td>Current</td>
<td>35 months ago</td>
<td>30 months ago</td>
<td>Current</td>
</tr>
<tr>
<td>Adjustment for Time (per square foot)</td>
<td>N/A</td>
<td>$5.10</td>
<td>$10.41</td>
<td>0</td>
</tr>
<tr>
<td>Adjusted Sale Price</td>
<td>N/A</td>
<td>$1,043,245.80</td>
<td>$378,455.56</td>
<td>$670,000</td>
</tr>
<tr>
<td>Size in SF</td>
<td>48,896 SF</td>
<td>204,558 SF</td>
<td>36,355 SF</td>
<td>30,000 SF</td>
</tr>
<tr>
<td>Adjustment for Size</td>
<td>N/A</td>
<td>(155,662 SF)</td>
<td>12,541 SF</td>
<td>18,896 SF</td>
</tr>
<tr>
<td>Adjusted Sales Price</td>
<td>N/A</td>
<td>$249,369.60</td>
<td>$509,007.37</td>
<td>$1,091,847.60</td>
</tr>
</tbody>
</table>

**Reconciliation of Value Estimate** – Since comparable 3 is the most recent sale, the closest in location to the subject, and of similar size, the heaviest weight is given to that comparable. Comparables 1 and 2 are equally weighted. The reconciled land value estimate is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Comparable 1</th>
<th>Comparable 2</th>
<th>Comparable 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Sales Price</td>
<td>$249,369.60</td>
<td>$509,007.37</td>
<td>$1,091,847.60</td>
</tr>
<tr>
<td>Weight</td>
<td>30%</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Solution</td>
<td>$74,810.88</td>
<td>$152,702.21</td>
<td>$436,739.04</td>
</tr>
<tr>
<td>Total Reconciled Value</td>
<td></td>
<td></td>
<td>$664,252.13</td>
</tr>
</tbody>
</table>
Cost New Estimate:

Description of the Process – The cost approach is the sum of the land and improvements value, minus the depreciation of the improvements. In order to find the cost new estimate, either the reproduction or replacement cost can be calculated. The definition of each is as follows:

- Reproduction Cost is the estimated cost to construct, at current prices, as of the effective date of the appraisal, an exact replicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship, and embodying all the deficiencies, super-adequacies, and obsolescence of the subject building.

- Replacement cost is the estimated cost of construction, at current prices, as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern and current standards, design and layout.

For the purpose of this appraisal, the replacement cost will be used.

Sources, Development and Support of Estimate – Information for the replacement cost came from the Marshall Valuation Service. The calculator method was used and the costs contain the following:

- The actual costs used are final costs to the owner and will include average architects’ and engineers’ fees. These, in turn, include plans, plan check and building permits, and surveying to establish building lines and grades.

- Normal interest on only the actual building funds during period of construction and processing fee or service charge is included.

- All material and labor costs include all appropriate local, state and federal sales or other sales taxes.

- Normal site preparation including finish, grading and excavation for foundation and backfill for the structure only.

- Utilities from structure to lot line figured for typical setback.

- Contractors overhead and profit including job supervision, workmen’s compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc.
Marshall Valuation Service classifies buildings based on class (A through S) and type (excellent, good, average and low cost). There are also various categories of building including office, commercial, garages and industrial flex. Since the subject property is zoned industrial, and is comprised of warehouse and office space, it falls under the industrial flex category. The class and type grid is as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Type</th>
<th>Exterior Walls</th>
<th>Interior Finish</th>
<th>Lighting, Plumbing and Mechanical</th>
<th>Heat</th>
<th>Cost per Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
<td>Masonry or concrete, wood or steel frame, good entries and trim</td>
<td>Finished floors, ceilings and display rooms, some extras</td>
<td>Fluorescent lighting, adequate restroom and plumbing</td>
<td>Package A/C</td>
<td>$54.80</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>Brick, concrete block, tilt-up, small storefronts</td>
<td>Reception finish and detail, small office or display areas</td>
<td>Adequate lighting and plumbing per space</td>
<td>Forced Air</td>
<td>$38.91</td>
<td></td>
</tr>
<tr>
<td>Low Cost</td>
<td>Low-cost block, tilt-up, light roof, shop door entries</td>
<td>Unfinished slab, open shop areas only</td>
<td>Minimum lighting and plumbing per space</td>
<td>Space Heaters</td>
<td>$27.60</td>
<td></td>
</tr>
<tr>
<td>D Average</td>
<td>Metal or wood studs, stucco, siding, small storefronts</td>
<td>Reception finish and detail, small office or display areas</td>
<td>Adequate lighting and plumbing per space</td>
<td>Forced Air</td>
<td>$36.11</td>
<td></td>
</tr>
<tr>
<td>Low Cost</td>
<td>Low-cost stucco or siding, shop door entries</td>
<td>Unfinished, slab, open shop areas only</td>
<td>Minimum lighting and plumbing per space</td>
<td>Space Heaters</td>
<td>$25.34</td>
<td></td>
</tr>
<tr>
<td>D Pole Average</td>
<td>Pole frame, good metal siding, lined, small storefronts</td>
<td>Reception finish and detail, small office or display areas</td>
<td>Adequate lighting and plumbing per space</td>
<td>Forced Air</td>
<td>$32.94</td>
<td></td>
</tr>
<tr>
<td>Low Cost</td>
<td>Pole frame, metal siding, shop door entries</td>
<td>Unfinished, slab, open shop areas only</td>
<td>Minimum lighting and plumbing per space</td>
<td>Space Heaters</td>
<td>$22.85</td>
<td></td>
</tr>
<tr>
<td>S Good</td>
<td>Steel frame, sandwich panels, good entries and trim</td>
<td>Finished floors, ceilings and display rooms, some extras</td>
<td>Fluorescent lighting, adequate restroom and plumbing</td>
<td>Package A/C</td>
<td>$50.65</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>Pre-engineered steel siding, small storefronts</td>
<td>Reception finish and detail, small office or display areas</td>
<td>Adequate lighting and plumbing per space</td>
<td>Forced Air</td>
<td>$35.15</td>
<td></td>
</tr>
<tr>
<td>Low Cost</td>
<td>Light steel frame, siding, shop door entries</td>
<td>Unfinished slab, open shop areas only</td>
<td>Minimum lighting and plumbing per space</td>
<td>Space Heaters</td>
<td>$24.33</td>
<td></td>
</tr>
</tbody>
</table>
The subject property fits most in line with a Good Class C building. The subject has masonry work, full plumbing, fluorescent lighting in the office area, improved finishes and ornate detail by the building entrance. It does not however, have a sprinkler system or full A/C as the estimate assumes. Adjustments per square foot are available for these discrepancies. Since the warehouse is heating only, a reduction of $2.05/square foot for the warehouse portion of the building is taken into account. Since the building is not equipped with a sprinkler system, a further reduction of $1.69/square foot is taken into account. This results in a price per square foot in the office area of $53.11 and a price per square foot in the warehouse area of $51.06. No multiplier appears applicable for the Dallas area. The total replacement cost is estimated as follows:

<table>
<thead>
<tr>
<th>Percentage of Building</th>
<th>Square Feet</th>
<th>Price per Square Foot</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>25%</td>
<td>4,000</td>
<td>$53.11</td>
</tr>
<tr>
<td>Warehouse</td>
<td>75%</td>
<td>12,000</td>
<td>$51.06</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>16,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

The replacement cost using the Marshal Valuation Service is $825,160. In order to further validate the above replacement cost, the RSMeans QuickCost Estimator was also checked with the following results:

**RSMeans QuickCost Estimator**

- **Project Title:** Brookhollow Replacement Cost Estimate
- **Model:** Warehouse
- **Construction:** Tiltup Concrete Panels / Steel Frame
- **Location:** DALLAS, TX
- **Stories:** 1
- **Story Height (l.f.):** 24
- **Floor Area (s.f.):** 16,000
- **Data Release:** 2006
- **Wage Rate:** Union
- **Basement:** Not included

**Cost Ranges**

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>Med</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$781,200</td>
<td>$868,000</td>
<td>$1,085,000</td>
</tr>
<tr>
<td>Contractor's Overhead &amp; Profit</td>
<td>$195,300</td>
<td>$217,000</td>
<td>$271,250</td>
</tr>
<tr>
<td>Architectural Fees</td>
<td>$50,084</td>
<td>$55,648</td>
<td>$69,562</td>
</tr>
<tr>
<td><strong>Total Building Cost</strong></td>
<td><strong>$1,026,584</strong></td>
<td><strong>$1,140,649</strong></td>
<td><strong>$1,425,812</strong></td>
</tr>
</tbody>
</table>

Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.
The RSMeans calculation is based on union wages, which is not the norm in the Dallas area (since Texas is a “right-to-work” state), and also uses a different story height and disregards the office portion of the warehouse. Those factors make the value range less accurate, and the replacement cost using the Marshal Valuation Service will be used for this valuation estimate.

Depreciation – According to the Dallas Central Appraisal District, the improvements on the subject property were constructed in 1960, making the true age of the structure 46 years old. The condition is similar to other properties in the area, but some improvements have also been made to the interior including updated lighting and other finishes. It is estimated that the improvements made to the structure result in an effective age of 30 years +/-.

As noted earlier in this report, there are various obsolescence issues with the property. There are various indicators including physical, functional and external. Examples of these indicators are as follows:

- Physical Indicators: Floors and floor coverings, interior construction, mechanical equipment, roof and exterior walls
- Functional Indicators: Design characteristics, physical layout, mechanical equipment, site assessment, code requirements, fire protection requirements, ADA, environmental and weather extremes.
- External: Physical factors, economic and infrastructure

According to Marshall Valuation Service, the typical life expectancy of a Good Class C industrial building is 50 years. By using the Marshall Valuation Service depreciation tables for industrial buildings, an effective age of 30 years and a typical life expectancy of 50 years, results in an estimated depreciation of 34%. Since the replacement value was previously calculated to equal $825,160, the estimated depreciation value is $280,554.40. While the age/life method of estimating depreciation would result in a rate of 60% (30/50), the Marshal Valuation Service table was used in order to remain consistent in the method of developing a value by the cost approach.
**Cost Approach Summary**: The valuation estimate using the cost approach can be summarized with the following table:

<table>
<thead>
<tr>
<th>Cost Approach Valuation Estimate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Improvements</td>
<td>$825,160</td>
</tr>
<tr>
<td>Less Depreciation</td>
<td>($280,554.40)</td>
</tr>
<tr>
<td>Plus Value of Land</td>
<td>$664,252.13</td>
</tr>
<tr>
<td>Total</td>
<td>$1,208,857.70</td>
</tr>
</tbody>
</table>

As mentioned above, the cost approach value estimation will be given the least amount of weight in the final value reconciliation due to its lack of relevancy for this property.
SALES COMPARISON APPROACH

Description of the Process: The sales comparison approach assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data that can be verified from authoritative sources. The sales comparison approach is less reliable in an inactive market, or when estimating the value of properties for which no real comparable sales data is available. It is also questionable when sales data cannot be verified with principals to the transaction.

Description of Comparable Sales: The comparable sales used for this approach were extracted from the Dallas area. The comparables are of same or similar zoning. An effort was made to collect comparable sales of similar size, financing terms, property use, general location and external factors (i.e. location in relation to the subject property).

Quality of Comparables Selected: Comparables were found that were similar to the subject property in many factors. All properties are zoned Industrial/Research, the transactions took place recently, the property rights, financing terms and conditions of sale were all similar, and all property conditions were similar. Overall, the comparable sales will require little adjustment for this estimation method. A detailed description of each comparable sale can be found in the appendix.

Comparables Grid:

<table>
<thead>
<tr>
<th>Sale</th>
<th>Date of Sale</th>
<th>Size SF</th>
<th>Year Built</th>
<th>Building Type</th>
<th>Zoning</th>
<th>Condition</th>
<th>Office %</th>
<th>Clear Ceiling Height</th>
<th>Building-to-Land Ratio</th>
<th>Overall Price/sf</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/14/2005</td>
<td>25544</td>
<td>1956</td>
<td>Block/ Tilt Wall</td>
<td>I/R</td>
<td>Average</td>
<td>18%</td>
<td>16</td>
<td>47%</td>
<td>$28.38</td>
</tr>
<tr>
<td>2</td>
<td>2/10/2005</td>
<td>18714</td>
<td>1975</td>
<td>Block/ Tilt Wall</td>
<td>I/R</td>
<td>Poor</td>
<td>39%</td>
<td>14</td>
<td>24%</td>
<td>$29.92</td>
</tr>
<tr>
<td>3</td>
<td>12/2/2005</td>
<td>33100</td>
<td>1974</td>
<td>Block/ Tilt Wall</td>
<td>I/R</td>
<td>Average</td>
<td>0%</td>
<td>18</td>
<td>39%</td>
<td>$25.48</td>
</tr>
<tr>
<td>4</td>
<td>5/27/2005</td>
<td>25575</td>
<td>1959</td>
<td>Block/ Tilt Wall</td>
<td>I/R</td>
<td>Average</td>
<td>10%</td>
<td>16</td>
<td>20%</td>
<td>$27.37</td>
</tr>
<tr>
<td>5</td>
<td>2/28/2006</td>
<td>46830</td>
<td>1970</td>
<td>Block/ Tilt Wall</td>
<td>I/R</td>
<td>Average</td>
<td>3%</td>
<td>20</td>
<td>60%</td>
<td>$27.68</td>
</tr>
<tr>
<td>6</td>
<td>6/29/2005</td>
<td>10050</td>
<td>1957</td>
<td>Block/ Tilt Wall</td>
<td>I/R</td>
<td>Average</td>
<td>0%</td>
<td>14</td>
<td>40%</td>
<td>$30.90</td>
</tr>
<tr>
<td>7</td>
<td>1/19/2006</td>
<td>64620</td>
<td>1974</td>
<td>Block/ Tilt Wall</td>
<td>I/R</td>
<td>Average</td>
<td>7%</td>
<td>22</td>
<td>51%</td>
<td>$31.62</td>
</tr>
<tr>
<td>Subject</td>
<td>-</td>
<td>16000</td>
<td>1960</td>
<td>Block/ Tilt Wall</td>
<td>I/R</td>
<td>Average</td>
<td>25%</td>
<td>16</td>
<td>33%</td>
<td>$ -</td>
</tr>
</tbody>
</table>
Market Support for Adjustments:

- **Property rights conveyed**: The subject is appraised based on fee simple title property rights not subject to a lease. All of the comparables sold based on fee simple title rights and were not adjusted.

- **Financing terms**: The subject is being appraised based on a cash sale basis. All of the comparables were sold on cash equivalent terms and have not been adjusted.

- **Conditions of sale**: All of the improved sales were arm’s length transactions that sold under normal marketing considerations.

- **Time of sale**: All of the comparable sales are fairly recent in time between January 2005 and February 2006. Rents held constant throughout 2005 and has experienced some gradual decline in lease rates in early 2006. Occupancy has since risen and is expected to reverse the decline and return lease rates to a more stabilized rate. Because of the constant nature of the lease rates the property value will experience no change in value.

- **Location**: Comparables one, three, and six were not adjusted. Most properties in the Brookhollow district require quality road access to and from distribution points. Comparables four, five and six were adjusted downward 10 percent based on superior access to major roads. Comparable two is located at a very busy intersection and takes advantage of this fact by its large storefront. Comparable two was adjusted downward 15 percent for superior retail potential.

- **Zoning**: The subject and all of the comparable sales are zoned the same to be Industrial/Research. No adjustment is needed for this category.

- **Condition**: The subject is in average condition with little or no deferred maintenance noticed during inspection. Comparable two was adjusted upward 15 percent due to rehab of the structure that was necessary after purchase (verified by CoStar). It was also noted that the purchaser borrowed $247,000 above the sales price to finance the improvements. All other comparables are considered average and were not adjusted for condition.

- **Size**: The subject has a gross building area of 16,000 square feet. Comparables one, two, four, and six are similar to the subject in overall size and were not adjusted. Comparable three and five are over 30,000 square feet but below 50,000 square feet and were adjusted downward 5 percent. Comparable seven is above 60,000 square feet and was adjusted downward 10 percent.
Ceiling height: The subject building has a warehouse clearance height of 18 feet. The comparables have warehouse clearance heights of 14 to 22 feet. No adjustment is indicated for any of the comparables.

Office area: The subject’s office area accounts for 25 percent of the total building. Office space is more expensive to construct than warehouse or manufacturing space and brings higher rental income. Comparable one has 18 percent office area and was adjusted upward 5 percent. Comparable two has 39 percent office area and was adjusted downward 10 percent. Comparable four has 10 percent office area and was adjusted upward 10 percent. Comparable seven has 7 percent office area and was adjusted upward 10 percent. Comparables three, five and six have less than 5 percent office space and were adjusted upward 20 percent.

Effective age: An analysis of this variable is normally tied to rates of depreciation due to the fact that buildings tend to depreciate as they age. Another fact considered is that as buildings age, they generally require more maintenance and higher operating expenses than newer properties. We have taken into account the fact that a portion of this adjustment may be reflected in the adjustment for condition and quality. Comparables one, four, and six are of similar age and no adjustments were needed. Comparables two, three, five, and seven were all adjusted downward 5 percent.

Quality: Quality adjustments are based on the variation in the cost to construct buildings of similar utility, but variable quality. The subject property and all of the comparable sales are of average construction and no quality adjustments are required.

Building to land ratio: Important to the Brookhollow district is easy truck access to loading docks. The subject has a building-to-land ratio of 33 percent and has substandard truck access. Comparables one, three, and six are similar to the subject property and were not adjusted. Comparable two was adjusted downward 10 percent based on its building-to-land ratio of 24 percent and superior access to loading platforms and ample parking for office space. Comparable four was adjusted downward 10 percent based on its building-to-land ratio of 20 percent and superior access to loading platforms. Comparable five has a building-to-land ratio of 60 percent and was adjusted upward 10 percent. Comparable seven has a building-to-land ratio of 51 percent but has superior access to loading platforms so an adjustment upward of 5 percent was made.
### Adjustment Grid:

<table>
<thead>
<tr>
<th>Comparable Number</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price/SF:</td>
<td>$28.38</td>
<td>$29.92</td>
<td>$25.48</td>
<td>$27.37</td>
<td>$27.88</td>
<td>$30.90</td>
<td>$31.62</td>
</tr>
<tr>
<td>Property Rights:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Adjusted Price:</td>
<td>$28.38</td>
<td>$29.92</td>
<td>$25.48</td>
<td>$27.37</td>
<td>$27.88</td>
<td>$30.90</td>
<td>$31.62</td>
</tr>
<tr>
<td>Terms of Sale:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Adjusted Price:</td>
<td>$28.38</td>
<td>$29.92</td>
<td>$25.48</td>
<td>$27.37</td>
<td>$27.88</td>
<td>$30.90</td>
<td>$31.62</td>
</tr>
<tr>
<td>Conditions of Sale:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Adjusted Price:</td>
<td>$28.38</td>
<td>$29.92</td>
<td>$25.48</td>
<td>$27.37</td>
<td>$27.88</td>
<td>$30.90</td>
<td>$31.62</td>
</tr>
<tr>
<td>Market Conditions/Time:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Market Price/SF:</td>
<td>$28.38</td>
<td>$29.92</td>
<td>$25.48</td>
<td>$27.37</td>
<td>$27.88</td>
<td>$30.90</td>
<td>$31.62</td>
</tr>
<tr>
<td>Location:</td>
<td>0%</td>
<td>-15%</td>
<td>0%</td>
<td>-10%</td>
<td>-10%</td>
<td>-10%</td>
<td>0%</td>
</tr>
<tr>
<td>Zoning:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Condition:</td>
<td>0%</td>
<td>15%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Size:</td>
<td>0%</td>
<td>0%</td>
<td>-5%</td>
<td>0%</td>
<td>-5%</td>
<td>0%</td>
<td>-10%</td>
</tr>
<tr>
<td>Ceiling Height:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Office Percent:</td>
<td>5%</td>
<td>-10%</td>
<td>20%</td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Age:</td>
<td>0%</td>
<td>-5%</td>
<td>-5%</td>
<td>0%</td>
<td>-5%</td>
<td>0%</td>
<td>-5%</td>
</tr>
<tr>
<td>Quality:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Building/Land Ratio:</td>
<td>0%</td>
<td>-10%</td>
<td>0%</td>
<td>-10%</td>
<td>10%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Adjusted Price/SF:</td>
<td>29.80</td>
<td>22.44</td>
<td>28.03</td>
<td>24.63</td>
<td>30.67</td>
<td>33.99</td>
<td>31.62</td>
</tr>
<tr>
<td>Overall % Adjustment:</td>
<td>5%</td>
<td>-25%</td>
<td>10%</td>
<td>-10%</td>
<td>10%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Total % Adjustment:</td>
<td>5%</td>
<td>55%</td>
<td>30%</td>
<td>30%</td>
<td>50%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Adjusted Range:</td>
<td>22.44</td>
<td>to</td>
<td>33.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Price/SF:</td>
<td>28.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Depreciation Consistency:** All comparables were of similar age and it was assumed that all were affected by similar depreciation rates. An adjustment for age was made where relevant.

**Reconciliation:** The comparables indicate an adjusted sales price range of $22.44 to $33.99 per square foot. The average adjusted price per square foot is $28.74. Most weight is given to comparables one and six, which are located close to the subject and are of most similar condition and vintage. Comparable one has an adjusted sale price of $29.80 per square foot and comparable six has an adjusted sale price of $33.99. We gave most weight to comparable one and lesser weight to comparable six. We have concluded that $30.25 per square foot is a market indicator for the value of the subject property.

This value will be applied to the 16,000 square foot gross building area as the following calculation will show:

$$30.25/\text{SF} \times 16,000 \text{ SF} = 484,000$$

After careful consideration of the information presented in this section of the report, we are of the opinion that the concluded “as is” market value of the subject property, with fee simple title property rights by the Sales Comparison Approach, as of September 20, 2006, is $484,000.
INCOME CAPITALIZATION APPROACH

**Description of the Process:** Income capitalization is a process of converting income into value and the concept of anticipation is fundamental to the approach. The principle of anticipation asserts that value is created by the expectation of benefits to be derived in the future. The price a buyer should be willing to pay for a property, therefore, would be equal to the present worth of these future benefits. In the income capitalization approach, the appraiser reduces, or discounts, such anticipated future income to its present worth. This reduction recognizes the fact that an anticipated future dollar is worth less than a dollar in hand.

The income capitalization approach is based on the premise that there is a relationship between the income a property can earn and the property’s value. Many commercial properties are purchased to be leased to other parties. The future net income the property is capable of earning and the worth of the property to a prospective buyer is based largely on its earning capacity. The income capitalization approach to value translates the estimated potential income of a property into an estimate of market value by the use of certain data and one of numerous income models that link different income variables to value estimates.

The income capitalization approach consists of methods and techniques used to analyze a property’s capacity to generate economic benefits and converts those benefits to an indication of present value. The steps taken to apply the income capitalization approach are:

- **Estimate potential gross income:** This involves analyzing the subject’s current leases to establish the potential income from leased space and then estimating market rent to apply to the subject’s vacant space.
- **Estimate vacancy and credit loss**
- **Estimate operating expenses**
- **Calculate net operating income** by deducting vacancy and credit loss and operating expenses from gross income.
- **Select a capitalization rate** from the market to use in direct capitalization.
- **Perform a discounted cash flow analysis** to estimate value through yield analysis, if applicable.
- **Reconcile a value indication** for the income capitalization approach.
The two generally accepted techniques used in this approach are direct capitalization and discounted cash flow analysis. We will visit both methods for the subject property:

**Direct Capitalization** is a method used to convert a single year’s expected income into an indication of value in one direct step, by dividing the net operating income by an appropriate capitalization rate.

**Discounted Cash Flow (DCF) Analysis** is a method in which future benefits - periodic cash flow and net resale value – are converted into a value indication by discounting them to present value and an appropriate yield rate.

**Direct Capitalization Method:**

*Property Income and Expenses*

<table>
<thead>
<tr>
<th>Income</th>
<th>2006 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Square Footage</td>
<td>16,000</td>
</tr>
<tr>
<td>Rent Rate per Sq. foot</td>
<td>4.5</td>
</tr>
<tr>
<td>Gross Potential Rent</td>
<td>72,000</td>
</tr>
<tr>
<td>Other Income</td>
<td>0</td>
</tr>
<tr>
<td>Gross Potential Income</td>
<td>72,000</td>
</tr>
<tr>
<td>Vacancy &amp; Collection Loss (15% PGI)</td>
<td>10,800</td>
</tr>
<tr>
<td>Effective Gross Income</td>
<td>61,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Taxes</td>
<td>9,557</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,600</td>
</tr>
<tr>
<td>Maintenance &amp; Repairs</td>
<td>3,037</td>
</tr>
<tr>
<td>Management Fee</td>
<td>2,754</td>
</tr>
<tr>
<td>Leasing Cost</td>
<td>3,200</td>
</tr>
<tr>
<td>Capital Replacement</td>
<td>800</td>
</tr>
<tr>
<td>Total Expense</td>
<td>20,948</td>
</tr>
<tr>
<td>Expenses per Sq Ft</td>
<td>1.31</td>
</tr>
</tbody>
</table>

**Net Operating Income**  

40,252
Market Capitalization Rate Extraction

<table>
<thead>
<tr>
<th>Address</th>
<th>Comp. 1</th>
<th>Comp. 2</th>
<th>Comp. 3</th>
<th>Comp. 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>8821 Directors Row</td>
<td>7263 Envoy Ct</td>
<td>7275 Envoy Ct</td>
<td>1208 Viceroy</td>
<td></td>
</tr>
<tr>
<td>Dallas, TX 75247</td>
<td>Dallas, TX 75247</td>
<td>Dallas, TX 75247</td>
<td>Dallas, TX 75247</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MSA</th>
<th>Dallas-Fort Worth</th>
<th>Dallas-Fort Worth</th>
<th>Dallas-Fort Worth</th>
<th>Dallas-Fort Worth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$750,000</td>
<td>$345,000.00</td>
<td>$273,900.00</td>
<td>$2,100,000.00</td>
</tr>
<tr>
<td>SQ Feet</td>
<td>25000</td>
<td>6000</td>
<td>4980</td>
<td>59943</td>
</tr>
<tr>
<td>Price/Sq Ft</td>
<td>$30.00</td>
<td>$57.50</td>
<td>$55.00</td>
<td>$35.03</td>
</tr>
<tr>
<td>NOI</td>
<td>$70,800.00</td>
<td>$37,200.00</td>
<td>$27,390.00</td>
<td>$126,000.00</td>
</tr>
<tr>
<td>Going out Cap rate</td>
<td>9.44%</td>
<td>10.78%</td>
<td>10.00%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Primary Type</td>
<td>Manufacturing</td>
<td>Warehouse</td>
<td>Warehouse</td>
<td>Office/Show Room</td>
</tr>
<tr>
<td>Weighted Cap Rate</td>
<td>4.72%</td>
<td>2.16%</td>
<td>2.00%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Ave. Going in cap rate for subject property</td>
<td>9.48%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We assume that the average going out cap rate is the going out cap rate of the subject property. The NOI for the subject property is $40,252. Therefore, the estimated market value of the subject property is as follows:

\[
\text{Value} = \frac{\text{NOI}}{\text{Cap Rate}}
\]

Value = $40,252 / 0.0948

Value = $424,599.15

**Discounted Cash Flow (DCF) Analysis:** For this DCF analysis, we allow for the following assumptions:

- No financing
- Rent escalation of 5% per year
- Vacancy and collection loss 5% per year escalation
- Vacancy and collection loss is 15% of PGI (as mentioned earlier – current industrial market area is seeing an average of 15% vacancy)
- Holding period is seven years
• Operating expense ratio is 34.23% (based on current operating expenses and is $20,948 / $61,200)

• Discount rate is 12%

**Before Tax Equity Reversion** – We assume that the going out cap rate is 9.6% for the subject property (as extracted from [www.realtyrates.com](http://www.realtyrates.com)). We also assume a 5% expense at sale.

Gross Sales Price (GSP) = NOI for Year 8 / 0.096
GSP = $56,622 / 0.096 = $589,810

**Equity Reversion:**
\[
\text{Gross Sale Price (GSP)} = \text{NOI for Year 8} / 0.096
\]
\[
\text{GSP} = \frac{\text{NOI for Year 8}}{0.096} = 589,810
\]

**Before Tax Cash Flow**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Cash Outlay (-CF0)</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potential Gross Income (+PGI)</td>
<td>72,000</td>
<td>75,600</td>
<td>79,380</td>
<td>83,349</td>
<td>87,516</td>
<td>91,892</td>
<td>96,487</td>
<td>101,311</td>
<td></td>
</tr>
<tr>
<td>Vacancy &amp; Credit Loss (-V&amp;CL)</td>
<td>10,800</td>
<td>11,340</td>
<td>11,907</td>
<td>12,502</td>
<td>13,127</td>
<td>13,784</td>
<td>14,473</td>
<td>15,197</td>
<td></td>
</tr>
<tr>
<td>Effective Gross Income (EGI)</td>
<td>61,200</td>
<td>64,260</td>
<td>67,473</td>
<td>70,847</td>
<td>74,389</td>
<td>78,108</td>
<td>82,014</td>
<td>86,115</td>
<td></td>
</tr>
<tr>
<td>Operating Expenses (-OE)</td>
<td>20,960</td>
<td>22,008</td>
<td>23,108</td>
<td>24,264</td>
<td>25,477</td>
<td>26,751</td>
<td>28,088</td>
<td>29,493</td>
<td></td>
</tr>
<tr>
<td>Net Operating Income (NOI)</td>
<td>40,240</td>
<td>42,252</td>
<td>44,365</td>
<td>46,583</td>
<td>48,912</td>
<td>51,358</td>
<td>53,925</td>
<td><strong>56,622</strong></td>
<td></td>
</tr>
<tr>
<td>Before Tax Equity Reversion (BTER)</td>
<td>560,319</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Net Present Value (NPV)**

**Before Tax** $433,885

**DCF Model Valuation**

Price = $433,885
**Reconciliation:** Since the market cap rate method is more accurate than the DCF model, we give more weight to that method, resulting in a 70% to 30% split. The reconciled value under the income approach is as follows:

<table>
<thead>
<tr>
<th>Approach</th>
<th>Indicated</th>
<th>Weight</th>
<th>Weighted Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap. Rate extraction</td>
<td>$424,599</td>
<td>70%</td>
<td>$297,219</td>
</tr>
<tr>
<td>Discounted Cash Flow Model</td>
<td>$433,885</td>
<td>30%</td>
<td>$130,166</td>
</tr>
<tr>
<td><strong>Final Appraised Value by Income Approach</strong></td>
<td></td>
<td></td>
<td><strong>$427,385</strong></td>
</tr>
</tbody>
</table>
RECONCILIATION AND FINAL VALUE ESTIMATE

**Strengths and Weaknesses:** Each approach has its own sets of strengths and weaknesses.

*Strengths* – The **cost approach** is helpful in determining the highest and best use for the property. Since comparable land sales are used for one step of the method, the process can assist in determining if keeping an aging building is the highest and best use for the property. The cost approach allows for the subject property to be compared against a new duplicate of itself as well.

The **sales comparison approach** can be a very accurate estimate of value since real comparable sales are being used to estimate what the subject property can be sold for under normal market conditions in the same market. Adjustments can be made to move the selling prices of comparable sales closer in relevancy to the subject property and a range of values can be estimated for a subject property. Many comparable properties were available in this value estimation model, making its accuracy even stronger.

The **income approach** has many strengths, and is very relevant when valuing income-producing properties. The approach considers the market factors when developing the value estimate, and real information from the subject property, such as operating expense, lease information and expected capital expenditures are taken into account. There are also sub-methods of this approach, including direct capitalization and the DCF method that provide for checks and balances when developing an estimation of value.

*Weaknesses* – The **cost approach** is most relevant in valuing newer properties, due to the difficulty of estimating depreciation with aged properties, such as the subject. Market tastes and perceptions of utility change rapidly, which can make it difficult to define the current perception of “equal utility.” The availability of comparable land sales, especially in the case of valuing the subject property, make valuing the land as if vacant very difficult. This approach also works best for houses, and is not necessarily as accurate for mixed use properties or industrial flex space.

In the **sales comparison approach**, the accuracy of the comparable sales information can be questionable. Brokers and other parties privy to a real estate transaction may not publish completely accurate data, and since Texas is a nondisclosure state, the collection of this information can be tedious.
The disadvantages of the **income capitalization** approach stem from the fact that in some cases, a complex set of relationships must be developed, and the complexities of income capitalization can confuse non-appraisers. The cap rates can also be difficult to estimate and accurate income information must be readily available to develop cash flow statements.

**Consideration of Quality and Quantity of Data:** Seven comparable sales, requiring few adjustments in most cases, were readily available for this valuation estimate, providing for a large sample of quality data. Income information for the subject property, as well as a recent market cap rate report, was available for the use of the income approach. Land sales for the cost approach were not as readily available and the quality of their data content is questionable.

**Final Estimate of Value:** Due to its lack of relevancy in developing a value estimate for the subject property, the cost approach will be given little weight in determining the final value estimate. The quality and quantity of data available for the sales comparison and income approach will result in those two methods being weighted the most heavily. The final value estimate is as follows:

<table>
<thead>
<tr>
<th>Method</th>
<th>Estimated Value</th>
<th>Weight</th>
<th>Adjusted Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Approach</td>
<td>$1,208,857.70</td>
<td>5%</td>
<td>$60,442.89</td>
</tr>
<tr>
<td>Sales Comparison</td>
<td>$484,000</td>
<td>50%</td>
<td>$242,000</td>
</tr>
<tr>
<td>Income Approach</td>
<td>$427,385</td>
<td>45%</td>
<td>$192,323.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$494,766.14</strong></td>
</tr>
</tbody>
</table>

The final reconciled value is rounded to $495,000.

*Four Hundred Ninety Five Thousand Dollars*
PART THREE: CERTIFICATION AND ADDENDA

CERTIFICATION OF VALUE

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased analyses, opinions, and conclusions.

3. 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.

4. We have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.

5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. Wil Morgan and Jennifer Mollenshott made a personal inspection of the property that is the subject of this report on September 20, 2006.

7. No one provided significant real property appraisal assistance to the person(s) signing this certification.

8. This appraisal is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

9. We have not relied on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.

10. It is our opinion that the subject does not include any enhancement in value as a result of any natural, cultural, recreational or scientific influences retrospective or prospective.
ASSUMPTIONS AND LIMITING CONDITIONS

In conducting this appraisal, we have assumed, except as otherwise noted in our report, as follows:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.

2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.

3. There are no hidden or undisclosed conditions of the land or improvements that would render the property more or less valuable.

4. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.

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

Our appraisal report is subject to the following limiting conditions, except as otherwise noted in our report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.

2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the affect of subsequent events.

3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.

4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.

5. We are not required to give testimony or to be in attendance in court of any government or other hearing with reference to the property without written contractual arrangements having been made relative to such additional employment.

6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for
size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.

8. We accept no responsibility for considerations requiring our expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.

9. The distribution of the total valuation in this report 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. This appraisal report shall be considered only in its entirety. No part of this appraisal report shall be utilized separately or out of context.

10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without prior written consent from us.

11. Information, estimated and opinions contained in this report, obtained from sources outside of the office of the undersigned, are assumed to be reliable and have not been independently verified.

12. Any income and expense estimated contained in this appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. If the property is subject to one or more leases, any estimated of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.

14. No consideration has been given to personal property located on the premises or to the cost of moving or relating such personal property; only the real property has been considered.

15. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

17. The analyses contained in this report necessarily incorporates numerous estimated and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimated, and the variations may be material.

18. The *Americans with Disabilities Act* (*ADA*) became effective January 26, 1992. We have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. In the non-conforming physical characteristics of a property, we cannot comment on compliance to *ADA*. Given that compliance can change with each owner’s financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner’s financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. This appraisal report has been prepared for the exclusive benefit of the Seminar in Real Estate Appraisal course (REAE 5334) at the University of Texas at Arlington in Arlington, Texas. It may not be used or relied upon by any other party. All parties who use or rely upon any information in this report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the site or in the improvements, and our valuation is predicted upon the property being free and clear of any environment hazards.

21. We have not been provided with any evidence or documentation as to the presence or location of any floodplain areas and/or wetlands. Wetlands generally include swamps, marshes, bogs, and similar areas. We are not qualified to detect such areas. The presence of floodplain areas and/or wetlands may affect the value of the property, and the value conclusion is predicted on the assumption that wetlands are non-existent or minimal.

The value consideration is subject to the following Extraordinary Assumptions:

1. A survey was not provided. The land acreage was obtained from the Dallas Central Appraisal District. We have assumed normal utility easements that do not hinder the site’s development potential or marketability.
COST APPROACH: LAND COMPARABLES LOCATIONS
SALES COMPARISON APPROACH: COMPARABLE SALE LOCATIONS
SALES COMPARISON APPROACH: COMPARABLE SALES INFORMATION

COMPARABLE SALE ONE

Property Identification

Building Name/Park Location: Bunzl USA
Street: 7800 Sovereign Row
City: Dallas
County: Dallas
Tax Identification: #00000778693000000

Sales Data

Grantor or Seller: Marks Investments, GP
Grantee or Buyer: Dick Cole
Date of Sale: 1/14/2005
Sales Price: $725,000.00
Terms/Financing: Cash
Cash Equivalent Sale Price: $725,000.00
Verification: Confirmed CoStar, Date: 9/28/2005
Estimated Exposure Time: (Days) 30
Conditions of Sale: None
Property Rights Conveyed: Fee Simple

Improvement Data

Building Description: Office/Warehouse
Gross Building Area: 25,544
Number of Stories: 1
Construction: C-MASONRY, BLOCK, TILT-WALL
Quality: Average
Condition at Time of Sale: Average
Year Built: 1956
Age at Sale Time: 49
Office Area: 4,598
Office Percentage: 18%
Clear Ceiling Height: (feet) 16
Sprinklered: No
Building-To-Land Ratio: 47%
Parking Spaces N/A
Dock Yes
# of Dock doors 3
Grade level doors N/A
Rail service N/A

General Property Data

Zoning: INDUSTRIAL/RESEARCH DISTRICT
Present Use: Office/Warehouse
Highest and Best Use: Present Use as Improved

53
Site Data
- Size: 54,080
- Configuration: Square, Interior Parcel
- Frontage: (feet) 260
- Topography: Level
- Utilities: All Municipal Utilities
- Easements/Restrictions: None Noted

Economic Data
- Lease Type: N/A
- Net Operating Income: 72,500

Appraisal Indicators
- Overall Price/SF: $28.38
- Effective Gross Rent Multiplier: 0.10
- Overall Capitalization Rate: 0.10
- Equity Dividend Rate:
COMPARABLE SALE TWO

Property Identification
Building Name/Park Location: DFW Imaging, Inc
Street: 7300 Ambassador
City: Dallas
County: Dallas
Tax Identification: #00000779101000100

Sales Data
Grantor or Seller: Keyland Investments L.P.
Grantee or Buyer: Group 701, LLC
Date of Sale: 2/10/2005
Sales Price: $560,000
Terms/Financing: Cash
Cash Equivalent Sale Price: $560,000
Verification: Confirmed CoStar & Roddy
Estimated Exposure Time: (Days) 365
Conditions of Sale: None
Property Rights Conveyed: Fee Simple

Improvement Data
Building Description: Office/Showroom
Gross Building Area: 18,714
Number of Stories: 1
Construction: C-MASONRY, BLOCK, TILT-WALL
Quality: Average
Condition at Time of Sale: Poor
Year Built: 1975
Age at Sale Time: 30
Office Area: 7,298
Office Percentage: 39%
Clear Ceiling Height: (feet) 14
Sprinklered: N/A
Building-To-Land Ratio: 24%
Parking Spaces 40
Dock yes
# of Dock doors 1
Grade level doors
Rail service

General Property Data
Zoning: INDUSTRIAL/RESEARCH DISTRICT
Present Use: Office/Showroom
Highest and Best Use: Present Use as Improved
**Site Data**
- Size: 78,177
- Configuration: Nearly Rectangular, Corner lot
- Frontage: (feet) Ambassador Row 221
- Frontage: (feet) W. Mockingbird Row 225
- Total Frontage (feet): 446
- Topography: Level
- Utilities: All Municipal Utilities
- Easements/Restrictions: None Reported

**Economic Data**
- Lease Type: 
- Potential Gross Income: $55,206
- Vacancy: (8.7%) $4,803
- Effective Gross Income: $50,403
- Expenses: ($1 psf) $18,714
- Net Operating Income: $31,689

**Appraisal Indicators**
- Overall Price/SF: $29.92
- Effective Gross Rent Multiplier: 11.11
- Overall Capitalization Rate: 5.66%
- Equity Dividend Rate:
COMPARABLE SALE THREE

Property Identification
Building Name/Park Location: Seal Tex
Street: 8425 Directors Row
City: Dallas
County: Dallas
Tax Identification: #00000779314000100

Sales Data
Grantor or Seller: Leather Coatings, Inc, Jorge Escobar
Grantee or Buyer: Seal Tex, Chris Hillen
Date of Sale: 12/2/2005
Sales Price: $843,500
Terms/Financing: Cash
Cash Equivalent Sale Price: $843,500
Verification: Unconfirmed
Estimated Exposure Time: (Days) 180
Conditions of Sale: None
Property Rights Conveyed: Fee Simple

Improvement Data
Building Description:
Gross Building Area: 33,100
Number of Stories: 1
Construction: C-MASONRY, BLOCK, TILT-WALL
Quality: Average
Condition at Time of Sale: Average
Year Built: 1974
Age at Sale Time: 31
Office Area: -
Office Percentage: 0%
Clear Ceiling Height: (feet) 18
Sprinklered: 
Building-To-Land Ratio: 39%
Parking Spaces: Open Parking
Dock
# of Dock doors
Grade level doors
Rail service

General Property Data
Zoning: INDUSTRIAL/RESEARCH DISTRICT
Present Use: Warehouse
Highest and Best Use: Present Use as Improved
Site Data
  Size: 84,506
  Configuration: Nearly Rectangle except for SE corner
  Frontage: (feet) 484
  Topography: Level
  Utilities: All Municipal Utilities
  Easements/Restrictions: None Reported

Economic Data
  Lease Type:
  Net Operating Income:

Appraisal Indicators
  Overall Price/SF: $25.48
  Effective Gross Rent Multiplier:
  Overall Capitalization Rate:
  Equity Dividend Rate:
COMPARABLE SALE FOUR

Property Identification

Building Name/Park Location: Custom Floor Service
Street: 535 Regal
City: Dallas
County: Dallas
Tax Identification: #00000779125000000

Sales Data

Grantor or Seller: Rudy's Tortillas Corp., Rudolph & Carmen Guerra
Grantee or Buyer: Custom Floor Service, Rory E Sterling
Date of Sale: 5/27/2005
Sales Price: $700,000
Terms/Financing: Cash
Cash Equivalent Sale Price: $700,000
Verification: Confirmed, CoStar
Estimated Exposure Time: (Days) 120
Conditions of Sale: None
Property Rights Conveyed: Fee Simple

Improvement Data

Building Description: Warehouse/Cold Storage
Gross Building Area: 25,575
Number of Stories: 1
Construction: C-MASONRY, BLOCK, TILT-WALL
Quality: Average
Condition at Time of Sale: Average
Year Built: 1959
Age at Sale Time: 46
Office Area: 2,558
Office Percentage: 10%
Clear Ceiling Height: (feet) 16
Sprinklered:
Building-To-Land Ratio: 20%
Parking Spaces 90
Dock
# of Dock doors
Grade level doors 4
Rail service

General Property Data

Zoning: INDUSTRIAL/RESEARCH DISTRICT
Present Use: Warehouse
Highest and Best Use: Present Use as Improved
Site Data
Size: 125,013
Configuration: Rectangle with cold storage bldg on North side
Frontage: (feet) Regal Row 365
Topography: Level
Utilities: All Municipal Utilities
Easements/Restrictions: None Reported

Economic Data
Lease Type:
Net Operating Income:

Appraisal Indicators
Overall Price/SF: $27.37
Effective Gross Rent Multiplier:
Overall Capitalization Rate:
Equity Dividend Rate:
COMPARABLE SALE FIVE

Property Identification

Building Name/Park Location: Office/Warehouse
Street: 5124 Sharp St
City: Dallas
County: Dallas
Tax Identification: #00000765974000000

Sales Data

Grantor or Seller: Charter Industrial, L.P., Phillip C. Scheble
Grantee or Buyer: BFC Investment, LLC, Chi Won Suh
Date of Sale: 2/28/2006
Sales Price: $1,305,620
Terms/Financing: Cash
Cash Equivalent Sale Price: $1,305,620
Verification: Confirmed, CoStar
Estimated Exposure Time: (Days) 180
Conditions of Sale: Tax Deferred
Property Rights Conveyed: Fee Simple

Improvement Data

Building Description: Office/Warehouse
Gross Building Area: 46,830
Number of Stories: 1
Construction: C-MASONRY, BLOCK, TILT-WALL
Quality: Average
Condition at Time of Sale: Average
Year Built: 1970
Age at Sale Time: 35
Office Area: 1,405
Office Percentage: 3%
Clear Ceiling Height: (feet) 20
Sprinklered: Yes
Building-To-Land Ratio: 60%
Parking Spaces: 50
Dock: Yes
# of Dock doors: 4
Grade level doors
Rail service

General Property Data

Zoning: INDUSTRIAL/RESEARCH DISTRICT
Present Use: Office/Warehouse
Highest and Best Use: Present Use as Improved
Site Data
  Size: 78,521
  Configuration: Square, Interior
  Frontage: (feet) Sharp St 233
  Topography: Level
  Utilities: All Municipal Utilities
  Easements/Restrictions:

Economic Data
  Lease Type:
  Net Operating Income:

Appraisal Indicators
  Overall Price/SF: $27.88
  Effective Gross Rent Multiplier:
  Overall Capitalization Rate:
  Equity Dividend Rate:
# COMPARABLE SALE SIX

## Property Identification

<table>
<thead>
<tr>
<th>Building Name/Park Location:</th>
<th>Redboat Products, L.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Street:</td>
<td>8516 Directors Row</td>
</tr>
<tr>
<td>City:</td>
<td>Dallas</td>
</tr>
<tr>
<td>County:</td>
<td>Dallas</td>
</tr>
<tr>
<td>Tax Identification:</td>
<td>#00000779287000000</td>
</tr>
</tbody>
</table>

## Sales Data

<table>
<thead>
<tr>
<th>Grantor or Seller:</th>
<th>Robert O. Fulford</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grantee or Buyer:</td>
<td>Redboat Products, L.P., Jeff Hecker</td>
</tr>
<tr>
<td>Date of Sale:</td>
<td>6/29/2005</td>
</tr>
<tr>
<td>Sales Price:</td>
<td>$310,500</td>
</tr>
<tr>
<td>Terms/Financing:</td>
<td>Cash</td>
</tr>
<tr>
<td>Cash Equivalent Sale Price:</td>
<td>$310,500</td>
</tr>
<tr>
<td>Verification:</td>
<td>Confirmed, CoStar</td>
</tr>
<tr>
<td>Estimated Exposure Time: (Days)</td>
<td>N/A</td>
</tr>
<tr>
<td>Conditions of Sale:</td>
<td>None</td>
</tr>
<tr>
<td>Property Rights Conveyed:</td>
<td>Fee Simple</td>
</tr>
</tbody>
</table>

## Improvement Data

| Building Description:          | Warehouse         |
| Gross Building Area:           | 10,050            |
| Number of Stories:             | 1                 |
| Construction:                  | C-MASONRY, BLOCK, TILT-WALL |
| Quality:                       | Good              |
| Condition at Time of Sale:     | Good              |
| Year Built:                    | 1957              |
| Age at Sale Time:              | 48                |
| Office Area:                   | -                 |
| Office Percentage:             | 0%                |
| Clear Ceiling Height: (feet)   | 14                |
| Sprinklered:                   | no                |
| Building-To-Land Ratio:        | 40%               |
| Parking Spaces                 |                   |
| Dock                           | yes               |
| # of Dock doors                | 2                 |
| Grade level doors              |                   |
| Rail service                   |                   |

## General Property Data

| Zoning:                        | INDUSTRIAL/RESEARCH DISTRICT |
| Present Use:                   | Warehouse                   |
| Highest and Best Use:          | Present Use as Improved    |
Site Data
- Size: 25,221
- Configuration: Rectangle
- Frontage: (feet) Directors 126
- Topography: Level
- Utilities: All Municipal Utilities
- Easements/Restrictions: None Reported

Economic Data
- Lease Type:
- Net Operating Income:

Appraisal Indicators
- Overall Price/SF: $30.90
- Effective Gross Rent Multiplier:
- Overall Capitalization Rate:
- Equity Dividend Rate:
COMPARABLE SALE SEVEN

Property Identification
Building Name/Park Location: Office/Warehouse
Street: 106 Regal Row
City: Dallas
County: Dallas
Tax Identification: #007703000A01B0000

Sales Data
Grantor or Seller: Regal Row Properties, LP, Bill Melton
Grantee or Buyer: Dolores Tignor Family, LP, Kurt A. Tignor
Date of Sale: 1/19/2006
Sales Price: $2,043,000
Terms/Financing: Cash
Cash Equivalent Sale Price: $2,043,000
Verification: Confirmed
Estimated Exposure Time: (Days) 120
Conditions of Sale: Tax Deferred
Property Rights Conveyed: Fee Simple

Improvement Data
Building Description: Office Warehouse
Gross Building Area: 64,620
Number of Stories: 1
Construction: C-MASONRY, BLOCK, TILT-WALL
Quality: Average
Condition at Time of Sale: Average
Year Built: 1974
Age at Sale Time: 32
Office Area: 4,523
Office Percentage: 7%
Clear Ceiling Height: (feet) 22
Sprinklered: Yes
Building-To-Land Ratio: 51%
Parking Spaces 70
Dock Yes
# of Dock doors 5
Grade level doors 1
Rail service

General Property Data
Zoning: INDUSTRIAL/RESEARCH DISTRICT
Present Use: Office/Warehouse
Highest and Best Use: Present Use as Improved
**Site Data**

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>127,396</td>
</tr>
<tr>
<td>Configuration</td>
<td>Nearly Rectangle, Corner Lot</td>
</tr>
<tr>
<td>Frontage: (feet) Regal Row</td>
<td>475</td>
</tr>
<tr>
<td>Frontage: (feet) State Hwy 356</td>
<td>384</td>
</tr>
<tr>
<td>Topography</td>
<td>Level</td>
</tr>
<tr>
<td>Utilities</td>
<td>All Municipal Utilities</td>
</tr>
<tr>
<td>Easements/Restrictions</td>
<td>None Reported</td>
</tr>
</tbody>
</table>

**Economic Data**

- **Lease Type:**
- **Net Operating Income:**

**Appraisal Indicators**

- **Overall Price/SF:** $31.62
- **Effective Gross Rent Multiplier:**
- **Overall Capitalization Rate:**
- **Equity Dividend Rate:**
<table>
<thead>
<tr>
<th>Property</th>
<th>Brookhollow Warehouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>8901 Directors Row, Dallas 75247</td>
</tr>
<tr>
<td>Tenant</td>
<td>XYZ Company</td>
</tr>
<tr>
<td>Dates of Lease</td>
<td>01-Dec-00 thru 30-Nov-05</td>
</tr>
<tr>
<td>Length of Tenancy</td>
<td>5 years</td>
</tr>
<tr>
<td>Rent Per Month; Annually</td>
<td>$6,000; $72,000</td>
</tr>
<tr>
<td>Tenant Square Footage</td>
<td>16,000 sf (100% of building)</td>
</tr>
<tr>
<td>Portion of Building</td>
<td>100%</td>
</tr>
<tr>
<td>Rent Rate Per Square Foot</td>
<td>$4.50</td>
</tr>
<tr>
<td>Future Increases</td>
<td>None</td>
</tr>
<tr>
<td>Tenant Use</td>
<td>Sales, servicing and repair of machinery and equipment</td>
</tr>
</tbody>
</table>

**Terms of Lease**

<table>
<thead>
<tr>
<th>Expense Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tenant Expenses</strong></td>
</tr>
<tr>
<td>Tenant pays increases in property taxes over a 1995 base year.</td>
</tr>
<tr>
<td>Amounts over base year expense stop for insurance, maintenance and roof.</td>
</tr>
<tr>
<td><strong>Landlord Expenses</strong></td>
</tr>
<tr>
<td>Foundation, roof and structure are landlord responsibility and 1995 base year taxes.</td>
</tr>
<tr>
<td><strong>Renewal Options</strong></td>
</tr>
<tr>
<td><strong>Comments</strong></td>
</tr>
<tr>
<td>Landlord spent $35,000 on improvements for this renewal of the tenant. It included interior modification and renovation.</td>
</tr>
<tr>
<td>Prior rent was $4,750/month.</td>
</tr>
</tbody>
</table>

**Expenses for Brookhollow Building**

**Gross Building Area (Sq. Ft.): 16,000**

<table>
<thead>
<tr>
<th>Item</th>
<th>Per SF</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>-$0.60</td>
<td>-9,557</td>
</tr>
<tr>
<td>Property Insurance</td>
<td>-$0.10</td>
<td>-1,600</td>
</tr>
<tr>
<td>Maintenance</td>
<td>-$0.05</td>
<td>-3,037</td>
</tr>
<tr>
<td>Leasing Cost</td>
<td>-$0.20</td>
<td>-3,200</td>
</tr>
<tr>
<td>Management &amp; Accounting</td>
<td>-4.5%</td>
<td>Based on actual</td>
</tr>
<tr>
<td>Capital Replacement</td>
<td>-$0.05</td>
<td>-800</td>
</tr>
<tr>
<td>Operating Data</td>
<td>2ndQ06</td>
<td>1stQ06</td>
</tr>
<tr>
<td>----------------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asking Rent</td>
<td>$4.38</td>
<td>$4.39</td>
</tr>
<tr>
<td>Effective Rent</td>
<td>$4.09</td>
<td>$4.10</td>
</tr>
<tr>
<td>Reimbursable Exp.</td>
<td>$1.50</td>
<td>$1.48</td>
</tr>
<tr>
<td>Total Income</td>
<td>$5.59</td>
<td>$5.58</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>5.7%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Effective Gross Income (EGI)</td>
<td>$5.05</td>
<td>$5.22</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$1.58</td>
<td>$1.57</td>
</tr>
<tr>
<td>Expense Ratio</td>
<td>31.38%</td>
<td>31.12%</td>
</tr>
<tr>
<td>Net Operating Income (NOI)</td>
<td>$3.47</td>
<td>$3.72</td>
</tr>
<tr>
<td>Investment Data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg Sale Price</td>
<td>$36</td>
<td>$37</td>
</tr>
<tr>
<td>Overall Cap. Rate (OAR)</td>
<td>5.8%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Gross Rent Multiplier (GRM)</td>
<td>6.79</td>
<td>8.53</td>
</tr>
<tr>
<td>Effective Gross Income Multiplier (EGIM)</td>
<td>7.13</td>
<td>6.90</td>
</tr>
</tbody>
</table>

*2nd Quarter 2006 Data*
INCOME APPROACH: COMPARABLE PROPERTY INFORMATION

1208 VICEROY
1208 VICEROY DRIVE
DALLAS, TX 75247
County: Dallas

Capstone Commercial Real Estate Group, Inc.
For more information, click to email: Steven Burris (972) 250-5858

<table>
<thead>
<tr>
<th>For Sale</th>
<th>Active</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Type:</td>
<td>Industrial Office Showroom</td>
</tr>
<tr>
<td>Building Size:</td>
<td>59,943 SF</td>
</tr>
<tr>
<td>Lot Size:</td>
<td>1 SF</td>
</tr>
<tr>
<td>Price:</td>
<td>$2,100,000</td>
</tr>
<tr>
<td>Price/SF:</td>
<td>$35.03</td>
</tr>
<tr>
<td>Cap Rate:</td>
<td>6.00%</td>
</tr>
<tr>
<td>Year Built:</td>
<td>1970</td>
</tr>
<tr>
<td>Date Last Verified:</td>
<td>11/2/2006</td>
</tr>
</tbody>
</table>

Additional Information

Property Description:
DOCK HIGH LOAD
GRADE LEVEL LOAD
10' CLEAR HEIGHT
FIRE SPRINKLERED
FENCED STORAGE AREA

TOTAL SIZE: +/- 59943

Location Description:
TOTAL LAND AREA +/- 1.376 ACRES
MAPSCD: 33-P
NEAR HWY 193 AND I-35(hwy77)

Additional Types: Warehouse

Highlights

- IDEAL DUPLEX BUILDING WITH (2) 30,000 SF TENANTS
- DOCK HIGH LOAD
- GRADE LEVEL LOAD
- 18' CLEAR HEIGHT
- FIRE SPRINKLERED
- FENCED STORAGE AREA

Financial Summary

| Net Operating Income: | Actual $120,000 |

Major Tenant Information

| Tenancy Type: Multiple |

Debt & Equity Information

No Debt & Equity Information Provided
Additional Photos

Additional Information

Property Description:
6,000 SF Office Warehouse building located in Dallas. One story building that is 30% office and 70% Warehouse. There are two docking doors for deliveries. The building is in good condition. The current tenant has been there for many years and is going to sign a new multi-year lease. The owner of building is responsible for taxes and Insurance on the exterior of the building.

Location Description:
Located near I-35 and Mockingbird. Take the Mockingbird exit and go East approx. 1/4 mile. Turn South on Envoy Court.

No. Stories: 1
% Office Space: 30%
Heating: yes
Lighting: yes
Power: yes

Commission Split: 3%
No. Dock High Doors: 2
Cooling: yes
Additional Types: Office-Warehouse

Highlights
- Great location in Dallas
- Good Investment Property
- Low Maintenance on Building
- Good for End User.

Financial Summary
Taxes: $7,931
Net Operating Income: $37,200

Major Tenant Information
Tenancy Type: Single

Debt & Equity Information
No Debt & Equity Information Provided
Additional Information

Property Description:
This is a 4,980 SF building on Envoy Court in Dallas, Texas. It is currently 100% leased, and the tenant's lease goes thru August of 2007. The building is 60' by 93'. This building would be good for a business looking for some space for themselves, because the current tenant will leave with short notice if need be. Or an investor could extend and renew the lease. The building is in good condition with Central A/C and Heat.

Location Description:
Located at 7275 Envoy Court

<table>
<thead>
<tr>
<th>No. Stories:</th>
<th>1</th>
<th>Additional Types:</th>
<th>Distribution Warehouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Dock High Doors:</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Highlights
- Great price to purchase
- Priced to sell
- Building is in good condition
- Located in Central Dallas

Financial Summary
No Cash Flow Information Provided

Major Tenant Information
Tenancy Type: Multiple

Debt & Equity Information
No Debt & Equity Information Provided
<table>
<thead>
<tr>
<th>Property Use Type:</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Type:</td>
<td>Industrial</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Building Size:</td>
<td>25,000 SF</td>
</tr>
<tr>
<td>Lot Size:</td>
<td>52,500 SF</td>
</tr>
<tr>
<td>Clear Ceiling Height:</td>
<td>14 ft</td>
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<tr>
<td>Price:</td>
<td>$750,000</td>
</tr>
<tr>
<td>Price/SF:</td>
<td>$30.00</td>
</tr>
<tr>
<td>Cap Rate:</td>
<td>6.50%</td>
</tr>
<tr>
<td>Year Built:</td>
<td>1957</td>
</tr>
<tr>
<td>Date Last Verified:</td>
<td>11/6/2006</td>
</tr>
</tbody>
</table>

Additional Information

**Property Description:**
Good Bid.

**Location Description:**
Great location for manufacturing. Good access to loop 12, hwy 183 and I-35.

| No. Stories:          | 1          |
| No. Dock High Doors:  | 2          |
| Power:                | 3 phase/ 480 volt |

**Financial Summary**
No Cash Flow Information Provided

**Major Tenant Information**
Tenancy Type: Single

**Debt & Equity Information**
No Debt & Equity Information Provided
SUBJECT PROPERTY: SIZE MAP

Dallas Central Appraisal District
www.dallascad.org

DISCLAIMER
The Dallas Central Appraisal District does not control or guarantee the accuracy, relevancy, timeliness or completeness of this data. DCAD assumes no legal responsibilities for the information represented on this map. Users should independently verify the data on this map before making any conclusions based on this data.
SUBJECT PROPERTY: AERIAL VIEW
SUBJECT PROPERTY: SURROUNDING USES

- Single Family
- Multi-Family
- Mobile Homes
- Group Quarters
- Office
- Retail
- Institutional
- Hotel Motel
- Industrial
- Transportation
- Roadway
- Utilities
- Airports
- Parks & Recreation
- Flood Control
- Vacant
- Parking (CBD)
- Water
- Runway
- Expanded Parking
- Stadium
- Landfill
- Under Construction
- Parking Garage
Elevation
Value
High: 1672 feet
Low: 231 feet