

AN APPRAISAL REPORT OF

THE J. H. & JO CROUCH PROPERTY
AN OFFICE/WAREHOUSE FACILITY
LOCATED AT 4139 CENTURION WAY
TOWN OF ADDISON, DALLAS COUNTY, TEXAS

MAPSCO D-14B

PREPARED FOR

MR. MICHAEL MURPHY, P.E.
DIRECTOR OF PUBLIC WORKS
TOWN OF ADDISON
16801 WESTGROVE
ADDISON, TEXAS 75001

EFFECTIVE DATE OF REPORT

SEPTEMBER 26, 2002

PREPARED BY

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September 26, 2002

Mr. Michael Murphy, P.E.
Director of Public Works
Town of Addison
16801 Westgrove
Addison, Texas 75001

Re: An appraisal of an Estimate of Just Compensation arising from the right-of-way acquisition for the proposed extension of Arapaho Road at the subject property, in Town of Addison, Dallas County, Texas.

Dear Mr. Murphy:

I have inspected and appraised the referenced property as described herein. Conditions pertinent to or indicative of the value of the property were researched and investigated. This appraisal report sets forth my findings and conclusions together with plats, maps, photographs, and other exhibits as are considered essential to explain the processes followed in the valuation of the subject property. I have inspected the subject property, the neighborhood and the comparable data. I have used my best efforts to comply with the requirements of the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Foundation. Your attention is directed to the Assumptions and Limiting Conditions which follow.

Certificate of Appraiser

I hereby certify:

That it is my opinion the total compensation for the acquisition of the herein described property is \$52,601.00 as of September 26, 2002 based upon my independent appraisal and the exercise of my professional judgement;

That on September 26, 2002, and various other dates, I personally inspected in the field the property herein appraised; that I did not afford Mr. Crouch or his successors, the opportunity to accompany me at the time of inspection;

The comparable sales relied upon in making said appraisal were as represented by the photographs contained in the appraisal and were inspected on September 26, 2002, and various other dates;

That to the best of my knowledge and belief the statements contained in the appraisal hereinabove set forth are true, and the information upon which the opinions expressed therein are based is correct, subject to the limiting conditions therein set forth;

That I understand that such appraisal is to be used in connection with the acquisition of land area for a public project by the Town of Addison, Texas, and that such appraisal has been made in conformity with the appropriate State laws, regulations, and policies and procedures applicable to appraisal for such purposes, and that to the best of my knowledge no portion of the value assigned to such property consists of items which are noncompensable under the established law of said State, and any decrease or increase in the fair market value of subject real property prior to the date of valuation caused by the public improvement for which such property is to be acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, has been disregarded in determining the compensation for the property;

That neither my employment nor my compensation for making this appraisal and report are in any way contingent upon the values reported herein;

That I have no direct or indirect present or contemplated future interest in such property or in any benefit from the acquisition of such property appraised; and that should I or any employee in my service acquire any interest in or to the property appraised prior to the acquisition of the parcel by the Town of Addison, I will immediately notify the Town of such interest or interests;

That I have not revealed and will not reveal the findings and results of such appraisal to anyone other than the proper officials of the Town, until authorized by Town officials to do so, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

The subject property was originally evaluated in May, 2002, and this appraisal represents an updated evaluation as of September 26, 2002. The basic units of comparison have remained the same between the evaluation dates, despite evidence of a weakening real estate market for properties the class of the subject. This perceived weakness in the market is brought about by (1) a decline in the technology/communications industry, and (2) competition from newly completed properties in the general market area of the subject.

Respectfully submitted,



Mark A. Hipes

Texas Certification No. TX-1321416-G

09-26-02
Date

Note: This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

SUMMARY OF SALIENT FACTS

**J.H. & Jo Crouch Property
Surveyor Addition, Lot 6
4139 Centurion Way
Addison, Texas**

Date of the Appraisal:	September 26, 2002
Value Estimated:	Market Value - Just Compensation
Property Rights Appraised:	Fee Simple
Property Appraised:	A ±109,423 SF site on the north side of Centurion Way, improved with a ±30,287 SF office/warehouse facility in the Town of Addison, Texas.
Property Zoned:	I-1, industrial
Highest & Best Use:	Commercial Development
"As vacant":	To be maintained as office/warehouse
"As improved":	"tech" space until demand warrants re-development of the site.
Estimates of Fee Simple Value:	
<u>Whole Property</u>	
Land & Improvements:	\$1,820,000
Land Only Value:	\$ 427,604
<u>Part Taken:</u>	
Right-of-Way, Land & Improvements:	\$ 52,601
Temporary Easement, Land & Improvements:	\$ n/a
<u>Remainder Before the Take:</u>	
Land & Improvements:	\$1,767,399
<u>Remainder After the Take:</u>	
Land & Improvements:	\$1,820,000
Final Value Estimate: JUST COMPENSATION	\$ 52,601

TABLE OF CONTENTS

Transmittal Letter	i
Summary of Salient Facts	iii
Table of Contents	iv
Purpose and Use of the Report	1
Definition of Market Value	1
Scope of the Report	1
Property Rights Appraised	2
Date of Valuation	2
Identification of Subject Property	2
Town of Addison Data	3
Neighborhood Description and Trends	5
Subject Property	7
Ad Valorem Taxes	10
History of the Subject Property	11
Highest and Best Use	12
The Appraisal Process	14
Land Valuation by Sales Comparison Approach	15
Cost Approach to Value	22
Income Approach to Value	27
Sales Comparison Approach to Value	35
Reconciliation and "As Is" Final Market Value Estimate	42
Part Taken Valuation	44
Remainder Before the Take Valuation	45
Remainder After the Take Valuation	46
Certificate	48
ADDENDUM	
Assumptions & Limiting Conditions	
Photographs of the Subject	
Right-of-Way Exhibits	
Zoning Map	
Qualifications	

PURPOSE AND USE OF THE REPORT

The purpose of this appraisal is to estimate the "As Is" Market Value and "Just Compensation" of the Fee Simple Estate of the subject property as of September 26, 2002. It is the appraiser's understanding that the use of this report is in conjunction with a proposed right-of-way acquisition for the extension of Arapaho Road in the Town of Addison, Texas. This appraisal is completed according to the Uniform Standards of Professional Appraisal Practice to the best of our knowledge and ability.

DEFINITION OF MARKET VALUE

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby;

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

SCOPE OF THE REPORT

The scope of this report includes the research, data acquisition and analysis as described in The Appraisal Process Section of this report. In gathering comparable sales data our sources may include direct interview with grantor and/or grantee, commercial sales reporting services, other appraisers and real estate practitioners, published data and information in our files. Comparable rental information is generally derived from direct interviews with property managers and leasing agents. On comparable rent and sale information the source is generally indicated on the respective comparable's page. Information on property operating expenses can be derived from a number of sources including actual amounts provided to us for the Subject property, file information, direct interviews with property managers and owners, and published industry averages. Replacement construction costs amounts are generally derived from the national cost reporting service prepared by Marshall and Swift and, where available, actual construction costs are utilized. On some comparable sales data an attempt is made to confirm third party information with either the grantor or grantee if there is concern about the data's reliability. After compilation of the data described,

inspection of the Subject property and comparables and review of overall market forces affecting the Subject property, estimates of current value used in the standard methodology within the Cost Approach to Value, Income Approach to Value and Sales Comparison Approach to Value are presented. Those results are reconciled into a final estimate of fee simple market value for the Subject property.

Competency

The appraiser has over 30 years experience in virtually all aspects of commercial real estate. As such, many reports of similar office and commercial properties have been prepared for lenders and investors.

PROPERTY RIGHTS APPRAISED

Utilizing data as described in the preceding Scope of the Report, an "As Is" Market Value Estimate of the Fee Simple Estate of the subject property is presented, in conjunction with an estimate of "Just Compensation" for the area to be acquired for a public purpose. The Fee Simple Estate is defined as "Absolute ownership unencumbered by any interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation."*

DATE OF VALUATION

The effective date of valuation and inspection date of the subject property was September 26, 2002. The transmittal date of this report is September 26, 2002.

IDENTIFICATION OF SUBJECT PROPERTY

The subject property is identified locally as being 4139 Centurion Way, in the Town of Addison, Dallas County, Texas. The subject site contains ± 2.5212 acres ($\pm 109,823$ SF) per data provided by the client. It is located $\pm 400'$ west of Midway Road, along the north side of Centurion Way. The single-story concrete panel office/warehouse building contains $\pm 30,287$ SF of building floor area.

There follow in the Addendum of the report as exhibits, various maps, plats, legal descriptions, and other exhibits as additional identification of the subject.

TOWN OF ADDISON DATA

The City of Addison is located in the northern portion of Dallas County, approximately 12 miles north of the Dallas Central Business District. The city is bounded by Dallas on the north, and east sides, Dallas and Farmers Branch to the south and by the City of Carrollton on the west. The city is a suburb of Dallas and is part of the Dallas Metropolitan area.

Addison has participated in the growth of the metropolitan area as shown by the following figures:

<u>Census Year</u>	<u>Population</u>	<u>Increase</u>
1970	593	-----
1980	5,553	+835%
1990	8,783	+58%
1997	11,772*	+33%

The Town of Addison is primarily commercial in nature. Light industrial and flex warehouse space has developed in the areas east, north and west of the Addison Airport. The Dallas North Tollroad corridor sparked heavy hotel and multi-story office building development during the 1980's. This extends from the west side of the freeway to the railroad tracks at Inwood Road. The corridor along Midway Road from the Farmers Branch boundary continued the light industrial, office/flex development of the Midway Industrial Park that extends southward to LBJ Freeway. The corridor along Belt Line Road through the city has seen extensive development with restaurants, hotels and some retail facilities. As a result, residential housing is a minor factor in the property base of the Town of Addison. This has helped to keep taxes low but has afforded the town a very healthy tax income due to the high valuations of the commercial properties. This is displayed in the quality and quantity of public facilities and services provided.

Primary north/south access through Addison is via the Dallas North Tollway, Addison Road and Midway Road. Belt Line Road and Trinity Mills Road are primary east/west thoroughfares. The major development within the City is the Addison Airport, a major corporate and private air facility, which occupies a large portion of the city's land area. Due to Addison's accessibility and location in the path of the City of Dallas northern growth, substantial hotel, commercial, retail, office and light industrial development has occurred. This is generally all of good quality and relatively recent construction. The character of the city is primarily commercial with small concentrations of multi-family housing and upper-middle income single-family in its southwestern portion and high-end single family housing found in the extreme eastern portion.

Addison has a Council/Manager type government. It provides police and fire protection to its citizens. Utilities are provided by Lone Star Gas Company, TU Electric Company, and Southwestern Bell Telephone Company. It gets its water from the City of Dallas and sewer services from the Trinity River Authority and the City of Dallas. Utilities appear to be adequate to service projected growth. Addison is in the Dallas and Carrollton/Farmers Branch Independent School District. There are no school buildings located within Addison's city limits. There are a number of major shopping facilities in or near Addison including the Galleria Mall and the Northpark Mall. Additional large, modern retail areas are in close proximity. The renowned retailer, Nordstrom's has a store in the Galleria shopping center just south of Addison at LBJ and the Tollroad and a new major retail center has been constructed on a tract north of that. Other significant large retail facilities are a free-standing Home Depot Expo Design Center and Mikasa Home Store.

Due to the number of office and light industrial buildings in the area, there is a large and diversified community of employers. Two of the largest are the Dallas Marriott Quorum and Intercontinental - hotels. Addison is well known as an entertainment and restaurant area with over 100 restaurants operating in the town.

An announcement has been concerning the development of a 70 acre "urban hub" located on a tract north of Belt Line Road bounded by Airport Parkway, Addison Road, the Toll Road and Arapaho Road. The main thrust is the increase of residential housing, an arts center and parks and public use areas. When completed, it is projected to increase the population by 50- 60%. The city feels that this will prevent Addison from losing businesses to northern suburbs and insure long-term, quality growth. This should enhance overall values in the area in our opinion.

After a period of speculative real estate investment activity in the early and mid 1980s, Addison and adjoining areas were among those hardest hit by the real estate recession of the last half of that decade. That situation has now turned around dramatically. Due to its highly desirable location, a resumption of market strength is currently found. M/PF reported in its 1997 year end Office Report, a total of ± 834,000 SF in four office buildings planned or under construction in four projects in Addison. In addition, the Hines Interests plan 250,000 SF of office at the Galleria in the Dallas city limits and Centre development plans 410,000 SF office structure at Dallas Parkway and Spring Valley in Farmers Branch just south of Addison. For multi-family construction, M/PF includes Addison with Carrollton and Farmers Branch. That overall market showed a gross occupancy ratio of greater than 95% at the end of the fourth quarter, 1997. In that market area, three projects totaling 799 units were completed in calendar year 1998. The overall prospects for the city's future is considered to be good, in our opinion.

NEIGHBORHOOD DESCRIPTION AND TRENDS

The subject neighborhood is situated in the southwest sector of the Town of Addison, Texas. The subject neighborhood is approximately ten miles north of the Central Business District of Dallas. Neighborhood boundaries may be defined as being Trinity Mills on the north, Dallas Parkway on the east, LBJ Freeway (IH-635) on the south and Josey Lane on the west.

The subject neighborhood is characterized by extensive retail and commercial developments. There is also substantial residential construction within the neighborhood as described. It is located in and is surrounded by affluent populations which generate demand for a large number of varied and high quality retail facilities, entertainment opportunities and office buildings. This is all enhanced by its easy accessibility.

Major thoroughfares are those described as the neighborhood's boundaries. In addition, Spring Valley Road and Belt Line Road are major east/west thoroughfares through the area. Inwood Road, Midway Road, and Marsh Lane provide major secondary north/south connector within the neighborhood. Extensive multi-family development is located along the west side of Dallas North Tollway and extending into the northeast portion of the neighborhood. Other development along the tollroad include free-standing retail and mid-rise office buildings. Other major office developments are found at the corner of IH-635 and Preston Road, the Belt Line and Preston Road intersection, the northeast quadrant of Belt Line Road and the Dallas North Tollway and various garden office projects scattered in appropriately zoned locations in the interior of the neighborhood.

In our opinion, the most predominant development type found within the neighborhood boundaries are retail or retail related. They include the Galleria Shopping Center, Valley View Mall, and the former Sakowitz center. The Prestonwood Town Center Mall is in the process of redevelopment to mixed use including office, hotel/motel and retail. Belt Line Road, Preston Road and the fringes of the existing malls support extensive retail and commercial development with the area also being noted for the number and diversity of its restaurant facilities.

There is a limited amount of multi-family and condominium development on the west side of Preston Road located within the neighborhood. There is significant single-family residential within the city limits of Addison south of the Subject property. This is all high-quality development beginning with patio homes on the west side of Montfort Drive and extending to the east and northeast with increasingly larger lots and home sizes with new development southeast of the Subject being estate size homes. New construction is continuing in this particular area.

The subject property itself is situated one block north of Belt Line Road on Centurion Way, $\pm 400'$ west of Midway Road. The immediate subject environs, predominantly to the southwest of Addison Airport, are of a light industrial and warehouse/flex-space character. This style use extends to the south into Farmers Branch and to the west into the City of Carrollton. This light industrial neighborhood has fared well in the recent past with good occupancy levels, adequate rents, and limited new construction in evidence.

In summary, the neighborhood presents a diverse mix of residential, industrial/commercial, office, retail and entertainment uses. This tends to be in the mid to upper economic scale. Existing development is well planned, landscaped and maintained with a high quality of infrastructure provided.

Access is excellent by way of the freeway system and major traffic arteries through the neighborhood. The subject neighborhood is in the mature stage of its growth cycle. As in many other commercial real estate markets in the Dallas metropolitan area, subject neighborhood occupancy and rent levels are in a state of flux presently. Well publicized declines in the technology and communications industries have created both uncertainty and an increase in available light industrial space in the northern Dallas County area. Coupled with this phenomenon has been the availability of brand-new space which was completed at just about the time the tech-market declined. Occupancies appear to be declining in older properties, demand is soft overall, and building sales have not shown any significant appreciation over the levels of the previous two to three years. However, due to locational considerations alone, it is the appraiser's opinion that the subject neighborhood is a positive influence on the subject property.

SUBJECT PROPERTY

SITE DATA

The subject tract is located on the north side of Centurion Way, $\pm 400'$ west of Midway Road, in the Town of Addison, Dallas County, Texas. The subject site is near rectangular in shape showing approximately 307' of frontage on the north side of Centurion Way, with a depth of $\pm 297'$. A legal description as provided indicates a land area of ± 2.512 acres or $\pm 109,823$ SF.

Terrain/Flood Plain/Access

The subject tract is a minimally sloping with site finish and paving sloped as necessary toward the drainage easement that crosses behind the site or to the surrounding storm sewer drainage system. Surface drainage appears to be adequate. According to FEMA flood hazard maps in our files, the subject property is not located within a designated 100-year floodplain area. It is in "Zone C"; not in the flood plain nor a flood prone area.

Access to the site is considered to be good, Midway Road being a divided multi-lane concrete-paved, concrete curbed/ guttered construction intersecting with Centurion Way approximately 400' east of the subject. There are two concrete approaches leading into the subject tract from the north side of Centurion Way. These drives access the surface parking area parking at the front, east, and west sides of the subject improvements. No additional direct access to the subject property was noted from either public thoroughfares or adjacent private properties. The back of the subject site (north side) is bordered by a railroad line and a drainage easement, precluding direct access from the north.

Soil Conditions/Environmental Aspects

Based on the existence and condition of the subject and surrounding development, it is our assumption that soil and subsoil conditions are such that, with proper preparation and construction techniques, typical buildings as permitted by subject's zoning are accommodated. We point out that no detailed soil analysis was made available in preparation of this report and verification of our assumption by competent parties is recommended.

There was not available to your appraiser a current environmental assessment of the subject site for use in preparation of this report. As set forth in Paragraph 9 of the Assumptions and Limiting Conditions, this report is based on the assumption that there are no adverse environmental conditions or violations of applicable laws and that determination of same is beyond the scope of this report.

Zoning

The subject property is zoned Industrial District (I-1) under the current ordinances of the Town of Addison, Texas. The permitted uses are considered to be fairly liberal, permitting a wide range of commercial applications on the site, including warehouse, retail, and office applications. The subject property appears to be in conformity with the existing ordinances as they apply to it. The number of parking spaces required would vary with the office vs. warehouse area mix within the $\pm 30,287$ SF improvement size. It appears that the subject improvements would require 101 parking spaces at its greatest density allowance. A count of the currently configured parking on the subject site totals 106 spaces at the south, west, and east sides of the building, with an additional parking spaces

north of the subject improvements to the north of the existing drainage easement. A front yard setback of 25' is required. No rear yard setback is required.

Utilities/Public Services

Water and sewer are provided by the Town of Addison. Private utilities include natural gas provided by Lone Star Gas Company, electricity by TU Electric and telephone service by Southwestern Bell Telephone, Inc. Other publicly provided services include fire and police protection and trash collection by the Town of Addison and public education by the Dallas Independent School District and the Carrollton/Farmers Branch Independent School District.

Easements and Restrictions

The plat of the subject site supplied to the appraiser indicates a 50' wide drainage channel easement, a 30' water easement, and a 3' electric easement to the north of the subject improvements and running generally west-to-east. The north-most $\pm 83'$ of the depth of the subject site are encumbered by easements which do not allow for permanent structure construction. No title policy was provided to the appraiser which would indicate any deed restrictions or other encumbrances. It is presumed by the appraiser that typical utility easements may as well be in place, but only to the extent that are typical of similarly developed properties within the general market area.

Site Improvements

Site improvements include concrete paved access aprons and asphalt paved parking. Appraiser's count indicates that there is paved parking available for ± 142 cars, 106 at the "front" parking lots and ± 36 at the rear (north side) parking area. The detached parking at the north side of the subject is permitted and constructed via a License Agreement with the Town of Addison to the previous subject property owner to utilize public right-of-way for surface parking. A copy of the License Agreement is provided in the addendum of this report. Modest landscaped areas are situated at the around the front area of the site. There is also lawn at the subject's boundary with the drainage easement at the rear of the improvements. The asphalt paved parking area is in average condition for paving originally constructed ± 22 years ago.

BUILDING IMPROVEMENTS

General Description/Occupancy

Original building plans were not available in preparation of this report. The description of the subject improvements is based on a physical inspection of the subject and information from it's ownership. Tax records indicate that the building was completed in 1980. The previous owner, J. H. & Jo Crouch, acquired the subject on, or about, August 6, 1997, according to information supplied in the ad valorem tax rolls.

The improvements consist of a $\pm 30,287$ SF one-story, brick veneer office/warehouse type structure currently utilized as a single use structure. From the configuration of the building, it appears possible to utilize the building for two separate tenants, should the need arise. This type of facility would not be considered as "flex-space", which would connote it's adaptability to a variety of office/warehouse configurations depending on the prevailing market/tenant requirements.

This brick veneer structure exhibits a smooth exterior on the facing walls, in conjunction with a partial glass office-front presentation. The front (south) side has metal frame glass windows and

metal frame glass pedestrian doors leading into what would be the office/reception area of the building. Although no detailed building plans were available, it appears from a physical inspection that the subject building could readily be utilized as a two tenant building, each with individual exterior access.

The subject building is estimated to be 100% climate controlled. The bulk of the building is utilized as office space, with only $\pm 5,000$ SF air conditioned warehouse space for the east side of the building. Total building area is estimated to be 30,287 SF.

Foundation

The foundation system is assumed to be reinforced concrete on grade

Exterior Walls/Windows

Exterior walls are brick veneer. Additionally, metal frame windows and metal frame glass doors are present at the front of the building.

Floors

The sub-floor is presumed to be reinforced concrete. From observation through the windows, the interior floor coverings are a mixture of vinyl tile and carpet in the office/reception areas.

Interior Walls/Ceiling

Interior walls appear to be textured and painted sheetrock and/or vinyl wall covering on metal studs in the office areas. The ceilings are dropped acoustical panels with recessed florescence lighting.

Roof

The roof covering is estimated to be a built-up tar/gravel covering on a metal decking with metal support trusses. The ceiling in the office/showroom areas consist of acoustical panels on a dropped frame work.

HAC

Packaged climate control heating and air conditioning serve the office/showroom areas of each unit. Air conditioning is also supplied in the previously mentioned warehouse areas and is furnished through ceiling hung ducting.

Plumbing, Electrical and Mechanical

Based on the available physical observation, it is our assumption that the captioned construction elements are installed at least equal to prevailing code at the time of construction.

Miscellaneous

As mentioned previously, asphalt paved parking is available at the front/sides and rear of the building. Landscaping is limited to small caliper trees, screening hedges, and grass in the parkway area, and ornamental bushes, trees, and ground cover at the front of the building. There is a concrete sidewalk along the perimeter of the building at the parking lot.

Deferred Maintenance

In general, the subject property displays a reasonable program of ongoing repairs and maintenance. As of the effective date of the appraisal, only minor items of deferred maintenance were note. It

appears that all mechanical systems are presumed to be in good working order and that no major repair items were noted (roof leaks, serious foundation problems, etc.).

Construction quality is typical of the period in which the improvements were developed and the improvements are functional for their intended use (office/warehouse). General market acceptance is judged to be good-to-very good at the present time for this style of improvement in this area.

Effective Age

Public records indicate that the building was constructed in ±1980 giving it a chronological age of ±22 years. Fortunately this type of structure is not maintenance intensive. It is estimated that the effective age of the subject property is 20 years old. Various cost estimator services rate the effective life of the subject's style of construction to be 45 to 50 years. Given a total life expectancy of 50 years, the remaining economic life of the subject property is estimated to be 28 years, or 56% of its estimated total economic life.

Occupancy

As of the original inspection date in May, 2002, the subject improvements were vacant. Drive-by inspections during September, 2002 indicate that there is at least limited occupancy at the present time. Five to seven vehicles have been noted in the parking lot. Externally, the building does not appear to be intensely used at the present time. It is not known if the building is being owner occupied or if it is being leased.

AD VALOREM TAXES

The Subject property is under the taxing jurisdiction of the Town of Addison, Dallas Independent School District, and Dallas County. Tax rates per \$100 of assessed valuation for 2001 for these authorities are as follows:

Taxing Authority	Rate
Dallas County	\$0.201525
Town of Addison	\$0.384800
Dallas ISD	\$1.547530
College	\$0.060000
Hospital	\$0.254000
Total	\$2.45±

The current assessed values for the subject property as reported by the Dallas Central Appraisal District (DCAD) are as follow:

Land	\$439,260
Improvements	\$750,370
Total Assessed Value	\$1,189,630

A survey of nearby industrial properties indicates that the subject property is evaluated in a manner consistent within the area. The industrial properties appear to be under-valued relative to the current market sales indications. The Appraisal District's parcel number for the subject is 1000906483200000. The tax rolls indicate an improvement size of 31,306 SF and a site size of 109,814 SF.

HISTORY OF THE SUBJECT PROPERTY

As previously discussed, the subject property has been purchased by J.H. & Jo Crouch on, or about, August 6, 1997. The subject property recently sold (previous four months). Details of this sale transaction are provided in the addendum.

HIGHEST AND BEST USE

Highest and Best Use is defined as follows:

"That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible and which results in highest land value.

The definition immediately above applies specifically to the highest and best use of the land. It is recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until the land value in its highest and best use exceeds the total value of the property in its existing use."*

In applying the above definition of "Highest and Best Use" to the subject property, consideration must be given to the locational and physical characteristics of the site itself as well as the most probable usages permitted by the local government and their degree of profitability within the near term. Some of the more important factors of influence include the legal parameters associated with zoning ordinances, deed restrictions, building code requirements and area market supply/demand conditions. Further, the trends within the neighborhood must also be considered and have been discussed in the "Neighborhood Description and Trends" section of this report.

Physically Possible Uses

As previously described, the subject tract is of such size, shape, topography, location and accessibility to permit the physical possibility of construction of most structures permitted by current zoning.

Legally Permissible Uses

The main constraints here are those affected by the subject tract's zoning ordinance--Industrial (I-1). The I-1 district regulations permit a wide range of commercial uses, including office/warehouse, office, retail and service uses. Because of the nature of surrounding development and its proximity to Midway Road and major connector streets, is our opinion that the office/warehouse space building development as is currently found would be the most appropriate for the site and meets the criterion of being legally permissible. To our knowledge, there is no current or contemplated change in the subject site's zoning, nor is there one which we feel would, if in place, provide development opportunities which would create a higher return to the land than its current classification.

Financially Feasible

Industrial Market Analysis

Market Absorption: The subject neighborhood is located in the Carrollton/Farmers Branch/Addison submarket. From interviews with brokers and leasing agents, it is estimated that the subject's submarket will maintain a $\pm 10\%$ vacancy rate overall, as compared to a $\pm 12\%$ vacancy rate for the Dallas area as a whole. It is predicted that the subject's submarket will have a net -0- gain in absorption gain through 2002. New completions appear to be pulling tenant out of older properties.

*Real Estate Appraisal Terminology, Byrl D. Boyce, Ph.D. (Ballinger Publishing Company: Cambridge, Massachusetts) p. 107.

In the Dallas Area, demand for industrial/engineering space has been concentrated in buildings completed since 1990; i.e., newer properties

Market Occupancy: For the subject submarket, a market occupancy of 90% is generally felt to be reflective of this submarket's strength over the Dallas market as a whole.

Overall Rents: Survey data indicates that office/warehouse/engineering full service rents range from \$7.00/SF to near \$10.00/SF for older properties such as the subject. New properties, completed since ±2000, are quoting rates from \$9.50/SF to \$14.00/SF for 5+ year full service leases. Net lease figures are quoted in the \$6.00/SF to \$8.00/SF range, depending on the expense structure of the property.

Based on the occupancy and rental figures surveyed for the subject submarket and data found in our market analysis of comparable rents, construction cost and comparable sales, it is our opinion that the current local market is strong enough to support financial feasibility for development of the subject site as it is zoned generally.

Maximally Productive

Based on its zoning, current operational results and our analysis of the market, it is our opinion that a view that the maximally productive utilization of the site as a either a single or multi-tenant building is substantiated.

Highest and Best Use As if Land Vacant

Based on the analysis in this section of the report and as supported by reference to market data material presented in this section, it is our opinion that the highest and best use for the subject tract if vacant would be for development as permitted by zoning.

Highest and Best Use As Improved

Again, the results of our investigation and analysis as to the various criteria required for highest and best use indicates that the continued utilization of the property as a single or multi-tenant office/warehouse building is one which is physically possible, legally permissible, financially feasible and maximally productive to the site.

REASONABLE EXPOSURE TIME

The USPAP requires that the appraiser address the estimated reasonable exposure time of the property at the value estimate. This is defined as the time prior to and ending with the effective date of the appraisal estimated to be required to market the property at the final value estimate. Conversations with industrial brokers in preparing this report indicate that a reasonable exposure time for the subject property of six to nine months is supported by historic market conditions.

REASONABLE MARKETING PERIOD

Based on the information discussed above in estimating Reasonable Exposure Time, it is our opinion that a shorter reasonable marketing period can be forecast based on market rents existing as of the effective date of the appraisal. We estimate that a reasonable marketing period time for the subject property at the appraised value beginning as of the effective date of the appraisal would be six to nine months.

THE APPRAISAL PROCESS

Appraisal theory provides three basic methods of appraising properties. They are the Cost Approach to Value, the Income Approach to Value, and the Sales Comparison Approach to Value.

The Cost Approach to Value embraces the philosophy that the replacement or reproduction costs applied under the Principle of Substitution may define the value for a property. In this approach to value, the appraiser estimates the market value of the site, the replacement or reproduction cost of the improvements less any applicable accrued depreciation, and then combines these two items to arrive at a cost estimate of value.

The Income Approach to Value is based upon an analysis of the potential income stream of the property and comparison of that income stream with those of similar properties. This calculation and analysis results in a net income stream attributable to the real estate. That income is then capitalized at a rate which is commensurate with the rates expressed in the marketplace by investors for similar properties. The resulting figure is an income estimate of value.

The Sales Comparison Approach to Value is a basis for estimating value based upon units of comparison derived from sales of similar properties in the marketplace. Those units of comparison are then applied to the subject property to arrive at a range of values which should be indicative of a value estimate for it. This approach is used not only for improved properties but also in estimating the current value of the subject site. That portion of the report follows as that value estimate is necessary to complete the Cost Approach.

After applying the three traditional approaches to value, it is the appraiser's responsibility to weigh the strengths and weaknesses of the three different approaches to value and determine which of the three is most applicable in the valuation of the Subject property. This section of the report is captioned as "Reconciliation".

LAND VALUE BY SALES COMPARISON APPROACH

In this section of the report, data will be presented and analyzed leading to an estimate of market value for the subject site as of the effective date of the appraisal. Basically, this value is estimated by the comparison of sales of similar land tracts that are current or of recent date to the appraisal date. This comparison relates to differences, if any, in the legal, physical, locational, and economic characteristics of the comparable sales and the subject site, analyzing also any differences in real property rights transferred, dates of sale, motivations of buyers and sellers, and any unusual financing arrangements for the sales analyzed, any of which factors might account for price variations. The adjustments, if any, for property rights conveyed, financing terms, sale conditions and market conditions are made sequentially and individually. Adjustments for location and physical characteristics are accumulated and made at the end of any adjustments from the previously cited sources. From the information available, the following comparable sales all transferred ownership in fee simple. Any unusual sale conditions are discussed for each sale. Generally adjustments for market conditions relate to passage of time, e.g., in a rising market an earlier comparable sale would be adjusted upward to reflect conditions as of the effective date of the appraisal. It is our opinion that over the time period reviewed for comparable sales, there has been an upward trend leading to upward adjustments for those least recent sales.

Land Valuation Method

At the end of the presentation of the comparable sales and offerings, the sales will be summarized and a grid presented which makes the adjustments required, in our opinion, relative to differences between the comparables and the subject tract. The comparable sale prices are adjusted to the subject site and then analyzed to produce an estimate of market value for the land.

There are other methods available for estimating land value including allocation, extraction, subdivision and the land residual technique. Generally, in all cases, the estimation of land value by comparable market sales is considered appropriate and most desirable where sufficient data is available. We feel this to be the case for the Subject site and utilize solely the Sales Comparison Approach in estimating its current market value.

Land Sale Comparable #1



Location: Northwest corner of Westgrove & Excel Pkwy., Addison, Texas
Legal Description: Block A, Lots 5 & 20 and Part of Lots 4 & 21; Block B, Part of Lots 4 & 5; Carroll Estates Addition, Addison, Texas
Grantor: Excel Management Services, Inc.
Grantee: FR Development Services, Inc.
Date of Sale: May 16, 2000
Recorded: Volume 200096, Page 2365
Consideration: \$4.37/SF (\$3,567,554)
Terms of Sale: All Cash to Seller
Cash Equivalency: \$4.37/SF
Size: 816,402 SF (\pm 18.742 AC)
Zoning: C-1 (commercial)

Comments & Adjustments: This site is a corner location just outside the airport's northern boundary. It has since been developed with a large office/warehouse facility. It is in the lease-up phase of life cycle; reported lease rates are in the \$9.50/SF range with current expenses @ \$2.50/SF.

Verified By: Debbie Carter (w/grantee); Thomas Pearson, mgr.

Mapsco #: D-4P

Land Sale Comparable #2



Location: ±4300 Sunbelt, Addison, Texas
Legal Description: Sunbelt Business Park Addition, Addison, Texas
Grantor: Blackland Properties (ECOM)
Grantee: Brooke Johnson (Johnson Equipment)
Date of Sale: November 18, 2000
Recorded: Volume 20002213/6508
Consideration: \$4.50/SF (\$744,876)
Terms of Sale: All cash to seller
Cash Equivalency: \$4.50/SF
Size: ±165,528 SF (±3.8 AC)
Zoning: C-1, commercial
Comments & Adjustments: This is an interior tract between Addison Road and Westgrove Road. This is predominantly an office/warehouse area. This site was purchased for the construction of an owner-occupied facility.

Verified By: Randall Johnson, purchaser

Mapsco #: D-4P

Land Sale Comparable #3



Location: ±3800 Realty (Realty/Arapaho Rd. connection), Addison, Texas

Legal Description: Block 1, Lot 4R, Beltline-Marsh Business Park, Addison, Texas

Grantor: Lincoln Trust Co.

Grantee: Osteomed Corporation

Date of Sale: April 26, 2001

Recorded: Volume 2001082/6116

Consideration: \$5.20/SF (\$988,158.60 - calculated)

Terms of Sale: All cash to Seller

Cash Equivalency: \$5.20/SF

Size: ±190,030 SF (±4.3625 AC)

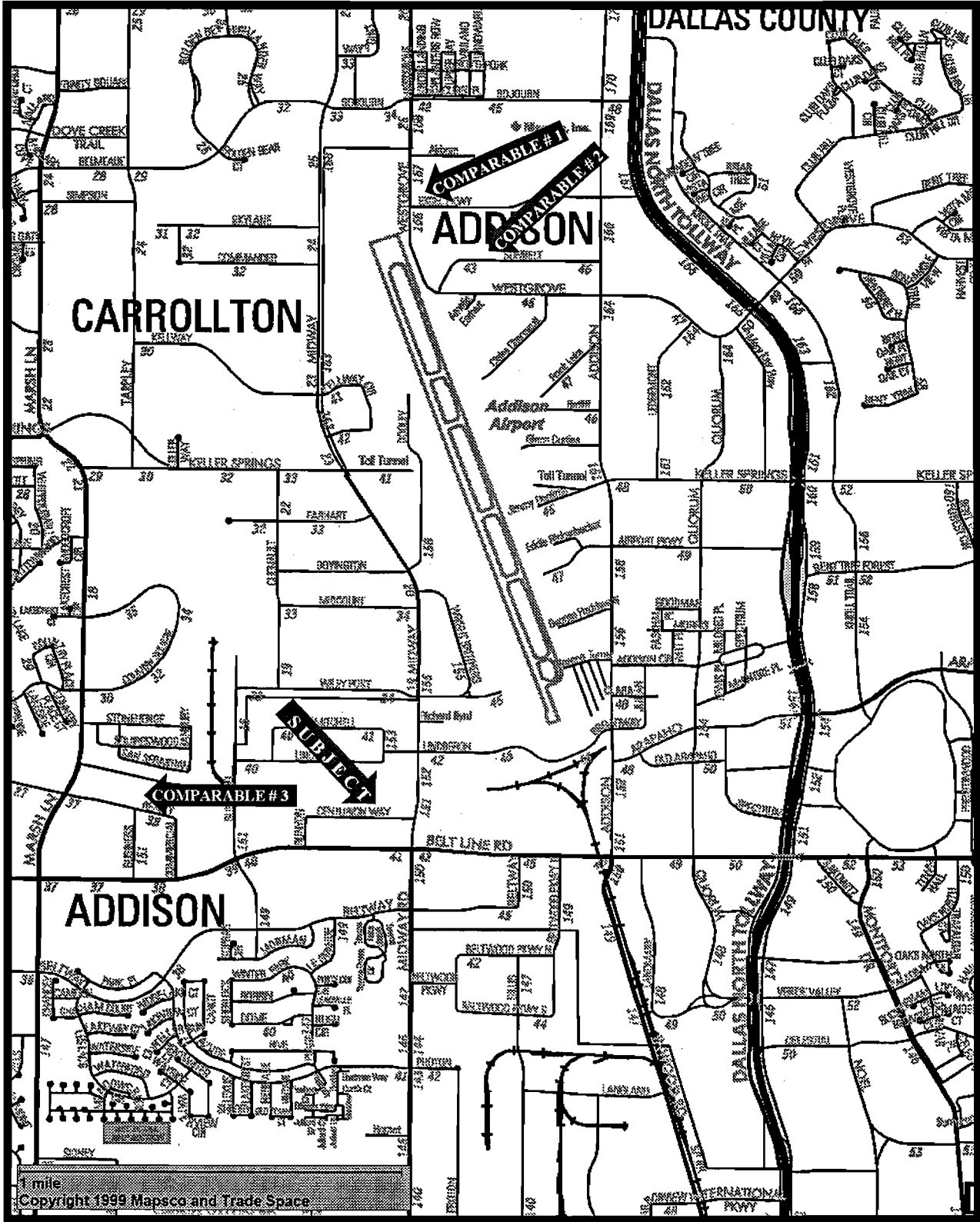
Zoning: I-1, industrial

Comments: This site will have frontage along the extended Arapaho Road project.

Verified By: Contract

Mapsc0: D-14A

COMPARABLE MAP



COMPARABLE LAND SALES SUMMARY				
Sale #	Date of Sale	Price/SF	Size (SF)	Zoning
1	05/16/00	\$4.37	816,402	Commercial
2	11/18/00	\$4.50	165,528	Commercial
3	04/26/01	\$5.20	190,030	Industrial
Subject	N/A	N/A	109,823	Industrial

Adjustments to Land Sales Comparables

Standard appraisal practice calls for the analysis of the sales presented comparing each to the subject in regard to property rights transferred, sale conditions, market conditions, locational differences, relative size, physical characteristics and utility. Adjustments were made from the known, i.e., the actual sale, to the unknown, i.e., the value of the subject. In a comparison heading where the subject is deemed to be superior to a particular sale, an appropriate upward adjustment is made to the comparable site and vice versa. Your appraiser considered the application of paired sales analysis in adjusting the comparable sales to the subject. It was the appraiser's opinion that there was not sufficient comparability of the sales within those available for review that permitted a reasonable application of that type of analysis. Adjustments are based a great degree on subjective analysis and market appraisal experience, but generally on easily recognizable and accepted maxims about the various aspects of comparison. They are briefly discussed in the following paragraphs which in short form discuss the items considered for each adjustment heading. Note that there were not a large number of highly comparable sales available for this portion of analysis. This is in part due to the built-up nature of the immediate area. The sales were all within a recent time frame.

Property Rights Conveyed

This is a consideration of the real property interest conveyed. In the case of the comparable sales used in our analysis, all were transferred in fee simple, indicating no adjustment for this heading of comparison.

Financing Terms

This reflects that for similar properties, a higher price might be paid for one wherein very attractive financing terms are available to the purchaser. Any adjustments required under this consideration have been addressed within the discussion of each individual sale in converting reported transaction price to cash equivalency where conditions so indicate. As all of the comparable sales were reported to be cash transactions, no adjustments in this category are indicated.

Conditions of Sale

This element of comparison is to reflect any unusual motivations of buyer and/or seller that would take the transaction out of the broad parameters of the definition of a sale for market value. It is the appraiser's opinion that based on information available and a general knowledge of the local market, that all of the comparable sales were arm's length indicating no adjustment for Conditions of Sale.

Time/Market Conditions

Any number of factors, including fluctuations in supply and demand, inflation, depression and the like may cause changes in market conditions which are reflected in the prices of real property. The

comparable sales available for review all date within the past approximate 11 months of the effective date of this appraisal. The softening in the tech/communications sector of the market in north Texas, combined with the recent difficulties in the financial markets has led to a general softening of the real estate market. Due to the current uncertainties in the market, land prices have remained somewhat static over the previous year to eighteen months. Therefore, no adjustment is made to any of the comparables for time/market conditions.

Location

In this portion of the adjustment process the appraiser considers locational aspects of the comparable sales as opposed to the subject. Such aspects as quality and quantity of surrounding development, adjacent land uses, and other perceived physical amenities are considered. Due to the lack of paired sales characteristics in the comparables, the adjustments are qualitative. Sale #1 represents a large corner location which is judged to be superior to the interior location of the subject. A downward adjustment is applied to this sale as compared to the subject. Sales #2 is an interior location on a minor street, similar to that of the subject, requiring no adjustment. Sale #3 is considered superior to the subject. It is an interior location on a minor street, but at the date of sale it was known that this site would have frontage on the extension of Arapaho Road, resulting in a higher price than otherwise would have been negotiated (according to the seller).

Zoning

The zoning classification of a specific property sets out the legal parameters as to the type and amount of development that can occur thereon. Some types of zoning allow for a more dense use or one that, because of supply and demand factors, will provide a higher return to the land thus creating higher land value in the marketplace. All of the comparable sales have zoning comparable to that of the subject Whole Property. No zoning adjustment is required.

Utility

This category of comparison deals with the general suitability for development of the comparable sales and the subject property which are outside of the more specific categories discussed. Items such as topography, shape, availability of public utilities, drainage, etc. are considered. Each of the sales has no superior or adverse utility characteristics which would affect site development in comparison to the subject site.

Size

The adjustment under this category of comparison has to do with the general rule that for most commodities the price or value per unit tends to decrease as the number of units increase. Thus, for example, an acreage site of similar zoning and locational characteristics would typically be expected to sell for a lesser amount per square foot than a smaller or pad type site of an area of 40,000 SF or less.

There follows a grid which displays the adjustments to the comparable sales called for in the opinion of your appraiser.

LAND SALES ADJUSTMENT GRID			
	1	2	3
Sales Price/SF	\$4.37	\$4.50	\$5.20
Property Rights Adjustment	-0-	-0-	-0-
Adjusted Sales Price/SF	\$4.37	\$4.50	\$5.20
Financing Terms Adjustment	-0-	-0-	-0-
Cash Equivalent Price/SF	\$4.37	\$4.50	\$5.20
Conditions of Sale Adjustment	-0-	-0-	-0-
Adjusted Price/SF	\$4.37	\$4.50	\$5.20
Time/Market Conditions	-0-	-0-	-0-
Adjusted Price/SF	\$4.37	\$4.50	\$5.20
Location Adjustment	-15%	-0-	-10%
Zoning Adjustment	-0-	-0-	-0-
Utility Adjustment	-0-	-0-	-0-
Size Adjustment	+10%	+ 5%	+ 5%
Net Physical Adjustment Factor	- 5%	+ 5%	- 5%
Net Adjusted Price/SF	\$4.15	\$4.73	\$4.94

Market Value Estimate - Subject Site

The comparable sales prices range from \$4.15/SF to \$4.94/SF after adjustments. The average of the adjusted sales is \$4.94/SF. Based on the lack of recent physically close land sales tempered by a slowing market, it is the appraiser's opinion that a value for the subject as indicated slightly below the mean of the adjusted sales is appropriate, or \$4.50/SF.

Approximately 6,316 SF of the subject site is encumbered with a 30' water easement and a 50' drainage channel easement. These are surface encumbrances which restrict, but do not eliminate, the development rights within this ±78.95' x 80' area adjacent to the south side of the DART rail line. The area encumbered by these easements may be improved with approved surface parking improvements and similar uses, but not permanent structures. This combined easement area is estimated to retain 50% of it's fee simple value in relation to the whole site. Therefore;

<u>Buildable Site Area</u>		<u>Value Estimate/SF</u>	=	<u>Total</u>
80,223 SF (109,823 SF, less 29,600 SF)	x	\$4.50	=	\$361,004
29,600 SF	x	\$2.25	=	<u>\$ 66,600</u>

ESTIMATED MARKET VALUE OF
SUBJECT TRACT, Called

\$427,604

COST APPROACH TO VALUE

As noted, the Cost Approach to Value estimates the replacement or reproduction costs of the improvements plus land value to arrive at an indication of worth for the property appraised. This theory of valuation is based on the Principle of Substitution which holds that a knowledgeable purchaser will not pay more for a property than that amount for which he can obtain a property of equal utility and desirability by acquiring a site and constructing a building thereon within a reasonable period of time. This approach entails the following:

1. Estimation of the current replacement or reproduction cost of the improvements.
2. Estimation of all accrued depreciation, if any, of the improvements, deducting such depreciation from the current cost estimate.
3. Adding the value of the land as estimated by the Sales Comparison Approach to the estimated depreciated cost of the improvements.

Reproduction cost is defined as the cost required to exactly duplicate the existing improvements as of the effective date of the appraisal. Replacement cost is that estimated required to construct at current prices the Subject improvements with equivalent utility to the existing structure using current standard design layout and modern materials. As the Subject building is ± 22 years old and the fact that these kind of structures are of fairly standard design and construction, it is our opinion that utilization of replacement cost is appropriate within the Cost Approach.

Replacement Cost Estimate

Direct Building Costs

Our source for current cost data is from the Marshall and Swift Valuation Service as adjusted for time and locational variances. It is our opinion that this building has the characteristics of the "Good Class C" industrial/engineering buildings as described by Marshall and Swift. On Section 14, Page 16, which describes this type of building, current estimated replacement costs are stated at \$65.77/SF for Class "C" Good and \$44.96/SF for Average construction.

Industrial/engineering buildings are similar to light industrial buildings in exterior design and construction. The principal differences are in the internal design and finish-out. Light industrial space tends to be 5% to 25% office finish-out, with the balance in warehouse space and generally non-air-conditioned. Engineering space tends toward 80%+ finish-out and 100% air-conditioned space.

This amount must be adjusted by factors also prepared by Marshall and Swift for time lapse to the present from cost preparation date--1.02x--and adjustment for price differentials caused by different physical geographic locations--0.92x. Multiplying these two factors times the \$65.77/SF indicates a current estimated replacement cost for the Subject at \$61.72/SF.

Also included in direct costs are elements not covered in the per square foot amount published by Marshall and Swift. These items would include the cost of the landscaping, the asphalt and concrete lot paving, and developer's profit.

The estimated cost of the landscape is \$16,000. This estimate is based on interviews with developers as cross-referenced with Marshall and Swift.

The other major element of direct expense not covered in the per square foot cost is the amount for paved parking and drives. It is estimated that there is approximately 34,450 SF of paving associated with the subject property (site size less building & landscape area) adjacent to the building and approximately 11,100 SF of concrete paving (30' x 370') to the north of the drainage channel. The concrete paving is estimated to be 4" reinforced concrete at a current new cost estimate of \$3.50/SF (per Marshall and Swift estimates), and \$2.25/SF for the asphalt paving at the building. This equates to \$38,850 for the concrete paving on the north, and \$77,500 for the asphalt paving adjacent to the building, on the subject site as obtained and adjusted from the segregated cost section of the Marshall and Swift report found on Page 2 of Section 66.

Indirect Costs

Other elements of construction costs not covered in the basic per square foot amount in Marshall and Swift are an allowance for entrepreneurial profit, loan fees and expenses over and above interest during construction--which are included in the basic square foot cost--and the initial leasing and marketing costs.

Our estimate of entrepreneurial profit is based on 10% of the direct replacement cost. It is our opinion that it is logical to assume that a developer/builder would require and expect a profit for coordination required to take a project such as the subject from inception to completion. Based on historical experience, the profit as calculated is reasonable and supported by past market activities.

The Marshall and Swift published prices do cover interest during construction but not loan fees.

Depreciation - General

Depreciation is defined in most appraisal textbooks as a loss in value as of the date of the appraisal from total replacement or reproduction costs. That depreciation may fall within three different categories. Those categories and the method of estimating the depreciation in each category are explained in the following paragraphs.

Physical Deterioration

Curable physical deterioration refers to items of deferred maintenance. This applies only to items requiring immediate repair. The measure of this category is the cost to correct or cure. Repairs to items such as the roof, painting the interior, carpeting and painting the exterior are typical items of curable physical deterioration. The building in general demonstrated an average standard of ongoing repair and maintenance. In our opinion, no deduction for Curable Physical Depreciation is indicated.

Short-lived incurable physical depreciation recognizes that, while the majority of the structural components will have a life equal to the economic life of the total building, some will have a shorter life and a deduction must be made to allow for their gradual deterioration and eventual replacement. This amount is calculated by multiplying the percentage derived by dividing effective age by total physical life times the estimated replacement cost of the short-lived component. **Long-lived physical incurable depreciation** takes into account the decline in value due to normal wear and tear on the basic building structure and any concurrent loss in economic use due to its age. This amount is typically calculated by dividing the effective age of the building by its estimated economic life and multiplying the percentage result times the total replacement cost new less physical curable depreciation and the replacement cost of short-lived items for which physical incurable depreciation is taken, then, deducting that figure from replacement cost-new.

Functional Obsolescence

Functional obsolescence is loss in value attributable to such factors as poor design, changes in technology and super-adequacies and/or deficiencies in the construction. **Incurable Functional Obsolescence** occurs where deficiencies or super-adequacies are involved and the cost to cure is greater than the anticipated increase in utility or benefits to be derived. This form of depreciation is usually measured by the capitalization (by the rate developed in the Income Approach) of the net income loss attributable to the deficiency or super-adequacy. **Curable Functional Obsolescence** is that for which the cost to cure provides equivalent or superior economic returns to the property.

As noted, the Subject improvements are in conformity with development within the neighborhood. We note that the building is in good physical condition. As such, it is our opinion that there are no elements of curable or incurable functional obsolescence present in the subject property.

Accrued Depreciation Estimate by Life Method

This method of estimating total accrued depreciation is found by multiplying the percentage derived by dividing the effective age by the estimated total economic life of the building times the estimated replacement or reproduction costs of the improvements. The Marshall & Swift guidelines indicate a typical economic life for industrial flex buildings of the type and construction quality of the subject to be ± 50 years. The building's actual age is approximately 22 years and we consider its effective age to be ± 22 years due to its present condition and quality of upkeep. The following table shows the calculation of Depreciation of All Items as described.

Estimate of Incurable Depreciation All Items	
Estimated Direct Building Replacement Cost New (Building)	\$1,869,314
Times Ratio of Effective Age to Use Life (22/50)	<u> x0.44</u>
Estimated Incurable Physical Depreciation, Long-Lived Items	<u>\$ 822,498</u>

Economic Obsolescence

Economic obsolescence is a loss in value caused by detrimental influences outside the site. Unsightly or undesirable nearby usages such as salvage yards and heavy industrial plants that have an adverse effect on the value of the appraised property are causes of this type of value loss. Economic loss is always incurable and it is measured by either capitalizing the rent loss attributable to the negative influence or by comparable sales. We find no adverse physical influences so affecting the Subject property as to produce economic loss from that cause.

There follows a Cost Approach Summary tabulating the preceding data leading to subject's value estimate by this method.

COST APPROACH SUMMARY

Direct Costs		
30,287 SF @ \$61.72/SF - Main Building	\$1,869,313	
Signage	n/a	
Landscaping	16,000	
Concrete & Asphalt Paving	<u>116,350</u>	
Total Estimated Direct Costs		\$2,001,664
Indirect Costs		
Entrepreneurial Profit @10%	\$200,000	
Loan Fees (est.)	<u>33,000</u>	
Total Estimated Indirect Costs		<u>233,000</u>
Total Estimated Replacement Cost New		\$2,234,664
Estimated Depreciation		
Main Building (.44 x \$1,869,314)	\$ 822,498	
Paving (.20 x \$116,350)	23,270	
Landscaping	-0-	
Signage	<u>-0-</u>	
		<u>- 845,768</u>
Depreciated Replacement Cost		\$1,388,896
Add: Site Value Estimate by Market Comparison		<u>427,604</u>
Total Estimated Replacement Cost After Depreciation		<u>\$1,816,500</u>
ESTIMATED MARKET VALUE BY COST APPROACH, Called		<u>\$1,816,500</u>
		(±\$59.98/SF)

INCOME APPROACH TO VALUE

As discussed previously in the Appraisal Process section, the Income Approach to Value is the result of the analysis of the projected gross income stream for the subject property less vacancy and expenses to determine what net operating income for it can reasonably be expected. The first step in the Income Approach is determining what income can be achieved by the property under prudent management. This section typically directs itself to deriving rent comparables from similar properties in the subject's area to determine the stabilized gross annual income potential for it. From that gross annual income, a vacancy and collection loss factor is deducted to arrive at an effective gross income. From the effective gross income, total estimated operating expenses for the project are deducted to arrive at a proforma net operating income. This figure is converted to a value indication through a process known as capitalization.

There follow rent comparables of other office/warehouse buildings in subject's area. From the comparables, we will evaluate current market rents and expenses in preparation of a pro forma operating statement leading to an estimated Net Operating Income (NOI) for the subject property. This NOI can then be capitalized into an indication of Market Value by the Income Approach.

Rent Comparable #1

Property/Location: 15101 Midway Road, Addison, Texas

Improvement Data:

Construction & Design: Brick Veneer
Year of Construction: 1979±
Condition: Good
Gross Building Area: 58,900 SF; estimated - 100% A/C
Rentable Bldg. Area: 58,900 SF

Rental Data:

Rent/SF/Year: \$7.00/SF - net
Lease Structure: Absolute triple net, tenant pays all expenses
Lease Term: ±5 years typical
Occupancy: ±100%

Comments: This property is adjacent to the east side of the subject and is a corner location. The property owner occupies the corner portion of the building and leases the Centurion portion of the building. Except for the corner location, this is ±identical to the subject, and the leased portion is very comparable to the subject. The tenants tend to be retail oriented.

Survey Date: 09/02

Leasing Agent: Owner

Mapsco: D-14B

Rent Comparable #2

Property/Location: 3220 Commander, Carrollton, Texas

Improvement Data:

Construction & Design: Masonry/Glass Store-Office front design

Year of Construction: 1980

Condition: Good

Gross Building Area: 23,000 SF: 100% A/C, Office/Tech

Rentable Bldg. Area: 23,000 SF

Rental Data:

Rent/SF/Year: \$8.00/SF, net

Lease Structure: Estimated expenses @\$2.00/SF; estimated \$9.00/SF finish-out.

Lease Term: 5 years

Occupancy: 100% - This is a newly signed lease

Comments: This is a more up-scale building than the subject. It is located on a less well traveled street and is of roughly comparable size to the subject.

Survey Date: 09/00 & 09/02

Verified by: Pat Haggerty w/Campbell Company

Mapsco: D-4N

Rent Comparable #3

Property/Location: Northeast corner of Westgrove & Excel Pkwy., Addison, Texas

Improvement Data:

Construction & Design: Concrete panel; office/warehouse (engineering) design.

Year of Construction: ±2001

Condition: Excellent

Gross Building Area: ±228,400 in 4 buildings

Rentable Bldg. Area: ±28,400 SF

Rental Data:

Rent/SF/Year: \$9.50/SF

Lease Structure: Landlord pays taxes, insurance, & CAM: est. at \$2.50/SF

Lease Term: 5 years quoted

Occupancy: ±75%

Comments:

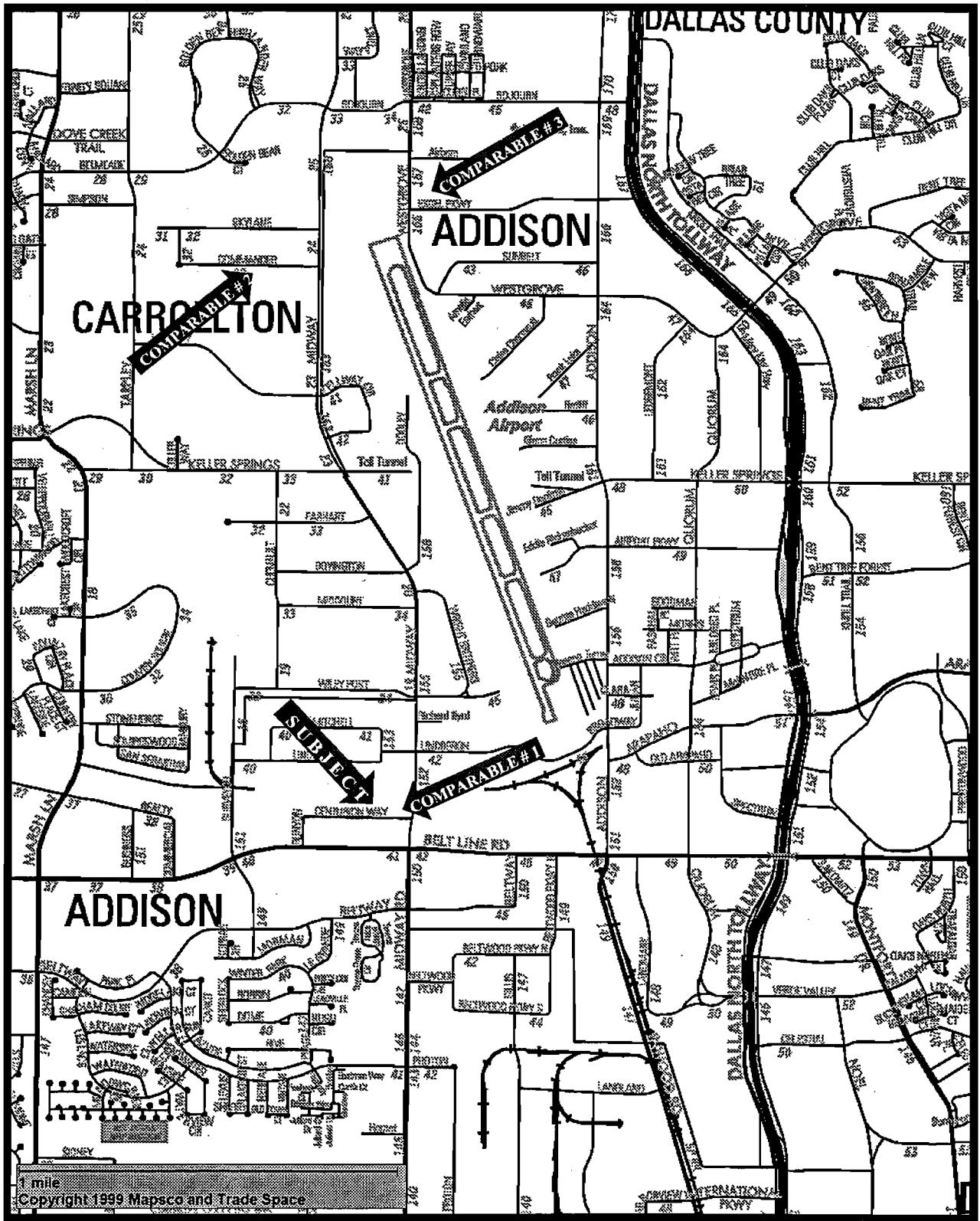
This property is new construction and currently in it's lease-up phase. A \$14.00/SF finish-out allowance is allocated for new lease space, which would equate to ±25% office finish-out. This is built as 100% A/C space. Given the expenses, this equates to \$7.00/SF triple-net rent.

Survey Date: 09/02

Verified by: Thomas Pearson, leasing agent

Mapsco: D-4P

COMPARABLE MAP



Office/Warehouse Comparable Rent Survey Summary			
Comp #	Size (SF Rentable Area)	Annual Rent/SF	% Vacant
1	58,900	\$7.00 - net	-0-
2	23,000	\$8.00 - net	-0-
3	228,400	\$7.00 - net	25%
Subject	30,287	n/a	n/a

Stabilized Rent Projection

There is a great deal of variability in the industrial/engineering space market in the market area of the subject property. Rents are variously quoted as "net", "gross", or "modified gross". Location, age, size, building design, and percentage of air-conditioned space all have a bearing on accepted rental rates. Several new developments have come on the market in the previous two years and these developments tend to pull tenants from the older developments, requiring the older developments to have to compete on a price basis.

The subject property recently sold and it is not clear if it represents an owner-occupied building or a lease property. No data was available to the appraiser. It has previously been stated that the existing configuration of this space is most suited for either one or two tenant occupancy and that it is our opinion that it's size and design is such that there exists for it a discernable market. Comparables #1 and #3 are more typical of the design of the subject and are geared to attract a similar style tenant. Comparable #2 is marketed more toward the office market and represents a rate nearer the upper limit of the industrial/engineering/tech space market. Comparable #2 is also marketed to smaller space users than the subject is most suitable for. Comparables #1 and #2 most nearly represent the segment of the market which would be attracted to the subject. Given that the quasi-retail space adjacent to the east of the subject and the new engineering space represented by Comparable #3 exhibit a lease rate appropriate for the subject property; \$7.00/SF.

Vacancy and Collection Allowance

It is considered reasonable to deduct a vacancy and collection allowance deduction for gross potential income to indicate cyclical changes in commercial real estate property over typical economic life. A 10% vacancy and collection allowance is estimated for the subject property. It approximates actual submarket vacancy experienced as of the effective date of the appraisal found in the comparable rent survey and is lower than the general Dallas market area vacancy rate of $\pm 12\%$ currently.

Expenses - General

In compiling proforma the operating statement for the subject property, primary reliance is based on actual expenses provided by brokers and project managers in the field, ad valorem tax analysis, and file data. It is accepted practice to calculate operating expenses on gross building area or as a percentage of revenues (rents) collected.

Management Expense

It is the property manager's function to oversee, contract for, and accomplish routine maintenance activities along with timely payment of utility, taxes, insurance and other bills. There is an additional management responsibility of collecting any pro rata amounts from the tenants. In the Dallas area

market, management fees for office/warehouse properties range from 3% to 6% of gross collected rents, generally with a minimum base-rate fee. However, as the subject represents a small scale property (in number of probable tenants), a management fee below that typically found in the market is judged to be more realistic. A management expense of 1½% is deemed more appropriate for the subject.

Maintenance/Repairs/Utilities

Included under this heading of expense are common area maintenance, landscaping expense, roof/structural maintenance, and base year utilities. As all of the rents/leases have either been reported as, or reduced to, triple-net leases, all maintenance, repairs, and utility expenses are presumed to be the responsibility of the tenant. Therefore, these expenses will not be deducted from the operating income statement for the subject property.

Janitorial Expense

For purposes of the proforma statement, janitorial expenses are considered to be a tenant expense.

Leasing Commission

This relates to the expense of marketing the property. Typical leasing commission rates vary from 4.5% to 6.75% in the subject area. Again, due to the relatively small scale (in number of tenants) of the subject property, a lower leasing commission of 3% is estimated for the subject property.

Property Insurance

Under a triple-net lease structure, the tenant of the property is liable for property insurance. Therefore, no property insurance expense deduction is estimated for the subject.

Real Estate Taxes

Under a triple-net lease structure, the tenant of the property is liable for the ad valorem taxes of the property. Therefore, no tax expenses are deducted.

There follows a Pro Forma Operating Statement depicting the preceding discussions of income and expense for the subject property leading to an estimated net operating income (NOI).

PRO-FORMA OPERATING STATEMENT

Gross Annual Income (GAI): 30,287 Rentable SF @ \$7.00/SF:		\$212,009
Less: 10% Vacancy & Collection Loss:		- <u>21,201</u>
Effective Gross Income (EGI):		\$190,808
Expenses:		
Management @ 1½%	\$ 2,862	
Maintenance/Repairs/Utilities	n/a	
Janitorial	n/a	
Lease Commissions @ 3.0%	5,724	
Insurance	n/a	
Real Estate Taxes	<u>n/a</u>	
Less Total Expenses		- <u>8,586</u>
<u>INDICATED NET OPERATING INCOME (NOI):</u>		<u>\$182,222</u>

CAPITALIZATION

Several capitalization techniques are available to process income into an indication of value. The proper capitalization technique is not determined by random selection. The appropriate technique is determined by the quality and quantity of accessible market data. A method of capitalization which is considered most appropriate and applicable to the subject property is presented below.

Overall Capitalization Method

Rates Derived from Comparable Sales

Direct capitalization with an overall rate is typically considered to be the most reliable capitalization method when the availability of data from comparable property sales is sufficient. It is based on the idea that at any given point in time the current net operating income (NOI) produced by a property is related to its current market value.

This technique is simply a direct capitalization of the subject's net income by use of an overall market rate. This rate is taken directly from the market, based on the range of indicated overall rates from

sales of similar properties. The overall rate represents a current return on the total investment. Therefore, by use of a direct overall capitalization rate from the market, it can be illustrated that buyers are earning similar or competitive current returns.

The sale this year of the property adjacent to the east side of the subject represented a capitalization rate of 10%. This property is of similar construction, age, and size. While the corner location of this sale has a retail orientation, it is none the less, virtually identical to the subject. An industrial/engineering building which is roughly three times the size of the subject and is a new development (± 2 years old) sold within the past 10 months with a reported capitalization rate of 10% also.

A Henry S. Miller Company survey reported in Real Estate Investment Trends reported that capitalization rates exhibited a range of 9% to 11.5% for industrial properties in 2001. Brokers surveyed during this study indicated that investors typically won't consider a rate below 10% when purchasing this class of property. Generally, older properties (in excess of 10 years old) reflect capitalization rates higher than the average rate, due to the fact that a higher rate is required to recover improvement value over a shorter remaining economic life.

Based on the analysis of the data available, an R_o of 10% is selected for the subject property. By applying this rate to the NOI estimated for the subject property, a generally reliable estimate of market value can be derived. This method is known as Direct Capitalization and, based on the availability of data, is deemed to be the most appropriate means of capitalization for many types of income properties.

Even given what appears to be a slightly weakening market for properties of the age and class of the subject property, a capitalization rate reflective of the rate derived directly from the market is judged to be appropriate for the subject. This lower than typical capitalization rate translates the net operating income into a higher indicated market value for a given property. The comparable data supports an R_o for the subject property of 10.0%. Thus:

<u>Proforma NOI</u>		<u>R_o</u>		<u>Indicated Value</u>
\$182,222	+	10.0%	=	\$1,822,220

**MARKET VALUE ESTIMATE BY THE INCOME APPROACH -
 R_o CAPITALIZATION, Called**

\$1,820,000
 (\pm \$60.09/SF)

SALES COMPARISON APPROACH TO VALUE

An indication of value can be obtained by comparing the subject property with other industrial/flex buildings which have recently sold in the marketplace. The reliability of this value indication will depend upon the similarities/dissimilarities between the subject and the properties which have sold. The basic units of comparison used by purchasers in the marketplace are the Gross Income Multiplier and Price per Square Foot of building area.

The Gross Income Multiplier (GIM) is an application that is available when facilities sell with a known sale price and a determinable gross annual income figure. The multiplier is derived by dividing the sale price by gross potential income. It is an accurate gauge to weigh the investment opportunity of one operating property against a similar operating property as it automatically adjusts for any physical, functional, or economic deficiencies of a property as reflected by the action of the rental marketplace.

The GIM is closely related to market action and it is fairly easy to explain. The principal advantage of the technique is that the reflection of rental income is direct. Therefore, differences between properties which could involve adjustments based upon subjective estimates by the appraiser have typically been resolved by the free action of the local rental market. If Property A has some advantage over Property B in age, condition, accessibility, location, or other physical characteristics, the difference in actual rental income presumably reflects the extent of this advantage as viewed in the marketplace. Because some adjustments for relative desirability are thus inherent in the factor, a GIM is not subject to adjustment after having been computed.

The Price Per Square Foot method considers the amount of area contained within a facility. The unit for valuation is computed by taking the sale price of the property and dividing by the square footage. This methodology directly compares the price for which a property actually sold to other properties of a similar nature, design, construction, quality, size, age, finish-out, and underlying land value, etc. The Price Per Square Foot methodology requires that adjustments be made by the appraiser to compensate for physical, functional and/or economic deficiencies of the properties used for comparison with the subject. The Price per Square Foot methodology can be subjective and requires the expertise of the appraiser for adjustments.

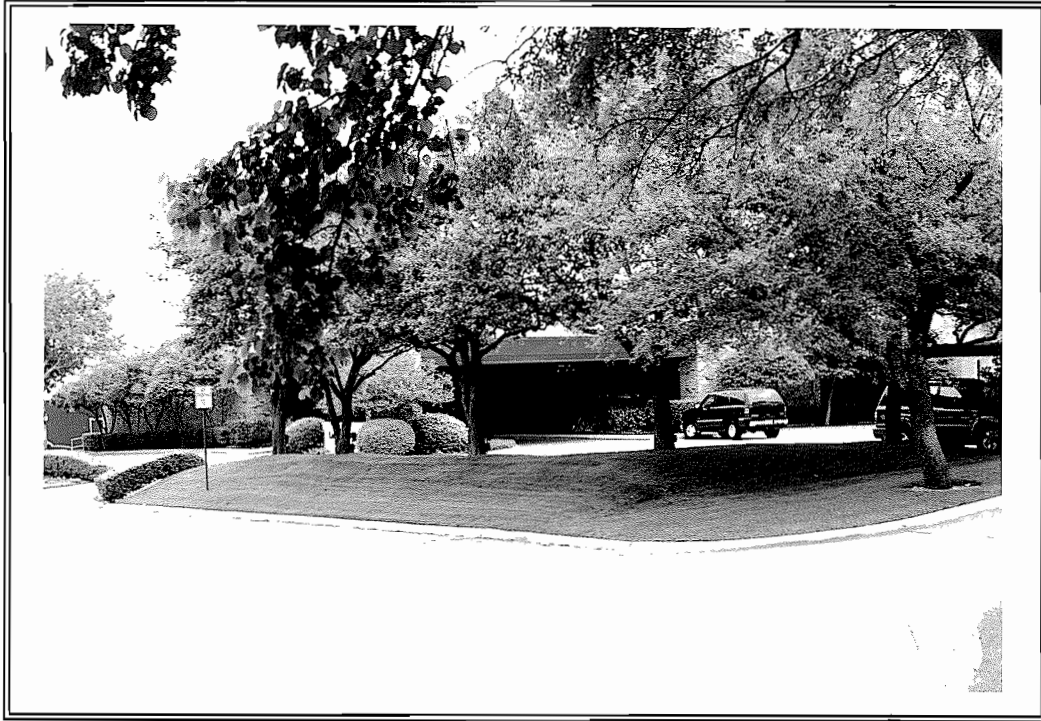
The following pages detail recent sales of garden office properties in subject's general area. An analysis with what are considered the appropriate units of comparison follows leading to an estimate of Market Value of the fee simple estate by the Sales Comparison Approach.

Building Sale Comparable #1



Location:	NW/c of Centurion & Midway, Addison, Texas
Grantor:	15101 Midway Road Pt. Ltd.
Grantee:	Midway Centurion Ltd.
Date of Sale:	February 28, 2002
Recorded:	2002041/7792
Consideration:	\$3,400,000 (\$57.73/SF)
Terms of Sale:	All cash to grantor
Cash Equivalency:	\$3,400,000 (\$57.73/SF)
Improvement Data:	
Construction:	Brick Veneer, masonry
Year of Construction:	±1979
Condition & Appeal:	Good
Gross Building Area:	58,900 SF (per buyer)
Land Area:	±150,935 SF
Comments:	±¼ east of the subject. Similar age, larger size, construction. Retail presentation. ½ owner occupancy, ½ leased @ \$7/SF - NNN
Verified:	Purchaser
Mapsc0:	D14B

Building Sale Comparable #2



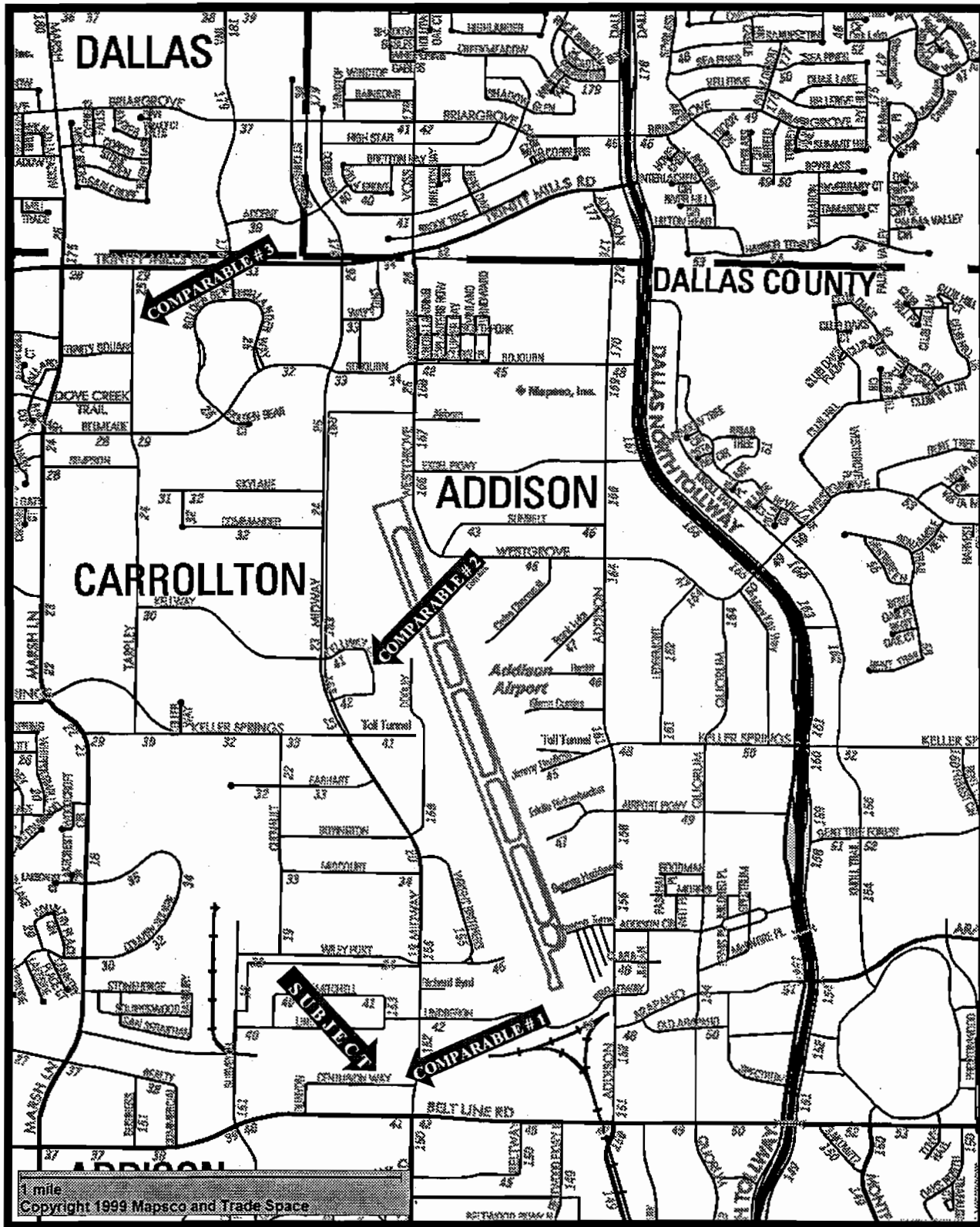
Location: 4625 Kellway Circle, Addison, Texas
Grantor: Greenbriar Corporation
Grantee: Land Advisors, Inc.
Date of Sale: January 9, 2001
Recorded: 2001006/5597
Legal Description: Blk B, Lots 5 & 6, Beltwood North, Ph 2, Addison, Texas
Consideration: \$1,500,000 (\pm \$57.53/SF)
Terms of Sale: \$1,360,000 note to Regions Bank
Cash Equivalency: \$1,500,000 (\pm \$52.72/SF)
Improvement Data:
 Construction: Single story masonry and steel
 Year of Construction: \pm 1984
 Condition & Appeal: Very Good
 Gross Building Area: 27,768 SF (per DCAD)
 Land Area: \pm 63,037 SF
Comments: Owner occupancy; building is an interior location in a well landscaped "garden" setting. Limited covered parking on site.
Verified: Roddy Services
Mapsco: D-4T

Building Sale Comparable #3



Property/Location: 2560 Tarpley Road, Carrollton, Texas
Grantor:
Grantee: Tra Bec Properties, LP
Date of Sale: November 28, 2001
Recorded: 2001231/9604
Legal Description: Blk A, Lot 1.1, Trinity Mills Business Park
Consideration: \$1,690,000 (\pm \$69.04/SF)
Terms of Sale: All cash to grantor
Cash Equivalency: \$1,690,000 (\pm \$36.72/SF)
Improvement Data:
 Construction: Concrete Panel
 Year of Construction: 1997
 Condition & Appeal: Good
 Gross Rentable Area: 24,168 SF
 Land Area: \pm 78,421 SF
Comments: Purchased for owner occupancy. This property is \pm 1/2 block south of Trinity Mills; similar to the subject's location off of Midway Road. New construction noted in this area.
Verified: Roddy Services
Mapsc0: D-4N

COMPARABLE MAP



COMPARABLE BUILDING SALES SUMMARY						
Sale No.	Sale Date	Year Built	Building Area (SF)	Sale Price (\$/SF)	Pro Forma	
					OAR	GIM
1	03/02	1979	58,900	\$57.73	±10%	8.25x
2	01/01	1984	25,768	\$57.53	owner	owner
3	11/01	1997	24,168	\$69.04	owner	owner
Subject	NA	1980	30,287	NA	NA	NA

Analysis and Conclusions of Market Data

From the available comparable sales, only one unit of comparison is derived that is typically utilized in the Sales Comparison Approach to Value. This method is utilized by comparing the Sales Prices per Square Foot (SP/SF), taking into consideration and adjusting for physical, locational and market condition factors affecting each sale as compared to the subject property. The Gross Income Multiplier (GIM) is not available from two of these sales as they were purchased for owner occupancy. When sufficient reliable data is available, the GIM is generally preferred in this method of valuation of typical income producing properties. This factor is calculated by dividing the reported sales by the indicated gross annual income for the property.

Sales Price per Square Foot Analysis

General

The reader is referred back to the discussion of adjustment factors presented in the earlier Sales Comparison Approach utilized in estimating the current market value of the land tract. That discussion applies here with the exception of some changes in the physical comparisons. We continue to compare and adjust for Location and Size variations. The remaining two appropriate for improved properties are one for Construction and Design and one for building Age/Condition. The reader is reminded that within the Comments & Adjustments section of each of the improved sales presented, the reasoning, magnitude and direction of each adjustment was discussed.

As all of the sales were purchased for owner occupancy, all sales are treated as "fee simple" transfers. No unusual financing or other motivating factors were discovered which would affect the "conditions of sale" for any of the sales included herein. As all of the sales have taken place within the previous ±18 months, no adjustment for "time" is deemed necessary.

Location

The location of Sale #1 is judged to be superior to the subject, due to this sale's corner location on Centurion and Midway Road. The retail presentation of this sale is superior to that of the subject. This sale will be adjusted downward to reflect this condition. Sale #3 is an interior location on a minor street. It is judged to be inferior to that of the subject and is adjusted upward accordingly. The location of Sale #3 is considered comparable to that of the subject. This sale is located ±½ south of Trinity Mills on Tarpley. This is a very similar situation to the subject. No adjustment is made to this sale for location.

Size

The reported size of Sale #1 is substantially larger than that of the subject improvements. This would indicate a downward adjustment to the subject property. Both Sales #2 and #3 are slightly smaller than the subject, but not enough so to warrant an adjustment based solely on size.

Design/Construction

Sale #1 is virtually identical to the subject in age, design, and construction detail. No adjustment is made to this sale for these attributes. Sale #2 is considered to be equal to the subject in these elements of comparison also, requiring no adjustments. Sale #3 is considered to be superior to the subject in design, age, and construction. Given the relatively new development of this sale as compared to the subject would warrant consideration for physical deterioration factors and functional factors in the market. This sale is adjusted downward for these considerations.

There follows an adjustment grid that sets forth our opinion of the percentage adjustments applicable to the comparable sales as discussed in the sales analysis and in the Comments and Adjustments paragraph of each of the sales previously presented.

BUILDING SALES ADJUSTMENT GRID			
	1	2	3
Sales Price/SF	\$57.73	\$57.53	\$69.04
Property Rights Adjustment	-0-	-0-	-0-
Adjusted Sales Price/SF	\$57.73	\$57.53	\$69.04
Financing Terms Adjustment	-0-	-0-	-0-
Cash Equivalent Price/SF	\$57.73	\$57.53	\$69.04
Conditions of Sale Adjustment	-0-	-0-	-0-
Adjusted Price/SF	\$57.73	\$57.53	\$69.04
Time/Market Conditions	-0-	-0-	-0-
Adjusted Price/SF	\$57.73	\$57.53	\$69.04
Location Adjustment	-20%	+10%	-0-
Construction and Design	-0-	-0-	included below
Age/Condition Adjustment	-0-	-0-	-15%
Size Adjustment	+20%	-0-	-0-
Net Physical Adjustment Factor	-0-	+10%	-15%
Adjusted Price/SF	\$57.73	\$63.28	\$58.68

After adjustments, comparable building sales indicate a value range of the subject from \$57.73/SF to \$63.28/SF. The average of the adjusted sale prices is ±\$59.90. It is the appraiser's opinion that a value indication in the mid-range of the indicated values is appropriate for the subject. Obviously, the subject is most comparable to Sale #1, which is adjacent to the subject, but with corner influence and a Midway Road presentation. The unadjusted price of this sale could reasonable be expected to set the upper limit for the subject's value, as the subject does not benefit from corner and retail exposure influence. It is the appraiser's opinion that \$60.00/SF, most reflective of the near adjacent sale, is most appropriate for the subject. Thus;

Gross Rentable Area

Value Estimate/SF

Total

30,287 SF

x

\$60.00

=

\$1,817,220

Value Indication by SP/SF Analysis, Say,

\$1,817,000
(±\$59.99/SF)

RECONCILIATION AND FINAL "AS IS" MARKET VALUE ESTIMATES

Reconciliation

The three traditional approaches to value at stabilized rents and occupancy result in the following "As Is" estimates of value:

COST APPROACH:	\$1,816,500
INCOME APPROACH:	\$1,820,000
SALES COMPARISON APPROACH:	\$1,817,000

This section of the report is dedicated to considering the strengths and weaknesses of the three traditional approaches and determining which approach has the most credibility for the subject property.

In estimating a Market Value by the Cost Approach, the value of the subject site is estimated first by the Sales Comparison Methodology. In estimating current replacement cost for the subject, the primarily amounts for comparable buildings as reported in the Marshall and Swift cost reporting service were utilized. As the building is ± 20 years old, various elements of depreciation were noted which were estimated by the Economic Age/Life method. The Cost Approach has inherent weaknesses in estimating replacement costs accurately and also in the measurement of depreciation when it is applicable. Construction bids are replete with variables including material and labor supplies at the time of the bids, weather conditions during the construction period and the cost of money. Variations of 10% to 15% are not unusual among experienced contractors and the diversity can be greater than that. There was a lack of highly comparable land sales due to the built-up nature of the immediate neighborhood and the unique characteristics of the subject site. These factors lead to placing the least reliability on this method in reaching a final estimate of Market Value.

In arriving at an estimate of Market Value by the Income Approach, your appraiser surveyed rents of comparable projects. Appropriate operating expenses as available from actual operating statements and file data were deducted to indicate a pro forma NOI for the subject at stabilized rents and occupancy. There was data available from the marketplace to establish an overall rate. Major weight is given to the Income Approach valuation in the reconciliation.

In most cases, the Sales Comparison Approach is used primarily as an indicator of a range of values. In the case of the subject, a reasonable number of verified recent sales whose financial units of comparison provided a basis for estimating Market Value. The results of the Sales Comparison Approach are supportive of the Income Approach. Primary reliance is also placed on the results of this methodology in the final estimate of value for the subject Whole Property.

The subject property fits within the description of a typical office/industrial/engineering space building real estate investment or owner occupied property. It is concluded that the most reasonable estimate of the current Market Value is indicated by the combined results of the Income Approach and the Sales Comparison Approach.

Thus, it is the appraiser's opinion that the current "As Is" Market Value Estimate of the Fee Simple Estate of the Subject Property, improvements and land, subject to the Assumptions and Limiting Conditions contained herein, as of September 26, 2002, is:

ONE MILLION EIGHT HUNDRED TWENTY THOUSAND DOLLARS
\$1,820,000

PART TAKEN - VALUATION

This Taking is considered as a Partial Property acquisition. The Part Taken is considered as severed land with no self-sustaining economic value. A plat of the subject showing the Part Taken is included in the Addendum of this report.

Land

The Part Taken consists of a strip of land $\pm 79'$ wide across the northern portion of the site, roughly parallel to Centurion; a length of roughly 370'. The land area within the proposed acquisition contains 29,223 SF of site area. This proposed acquisition area is currently encumbered with a 50' wide drainage channel easement and a 30' wide water easement; i.e., 100% of the acquisition area is currently encumbered with existing surface use easements.

Improvements

Within the acquisition area are items of concrete paving, access drives, and grass landscaping. The concrete paving improvements provide for excess parking for the subject property and were constructed under a license granted by the Town of Addison approximately 18 years after the original development of the property. It is the appraiser's understanding that these improvements were made at the request of the previous tenant, whose lease expired \pm January 1, 2002.

The Town of Addison's construction plans call for the reconstruction of the excess parking area and re-landscaping the available grass areas. No compensation is estimated for these improvement items in the "take" area. To provide compensation for these items in addition to replacing them would result in double-compensation for the improvements in the acquisition area.

From the Land Valuation section of this report, the estimated "fee simple" value of the subject site is \$4.50 per square foot of land area. However, the area within the proposed acquisition is presently encumbered with the aforementioned easements. The drainage/water easement area is estimated to represent 50% of the fee simple interest in the Land Valuation section of this report; i.e., \$2.25/SF. A roadway easement is being "taken" over the existing surface easements. As the roadway easement is for an elevated portion of Arapaho Road; and, as the subject property owner retains the right-of-use under the proposed elevated Arapaho Road; and, as the excess parking within the proposed acquisition area is to be restored, it is estimated that the property rights "taken" in the acquisition area amount to 80% of the value of the easement area (80% of \$2.25/SF). Stated another way, the right-of-way easement is estimated to encumber 80% of the contributory value in the drainage/water easement areas. Contributory value remains for the property owner because of the right-of-way area suitability to replace the excess parking currently within that area. Considered as severed land with contributory economic value, the land area in the Part Taken is properly valued as 80% of the value of the easement encumbered portion of the subject site value: 80% of \$2.25/SF, or \$1.80/SF. Therefore, the estimated Value of the easement interest of the Part Taken is calculated as follows:

Part Taken - Fee Simple

Land Area:	29,223 SF @ \$1.80/SF	\$ 52,601
Improvements:		
Paving:	to be replaced	-0-
Landscape:	to be replaced	-0-
Drive Improvements:	to be replaced	<u>-0-</u>
Total		\$ 52,601

REMAINDER BEFORE THE TAKE - VALUATION

The value of the Remainder Before the Take is valued on the same basis as the Whole Property valuation, reflecting the loss of the land area and improvements in the Part Taken. In circumstances of partial property acquisitions, wherein the Part Taken is considered as severed land with no independent economic utility apart from the Whole Property, the sum of the values of the Part Taken and the Remainder Before the Take should equal the value of the Whole Property.

In the case of the subject property, this equates to the difference in the contributory value of the easement area with and without the additional right-of-way encumbrance. As with the part-taken estimate, the surface parking improvements are not considered. As the improvements are to be replaced, they are not to have been considered as taken.

The value of the Remainder Before the Take is valued as follows:

<u>Remainder Components</u>	<u>Unit Value</u>	<u>Component</u>
Land Area		
Fee Simple Remainder	\$4.50/SF x 80,223 SF	\$ 361,004
Non R.O.W. Easement	\$2.25/SF x 377 SF	\$ 848
Easement Remainder	\$0.45/SF x 29,223 SF	<u>\$ 13,151</u>
Site Value Estimate		\$ 375,003
Improvements		
Contributory Value		<u>\$1,392,396</u>
Total		\$1,767,399

This figure represents the estimated value of the subject Remainders without the proposed improved right-of-way in place.

REMAINDER AFTER THE TAKE - VALUATION

The Remainder After the Take is valued "as if" all of the public improvements are completed and in place. The Remainder After the Take is valued under the same guide lines and definitions as the Whole Property.

As there are improvements present on the Remainder After the Take, the Cost Approach to Value, the Sales Comparison Approach, and the Income Approach to Value utilized in estimating the Whole Property value are considered applicable to valuing the Remainder After the Take. The Sales Comparison Approach is considered to be the most reliable approach for valuing vacant land, and as such will be utilized to estimate the value of the site of the Remainder After the Take.

The Remainder After the Take continues to represent an interior tract of land with single street frontage/access. Although Arapaho Road now traverses the north side of the subject site, Arapaho Road is elevated and provides no access to the remainder site. The Highest and Best Use of the property remains the same, both as currently improved and "as if" vacant and available for development. Improvements to the subject should still orient toward Centurion, as Centurion will provide the sole access to the subject and the principal exposure of the subject.

The size and shape of the Remainder is sufficient for independent economic development, if it were vacant and available for development. The elevated road behind the subject would neither enhance nor detract from the future use/development of the subject as an industrial use site.

Remainder - Land Valuation

The land sales utilized to estimate the value of the Whole Property are considered the most reliable comparables for valuing the Remainder After the Take. Given that the usable size and shape of the Remainder are unchanged from that of the Whole Property, and that the legal development criteria remain the same, the adjustments to the comparable sales are similar to those for the Whole Property. The reader is referred to the Land Valuation section for a discussion of the site value estimate. From a practical view, the difference between the Remainder site and the Whole Property site is the availability of covered parking in the easement area. This is similar to some situations in the "West End" in downtown Dallas for properties adjacent to Woodall Rodgers freeway. The remainder site is at least as valuable as the whole property site.

Remainder "As Improved" Valuation

Remainder - Cost Approach

The Cost Approach for the Remainder After the Take is the same as for the Whole Property. The age, design, size, etc. of the improvements is basically the same as for the Whole Property. The primary affected area (drainage/water easement area) is restored to provide excess parking to the principal improvements to the south of the easement area. As the principal elements of depreciation remain the same for an industrial/engineering facility, the Cost Approach for the Remainder After the Take would indicate a value at least equal to that of the Whole Property value.

Remainder - Income Approach

The Income Approach for the Remainder After the Take is the same as for the Whole Property. The Remainder's ability to attract and hold owners/tenants at prevailing market rates appears to remain unchanged from that of competing industrial/engineering facilities. As the size of the leasable

improvements is the same as for the Whole Property, the Income Approach for the Remainder After the Take would indicate the same value as that of the Whole Property.

Remainder - Sales Comparison Approach

The Sales Comparison Approach for the Remainder After the Take is the same as for the Whole Property. As improved industrial properties tend to sell on a "per square foot" of improvement basis, the Remainder After value would be reflective of the Whole Property value. Both the Whole Property and the Remainder After would reflect a super-adequacy in excess parking for the improvements.

Conclusion - Remainder After the Take Valuation

The estimated market value of the Remainder After the Take is \$1,820,000. The ±30,287 SF industrial/engineering facility is competitive with comparable age/design facilities in its marketing area. It is estimated that it would lease and/or sale competitively with similar age/design industrial/engineering facilities. Additionally, the excess parking associated with the subject for a previous tenant, is maintained on the site after the Arapaho Road extension is in place. Therefore, as with the Whole Property, the value of the Remainder After the Take is estimated at \$1,820,000 based on an indication of value derived through the Income Approach to value.

Estimate of Just Compensation

The Value of the Remainder After the Take (\$1,820,000) is greater than the estimate of value for the Remainder Before the Take (\$1,767,399). Typically, when the Remainder After value exceeds the Remainder Before value, it is an indication that enhancement to the Remainder has occurred. In the case of the subject Remainder this difference is viewed as a "paper" enhancement. The value of the acquisition and its affect on the Remainder is so small, relative to the probable market value of the subject, that the market is generally not sensitive enough to detect a ±3% value difference.

The previously derived estimate of value for the Part Taken also expresses the Estimate of Just Compensation. Therefore:

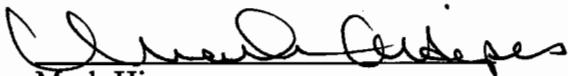
ESTIMATE OF JUST COMPENSATION

\$52,601

CERTIFICATE

The undersigned do hereby certify that, except as otherwise noted in the appraisal report:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- no one other than the signer(s) provided significant professional assistance in the preparation of this report.



Mark Hipes
Texas State Certificate General
Real Estate Appraiser #TX-1321416-G

ADDENDUM

Assumptions & Limiting Conditions
Photographs of the Subject
Plats
Exhibits
Legal Descriptions
Qualifications

ASSUMPTIONS AND LIMITING CONDITIONS
(Read Carefully)

The following assumptions and limiting conditions are attached to and are made a part of this Appraisal (the "Appraisal") of the subject property (the "Property") described in this Appraisal ("Appraisal") made by Hipes and Associates (the "Appraiser") at the request of the person or entity (the "Beneficiary") to whom and for whose exclusive use this Appraisal was prepared and delivered; and, this Appraisal is made by the Appraiser and accepted by the Beneficiary subject and strictly according to the within assumptions and limiting conditions:

1. That legal and equitable title to the Property is good and merchantable and that title is held by the owner ("Owner") of the Property in fee simple absolute forever, unless otherwise agreed by the Appraiser in writing. (No responsibility is assumed for matters legal or chance, nor is any opinion rendered as to the title to the Property. The possible existence of any disputes, suits, assessments, claims, liens or encumbrances has been disregarded, and the Property is appraised as though free and clear.)
2. That no survey of the Property has been made by the Appraiser and no responsibility is assumed in connection with any matters that may be disclosed by a current perfect survey of the Property. (Dimensions and areas of the Property and comparables were obtained by various means including estimate and are not represented or guaranteed to be exact.)
3. That allocations of value between land and improvements are applied only under the current program of occupancy and utilization, and are not made or intended to be used in conjunction with any other appraisal and, if so used, are invalid.
4. That all information contained in this Appraisal is private and confidential and is submitted strictly for the sole use of the Beneficiary; and, no other person or entity is entitled to read, use or rely upon the contents thereof. (Possession of this Appraisal or any copy thereof, does not carry with it the right of publication or use. The Appraiser will not be required to give any testimony or appear in any court or other proceeding by reason of making or delivering this Appraisal without the prior written approval of the Appraiser.)
5. That all information and comments pertaining to the Property and other properties is the personal opinion of the Appraiser formed after examination and study of the Property and its surroundings; and, although it is believed that the information, estimates and analyses contained herein are correct, the Appraiser does not warrant or guarantee them, and assumes no liability for errors in fact, analysis or judgement. (Any misinformation about the Property furnished to the Appraiser by the Beneficiary, at the option of the Appraiser, may release the Appraiser from any liability and invalidate the Appraisal.)
6. That all opinions of value contained in the Appraisal are merely estimates. (There is no warranty or guarantee, written or implied, made by the Appraiser that the Property is worth or will sell for the appraised value now or ever.)
7. That disclosure of the contents of this Appraisal and all nor any part of the contents of this Appraisal shall be disseminated to the public through reports, proposals, brochures or any other means of communication without the prior written consent and approval of the Appraiser. **BENEFICIARY WILL NOT CAUSE, SUFFER OR PERMIT ANY PUBLIC DISSEMINATION OF THIS APPRAISAL TO OCCUR AND, BY ACCEPTING THIS APPRAISAL, BENEFICIARY INDEMNIFIES APPRAISER**

AGAINST ANY LOSS, COST, LIABILITY, DAMAGE OR CLAIM INCURRED WITHOUT REGARD TO FAULT BY APPRAISER ARISING IN CONNECTION WITH ANY SUCH UNAUTHORIZED DISCLOSURE BY BENEFICIARY.

8. That there are no latent defects or any hidden or any unapparent conditions of the Property, subsoil, or structures which would render the Property more or less valuable. (No responsibility is accepted or assumed by Appraiser for any such conditions or for analyses or engineering which may be required to discover them.)
9. That no environmental impact or environmental condition studies were either requested or made in conjunction with this Appraisal unless otherwise agreed by Appraiser in writing and shown in the Appraisal and the Appraiser hereby reserves the right to alter, amend, revise or rescind any of the value opinions included in this Appraisal based upon any subsequent environmental impact or environmental condition studies, research, revelation or investigation. (In particular, unless otherwise agreed by Appraiser in writing, and shown in this Appraisal, this Appraisal/Appraiser assumes that no violations of any environmental, or other, laws affecting the Property are pending or threatened against the Property and that no toxic waste, hazardous materials or dangerous substances have ever been stored, used, produced, maintained, dumped or located on or about the Property.)
10. That the value of the Property is estimated on the basis that there will be no international or domestic political, economic, or other adverse conditions or any military or other conflicts including strikes and civil disorders that will seriously affect overall real estate values.
11. That Beneficiary understands that the real estate values are influenced by a large number of external factors, that the data contained in the Appraisal is all of the data that Appraiser considered necessary to support the value estimate and that the Appraiser has not knowingly withheld any pertinent facts; and, Beneficiary has been advised and agrees that the Appraisal does not warrant, represent or guarantee that Appraiser has knowledge or appreciation of all factors which might influence the value of the Property.
12. That due to the rapid changes in external factors affecting the value of the Property, Appraiser's value conclusions are considered reliable only as of the date of the Appraisal.
13. That on all appraisals made subject to satisfactory construction, repairs, or alterations of improvements, the Appraisal and value conclusions are contingent upon completion of such work on the improvements in a good and workmanlike manner, without dispute, per plans, in code, as agreed and within a reasonable period of time.
14. That the value estimate of the Property assumes financially and otherwise responsible ownership and competent management of the Property.
15. That the Appraisal consists of trade secrets and commercial or financial information which is privileged and confidential and exempted from disclosure under 5 U.S.C. 522 (b) (4). (Please notify Hipes and Associates of any request for any reproductions of this Appraisal.)
16. That accurate estimates of costs to cure deferred maintenance are difficult to make or assess and that many different approaches or arrangements can be attempted or applied in various ways. (Any estimates provided within this Appraisal represent reasonably

probably costs given current market conditions, available information and the Appraiser's expertise. Further deferred maintenance affecting the Property is considered to be limited to only those items, if any specified in detail, in the Property section of this Appraisal.

17. That the existence of potentially hazardous materials used in the construction or maintenance of the Property such as urea-formaldehyde foam insulation, asbestos in any form, and/or other dangerous substances or materials on the Property, has not been considered, unless otherwise shown in the Appraisal. (The Appraiser is not qualified to detect such material or substances and it is the responsibility of the Beneficiary to retain an expert in this field, if desired.)
18. That the liability of the Appraiser and its officer, directors and employees, agents, attorneys and shareholders is limited to the fee collected for preparation of the Appraisal. (Appraiser has no accountability or liability to any third party, except as otherwise agreed in writing by Appraiser and such other party.)
19. That any projected potential gross income of the Property referred to in the Appraisal may be based on lease summaries provided by the Beneficiary, Owner or third parties and Appraiser has not reviewed lease documents and assumes no responsibility for the authenticity, accuracy or completeness of lease information provided by others. (Appraiser suggests that legal advice be obtained regarding the interpretation of the lease provisions and contractual rights of parties under Leases.)
20. That Beneficiary and any party entitled to read this report will consider the Appraisal as only one factor together with many others including its own independent investment considerations and underwriting criteria or other observations, concerns or parameters in formulating its overall investment or operating decision. In particular, Appraiser assumes that the Beneficiary has made/obtained, relied upon and approved the following, none of which was furnished by Appraiser unless otherwise agreed by Appraiser in writing, to wit:
 - a. current survey of the Property showing boundary, roads, flood plains, utilities, encroachments, easements, etc.;
 - b. current title report of the Property with legible copies of all exceptions to title;
 - c. any needed soil tests, engineer's reports and legal and other expert opinions;
 - d. abstract or other report of environmental conditions or hazards affecting the Property;
 - e. current visual inspection of the Property and adequate study of its use, occupancy, history, condition and fitness for the purpose underlying Beneficiary's request for this Appraisal;
 - f. copies of current insurance policy, tax statements, contracts, leases and notices affecting the Property;
 - g. any needed estoppel certificates of tenants, mortgagee's or others claiming any interest in the Property;
 - h. reports/opinions of Beneficiary's staff, contacts, agents and associates; and
 - i. Owner's experience with the Property.
21. That Appraiser's projections of income and expenses are not predictions of the future; rather, they are the Appraiser's best estimates of current market thinking about future income and expenses. (The Appraiser makes no warranty or guaranty that Appraiser's projections will succeed or materialize. The real estate market is constantly fluctuating

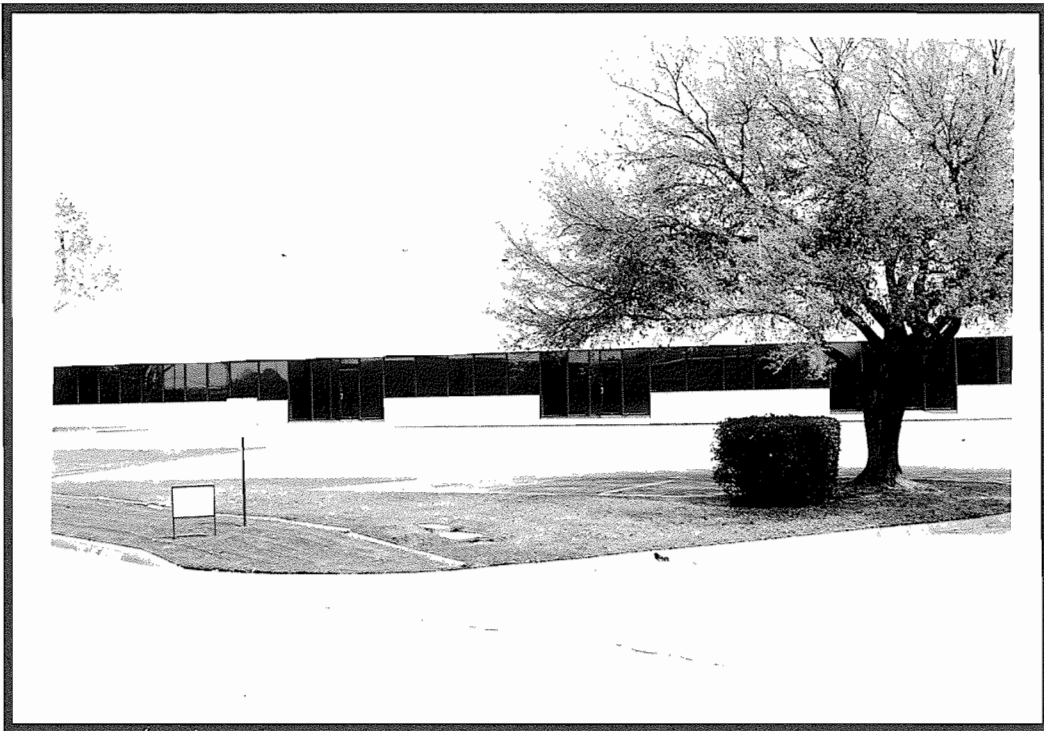
and changing. It is not the Appraiser's task to predict or in any way forecast the conditions of a future real estate market; the Appraiser can only reflect, without warranty what the investment community, as of the date of the Appraisal, envisions for a particular time without assurances in terms of rental rates, expenses, capital, labor, supply, demand, ecology, etc.)

22. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

SUBJECT PHOTOGRAPHS

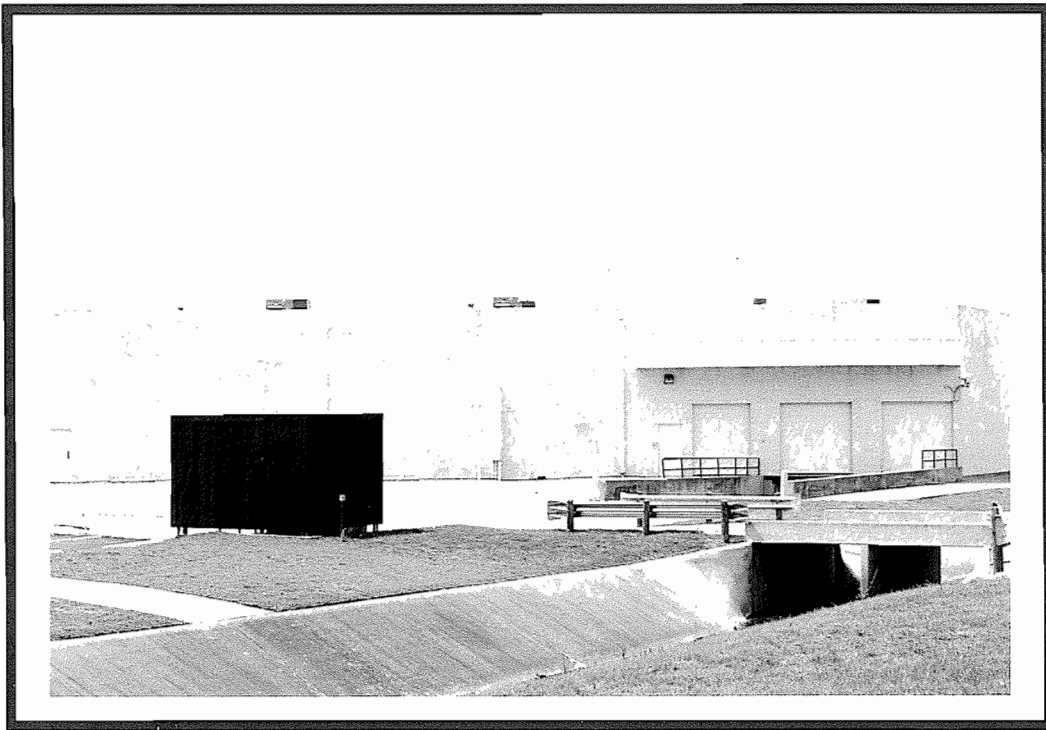


Front view of the subject looking from the \pm south to \pm north.

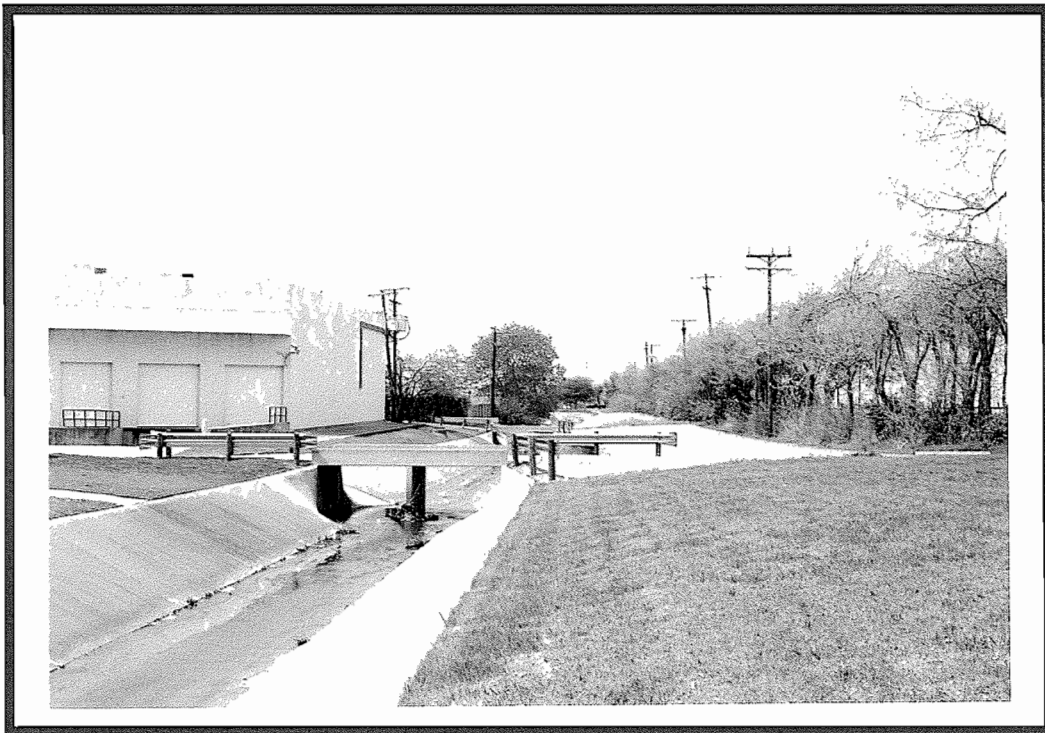


View of the southwest side of the subject looking \pm northeast.

SUBJECT PHOTOGRAPHS

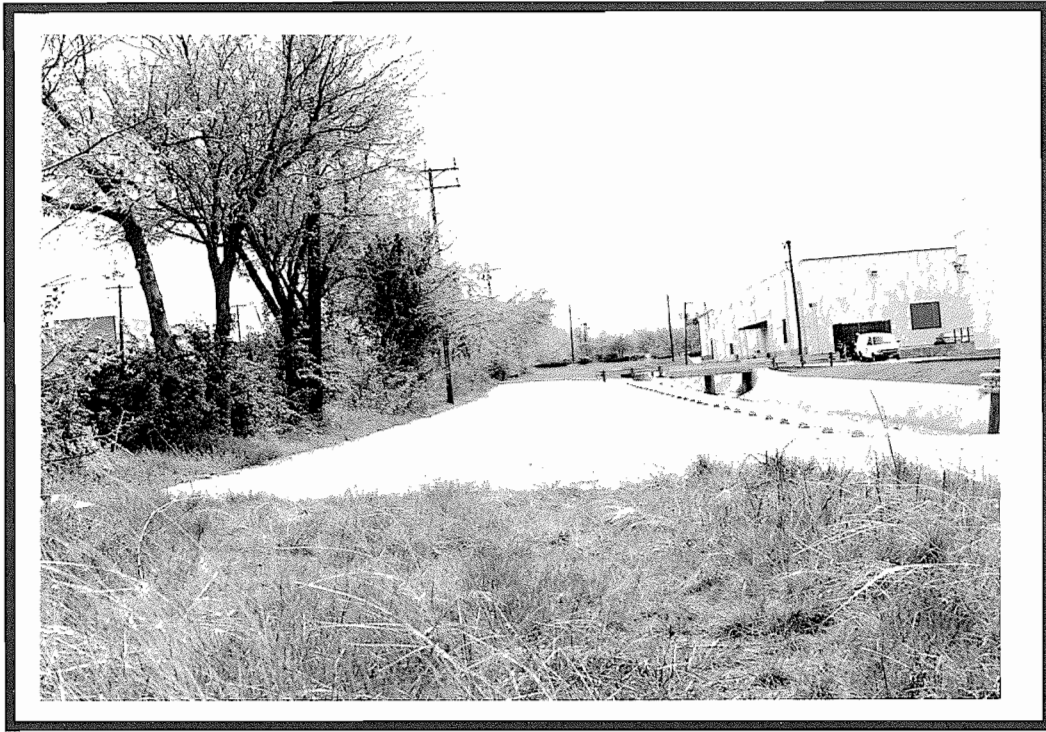


View of the \pm northeast side of the subject looking \pm southwest.

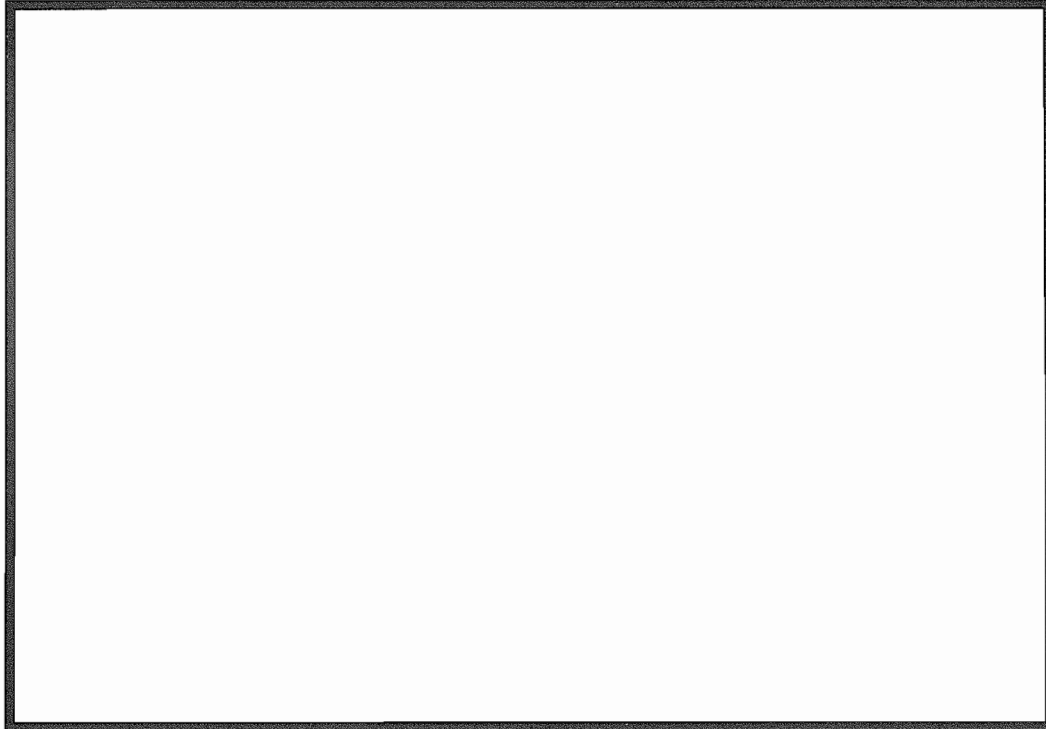


View along the proposed acquisition area from east to west.

SUBJECT PHOTOGRAPHS



View along the proposed acquisition area from west to east.



Parcel 8
Field Note Description
Arapaho Road Project
Town of Addison
Dallas County, Texas

BEING a description of a 0.6709 acre (29,223 square foot) tract of land situated in the W.H. Witt Survey, Abstract Number 1609, and the David Myers Survey, Abstract Number 923, Town of Addison, Dallas County, Texas, and being a portion of a called 2.5212 acre tract of land conveyed to J. H. Crouch, Jr. and Jo Doris Crouch on August 4, 1997 and recorded in Volume 97153, Page 03266 of the Deed Records of Dallas County, Texas, said called 2.5212 acre tract being all of "Lot 6, Surveyor Addition, Addison West Industrial Park", an addition to the Town of Addison, as evidenced by the plat dated March 29, 1979 and recorded in Volume 79130, Page 2495 of said Deed Records, said 0.6709 acre tract of land being more particularly described by metes and bounds as follows;

BEGINNING at a 1/2 inch iron rod found in the proposed North right of way line of Arapaho Road and the South right of way line of a 100 foot wide railroad right of way as conveyed to Dallas Area Rapid Transit Property Acquisition Corporation (herein referred to as DART) on December 27, 1990 and recorded in Volume 91008, Page 1390 of said Deed Records, said point being the common Northeast corners of said called 2.5212 acre tract and "Lot 6, Surveyor Addition, Addison West Industrial Park", and Northwest corner of a called 3.4654 acre tract of land, 25% interest conveyed by Epina Properties Limited to 15101 Midway Road Partners, LTD. on December 25, 1998 and recorded in Volume 98250, Page 02787 of said Deed Records, 75% interest conveyed by Lehndorff & Babson Property Fund to 15101 Midway Road Partners, LTD. on December 25, 1998 and recorded in Volume 98250, Page 02796 of said Deed Records, said called 3.4654 acre tract being all of the Surveyor Addition, Addison West Industrial Park, an addition to the Town of Addison, as evidenced by the plat dated October 24, 1978 and recorded in Volume 79029, Page 0984 of said Deed Records;

THENCE, SOUTH 00°07'27" WEST (called South 00°08'05" West), departing said lines and along the common East line of said called 2.5212 acre tract and West line of said called 3.4654 acre tract, a distance of 78.96 feet to a 5/8 inch iron rod set in the proposed South right of way line of Arapaho Road;

PARCEL 8 - ARAPAHO ROAD PROJECT

THENCE, NORTH 89°58'49" WEST, departing said common line and along the proposed South right of way line of Arapaho Road, a distance of 370.10 feet to an "X" in concrete set in the common West line of said called 2.5212 acre tract and East line of a called 1.776 acre tract of land conveyed to Michael B. Schiff on August 31, 1982 and recorded in Volume 82172, Page 2888 of said Deed Records, said called 1.776 acre tract of land being all of Intervest Companies Addition, an addition to the Town of Addison, as evidenced by the plat dated October 29, 1982 and recorded in Volume 83017, Page 2268 of said Deed Records;

THENCE, NORTH 00°05'03" EAST (called North 00°08'05" East), departing said line and along the common West line of said called 2.5212 acre tract and East line of said called 1.776 acre tract, a distance of 78.95 feet to a 5/8 inch iron rod set in the proposed North right of way line of Arapaho Road Road and South right of way line of said DART railroad for the common Northwest corner of said called 2.5212 acre tract and Northeast corner of said called 1.776 acre tract, from said point a found 1/2 inch iron rod bears North 00°08'18" East, a distance of 0.24 feet;

THENCE, SOUTH 89°58'49" EAST (Called EAST), departing said common line and along the common North line of said called 2.5212 acre tract, proposed North right of way line of Arapaho Road, and South right of way line of said DART railroad, a distance of 370.15 feet (called 370.00 feet) to the **POINT OF BEGINNING**;

CONTAINING an area of 0.6709 acres or 29,223 square feet of land within the metes recited.

PARCEL 8 - ARAPAHO ROAD PROJECT

All bearings are referenced to the North Right of Way line of Centurion Way, called S 89°51'55" E, according to the final plat of Lot 3, Surveyor Addition, recorded in Vol. 77173, Page 135, Deed Records of Dallas County, Texas.

A plat of even survey date herewith accompanies this description.

I, Ayub R. Sandhu, a Registered Professional Land Surveyor, hereby certify that the legal description hereon and the accompanying plat represent an actual survey made on the ground under my supervision.

Ayub R. Sandhu 11-12-99
Ayub R. Sandhu, R.P.L.S.
Texas Registration No. 2910

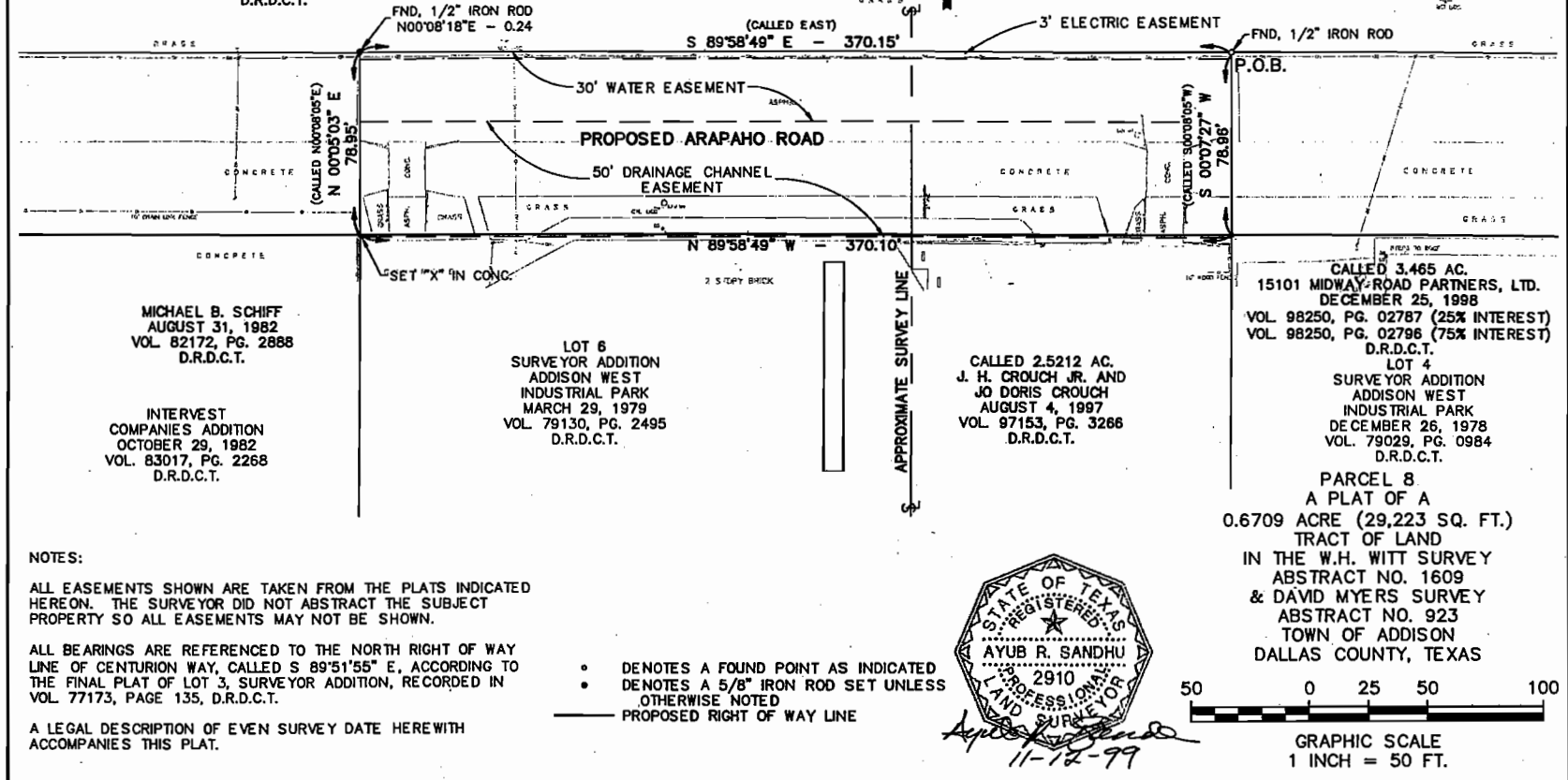


EXHIBIT "B"

DALLAS AREA RAPID TRANSIT
PROPERTY ACQUISITION CORPORATION
(100' R.O.W.)
DECEMBER 27, 1990
VOL. 91008, PG. 1390
D.R.D.C.T.

DAVID MYERS SURVEY
A-923

W.H. WITT SURVEY
A-1609



MICHAEL B. SCHIFF
AUGUST 31, 1982
VOL. 82172, PG. 2888
D.R.D.C.T.

INTERVEST
COMPANIES ADDITION
OCTOBER 29, 1982
VOL. 83017, PG. 2268
D.R.D.C.T.

LOT 6
SURVEYOR ADDITION
ADDISON WEST
INDUSTRIAL PARK
MARCH 29, 1979
VOL. 79130, PG. 2495
D.R.D.C.T.

CALLED 2.5212 AC.
J. H. CROUCH JR. AND
JO DORIS CROUCH
AUGUST 4, 1997
VOL. 97153, PG. 3266
D.R.D.C.T.

CALLED 3.465 AC.
15101 MIDWAY ROAD PARTNERS, LTD.
DECEMBER 25, 1998
VOL. 98250, PG. 02787 (25% INTEREST)
VOL. 98250, PG. 02796 (75% INTEREST)
D.R.D.C.T.

LOT 4
SURVEYOR ADDITION
ADDISON WEST
INDUSTRIAL PARK
DECEMBER 26, 1978
VOL. 79029, PG. 0984
D.R.D.C.T.

PARCEL 8
A PLAT OF A
0.6709 ACRE (29,223 SQ. FT.)
TRACT OF LAND
IN THE W.H. WITT SURVEY
ABSTRACT NO. 1609
& DAVID MYERS SURVEY
ABSTRACT NO. 923
TOWN OF ADDISON
DALLAS COUNTY, TEXAS

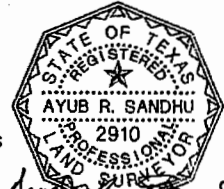
NOTES:

ALL EASEMENTS SHOWN ARE TAKEN FROM THE PLATS INDICATED HEREON. THE SURVEYOR DID NOT ABSTRACT THE SUBJECT PROPERTY SO ALL EASEMENTS MAY NOT BE SHOWN.

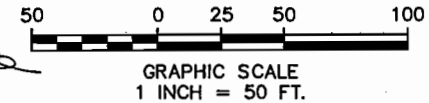
ALL BEARINGS ARE REFERENCED TO THE NORTH RIGHT OF WAY LINE OF CENTURION WAY, CALLED S 89°51'55" E, ACCORDING TO THE FINAL PLAT OF LOT 3, SURVEYOR ADDITION, RECORDED IN VOL. 77173, PAGE 135, D.R.D.C.T.

A LEGAL DESCRIPTION OF EVEN SURVEY DATE HEREWITH ACCOMPANIES THIS PLAT.

- DENOTES A FOUND POINT AS INDICATED
 - DENOTES A 5/8" IRON ROD SET UNLESS OTHERWISE NOTED
- PROPOSED RIGHT OF WAY LINE



Ayub R. Sandhu
11-12-99



29,223.2194^{ft} easement area

LICENSE AGREEMENT

STATE OF TEXAS §
COUNTY OF DALLAS §

THIS AGREEMENT is made between J. H. Crouch, Jr., hereinafter referred to as "Owner," and TOWN OF ADDISON, hereinafter referred to as "Addison."

WHEREAS, Owner is the owner of certain property (the "Property") described in Exhibit "A" attached hereto and made a part hereof for all purposes, and Addison is the owner of an easement over and upon property of Owner (the "Easement Area"); and

WHEREAS, Owner has or desires to construct certain improvements that encroach upon Addison's Easement Area, and it is mutually desired that the rights of the parties be set forth herein:

NOW THEREFORE, it is agreed between the parties hereto that: the Improvements (herein so called) include two sets of twin box culverts that cross the concrete drainage channel on the eastern and western property boundary with asphalt paving for parking on the northern portion of the property for approximately 22 parking spaces (see attached plan). The "Improvements" shall be made at Owner's sole risk and expense, and the continuance of the same hereafter shall be deemed to be, with the express license and consent of Addison, so that Owner shall not acquire any easement or additional rights in respect to the same.

Addison reserves for itself, its successors, assigns and licensees and other public utility companies, the right to construct, maintain and repair utilities within the Easement Area to the extent permitted pursuant to easements presently running to the benefit of Addison. Owner shall be responsible for determining the existence and location of other utilities in the Easement Area and shall be responsible for any damages occurring to such utilities by reason of Owner's construction, maintenance and repair of the Improvements.

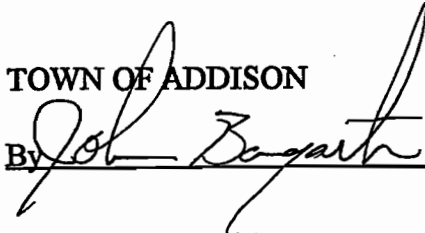
If required by Addison in its use of the Easement Area, Owner shall reconstruct or alter said parking area but not the drainage channel or box culverts at his sole cost and expense provided that the parking area can continue to be used for the purposes for which they were originally constructed.

This Agreement shall terminate: (a) on abandonment of said improvements or discontinuance of the use thereof; or (b) upon failure of Owner to correct any default hereunder promptly after receipt of notice from Addison. This license is only revocable only in the event of the occurrence of either of the two conditions (a) or (b) above or upon mutual agreement of the parties, otherwise this license shall be perpetual.

IN WITNESS WHEREOF, this instrument is executed on the 17 day of December 1997.

OWNER: 

J. H. Crouch, Jr. by
Gary B. Crouch, Attorney in Fact for
J. H. Crouch, Jr.

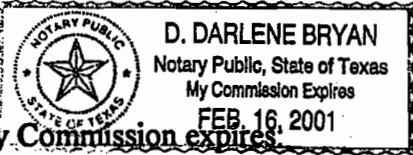
TOWN OF ADDISON
By 

Title Director of Public Works

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me on December 17, 1997
by Gary B. Crouch, Agent and Attorney in Fact for J.H. Crouch, Jr.

D. Darlene Bryan
Notary Public in and for the
State of Texas



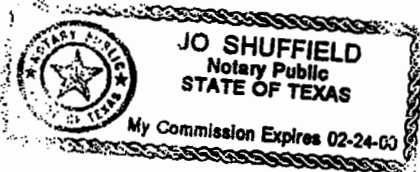
My Commission expires:

D. Darlene Bryan
(Printed Name)

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me on September 18, 1997 by
John Baumgartner of the Town of Addison, a Texas municipal corporation,
on behalf of said municipal corporation.

Jo Shuffield
Notary Public in and for the
State of Texas



(Printed Name)

My Commission expires:

MARK A. HIPES
Qualifications

Location of Office

7557 Rambler Road, Suite 260, LB 25, Dallas, Texas 75231

Education

Southern Methodist University

* Bachelor of Business Administration - Quantitative Analysis

* Master of Business Administration - Finance

Texas Real Estate Broker License - License No. 388907-26

Texas State Certified General Real Estate Appraiser - License No. TX-1321416-G

Appraisal Courses, Seminars

American Institute of Real Estate Appraisers

* Course IIa - Case Studies in Real Estate Valuation

* Course IIb - Valuation Analysis & Report Writing

Society of Real Estate Appraisers

* Course 101 - Principals of Real Estate Appraisal

* Course 201 - Income Property Valuation

* Course R2 - Report Writing

Standards of Professional Practice

Various Seminars on Valuation & Litigation

Experience

02/87 to Present

Hipes & Associates

Independent Real Estate Appraiser

03/79 to 02/87

Dallas County Department of Public Works

Eminent Domain Appraiser

09/71 to 03/79

Self Employed

Financial Analysis/Real Estate Analysis

Types of Properties Appraised

Regional Malls

Industrial/Manufacturing

Automobile Dealerships

Shopping Centers

Apartments

Hospitals

Office

Farms/Ranches

Railroads

Office/Warehouses

Proposed Developments

Churches

Service Stations

Educational Facilities

Airports

All types of commercial/industrial properties and a variety of special use properties.

Extensive work in Eminent Domain & other forms of litigation valuation

Qualified as an "Expert Witness" in County, District, & Federal Courts

W. G. WALL CO.

William Grant Wall, MAI

AN APPRAISAL REPORT OF

AN EASEMENT ACQUISITION FROM
A TRACT OF LAND WITH IMPROVEMENTS LOCATED AT
4139 CENTURION WAY
ADDISON, DALLAS COUNTY, TEXAS

PREPARED FOR

MR. MICHAEL E. MURPHY, P.E.
DIRECTOR OF PUBLIC WORKS
TOWN OF ADDISON
16801 WESTGROVE DRIVE
P. O. BOX 9010
ADDISON, TEXAS 75001-9010

EFFECTIVE DATE OF REPORT

September 4, 2003

EFFECTIVE DATE OF VALUATION

MAY 19, 2003

PREPARED BY

W. G. WALL COMPANY
6220 GASTON AVENUE
SUITE 404
DALLAS, TEXAS 75214

LETTER OF TRANSMIT

September 4, 2003

Mr. Michael E. Murphy, P.E.
Director of Public Works, Town of Addison
16801 Westgrove Drive
Addison, Texas 75001-9010

Re: Parcel 8, Crouch Property located at 4139 Centurion Way, Addison, Tx.

Dear Mr. Murphy:

I have inspected and appraised the above referenced property as described herein. Conditions pertinent to or indicative of the value of the "Whole Property, Part Taken, Remainder Before the Take, Remainder After the Take, and Compensation Due" were researched and investigated.

This appraisal report sets forth my findings and conclusions derived therefrom, together with plats, maps, photographs, etc., as are considered essential to explain the processes followed in making the appraisal. The appraisal is a "Complete Appraisal" and the reporting format is that of a "Summary Report".

It is my opinion the "Market Value" of the total compensation due for the acquisition of the herein described property, as of **May 19, 2003**, subject to the Assumptions and Limiting Conditions included in the body of this report, is:

Sixty Nine Thousand One Hundred Fifty Nine Dollars
\$69,159

Respectfully Submitted,
W. G. WALL COMPANY



Wm. Grant Wall, MAI
Tx. State Gen. Cert. No. TX-1320185-G
File: Crouch

SUMMARY OF SALIENT FACTS

Property Appraised: 4139 Centurion Way, Addison, Tx.
Property Owner: Absolute Systems
Occupants Name: Absolute Systems
Owner's Representative: Gene Harris

Date of Valuation: May 19, 2003
Date of Preparation: September 4, 2003
Value Estimate: Market Value
Property Rights Appraised: Fee Simple

Improvements: Office/warehouse
Whole Property Land Size: 2.5212 acres or 109,825.25 SF
Part Taken Land Size: .6709 acres or 29,223 SF
Remainder Land Size: 80,602.25 SF
Zoning: I-1-(Industrial 1)

Highest and Best Use:
As Vacant: Light Industrial/commercial Use
As Improved: Continued Light Industrial Use

Estimates of Fee Simple Value:

Whole Property
Land: \$431,869
Cost Approach: \$1,947,357
Income Approach: \$1,891,527
Sale Comparison Approach: \$1,880,508

Final Estimate of
Whole Property Value: \$1,891,527

Whole Property:
Land: \$431,869
Improvements: \$1,459,658
Total: \$1,891,527
Part Taken: \$69,159
Remainder Before Take: \$1,822,368
Remainder After Take: \$1,822,368
Damages As Result of Take: \$0
Compensation Due: \$69,159

Final Estimate of Compensation Due: \$69,159

Mapsco: D14B
File: Crouch

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	1
SUMMARY OF SALIENT FACTS	2
TABLE OF CONTENTS	3
APPRAISER'S CERTIFICATE	4
PURPOSE AND USE OF REPORT	5
DEFINITION OF MARKET VALUE	5
SCOPE OF APPRAISAL	5
PROPERTY RIGHTS APPRAISED	5
EFFECTIVE DATE OF VALUATION	6
IDENTIFICATION OF PROPERTY	6
OWNERSHIP/SALES HISTORY OF SUBJECT	6
TYPE OF APPRAISAL AND REPORT	6
EXPOSURE/MARKETING TIME	6
ASSUMPTIONS AND LIMITING CONDITIONS	7
PHOTOGRAPHS OF SUBJECT PROPERTY	11
ADDISON CITY DATA	15
NEIGHBORHOOD TRENDS	18
SITE ANALYSIS SUMMARY	21
SUBJECT PROPERTY/SITE ANALYSIS	22
ZONING	25
HIGHEST AND BEST USE	26
THE APPRAISAL PROCESS	28
LAND VALUATION	29
COST APPROACH TO VALUE – WHOLE PROPERTY	39
INCOME APPROACH TO VALUE	43
SALE COMPARISON APPROACH TO VALUE – WHOLE PROPERTY	57
RECONCILIATION	75
DESCRIPTION OF PART TAKEN	77
VALUATION OF PART TAKEN	78
VALUATION OF REMAINDER BEFORE THE TAKE	78
VALUATION OF REMAINDER ATER TAKE	79
SUMMARY OF COMPENSATION DUE	84
ADDENDUM	85

APPRAISER'S CERTIFICATE

The undersigned do hereby certify that, except as otherwise noted in the appraisal report:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this report is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
- the analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice, the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, I (Wm. Grant Wall) have completed the requirements of the continuing education program of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- no one other than the signor has provided significant real property appraisal assistance in the preparation of this report.



Wm. Grant Wall, MAI
Texas State Certified
General Real Estate Appraiser
TX-1320185-G

September 4, 2003

PURPOSE AND USE OF REPORT

The purpose of this appraisal report is to estimate the "Market Value" of the Fee Simple Interest of the real property to be acquired, encumbered by any existing easements not to be extinguished, less oil, gas and sulfur. If the acquisition is of less than the entire property, any special benefits and damages to the remaining property will be included in accordance with the laws of Texas.

The "Use" of this report is for condemnation proceedings relating to the subject property. The intended user of the report is the Town of Addison, their related departments and their legal counsel.

DEFINITION OF MARKET VALUE

The following definition of Market Value is generally that definition accepted by the courts of the State of Texas under Texas Law (City of Austin V. Cannizzo, SW 2d 808 Tex 1954):

"Market Value is the price which the property would bring when it is offered for sale by one who desires, but is not obliged to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available within the reasonable future."

SCOPE OF APPRAISAL

The scope of the appraisal includes the process of investigating and gathering all pertinent data that is deemed necessary to arrive at an opinion of the Market Value of the subject property's fee simple interest and compensation due. The scope of this investigation included the gathering of market data from various sources (MLS, Roddy Reports, area brokers, appraisers, city officials and others), analysis of the city and neighborhood trends, analysis of the subject site and improvements (if any) from a physical and economic standpoint and the employment of the three approaches to value (if applicable) as explained herein. The findings and conclusions of this investigation are presented in this report. The subject was inspected on **May 27, 2003 and June 10, 2003**. The appraiser met with Gene Harris of **Absolute Systems** and access to the property was provided.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are those of the Fee Simple estate and the Easement Interest. A **FEE SIMPLE ESTATE** is defined as "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."¹ An **EASEMENT** is defined as "A non-possessing interest held by one person in land of another person whereby the first person is accorded partial use of such land for a specific purpose..."²

¹ Appraisal Institute, The Appraisal of Real Estate, 10th ed., (Chicago, 1992), page 122.

² Real Estate Appraisal Terminology, Ballinger Publishing Company, Cambridge, Massachusetts (author Byrl D. Boyce, PH. D.), Page 73

EFFECTIVE DATE OF VALUATION

The effective date of valuation is **May 19, 2003**. The on-site inspection date of the subject was **May 27, 2003 and June 10, 2003**. The date of this report is **September 4, 2003**.

IDENTIFICATION OF PROPERTY

The subject whole property contains approximately **2.5212 acres or 109,825.25 SF** of land and is located on the north side of Centurion Way, west of Midway Road in the Town of Addison, Dallas County, Texas. The site has a physical address of 4139 Centurion Way, Addison, Tx. according to city tax records. The tract is legally described as **All of Lot 6, Surveyor Addition, Addison West Industrial Park, an addition to the Town of Addison, Dallas County, Texas**.

OWNERSHIP/SALES HISTORY OF SUBJECT

The subject property was purchased by Absolute Systems on 7/8/02 from 276 Trust (Gary B. Crouch) as recorded in Volume 2002131, Page 7460 of the deed records of Dallas County. The purchase price in this transaction was \$1,750,000. This purchase was negotiated prior to the date of take with knowledge of the pending condemnation. The purchase was exclusive of the part taken and any condemnation award. Crouch owned the property in excess of five years prior to this transfer.

No information as to current leases on the subject was made available and the subject appears to be partially owner occupied. The current owner is offering vacant space for lease at \$9.50/SF on a triple net basis. No other title information was available to the appraiser. For a complete title history of the subject, a competent title company should be retained. No contracts for sale or lease of the subject land or improvements are known to the appraiser.

TYPE OF APPRAISAL AND REPORT

This appraisal is a "Complete" appraisal in which no departure provisions were exercised under Standard Rule 1- 1 through 5 of USPAP. The format of this appraisal report is that of a "Summary Report" as specified in the requirements of USPAP, Standard Rule 2-2b.

EXPOSURE/MARKETING TIME

The estimated exposure time of the fee simple interest is estimated at less than 12 months based discussions with area brokers and marketing time for comparable properties. The above estimate exposure time assumes ample exposure to the market and diligent marketing efforts by the broker or principals. A survey prepared by the Henry S. Miller Companies entitled "Real Estate Investment Trends" was reviewed by the appraiser. This survey showed an exposure time for office/warehouse uses of 7.6 months as of year end 2002.

ASSUMPTIONS AND LIMITING CONDITIONS

(Read Carefully)

The following assumptions and limiting conditions are attached to and are made a part of this Appraisal of the subject property described in herein and prepared by the W. G. Wall Company. The Appraisal was prepared for the exclusive use of the client and is accepted by the client subject and strictly according to these assumptions and limiting conditions:

1. That legal and equitable title to the Property is good and merchantable and that title is held by the owner ("Owner") of the Property in fee simple absolute forever, unless otherwise agreed by the Appraiser in writing. (No responsibility is assumed for matters legal or chance, nor is any opinion rendered as to the title to the Property. The possible existence of any disputes, suits, assessments, claims, liens or encumbrances has been disregarded, and the Property is appraised as though free and clear.)
2. That no survey of the Property has been made by the Appraiser and no responsibility is assumed in connection with any matters that may be disclosed by a current perfect survey of the Property. (Dimensions and areas of the Property and comparables were obtained by various means including estimate and are not represented or guaranteed to be exact.)
3. That allocations of value between land and improvements are applied only under the current program of occupancy and utilization, and are not made or intended to be used in conjunction with any other appraisal and, if so used, are invalid.
4. That all information contained in this Appraisal is private and confidential and is submitted strictly for the sole use of the client; and, no other person or entity is entitled to read, use or rely upon the contents thereof. (Possession of this Appraisal or any copy thereof, does not carry with it the right of publication or use. The Appraiser will not be required to give any testimony or appear in any court or other proceeding by reason of making or delivering this Appraisal without the prior written approval of the Appraiser.)
5. That all information and comments pertaining to the Property and other properties is the personal opinion of the Appraiser formed after examination and study of the Property and its surroundings; and, although it is believed that the information, estimates and analyses contained herein are correct, the Appraiser does not warrant or guarantee them, and assumes no liability for errors in fact, analysis or judgement. (Any misinformation about the Property furnished to the Appraiser by the client, at the option of the Appraiser, may release the Appraiser from any liability and invalidate the Appraisal.)
6. That all opinions of value contained in the Appraisal are merely estimates. (There is no warranty or guarantee, written or implied, made by the Appraiser that the Property is worth or will sell for the appraised value now or ever.)
7. That disclosure of the contents of this Appraisal is governed by the By-Laws and Regulations of the Appraisal Institute and that, in addition, neither all nor any part of the contents of this Appraisal (especially any conclusions of value, the identity of the Appraiser, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through reports, proposals, brochures or any other means of communication without the prior written consent and approval of the Appraiser.

8. That there are no latent defects or any hidden or any unapparent conditions of the Property, subsoil, or structures which would render the Property more or less valuable. (No responsibility is accepted or assumed by Appraiser for any such conditions or for analyses or engineering which may be required to discover them.)
9. That no environmental impact or environmental condition studies were either requested or made in conjunction with this Appraisal unless otherwise agreed by Appraiser in writing and shown in the Appraisal and the Appraiser hereby reserves the right to alter, amend, revise or rescind any of the value opinions included in this Appraisal based upon any subsequent environmental impact or environmental condition studies, research, revelation or investigation. (In particular, unless otherwise agreed by Appraiser in writing, and shown in this Appraisal, this Appraisal/Appraiser assumes that no violations of any environmental, or other, laws affecting the Property are pending or threatened against the Property and that no toxic waste, hazardous materials or dangerous substances have ever been stored, used, produced, maintained, dumped or located on or about the Property.)
10. That the value of the Property is estimated on the basis that there will be no international or domestic political, economic, or other adverse conditions or any military, terrorist or other conflicts including strikes and civil disorders that will seriously affect overall real estate values.
11. That client understands that the real estate values are influenced by a large number of external factors, that the data contained in the Appraisal is all of the data that Appraiser considered necessary to support the value estimate and that the Appraiser has not knowingly withheld any pertinent facts; and, client has been advised and agrees that the Appraisal does not warrant, represent or guarantee that Appraiser has knowledge or appreciation of all factors which might influence the value of the Property.
12. That due to the rapid changes in external factors affecting the value of the Property, Appraiser's value conclusions are considered reliable only as of the date of the Appraisal.
13. That on all appraisals made subject to satisfactory construction, repairs, or alterations of improvements, the Appraisal and value conclusions are contingent upon completion of such work on the improvements in a good and workmanlike manner, without dispute, per plans, in code, as agreed and within a reasonable period of time.
14. That the value estimate of the Property assumes financially and otherwise responsible ownership and competent management of the Property.
15. That the Appraisal consists of trade secrets and commercial or financial information which is privileged and confidential and exempted from disclosure under 5 U.S.C. 522 (b) (4). (Please notify W. G. Wall Company of any request for any reproductions of this Appraisal.)
16. That accurate estimates of costs to cure deferred maintenance are difficult to make or assess and that many different approaches or arrangements can be attempted or applied in various ways. (Any estimates provided within this Appraisal represent reasonably probable costs given current market conditions, available information and the Appraiser's expertise. Further deferred maintenance affecting the Property is considered to be limited to only those items, if any specified in detail, in the Property section of this Appraisal.
17. That the existence of potentially hazardous materials used in the construction or maintenance of the Property such as urea-formaldehyde foam insulation, asbestos in any form, and/or other

dangerous substances or materials on the Property, has not been considered, unless otherwise shown in the Appraisal. (The Appraiser is not qualified to detect such material or substances and it is the responsibility of the client to retain an expert in this field, if desired.)

18. That the liability of the Appraiser and its employees, agents, and attorneys is limited to the fee collected for preparation of the Appraisal. (Appraiser has no accountability or liability to any third party, except as otherwise agreed in writing by Appraiser and such other party.)
19. That any projected potential gross income of the Property referred to in the Appraisal may be based on lease summaries provided by the client, owner or third parties and Appraiser has not reviewed lease documents and assumes no responsibility for the authenticity, accuracy or completeness of lease information provided by others. (Appraiser suggests that legal advice be obtained regarding the interpretation of the lease provisions and contractual rights of parties under Leases.)
20. That client and any party entitled to read this report will consider the Appraisal as only one factor together with many others including its own independent investment considerations and underwriting criteria or other observations, concerns or parameters in formulating its overall investment or operating decision. In particular, Appraiser assumes that the client has made/obtained, relied upon and approved the following, none of which was furnished by Appraiser unless otherwise agreed by Appraiser in writing, to wit:
 - a. current survey of the Property showing boundary, roads, flood plains, utilities, encroachments, easements, etc.;
 - b. current title report of the Property with legible copies of all exceptions to title;
 - c. any needed soil tests, engineer's reports and legal and other expert opinions;
 - d. abstract or other report of environmental conditions or hazards affecting the Property;
 - e. current visual inspection of the Property and adequate study of its use, occupancy, history, condition and fitness for the purpose underlying client's request for this Appraisal;
 - f. copies of current insurance policy, tax statements, contracts, leases and notices affecting the Property;
 - g. any needed estoppel certificates of tenants, mortgagee's or others claiming any interest in the Property;
 - h. reports/opinions of client's staff, contacts, agents and associates; and
 - i. Owner's experience with the Property.
21. That Appraiser's projections of income and expenses are not predictions of the future; rather, they are the Appraiser's best estimates of current market thinking about future income and expenses. (The Appraiser makes no warranty or guaranty that Appraiser's projections will succeed or materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way forecast the conditions of a future real estate market; the Appraiser can only reflect, without warranty what the investment community, as of the date of the Appraisal, envisions for a particular time without assurances in terms of rental rates, expenses, capital, labor, supply, demand, ecology, etc.
22. The appraisal of the Whole Property considered all factors willing, knowledgeable buyers and sellers would consider in negotiating the purchase price of the property except the influence of the proposed project. This exception was made under the Jurisdictional Exception provision of the USPAP.

23. The appraisal of the Remainder considered all factors willing, knowledgeable buyers and sellers would consider in negotiating the purchase price of the property including the use to which the part taken is to be put and the effects of the condemnation but excluded the effects of all non-compensable elements as provided by state law. Such exclusion is permitted under the Jurisdictional Exception provision of the USPAP.

PHOTOGRAPHS OF SUBJECT PROPERTY

Date Taken: May 27, 2003 and June 10, 2003
1. Point from which taken: NE side of subject

Taken By: Grant Wall, MAI
Looking: W along ROW Line



2. Point from which taken: NW portion of subject

Looking: E along ROW Line



PHOTOGRAPHS OF SUBJECT PROPERTY

Date Taken: May 27, 2003 and June 10, 2003
3. Point from which taken: SE side of subject

Taken By: Grant Wall, MAI
Looking: NW at front of building



4. Point from which taken: NE side of subject

Looking: W at drainage channel



PHOTOGRAPHS OF SUBJECT PROPERTY

Date Taken: **May 27, 2003 and June 10, 2003**
5. Point from which taken: **E portion of subject**

Taken By: **Grant Wall, MAI**
Looking: **NW at east side of building**



6. Point from which taken: **Interior**

Looking: **at kitchen area**



PHOTOGRAPHS OF SUBJECT PROPERTY

Date Taken: May 27, 2003 and June 10, 2003
7. Point from which taken: Interior

Taken By: Grant Wall, MAI
Looking: at tech area



8. Point from which taken: Interior

Looking: Office area



ADDISON CITY DATA

PHYSICAL/ENVIRONMENTAL CHARACTERISTICS

The City of Addison is located in the north central portion of Dallas County near the Denton and Collin County lines. Addison is generally considered a satellite community to the City of Dallas and has become a secondary business district to Dallas. The city is located approximately 12 miles north of the central area of Dallas via the major north/south transportation arteries of the Dallas North Tollway, Inwood Road, Midway Road and Marsh Lane.

Addison was incorporated in 1953 and had an initial population of 308 persons. The majority of the city's growth has occurred in the past twenty years. It has experienced a significant amount of office, commercial, light industrial and retail growth along its primary access corridors.

Addison is well served by major arterials and secondary routes. The majority of the thoroughfares within the area are relatively new in terms of their construction and their state of repair is very good. Major arteries are as follows:

Dallas North Tollway	North/South
Inwood Road	North/South
Midway Road	North/South
Marsh Lane	North/South
Westgrove	East/West
Keller Springs	East/West
Arapaho Road	East/West
Belt Line Road	East/West
Spring Valley Road	East/West

All of these thoroughfares provide excellent access to and within the city.

SOCIAL CHARACTERISTICS

Social characteristics that influence the Addison area in either a positive or negative way include population density, educational levels and quality of available education, and the quality of medical, social, recreational, and cultural services.

Population

General population breakdowns for the City of Addison, surrounding cities and Dallas County are shown in the following tables:

Area	1990 Population	2000 Population	% Growth
Addison	8,783	14,166	61%
Carrollton	52,169	109,567	110%
Dallas	1,006,877	1,188,580	18%
Farmers Branch	24,250	27,508	13%
Dallas County	1,852,810	2,218,899	20%

Source: 2000 US Census & Onco Eco. Dev. Dept.

The growth of the City of Addison over the last two decades has primarily been geared towards commercial growth and development as averse to residential development. City planner have encouraged such land development to take advantage of the rapid northerly growth of the City of Dallas. The excellent thoroughfare systems, along with the Addison Airport were instrumental in this rapid growth.

Addison is unique among its surrounding suburban communities in that its resident population is only a fraction of its employment or daytime population. Estimated daytime population exceeds 75,000.

Education

Addison residents are included in the Carrollton/Farmers Branch ISD. This school district has a total of 24 elementary schools, 6 middle schools and 4 high schools. Higher education facilities within the area include all of the universities and colleges found in the Metroplex area.

Transportation

The Addison Airport is located in the city limits of Addison and is a general aviation airport with a 7,200 foot lighted runway with an ILS and available fuel/storage. Dallas Love Field and D/FW International airport are within short driving distance from the city. The area is also served by most major freight carriers.

Arts and Recreation

Forms of recreation around the Addison are numerous and include many parks, lakes and golf courses. All of the recreational amenities available to the Dallas/Fort Worth area are available within close proximity to Addison.

Other Services

There are over 3,000 hotel rooms in the city with many more in the adjoining cities of Dallas, Plano, Richardson and Carrollton. Health care facilities are also provided in amply supply in surrounding cities. Utilities for the area are provided by TXU Gas, TXU Electric, City of Dallas (water/sewer), and Southwestern Bell Telephone (among others). The area is served by most religious denominations, financial institutions and media outlets.

ECONOMIC CHARACTERISTICS

Economic characteristics involve the financial strengths or weaknesses of a given area. Economic forces interact with social, governmental, and physical forces, and each is a product of the other by close relationship.

Corporations

Many large corporations are found throughout the Addison area. The following chart lists some of the top ten employers in the city.

Company	Employees
Elcor Corp.	867
Frito Lay	500
Ameriserve	530
Caprock Com.	700
Bombardier	600

Business Control Systems	350
Staubach Co.	300
Triangle Pacific Corp.	275
Barrett, Burke Law Firm	270
Crown Plaza Hotel	248

Source: Oncor Community Profile 2002

Real Estate

Addison is approximately 90% developed but vacant land is still available for future growth. Recent development completions since 2000 include the 374,000 SF Millennium office building, Addison Circle Phase III urban center and over 324,000 SF of office/warehouse space. Occupancy rates for office and industrial uses has suffered with the overall economic downturn over the last several years in the Metroplex area, however, this area is poised for a recovery when economic conditions improve.

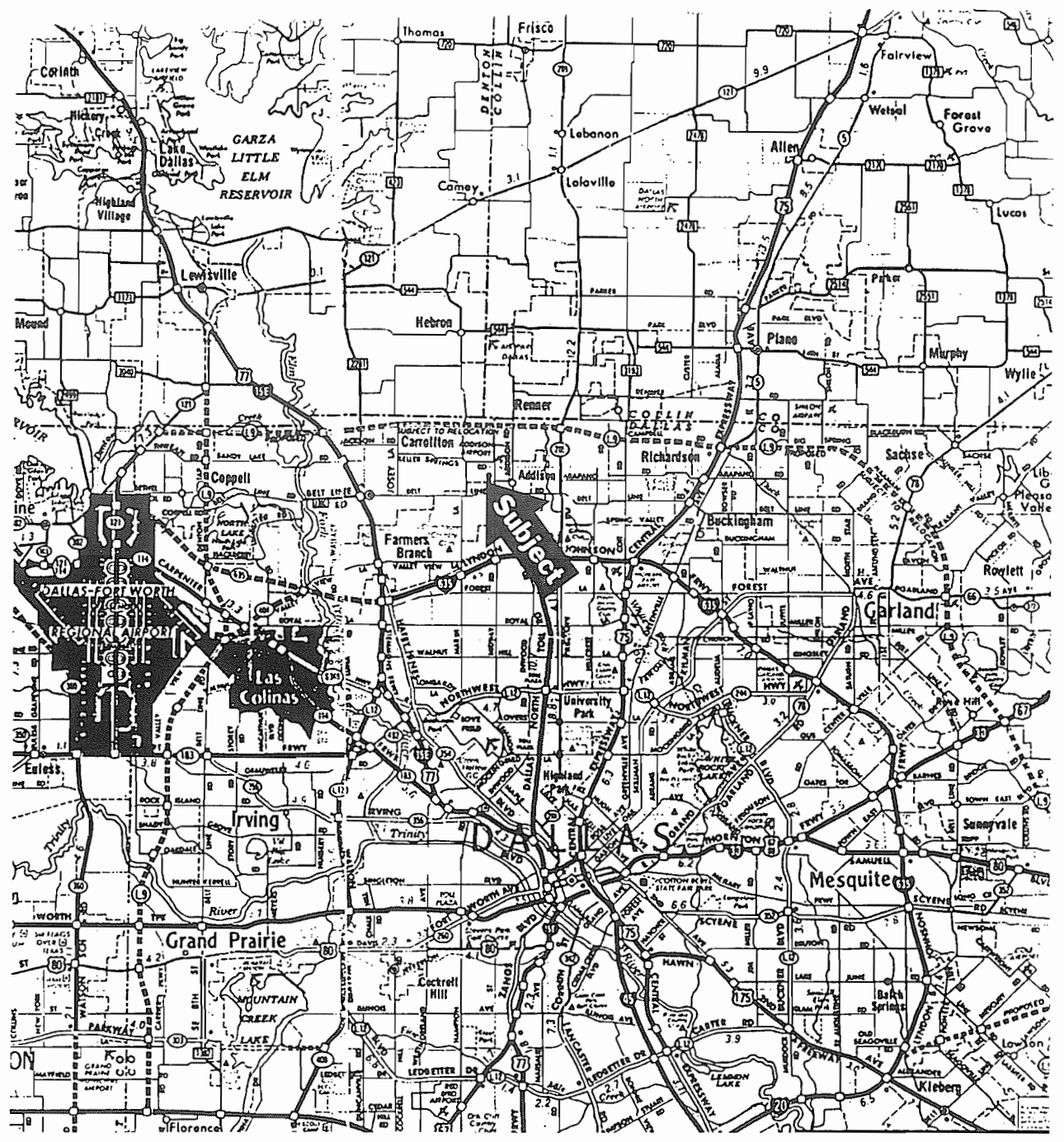
GOVERNMENTAL CHARACTERISTICS

The City of Addison has a Mayor/Council form of Government with 7 council members a city zoning body and a master plan. The city has a police force of 51 officers with a fire department of 52 paid fire fighters.

CONCLUSION

The City of Addison offers a fairly diversified economy and is well regarded as a desirable location for business locations and relocations. It's prominence as a major satellite urban center, as well as the stabilization of most real estate markets make it a desirable place to live and conduct business. Economic conditions over the last two years have showed some decline as has been reflected in the overall national, state and local economy. This economic decline is felt cyclical and recovery is predicted in the near future when local and national economies improve. The overall Addison area is still considered a stable to growing environment for real estate and real estate values.

LOCATION MAP



NEIGHBORHOOD TRENDS

The subject is located on the north side of Centurion Way, west of Midway Road in the south central portion of the City of Addison, Dallas County, Texas. This location is approximately 12 miles north of the Central Business District (CBD) of Dallas.

The subject neighborhood can be defined by area thoroughfares and natural boundaries. The neighborhood is considered to be that area bounded on the north by Trinity Mills Road, on the east by the Dallas North Tollway, on the west by Marsh Lane and on the south by LBJ Freeway. The subject neighborhood encompasses portions of the cities of Carrollton, Farmers Branch and Addison.

Area Thoroughfares and Accessibility

The subject property lies in close proximity to several major thoroughfares which provide convenient access to most areas of Dallas. The main traffic arteries in the subject area and surrounding areas are as follows:

<u>Street</u>	<u>Direction</u>
LBJ Freeway	E/W
Spring Valley Road/Brookhaven Club Dr.	E/W
Belt Line Road	E/W
Arapaho Road	E/W
Keller Springs Road.	E/W
Westgrove Road	E/W
Marsh Lane	N/S
Midway Road	N/S
Addison Road	N/S
Dallas North Tollway	N/S

The most important thoroughfares in relation to the subject property are Midway Road, Belt Line Road and the Dallas North Tollway. Belt Line Road is a major divided artery that provides access to the Dallas North Tollway to the east and all of the north/south arteries in the neighborhood. The Tollway provides direct access to LBJ Freeway to the south, the George Bush Freeway (SH 190) to the north and the Central Business District of Dallas to the far south. Midway Road bisects the subject neighborhood and provides access to Centurion Way and the subject property.

Physical Attributes

General neighborhood features typically include concrete or asphalt paved streets, some with curbs and gutter and some without. The terrain is basically level to rolling with native grasses and trees in undeveloped areas. All public utilities are available within the developed portions of the neighborhood including water, sewer, electricity, gas and telephone. The Addison Municipal Airport is located in the geographic center of the neighborhood.

Surroundings/Development Trends

The subject area is considered a mature area, approximately 90% built up and is comprised of commercial, light industrial and retail developments in the form of offices, hotels, light industrial,

retail strip centers and restaurants. Some single family and multi-family residential is located in the southern and northern portions of the neighborhood.

Retail and commercial developments tend to be located along major arterials with heaviest concentration at major intersections. Light industrial and office/warehouse uses tend to be located on more minor area thoroughfares.

The general neighborhood is in a stable stage of its life cycle with certain areas which are still in the growth stage. In past years, the largest concentration of growth has been in the commercial and industrial sectors of the market.

The area immediately surrounding the subject property consists of primarily light industrial and office/warehouse developments. Retail and commercial development are concentrated along Belt Line Road to the south of the subject.

The areas bordering the subject neighborhood are made up of a higher concentration of single and multi-family residential uses than can be found in the immediate subject area.

Four Forces That Influence Value

The various characteristics of a neighborhood must be examined as they reveal changing influences that may have affected value trends in the past and may affect values in the future. These influences include Social, Economic, Governmental and Environmental.

Social Considerations

As mentioned, the subject neighborhood is in a stable to "continued growth" stage of its life cycle. There are portions of the neighborhood that exhibit older industrial uses which continue to experience occupancy, while in other parts of the neighborhood, newer commercial and industrial uses are continuing to be developed.

Major retail development is prominent in the subject area and is in the form of small retail strips and large retail malls. City services of police and fire protection and city governmental controls are provided in ample quantities in the area. Because of the limited residential base in the area, schools, churches and other typical residential based amenities are not in abundance.

Economic Considerations

Economically, the subject neighborhood has been a thriving business center for the last two decades. Rental and occupancy rates have fluctuated with general market conditions but the area has generally maintained positive economic conditions over the last decade. Due to the current economic downward of the last two years, rental and occupancies have not been at optimum levels and new construction has begun to subside. To spite these conditions, some development is still occurring but at a modest pace.

Governmental Considerations

This neighborhood exhibits multiple zoning classifications, with the majority of the zoning districts being light Industrial, commercial and retail zoning. Other districts included on a smaller scale include townhouse and residential. With the predominant zoning for industrial and commercial uses,

the nature of the neighborhood is preserved for these types of development. Any significant land use changes are not predicted for the subject neighborhood.

Police and fire protection are provided by the City of Addison and the neighborhood is under the jurisdiction of the Carrollton/Farmers Branch Independent School District. The neighborhood is served by water and sewer made available by the City of Dallas, telephone service from various local carriers and electrical and gas service by TXU Energy.

Environmental Considerations

The subject neighborhood, combined with the surrounding area, provides a balanced land use pattern. The terrain lends itself to most types of development. Streets and thoroughfares are adequate, utilities are adequate and open space is in balance. No adverse environmental conditions are present in the subject area. The Addison Airport is located in the neighborhood and makes up a major part of the land area. Certain height restrictions on surrounding properties are imposed due to this airport and some increased noise levels can be expected.

Conclusion

In summary, the subject neighborhood is a well established business center in the northern portion of Dallas County. Active development has occurred in this area over the last twenty years and continued growth is expected. Access to the area is considered excellent from most surrounding areas.

The neighborhood is considered to be in a stable to growing stage of its life cycle. Economic conditions have been depressed over the last two years on a national and local level, however, when recovery occurs, the neighborhood should exert a positive affect on real estate values.

NEIGHBORHOOD MAP



SITE ANALYSIS SUMMARY

Dimensions	Irregular 297' x 370'	
Land Area	2.5212 acres or 109,825.25 SF	
Shape	Rectangular	
Frontage	Centurion Way, 370'	
Topography	Sloping slightly	
Street Surface	Asphalt and Concrete	
Utilities		
	Water	Yes
	Sewer	Yes
	Electricity	Yes
	Telephone	Yes
	Gas	Yes
Flood Zone	Yes	
Zoning	According to the Town of Addison, the subject property is zoned I-1-(Industrial 1). The I-1 zoning is designed to provide for the development of light industrial and commercial uses.	
Encroachments	No encroachments were known to exist on the subject site or adjoining properties.	
Environmental	No environmental assessment or soil study of the subject site was provided to the appraiser. The value contained in this report is based on the assumption that there are no environmental concerns with respect to the subject property. See following comments on environmental conditions.	
Other	Only those conditions that are noted in the following narrative were seen to have an impact on the subject's value. Of particular note is the 50' drainage easement and 30' Dallas water easement at the rear of the property.	

SUBJECT PROPERTY/SITE ANALYSIS

- Size:** The subject site contains **2.5212 acres or 109,825.25 SF**.
- Shape:** The subject is rectangular in shape and has street frontage as follows: **Centurion Way, 370'**.
- Access:** The subject has thoroughfare access from Centurion Way. Centurion Way is a two lane, two way asphalt artery with a 60' ROW and curbs and gutters. It is a minor artery within the area and serves the industrial park where the subject is located. Centurion Way connects with Midway Road to the east and Belt Line Road to the south.
- Topography:** The subject site is slightly sloping with grade relief to the north. The southern portion of the site is near the street grade of Centurion Way. The north portion of the site, approximately 18,500 SF, is located within a 50' drainage easement held by the Town of Addison. Although the subject is not within a 100 year flood prone area as designated by the Flood Insurance Rate Map (Panel 48113C 0180 J, dated 8/23/01) of the Federal Emergency Management Agency, the area in this drainage easement is considered unusable land.
- Public Utilities:** Water, sewer, electrical, gas and telephone service is available to the subject site in quantities suitable for development.
- Easements/
Deed Restrictions:** The subject has several easements at the rear of the property that have an adverse affect on the fee value of the encumbered land. These easements are as follows:
1. 30' City of Dallas water easement at extreme rear of site which includes a 3' TP &L easement.
 2. 6' Sanitary sewer easement to Town of Addison just south of above water easement.
 3. 50' Town of Addison drainage easement which encompasses above sanitary sewer easement
- Environmental Hazards** The subject site appears to be used for office/tech space with some warehouse area. No environmental hazards were noted upon inspection, however, no land use history or environmental assessment of the subject site or surrounding area was made or provided the appraiser. The appraiser is not qualified to detect potential environmental hazards and a professional in this field should be retained for this purpose. *The estimated value derived herein is subject to any type of environmental conditions that may arise that would have an affect on the value of the subject in the opinion of the appraiser.*
- Soil/Subsoil** No investigation was made or provided the appraiser concerning the soil conditions on the subject site. It is assumed that the soil and sub-

soil are suitable for development. Development has occurred within the subject area on similar sites with similar soil conditions.

Surrounding Uses Development surrounding the subject site includes office/tech uses to the south, east and west with a Dart Rail line and office/warehouse/tech uses to the north.

Zoning Set Backs The subject has no required rear yard setback

IMPROVEMENT ANALYSIS

Building Improvements

The subject site is improved with a one-story, brick veneer/concrete block, warehouse building containing approximately 30,828 SF with an additional 800± SF mezzanine area in the warehouse area. Additional on-site improvements include surface parking lots and drives around the building and a surface parking lot over the 30' Dallas water easement at the rear of the property. This lot is accessed by two bridges that span the drainage channel. It must be emphasized that no building plans or specifications were available to the appraiser but the appraiser was provided a survey prepared by Votex Surveying Co. dated May 10, 2002. Following is a summary of the principle items of construction for the subject building as observed or estimated by the appraiser. The following summary is based on a physical inspection along with assumptions as to building components that could not be physically verified.

CONSTRUCTION SUMMARY

MAIN BUILDING

Foundation (Assumed) Typical reinforced concrete slab over stabilized sand fill. Steel reinforced, exposed concrete grade beams and perimeter beams over sand cushion. Steel reinforced piers.

Framing

Load bearing concrete block walls with assumed steel I-Beam or pipe support columns.

Roof Structure and Covering

Assumed built up tar and gravel roof over corrugated metal roof decking and steel roof trusses.

Floor and Floor Covering

Exposed concrete in warehouse area, vinyl tile in kitchen and tech area, carpet in office areas.

Exterior Walls

Load bearing concrete block with brick veneer wall covering.

Insulation (Assumed)

Fiberglass rolled insulation on warehouse ceiling. Office assumed insulated with fiberglass batt insulation.

Heating, Ventilation and Air Conditioning

Central system in office, tech and warehouse areas.

Doors

Hollow core wood interior doors; hollow core steel and aluminum/glass exterior doors. 3 roll-up aluminum dock doors, one at grade and two dock high.

Plumbing, Mechanical and Electrical (Assumed)

Detailed inspection of these items were limited to external components. This report is subject to the assumption that all items under this heading are constructed to city and national codes in sufficient quality and quantity to meet market competition.

Age

The building was reported completed in 1980 according to city tax records.

Interior Finish

The warehouse area is un-finished with insulated ceilings, HVAC, and florescent tube lighting panels for illumination. The office areas are finished with typical metal/wood stud framing, painted sheet rock walls, carpet floor covering and dropped acoustical ceilings with florescent lighting. Restroom finish includes typical commercial fixtures. The building is 82% finished for office/tech use. The warehouse area contains a reported 5,600 SF and an additional 800 SF is located in a second story mezzanine area off the warehouse area.

Site Improvements

Site improvements include asphalt surface parking areas with concrete drives providing access to the parking areas. Two drive entrances are located along Centurion Way. Maintained landscaping exists on the south side of the building and includes small Live Oak trees and Photinia shrubs.. As mentioned previously, two concrete bridges span the rear drainage channel to provide access to the auxiliary rear parking lot.

DEFERRED MAINTENANCE/CONDITION

The overall structural condition of the subject building, as of the effective date of this report, appeared to be good. Inspection was limited to the interior and exterior areas with no inspection of the roof. No history of the maintenance program for the subject was made available to the appraiser.

ZONING

The subject site carries a zoning classification of "I-1" (Industrial 1) under the Comprehensive Zoning Ordinance of the Town of Addison.

Criteria for the this zoning district is summarized below.

INDUSTRIAL 1 DISTRICT

The purpose of the Industrial 1 district is to provide for the development of legal manufacturing and industrial plant operations including all uses permitted in the commercial districts. Criteria for this zoning district is as follows:

Minimum Lot Size:	Not specified
Min. Lot Width:	Not specified
Min. Lot Depth:	Not specified
Max. Lot Coverage:	Not specified
Max FAR:	Not specified
Max. Height:	6 standard stories. Further restrictions are provided by airport zone map.
Max. Stories:	6 standard stories
Min. Front Set Back:	25'.
Min. Side & Rear Yard Set Back:	None unless adjoining residential district then 10'. If side yard fronts street then 25'.
Parking:	Varies with uses. 1 space per 300 SF of floor area for office; 1 space per 1,000 SF of floor area for service use; 1 space per 5 on duty employees for industrial/warehouse uses or 1 space per 1,000 SF of floor area where employees cannot be ascertained.

Allowable uses include legal manufacturing, plant operations, all uses permitted in C districts, except; airports, airplane motor shops, acetylene gas manufacturing or storage, slaughterhouses, sexually oriented businesses, pawn shops and other.

The above criteria is only a partial list of development criteria in the "I-1" zoning district. A complete list of zoning criteria can be found in the Town of Addison Zoning Ordinance.

HIGHEST AND BEST USE

The Highest and Best Use, as defined by Real Estate Appraisal Terminology, Ballinger Publishing Company, Cambridge, Massachusetts (author Bryl D. Boyce, Ph.D.), Page 107, is as follows:

"That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible and which results in highest land value.

The definition immediately above applies specifically to the highest and best use of the land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until the land value in its highest and best use exceeds the total value of the property in its existing use."

In applying the above definition of "Highest and Best Use" to the Subject property, an analysis of physical, social and economic trends within the neighborhood was made. In addition to this analysis, the legal parameters associated with zoning ordinances, restrictions and building codes must be considered. The physical, social and economic trends within the Subject area is discussed in the neighborhood section of this report

In summary, the subject site is located on Centurion Way near the central area of the Town of Addison. This area is comprised of predominantly commercial and industrial uses with retail uses located predominantly along the major corridor of Belt Line Road. These land use trends are not predicted to change in the near future.

Physically Possible

Physically, the subject is considered a typical light industrial site with good physical site characteristics. The subject contains approximately **2.5212 acres or 109,825.25 SF** and has frontage and access available to one area street. Access is considered good from the surrounding neighborhood. Centurion Way is a minor east/west street in the neighborhood. The subject is improved with an office/warehouse/tech building used mainly for office use. The topography of the site is good and drainage would appear to be good. The south part of the subject site is near grade with its surrounding streets and the north portion of the site is within a drainage channel and water line easement.

Legally Permissible

The subject is zoned "I-1" (Industrial 1). This zoning allows for most types of commercial and industrial uses including the subject's present use. The present zoning on the subject represents a logical land use pattern based on surrounding zoning and land uses. Similar uses prevail in the immediate vicinity of the subject.

Financially Feasible/Maximally Productive

The zoning on the subject site primarily limits it to commercial and industrial uses. The site as a whole is not physically limited except by its portions located in existing easements. The site has

sufficient frontage along its abutting street to enable development of the site and the useable area available for development is still of sufficient size to accommodate most types of uses found in the immediate area. A light industrial or commercial use would be feasible on the site and would be consistent with development that is already in place. The subject is not located at a major intersection or on a major street and this would preclude its use as a major retail site.

CONCLUSION

Highest and Best Use "As Vacant"

In conclusion, the subject area is an established, stable, developed area in the city limits of Addison. This area has shown continued development over the years. The overall area is in a stable stage of its life cycle and continued development and redevelopment within the area has occurred. Based on the subject's size, zoning and location, the estimated Highest and Best Use of the useable portions of the subject site "as if vacant", is for a commercial/industrial use. The Highest and Best Use of the areas encumbered by easements is for "open space" and/or parking associated with existing or proposed improvements.

Highest and Best Use "As Improved"

The subject improvements contribute significant value to the site and provide a sufficient return on both the land and improvements. The Highest and Best Use "as improved" is its continued use as an office/warehouse/tech facility.

THE APPRAISAL PROCESS

Appraisal theory provides three basic methods of appraising properties. They are the Cost Approach, the Income Approach to Value, and the Sales Comparison Approach to Value.

The Cost Approach to Value embraces the philosophy that the reproduction costs or the principle of substitution for a property should limit the upper side of value. In this approach to value the appraiser calculates the market value of the site, the reproduction cost of the improvements less any applicable depreciation, then combines these two items to arrive at a cost estimate of value.

The Income Approach to Value is based upon an analysis of the income stream of the property and comparison of that income stream with income streams of similar properties. This calculation and analysis results in a net income stream attributable to the real estate. That income is then capitalized at a rate which is commensurate with the rates expressed in the marketplace by investors for similar properties. The resulting figure is an income estimate of value.

The Sales Comparison Approach to Value is a basis for estimating value based upon units of comparison derived from sales of similar properties in the marketplace. Those units of comparison are then applied to the subject property to arrive at a range of values which should be indicative of the market estimate of value for the subject property.

After applying the three traditional approaches to value, it is the appraiser's responsibility to weigh the plus and minus factors or the strengths and weaknesses of the three different approaches to value and determine which of the three is most applicable in the valuation of the subject property. This section of the report is captioned as "Reconciliation".

Sufficient data was available for the application of all three approaches to value.

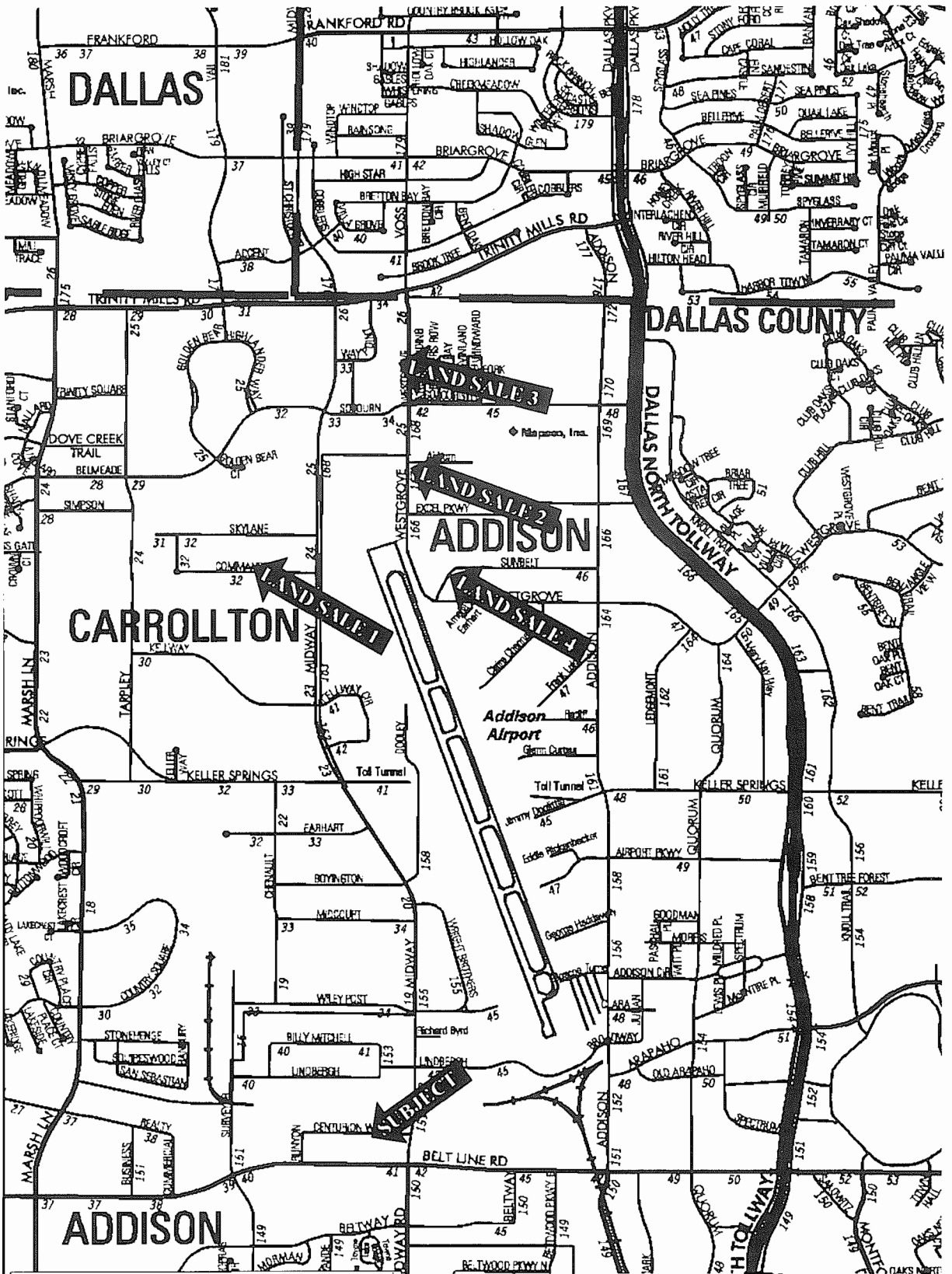
LAND VALUATION

A reliable indication of the value of the land is obtained by comparing the subject property to other tracts that have sold, or are offered for sale, in the same general vicinity. Such properties are listed on the following pages and shown on the Sales Map. The subject contains areas encumbered by easements that detrimentally affect the value of the underlying fee estate. No sales of easements could be found in the market place, therefore, adjustments were required to the comparable sales of un-encumbered fee simple estates.

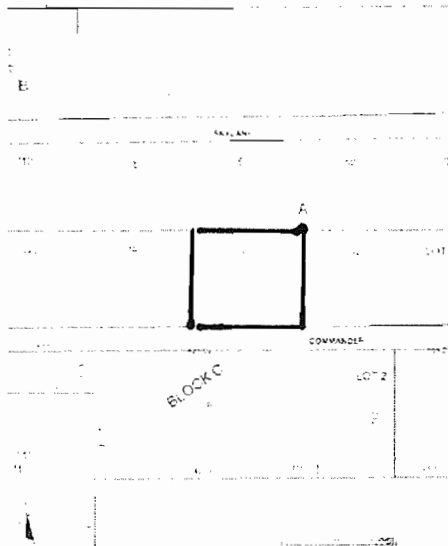
Adjustments have been made to the prices of those selected tracts to compensate for dissimilarities between them and the subject. In applying such adjustments, it was necessary to consider the following factors.

**PROPERTY RIGHTS APPRAISED
FINANCING TERMS
CONDITION OF SALE
MARKET CONDITIONS (TIME)
LOCATION
PHYSICAL FEATURES**

LAND SALE MAP



COMPARABLE LAND SALE 1



Grantor/Lessor: Janet Spencer Shaw Grantee/Lessee: Thomas Lynn Watkins, etux
Date: 11/20/02 Recording Information: 2002227/1828 Key Map: D-4N
Address: N/S Commander Dr., 1,052' W of Midway Rd., County: Dallas
Carrollton (3219 Commander Dr.)
Legal Description: Lot 7, Blk. A, Beltwood North, Phase 4
Confirmed Price: \$280,000 Verified with: Real Trac
Terms and Conditions of Sale: All cash to seller
Rental Data: N/A
Land Size: 1.426 Ac. or 62,117 SF Unit Price as Vacant: \$4.51/SF
Type Street: Concrete Utilities: All Available
Improvement(s) Description: None
Improvement(s) Size: N/A (GBA) N/A (NRA) Unit Price as Improved \$ N/A
Condition and Functional Design: N/A
Current Use: Office/warehouse U/C Highest & Best Use: Industrial
Date of Inspection: August 28, 2003 Zoning: Light Ind. Flood Plain: None
Attach Additional Information: _____

Appraiser: Wm. Grant Wall, MAI 8/28/03
Date

LAND SALES ADJUSTMENT GRID				
SALE #	1	2	3	4
(Cash Eq. SP)	\$4.51	\$3.15	\$4.25	\$4.91
Adjustments				
CONDITION	0%	0%	0%	0%
Adj. SP	\$4.51	\$3.15	\$4.25	\$4.91
TIME	0%	0%	0%	0%
Adj. SP	\$4.51	\$3.15	\$4.25	\$4.91
LOCATION	0%	-5%	0%	0%
UTILITY				
Size	-5%	15%	0%	5%
Shape/Frontage	0%	0%	0%	0%
Zoning	0%	0%	0%	0%
Topography	0%	0%	0%	0%
Utilities	0%	0%	0%	0%
Adj. Factor	-5%	10%	0%	5%
ADJUSTED SP/SF	\$4.28	\$3.47	\$4.25	\$5.16
AVG. SP/SF	\$4.29			

EXPLANATION OF ADJUSTMENTS WITH RECONCILIATION:

Following is a summary of the land sales utilized for the valuation of the subject property.

COMPARABLE LAND SALES				
SALE NO.	DATE	SIZE SF	SP/SF	ZONING
1	11/20/02	62,117	\$4.51	LI
2	4/2/02	201,726	\$3.15	PD
3	5/5/99	139,601	\$4.25	I
4	11/1/00	167,384	\$4.91	C-1

The preceding sales represent the most current sales verifiable by the appraiser that are comparable to the subject property. Before a comparability analysis begins on the individual sales, a brief review of land sales trends in the area is felt in order. Land sales were researched from 1999 to 2003 in the subject area. Vacant land sales transactions have subsided in the subject area over the last two years due in part to the developed nature of the neighborhood and the static economic atmosphere of the area. The above sales transactions were located in the immediate area and were considered recent in time and physically comparable to the subject.

The Highest and Best Use of the subject site, as vacant, is for light industrial use. The subject is zoned "LI" Light Industrial. This zoning is fairly broad in the subject area and sales with similar zoning classifications were utilized. The sales utilized were considered to provide a reliable value

estimate for the subject. The following is a discussion of the adjustments that were presented on the adjustment grid.

Financing Terms

All of the sales were either sold on a cash basis to the seller or were considered unaffected by financing terms. No adjustment was made to the sales.

Property Rights Appraised

The subject site is being valued assuming "Fee Simple" ownership. All of the sales involved the transfer of a fee simple estate. No adjustments were necessary.

Condition of Sale

The "Condition" category of adjustment refers to factors that may have effected the sale such as a highly motivated buyer or seller, purchase by an adjacent land owner, or unusual sales arrangement. To the best of my knowledge, the comparable sales were all arm's length transactions indicating no adjustments under this category of comparison.

Market Conditions/Time

Time adjustments are typically calculated by analyzing a sale that has sold twice within a certain period of time. Another method of time adjustment would be to analyze a large amount of sales within a certain period as opposed to a large amount of sales within another time period and conclude with a general overall escalation or decrease from those two time frames. No paired sales analysis could be made to determine an appropriate adjustment for time/market conditions, however land sales transactions were reviewed from 1999 to 2003. General market conditions for land sales transactions in the subject area appear stable over the years bracketing the date of valuation (2003). No indication of an increase or decrease in land values could be seen from the market data. No time adjustments were felt warranted for the sales.

Location

Location is an important factor in the subject neighborhood and surrounding area. Certain areas of the neighborhood command higher per unit prices than other areas and this must be taken into consideration. Factors such as good access and good neighborhood characteristics tend to also command top dollar within the area.

All of the sales are located within several blocks of the subject and experience similar neighborhood characteristics. Specific locational adjustments are explained as follows.

Sale 1 is located several blocks from the subject on Commander Dr. This location is considered similar to the subject's location and no adjustment was made. The sale is an interior site in a light industrial area.

Sale 2 is located to the north of the subject at the corner of Westgrove and Airborn. This location is considered similar to the subject, however, this sale is a corner location and was considered slightly superior to the subject. Downward adjustment was made.

Sale 3 is also located along Westgrove, north of the subject. This site is an interior site and is considered similar to the subject. No adjustment was necessary.

Sale 4 is located to the north of the subject along Sunbelt Dr. This sale is an interior site along a similar street as compared to the subject. No adjustment was made.

Site Utility/Physical Features

Site Utility refers to the intangible and tangible characteristics which dictate the possible or probable use of a property. Some of these characteristics include availability of utilities (water, sewer, electricity and gas), topography, shape, size, street frontage and zoning.

Size

The size of a property, in many cases, dictates the overall purchase price or sales price. Typically, larger tracts tend to sell for a lower per unit price than do smaller sites as the marketability of these large sites is limited and the overall whole dollar figure is greater. Within certain land uses such as residential and industrial development properties, an optimum size parcel with better developmental utility may command more than a smaller site with little utility or the potential for "economy of scale".

The subject is an average size parcel with good site utility for a light commercial or industrial use. The area of the subject is made up of similar sized parcels and this size parcel is readily marketable in the immediate area. Sale 1 is slightly smaller than the subject and required downward adjustment. Sales 2 and 4 were larger sites and upward adjustment was made. Sale 3 was fairly similar in size and no adjustment was required.

Shape/Frontage

All of the sales and the subject have uniform shapes, requiring no adjustments. All of the sales also had adequate street frontage and no adjustments were necessary. Corner influence was previously considered in the "location" category.

Zoning

Zoning dictates the legal uses to which a property can be put. Zoning classifications vary in criteria such as required setbacks, allowable building height, allowable floor area ratios, lot coverage, etc.

The Highest and Best Use of the subject was estimated to be for a light industrial/commercial use. All of the sales were considered to have similar zoning as it relates to highest and best use, developmental criteria, lot coverage and density ratios.

Topography

The sales and the subject all have similar topographical features and no adjustments were considered. The subject does have a large area located in an open drainage easement, however this area will be valued separately from the useable area. Sale 4 also had a large open drainage channel and the price/SF was adjusted to exclude this easement (see sale page). No adjustments were made to Sales 1 through 3.

Utilities

All of the sales and the subject have city utilities directly available and no adjustments were necessary.

RECONCILIATION

After adjustments were made to the sales, an indicated price per square foot range of \$3.47 to \$5.16 was found. After consideration of the above sales and their adjustments, an estimated price per square foot for the subject site (useable area) is \$4.50/SF.

The area within the open drainage easement has no utility except for the inclusion in overall floor area ratios which are not required under Addison's zoning. A 75% downward adjustment to the estimated fee simple price/SF of \$4.50/SF was made. ($\$4.50 \times .25 = \$1.13/\text{SF}$). The area of the

subject located within the City of Dallas water easement is used for parking and has site utility. Although it cannot be used for permanent building structures it contributed utility to the overall site. No adjustment for this area was considered. All other easements are considered typical easements found in the market on other sites.

Therefore:

80,602.25 SF Unencumbered	x	\$4.50	Per SF	=	\$362,710
18,500 SF Drainage Easement	x	\$1.13	Per SF	=	\$ 20,905
10,723 SF Water Line Easement	x	\$4.50	Per SF	=	\$ 48,254
109,825.25 SF Total					\$431,869

Estimated Value of Whole Property, Land Only

\$431,869

COST APPROACH TO VALUE – WHOLE PROPERTY

As mentioned previously in “The Appraisal Process”, the Cost Approach to Value attempts to calculate (estimate) the replacement costs of the improvements with consideration of entrepreneurial profit to be realized therefrom, less all forms of accrued depreciation, plus the market value of the site, to derive a reliable indication of the total value of the subject property. This theory of valuation is based on the principal of substitution, which assumes that a knowledgeable buyer will pay no more for an improved property than he can acquire a similar site and construct comparable improvements thereon within a reasonable length of time.

The procedure followed to derive and ensure a fair market value indication by the Cost Approach involves the following steps:

1. Estimate the value of the land as though vacant and available to be developed to its highest and best use.
2. Estimate the reproduction or replacement cost of the structure on the effective appraisal date.
3. Estimate the amount of accrued depreciation in the categorized three major types:
 - a. physical deterioration
 - b. functional obsolescence
 - c. external obsolescence
4. Deduct the appropriate estimated depreciation from the reproduction or replacement cost of the structure to derive an estimate of the structure’s contribution to total value.
5. Estimate reproduction or replacement cost and depreciation for any accessory buildings and for site improvements, and then deduct estimated depreciation from the reproduction or replacement cost of these improvements. Site improvements and minor buildings are commonly appraised at their net value – that is, directly on a depreciated cost basis.
6. Add the depreciated reproduction or replacement cost of the structure, accessory buildings, and site improvements to obtain an estimated total present value of all improvements.
7. Add the estimated total present value of all improvements to land value to obtain an indication of value for the subject property.

REPLACEMENT COST ESTIMATE

The amounts used in the calculation of replacement construction costs new are derived from national cost data as prepared by *Marshall & Swift Valuation Service*, adjusted for time and local cost factors. *Marshall Valuation Service* provides direct cost for Class “C” “Industrial Engineering/Research Buildings” from Section 14, Page 16 as exhibited below. The subject was felt most suited to the “Good” category from a replacement cost basis.

CLASS “C INDUSTRIAL ENGINEERING”	
	Cost Per SF
Excellent	\$99.15
Good	\$65.77
Average	\$44.96
Low Cost	\$32.18
Estimated Building Cost, Say	\$65.77
Adjusted by Local Multiplier (.88)	\$57.88
Adjusted by Time Multiplier (1.04)	\$60.20
Total Direct Costs, Say	\$60.00

The preceding costs include typical finish within the quality category specified. The costs do not include site improvements, landscaping, walks and drives, some interim construction expenses, other site improvements and an entrepreneurial profit. Architect's fees and contractor's overhead and profit, utility hookups, construction insurance, sales tax, and construction payroll expenses are included.

DEPRECIATION – GENERAL

Depreciation is defined in most appraisal textbooks as loss in value to the date of the appraisal from total replacement costs. That depreciation may fall within three different categories; Physical Deterioration (curable and incurable), Functional Obsolescence (curable and incurable) and External Obsolescence (incurable). The method of measuring the depreciation in each category are explained in the following paragraphs.

SUBJECT DEPRECIATION ESTIMATE

Physical Curable and Incurable

The subject improvements are approximately 23 years old as of the effective date of valuation. Upkeep and maintenance has been assumed good which is estimated to have reduced the effective age of the property as compared to the actual age. An effective age of 15 years was estimated. Depreciation from all sources will be considered in the age/life method of calculating depreciation.

A total economic life of 50 years was estimated for the subject based on the life expectancy charts provided by Marshall's Valuation Service, Section 97, Page 7. Therefore, the physical incurable depreciation for the subject is estimated to be 30% rounded ($15 \text{ years} \div 50 \text{ years} = 30\%$).

Functional Obsolescence

Functionally, the improvements appeared to be adequate for this type of building. No functional obsolescence was observed.

External/Economic Obsolescence

Economic obsolescence was estimated for the subject property in the form of no achievable entrepreneurial profit. (See comments below)

Entrepreneurial Profit

Due to poor market conditions in the form of stagnant rent levels, high vacancy rates and increasing materials and labor costs, no entrepreneurial profit has been estimated to be achievable as of the date of valuation. The lack of this profit is considered economic obsolescence.

CONCLUSIONS

On the following pages are cost breakdowns and a value estimate for the subject property.

ESTIMATED VALUE OF WHOLE PROPERTY BY COST APPROACH, Say \$1,947,357

**COST APPROACH SUMMARY
4139 CENTURION WAY**

ESTIMATED REPLACEMENT COSTS

Building Improvement Costs

Building	30,828 Gross SF @	\$60.00 /SF	\$1,849,680
Total Estimated Cost of Building Improvements			\$1,849,680

Indirect Costs

Administration Costs, Professional Fees, Financing Costs, Taxes, Etc., @ of Direct Costs		5.00%	
			<u>\$92,484</u>

Total Direct and Indirect Replacement Costs	\$1,942,164
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Add: Entrepreneurial Profit @ of Direct and Indirect Costs		0.00%	
			<u>\$0</u>

Total Replacement Costs with Entrepreneurial Profit	\$1,942,164
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Less: Depreciation

Physical Curable			\$0
Physical Incurable	30%	\$582,649	
Functional			\$0
Economic			<u>\$0</u>

Total Depreciation	<u>(\$582,649)</u>
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Total Depreciated Replacement Costs of Building Improvements	\$1,359,515
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Add: Depreciated Cost of Site Improvements (See Following Page)	\$155,973
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Add: Market Value of Underlying Land 109,825 SF	<u>\$431,869</u>
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FINAL ESTIMATED VALUE BY COST APPROACH SAY	\$1,947,357
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**SITE IMPROVEMENT COST BREAKDOWN
4139 CENTURION WAY**

ITEM	SIZE/QUAN.	UNIT COST	TOTAL COST	% DEPREC.	DEPREC.	DEPREC. COST	SOURCE
CONCRETE PAVING (SF)	14,650	\$4.50	\$65,925	50.00%	\$32,963	\$32,963	SEC.66, PG.2
ASPHALT PAVING	38,050	\$2.00	\$76,100	50.00%	\$38,050	\$38,050	SEC.66, PG.2
BRIDGES 2	960	\$80.00	\$76,800	30.00%	\$23,040	\$53,760	SEC.66, PG.3
LANDSCAPING	7,800	\$4.00	\$31,200	0.00%	\$0	\$31,200	SEC.66, PG.8
TOTAL						<u>\$155,973</u>	

INCOME APPROACH TO VALUE

An indication of value may be estimated by capitalizing the net income which a property is capable of producing during its economic life or during a typical period of ownership. This approach to value is directly associated with the value theory of "anticipation" which states "that value is created by the expectation of benefits to be derived in the future and value may be defined as the present worth of all rights of future benefits". Typically, investors purchase income-producing properties based on their anticipation of the future income benefits and this anticipation is directly related to the price that will be paid at present.

The Income Approach to Value is applied as follows:

1. An estimate of Potential Gross Income, or Net Income in net lease cases, at current market rental levels. Current market rent levels are obtained by a thorough examination of the market area utilizing comparable rentals on like or similar properties to the subject.
2. Deduction of a market derived vacancy and collection loss factor to arrive at an "Effective Gross Income" figure.
3. Deduction of appropriate operating expenses based on historical expenses for the subject and expenses on similar operating properties to arrive at a "Net Operating Income" estimate.
4. Identify a typical period of ownership or remaining economic life of the project.
5. Select an applicable method of capitalizing the "Net Operating Income" based on the quality and quantity of market data available and derive a capitalization rate.
6. Apply this capitalization rate to the "Net Operating Income" for a value estimate.

To properly evaluate a facility's income-producing capabilities during a period of time, consideration must be given to various qualitative characteristics of the property. Specifically, in the case of the subject property, these characteristics would include:

1. Type of tenant within the structure as compared to typical neighborhood properties.
2. The current occupancy or proposed occupancy for the subject facility and the historical absorption trend exhibited to reach this stabilized occupancy rate as compared to overall absorption trends in competitive facilities.
3. Additional supply which will affect the overall market.
4. Competitive rental rates within the area. More specifically, rental rates in similar or comparable facilities where rates are more indicative of current trends pertaining to a property in a certain age or conditional category.
5. Appeal and desirability of the subject as compared to existing and competitive facilities with regard to quality, condition, and amenities.

These factors are important considerations for the subject in estimating its rental rate and ultimately its value. In order to make a fair analysis of the subject property, it is felt that an estimate of the property's income producing ability must be derived from comparable buildings within the area in order to arrive at a fair economic rental rate applicable to the subject.

Current Subject Lease

As of the date of valuation, half of the subject is owner occupied with the other half vacant and for lease at a quoted rental rate of \$9.50/SF NNN. (Triple Net)

Market Rent Analysis

In order to arrive at an economic rental rate for the subject, office/warehouse/flex buildings in the subject area and surrounding areas were surveyed. These comparable facilities are exhibited at the end of this section of the report.

Following is a summary of the comparable buildings surveyed.

RENT COMPARABLE SUMMARY				
Comp No.	Size	Y.O.C.	Rent/SF/YR	Expenses
1	16,143	1983	\$7.73	NNN
2	52,900	1979	\$7.00	NNN
3	51,841	1995	\$5.00	NNN
4	10,147	1988	\$7.00	NNN
5	35,280	2001	\$8.50	NNN
6	55,190	2001	\$8.20	NNN

Economic Rental Rate Estimate

All of the above rent comparables are located in the general market area of the subject. Lease comparables 1 and 2 were considered the most comparable to the subject in age and location. All of the rental comparables indicated a range of \$5.00/SF to \$8.50/SF. All of the comparables were leased on a triple net basis with the tenant paying all expenses. The subject's expense treatment will also be estimated on an all net basis with the exception of management and reserves for replacements.

In order to cross-check the above rental comparables with the overall Addison market, statistics prepared by Real Trac Information Systems was reviewed by the appraiser. These statistics provide a 5 year quarterly history of the Addison sub-market and include occupancy trends, average gross rental rates and quarterly absorption trends. Following is a summary of the last eight quarters for office/flex/warehouse space in the Addison area.

INDUSTRIAL 5-YEAR QUARTERLY HISTORY for ADDISON CITY – FLEX/TECH												
Qtr	Occupancy				Average Gross Rent				Quarterly Absorption SF			
Yr/Qtr	All	1990	80-89	70-79	All	1990	80-89	70-79	All	1990	80-89	70-79
01/3 rd	86%	100%	79%	88%	\$9.68	\$0	\$10.53	\$8.49	-32,352	0	-32,352	0
01/4 th	87%	100%	84%	83%	\$9.07	\$0	\$9.72	\$7.19	-431	-1,939	141,400	-139,892
02/1 st	87%	100%	84%	85%	\$8.85	\$0	\$9.71	\$6.83	52,805	0	5	52,800
02/2 nd	79%	72%	78%	87%	\$8.64	\$10.22	\$9.76	\$6.06	65,073	102,827	-44,469	6,715
02/3 rd	83%	80%	84%	86%	\$8.64	\$10.11	\$9.69	\$5.99	55,296	33,745	26,060	-4,509
02/4 th	83%	78%	85%	85%	\$8.50	\$9.37	\$9.31	\$6.25	164,817	-7,479	173,715	-1,419
03/1 st	82%	83%	80%	84%	\$8.97	\$12.76	\$9.03	\$6.00	89,160	36,499	-30,392	63,053
03/2 nd	80%	79%	80%	82%	\$8.25	\$9.23	\$9.23	\$6.27	37,935	-19,353	-46,962	104,270
Current	80%	79%	80%	82%	\$8.25	\$9.23	\$9.23	\$6.27	0	0	0	0

As can be seen from the above chart rental rates have remained fairly static over the last two years and dropped in the second quarter of 2003. Rents for buildings in the 1980 to 1989 age bracket increased only slightly from the first quarter of 2003 to the second quarter but generally have declined from 2002 levels. Absorption has also declined from the first quarter of 2003 to the second quarter in all categories except buildings in the 1970-79 age range.

Based on the comparable building rental rates and the above overall market statistics, an economic rental rate of \$7.50/SF is estimated for the subject. This range is considered on an all net rental basis with all expenses borne by the tenant with the exception of a management fee and reserves for replacements. Following is the estimated market rental rate for the subject.

4139 CENTURION WAY	
Type/Size	Estimated Market Rent/SF
Retail Area 30,828 SF	\$7.50

Gross Income Estimate Based on Market Rent

The estimated gross annual income can now be calculated for the subject.

GROSS ANNUAL INCOME	
Area 30,828 @ \$7.50/SF	\$231,210

OTHER INCOME

No other income is considered attributable to the real estate in the case of the subject. Any additional rent in the form of tax and/or insurance reimbursements to the landlord will not be considered additional income but rather an expense borne by the tenant.

VACANCY ALLOWANCE

Current occupancies in the subject area were analyzed. Real Trac Information Systems indicates an average occupancy of 80.0% for office/flex/tech buildings in the Addison sub-market as of the second quarter of 2003. The average occupancy over the last nine quarters is 83%. The subject is

50% occupied as of the date of valuation. Based on these factors, an estimated stabilized occupancy rate of 83% was estimated for the subject over a typical holding period. No discount to the final overall capitalized value will be made for the subject lease up to this 83% stabilized level as this stabilized level takes into consideration the fluctuation in occupancies over a typical holding period.

OPERATING EXPENSES

Operating expenses are those expenses incurred from the operation and management of the property. These expenses may be born by the landlord or tenant or shared by both. Normal expenses associated with the operation of a office/warehouse/tech building such as the subject are ad valorem taxes, property insurance, maintenance and repair costs, utility charges, common area maintenance, management and certain miscellaneous expenses. These categories are summarized as follows:

Real Estate Taxes- This includes all local and state taxes. The taxes will be considered an expense to the tenant since taxes are normally paid by the tenant on a triple net lease basis.

Insurance- Includes all one-year charges for fire, liability, compensation, theft and all insurance premiums (except FHA Mortgage Insurance). This expense is considered borne by the tenant on a triple net lease basis.

Management and/or Administration - Normally, this represents a charge for management of the investment and includes fees to outside agencies, legal and accounting fees, etc... A management expense is considered borne by the landlord.

Common Area Maintenance - This expense includes parking lot maintenance, landscaping, and other common area maintenance. This expense is considered borne by the tenant on their pro-rata share of the whole.

Maintenance and Repairs- Accounts for all items of general maintenance and repair to the building's structure and/or exterior, to include, roof repair, outside walls, exterior equipment, etc..., if not a capital expenditure. The tenant will be considered responsible for all interior and exterior maintenance and plumbing.

Utilities- A composite estimate for gas, water and electricity based on average occupancy. It includes the cost of heating and cooling, lighting, etc. The cost of trash removal will also be included in this category. The tenant is considered responsible for all utilities.

Reserves for Replacement- In the present market, typical periods of ownership are 5 to 10 years. This category of expense provides for necessary capital expenditures such as roof replacement, HVAC replacement, etc. This expense will be considered borne by the landlord.

No income and expense figures for the subject were available or were analyzed. Estimated expenses were compared to industry norms found in the market place and other building data available to the appraiser in order to cross-check them against market norms. Following are estimated expenses for the subject by category. Management and reserves expenses are the only expenses that will be considered the responsibility of the landlord/owner.

Management Fees- range from 2% to 6% of the effective gross income for buildings of this nature. An estimate of \$9,826 or .32/SF is felt sufficient for management for this type building.

Maintenance Reserves- Maintenance reserves were estimated at \$6,166 or \$.20/SF for the subject given its age and condition at the date of valuation.

Total expenses estimated for the subject were calculated at \$15,992 or \$.52/SF.

NON-OPERATING EXPENSES

Tenant Retrofit/Finish-out

These expenses cover normal finish-out allowances paid or required on renewals and new leases over the period of ownership. Since the subject property is being valued based on a Fee Simple estate at stabilized rental and occupancy levels, no tenant retrofit was considered.

CONCLUSION

After considering the above categories of income and expenses a Pro-Forma Income Statement for the subject will be exhibited. Market rental rates and market occupancy will be employed for the Pro-Forma estimate. Operating expenses will be deducted from the Effective Gross Income. The Net Operating Income will then be capitalized at a market rate to arrive at a value estimate for the subject property.

PRO-FORMA OPERATING STATEMENT
4139 CENTURION WAY
ADDISGN, TEXAS

TOTAL POTENTIAL GROSS ANNUAL RENTAL INCOME				
Bldg. Size SF	30,828 @ Avg.	\$7.50	\$231,210	\$7.50
Add: Other Income	N/A		<u>\$0</u>	\$0.00
POTENTIAL GROSS ANNUAL INCOME			\$231,210	\$7.50
LESS: VACANCY/COLLEC. ALLOWANCE @		17.00%	<u>\$39,306</u>	\$1.28
EFFECTIVE GROSS ANNUAL INCOME			\$191,904	\$6.23
LESS: OPERATING EXPENSES				
Fixed Expenses				
Taxes		\$0		\$0.00
Insurance		<u>\$0</u>		\$0.00
Total Fixed Exp.			\$0	\$0.00
Variable Expenses				
Management		\$9,826		\$0.32
Reserves		\$6,166		\$0.20
Maintenance		\$0		\$0.00
CAM		\$0		\$0.00
Utilities		\$0		\$0.00
Administrative		<u>\$0</u>		\$0.00
Total Variable Expenses			<u>\$15,992</u>	\$0.52
TOTAL OPERATING EXPENSES			<u>\$15,992</u>	\$0.52
NET OPERATING INCOME (BEFORE DEBT SERVICE)			\$175,912	\$5.71

INCOME CAPITALIZATION

Several capitalization techniques are available to process income into an indication of value. The proper capitalization technique is not determined by random selection. The appropriate technique is determined by the quality and quantity of accessible market data. The method chosen for capitalizing the subject NOI is presented below.

Overall Capitalization Method

Direct capitalization with an overall rate is typically considered to be the most reliable capitalization method when the availability of data from comparable property sales is sufficient. It is based on the idea that at any given point in time the current net operating income (NOI) produced by a property is related to its current market value.

Direct capitalization is a capitalization method which converts a single year's income into a value estimate. This is a simple procedure that can be easily explained. The first year's net operating income divided by an overall capitalization rate gives a value indication.

$$\text{Value} = \text{NOI} \div \text{OAR}$$

The capitalization rate used is extracted from the sale of similar properties and represents a ratio of net income to sale price or value. The net income of a sold property is divided by the sale price to obtain this rate.

$$\text{NOI} \div \text{SP} = \text{OAR}$$

Detailed sales of comparable office/warehouse/tech buildings are exhibited and analyzed in the Sales Comparison Approach to Value section of this report. Income and expense figures were available or estimated for these sales based on actual or surrounding market data for similar area properties. Overall rates for the sales exhibited ranged from 8.26% to 9.83%. These overall rates were based on the estimated pro-forma income and expense figures taken from either actual or estimated rental and expense data reported. Following is a summary of the OAR's found for the sales.

OAR SUMMARY	
SALE	OAR
1	8.26%
2	9.62%
3	9.37%
4	9.83%
5	9.61%
6	9.70%

The subject was felt most similar in age, condition and size to Sales 2, 4, 5, and 6 which ranged from 9.61% to 9.83%. The subject's estimated NOI/SF was most similar to Sales 1 and 4 which ranged from 8.26% to 9.83%. All of the sales had an average OAR of 9.34%. Excluding the high and low OAR's the average was 9.48%.

Overall Rates from the general market were also surveyed by the Henry S. Miller Co. in their "Real Estate Investment Trends" report, year end 2002. This survey is conducted in the North Texas Region for investment statistics on apartments, office, retail, industrial and hotel uses. Out of Class

A and B industrial properties surveyed, stabilized capitalization rates fell in the 8.0% to 10% range for this time frame with an average of 9.3%. Office capitalization rates fell in a range of 8% to 11% with an average of 9.6%. Since the subject is considered a class B investment property, the upper end of the capitalization rate range could be expected. The OAR's from the sales and the OAR's from the survey correlated very close. A capitalization rate of 9.3% is estimated for the subject given its age, condition and remaining economic life.

Therefore, the following derivation of the "*Fee Simple*" market value for the subject property was made:

NOI	OAR	VALUE
\$175,912	9.30%	\$1,891,527

ESTIMATED VALUE BY DIRECT CAPITALIZATION, Say

\$1,891,527

RENT COMPARABLE #1



Property/Location:	4125 Centurion Way
Improvement Data:	
Construction:	Masonry/Brick Veneer
Year of Construction:	1983
Condition & Appeal:	Good
Size/SF:	16,143
Land to Building Ratio:	3.7:1
Office Finish:	90%
Rental Data:	
Rental Rate/SF/Year:	\$7.73/SF
Lease Structure:	All net
Lease Term:	26 months beginning 9-03
Occupancy:	100%
Finishout Allowance:	None

Comments: This property is located near subject on Centurion Way. It was a part of a sale/lease back.

Verified By:	Lessee
Mapsc0:	D-14B
File #:	Crouch

RENT COMPARABLE #2



Property/Location:	15101 Midway Road
Improvement Data:	
Construction:	Masonry/Tilt Wall
Year of Construction:	1979
Condition & Appeal:	Good
Size/SF:	52,900
Land to Building Ratio:	2.85:1
Office Finish:	90%
Rental Data:	
Rental Rate/SF/Year:	\$7.00/SF
Lease Structure:	All net
Lease Term:	3 to 5 years est.
Occupancy:	100%
Finishout Allowance:	None

Comments: This property is located near subject on Centurion Way. Approx. half the space is owner occupied by Charter Furniture. Mapsco, Inc. leases the remaining portion of the building.

Verified By:	Lessor
Mapsco:	D-14B
File #:	Crouch

RENT COMPARABLE #3



Property/Location:	2125 Chenault
Improvement Data:	
Construction:	Masonry/Tilt Wall
Year of Construction:	1995
Condition & Appeal:	Good
Size/SF:	51,841 with 21,594 SF available
Land to Building Ratio:	2.6:1
Office Finish:	To tenant specs
Rental Data:	
Rental Rate/SF/Year:	\$5.00/SF offering rate
Lease Structure:	All net
Lease Term:	3 to 5 years
Occupancy:	42%
Finishout Allowance:	Negotiable

Comments: This property is located north of the subject in a similar area.

Verified By:	Broker
Mapsc0:	D-4W
File #:	Crouch

RENT COMPARABLE #4



Property/Location:	2400 Tarpley
Improvement Data:	
Construction:	Masonry/Brick Veneer
Year of Construction:	1988
Condition & Appeal:	Good
Size/SF:	10,147
Land to Building Ratio:	3.6:1
Office Finish:	30%
Rental Data:	
Rental Rate/SF/Year:	\$7.00/SF
Lease Structure:	All net
Lease Term:	5 years beginning 4-00
Occupancy:	100%
Finishout Allowance:	None

Comments: This property is located north of the subject in a similar area. Tenant is ITT Fluid Tech.

Verified By:	Broker
Mapsco:	D-4S
File #:	Crouch

RENT COMPARABLE #5



Property/Location:	4505 Excel Pkwy.
Improvement Data:	
Construction:	Masonry/Tilt Wall
Year of Construction:	2001
Condition & Appeal:	Good
Size/SF:	35,280 SF Lease space 7,755 SF
Land to Building Ratio:	3.3:1
Office Finish:	75%
Rental Data:	
Rental Rate/SF/Year:	\$8.50/SF effective rate after concessions of 7 months free rent.
Lease Structure:	All net
Lease Term:	5 years
Occupancy:	50% on this building, 79% on entire complex of 228,000 SF
Finishout Allowance:	\$26.00/SF

Comments: This property is located east of the Addison Airport in a newer industrial area. Tenant is Admiral Communications.

Verified By:	Broker
Mapsco:	D-4Q
File #:	Crouch

RENT COMPARABLE #6



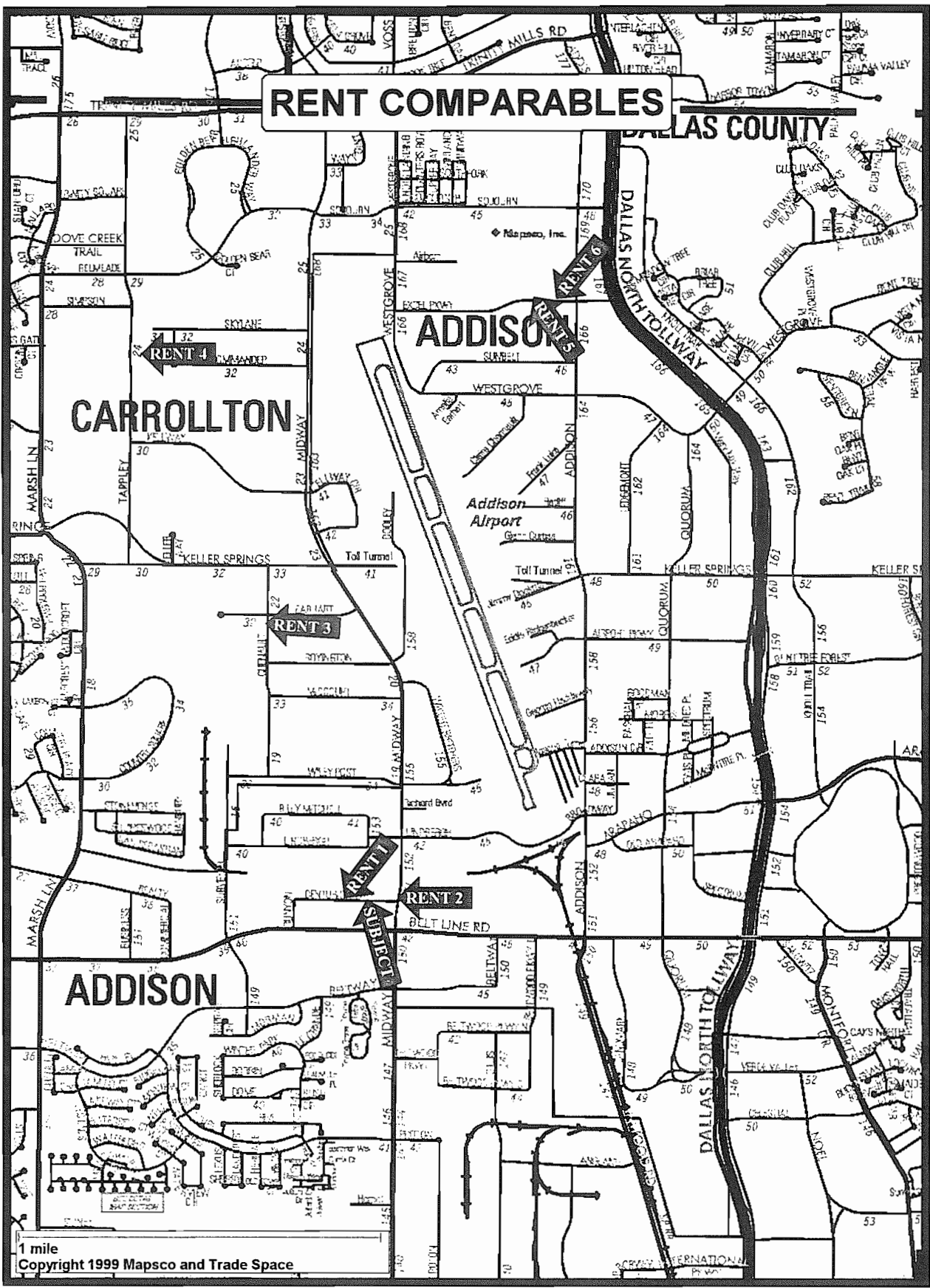
Property/Location: 4555 Excel Pkwy.
Improvement Data:
Construction: Masonry/Tilt Wall
Year of Construction: 2001
Condition & Appeal: Good
Size/SF: 55,190 SF total, lease space 6,010 SF
Land to Building Ratio: 4.0:1
Office Finish: 60%
Rental Data:
Rental Rate/SF/Year: \$8.20/SF effective rate after concessions of 2 months free rent.
Lease Structure: All net
Lease Term: 5 years
Occupancy: 79% for overall complex of 228,000 SF
Finishout Allowance: \$26.00/SF

Comments: This property is located on the east side of Addison Airport in a newer industrial area. Tenant is Cold Springs Granite.

Verified By: Broker
Mapsco: D-4Q
File #: Crouch

RENT COMPARABLES

DALLAS COUNTY



CARROLLTON

ADDISON

ADDISON

RENT 1

RENT 2

RENT 3

RENT 4

SUBJECT

SALE COMPARISON APPROACH TO VALUE – WHOLE PROPERTY

An indication of value can be obtained by comparing the subject with other similar properties which have recently sold in the marketplace. The reliability of this value indication will depend upon the similarities/dissimilarities between the subject and the properties which have sold. The rationale for the market comparison approach lies in the principle of substitution; an informed investor would never pay more for a property than he would have to pay for a similar property or substitute.

The basic units of comparison used by purchasers in the marketplace to compare one operating property with another include the "Gross Income Multiplier" (G.I.M.), and "Sales Price Per Square Foot" of building area.

The Gross Income Multiplier is an application that is only available when buildings sell with a known sale price and a gross annual income figure. The Multiplier is derived by dividing the sale price by gross potential income or effective gross potential income. The Gross Income Multiplier is an accurate gauge to weigh the investment opportunity of one operating property against a similar operating property as it automatically adjusts for any physical, functional, or economic deficiencies of a property as reflected by the action of the free rental market.

The "Price Per Square Foot" method directly compares the price of which a property actually sold to other properties of a similar nature, design, construction, quality, size, age, and underlying land value, etc. This unit of comparison can be computed by taking the sales price of an improved property and dividing it by the square footage of the improvement. This method requires that adjustments be made by the appraiser to compensate for physical, functional and/or economic deficiencies of the property (properties) used for comparison with the subject. One of the difficulties in trying to utilize this method is when comparable sales exhibit vastly inferior/superior income streams as compared with the property (subject) which is being appraised. This method is very subjective and requires the expertise of the appraiser for adjustments.

Pertinent indicators have been extracted from recent sales of comparable properties in the local market area. Those sales are presented on the following pages. The sales were felt reasonably similar in construction, size, location, and condition.

IMPROVED SALE COMPARABLE #1



Mapsco: D14B
Property/Location: NWC Centurion Way and Midway Rd., Addison, Tx.
15101 Midway Road.
Grantor: 15101 Midway Road Partnership, Ltd.
Grantee: Midway Centurion, Ltd.
Date of Sale: 2-28-02
Legal Desc: Lot 4, Surveyor Addn., Addison West Ind. Park, Addison
Recorded: 2002041/7792
Sale Price: \$3,400,000
Sale Price/SF Bldg: \$64.27
Terms of Sale: All cash to seller
Cash Equiv. SP/SF: \$64.27
Improvement Data:
Construction: Masonry/Brick veneer
Year of Construction: 1979
Condition & Appeal: Good
Gross Building Area: 52,900 SF (Per DCAD and measurement)*
Land Area: 150,952 SF
Land to Building Ratio: 2.85:1
Parking: Surface
Verified: Grantee

*Owner states SF at 58,900. DCAD & Appraiser figures were used.

IMPROVED SALE COMPARABLE #2

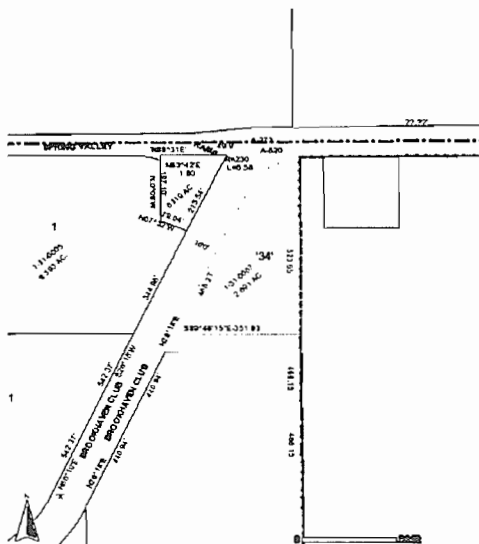


Mapsc0:	D14J
Property/Location:	4000 Spring Valley Rd., Addison, Tx.
Grantor:	Benchmark Bank (Dennis W. Oliver)
Grantee:	The Lemmons Co. (John Culin)
Date of Sale:	10-30-02
Legal Desc:	Tract 34 & 42, Abstract 520, Dallas Co.
Recorded:	2002212/5261
Sale Price:	\$1,500,000
Sale Price/SF Bldg:	\$72.47
Terms of Sale:	100% seller financed
Cash Equiv. SP/SF:	\$72.47
Improvement Data:	
Construction:	Masonry/tilt wall
Year of Construction:	1977
Condition & Appeal:	Average
Gross Building Area:	20,697 SF
Land Area:	117,220 SF
Land to Building Ratio:	5.66:1
Parking:	Surface
Verified:	Grantor/Grantee

Improved Sale Comparable #2, Continued

FINANCIAL DATA	PRO-FORMA	PER SF
Gross Rental Income	\$186,273.00	\$9.00
Other Income	\$0.00	\$0.00
Gross Potential Income	\$186,273.00	\$9.00
Less Vacancy:		
17%	\$31,666.41	\$1.53
Effective Gross Income	\$154,606.59	\$7.47
Expenses:		
\$0.50	\$10,348.50	\$0.50
Net Operating Income	\$144,258.09	\$6.97
INDICATORS		
Effective GIM	9.70 x	
Overall Rate	9.62%	
Sales Price/SF	\$72.47	
Sale Price	\$1,500,000.00	
Net Rentable Area	20,697	

Comments: This building appeared in average condition. It is located at the corner of Brookhaven Club Dr. and Spring Valley. The building was reported 30% occupied at sale with an estimated rental rate of approximately \$9.00/SF. Finish out is 100% office with AC. The site had a large land to building ratio which increases the price/SF of the building shown above. This building is more similar to a garden office with 12-14' ceiling heights and some covered parking.



IMPROVED SALE COMPARABLE #3

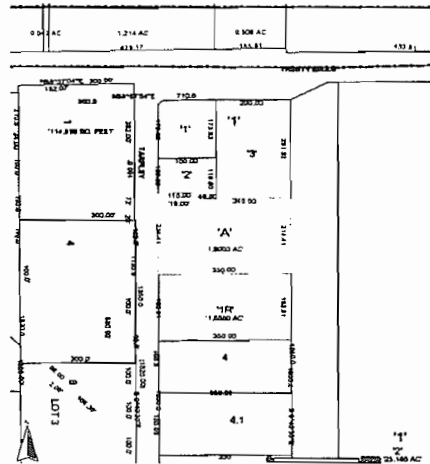


Mapsco: D4N
Property/Location: 2560 Tarpley Road, Carrollton, Tx.
Grantor: Pacific Northern, Inc.
Grantee: Tra Bec Properties, LP
Date of Sale: 11-28-01
Recorded: 2001231/9631
Sale Price: \$1,690,000
Sale Price/SF Bldg: \$69.93
Terms of Sale: All cash to seller
Cash Equiv. SP/SF: \$69.93
Improvement Data:
 Construction: Concrete tilt wall
 Year of Construction: 1997
 Condition & Appeal: Excellent
 Gross Building Area: 24,168 SF
 Land Area: 78,421 SF
 Land to Building Ratio: 3.24:1
 Parking: Surface
Verified: Real Trac

Improved Sale Comparable #3, Continued

FINANCIAL DATA	PRO-FORMA	PER SF
Gross Rental Income	\$205,428.00	\$8.50
Other Income	\$0.00	\$0.00
Gross Potential Income	\$205,428.00	\$8.50
Less Vacancy:		
17%	\$34,922.76	\$1.45
Effective Gross Income	\$170,505.24	\$7.06
Expenses:		
\$0.50	\$12,084.00	\$0.50
Net Operating Income	\$158,421.24	\$6.56
INDICATORS		
Effective GIM	9.91 x	
Overall Rate	9.37%	
Sales Price/SF	\$69.93	
Sale Price	\$1,690,000.00	
Net Rentable Area	24,168	

Comments: This building appeared in excellent condition and is located on an interior tract on Tarpley Road. The building was purchased for owner occupancy. Rental income was estimated at \$8.50/SF NNN. Finish out is estimated at 90%+ office with AC.



IMPROVED SALE COMPARABLE #4



Mapsco:	D4T
Property/Location:	4265 Kellway Circle, Addison, Tx.
Grantor:	Greenbriar Corp.
Grantee:	Land Advisors, Inc.
Date of Sale:	1-9-01
Legal Desc:	Lots 5 & 6, Blk. B, Beltwood North Phase Two, Addison
Recorded:	2001006/5597
Sale Price:	\$1,500,000
Sale Price/SF Bldg:	\$58.21
Terms of Sale:	All cash to seller
Cash Equiv. SP/SF:	\$58.21
Improvement Data:	
Construction:	Masonry/brick veneer
Year of Construction:	1984
Condition & Appeal:	Good
Gross Building Area:	25,768 SF
Land Area:	63,037 SF
Land to Building Ratio:	2.45:1
Parking:	Surface
Verified:	Broker

IMPROVED SALE COMPARABLE #5



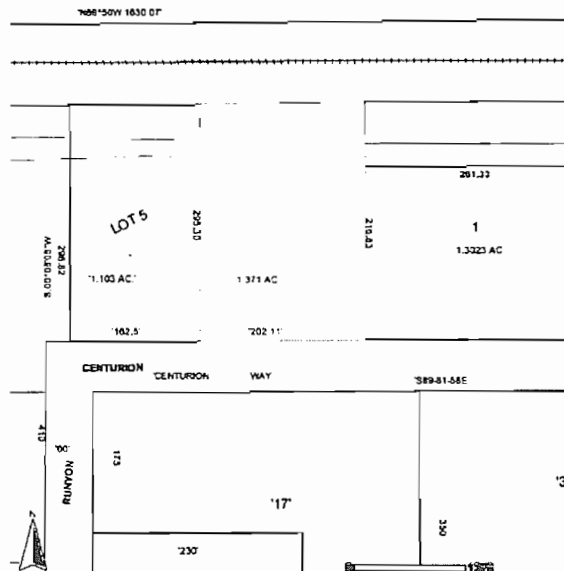
Mapsc0: D14B
Property/Location: 4125 Centurion Way, Addison, Tx.
Grantor: 4125 Centurion Way, LP
Grantee: Miller Park, LP
Date of Sale: 8-29-03
Legal Desc: Tract 49, David Myers Survey, A-923, Addison, Tx.
Recorded: N/A
Sale Price: \$1,150,000 (See comment)*
Sale Price/SF Bldg: \$71.24
Terms of Sale: All cash to seller
Cash Equiv. SP/SF: \$71.24
Improvement Data:
 Construction: Masonry/Brick veneer
 Year of Construction: 1983
 Condition & Appeal: Good
 Gross Building Area: 16,143 SF
 Land Area: 59,734 SF
 Land to Building Ratio: 3.70:1
 Parking: Surface
Verified: Gary Williams w/grantor

*Contract price was \$1,150,000. Commissioner's award for rear easement taking was \$47,234 which was split between the grantor and grantee. Effectively, this makes the area taken a wash with the purchase price of \$1,150,000 being for the negotiated price for the whole property.

Improved Sale Comparable #5, Continued

FINANCIAL DATA	PRO-FORMA	PER SF
Gross Rental Income	\$124,785.39	\$7.73
Other Income	\$0.00	\$0.00
Gross Potential Income	\$124,785.39	\$7.73
Less Vacancy:		
5%	\$6,239.27	\$0.39
Effective Gross Income	\$118,546.12	\$7.34
Expenses:		
\$0.50	\$8,071.50	\$0.50
Net Operating Income	\$110,474.62	\$6.84
INDICATORS		
Effective GIM	9.70	x
Overall Rate	9.61%	
Sales Price/SF	\$71.24	
Sale Price	\$1,150,000.00	
Net Rentable Area	16,143	

Comments: This building appeared in good condition. It is located on an interior site along Centurion Way near the subject. The transaction was a sale/lease back transaction whereas the seller occupied the entire building and leased it back for \$7.73/SF/YR., NNN on a 26 month lease. This rental rate was considered at market. Finish out is estimated at 90%+ office with 100% AC.



IMPROVED SALE COMPARABLE #6

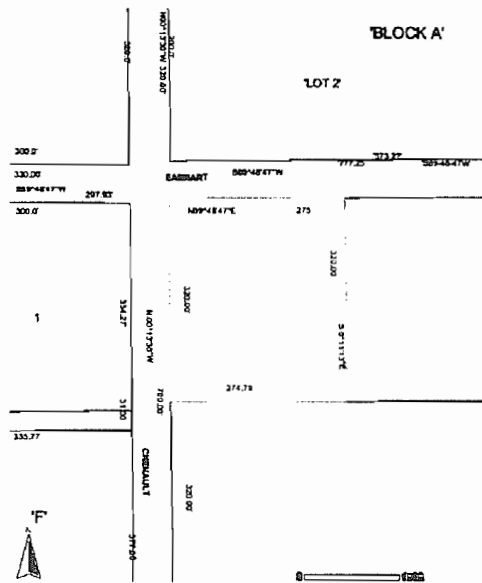


Mapsc0:	D4W
Property/Location:	SEC Chenault Dr. & Earhart Dr. Carrollton, Tx. 2150 Chenault
Grantor:	PHI-OPCO, LP
Grantee:	Chenault Business Center II, Ltd.
Date of Sale:	12-20-01
Legal Desc:	Tract 1.2, Blk. B, Beltwood North, Midway Ind. Park, Carrollton, Tx.
Recorded:	2001247/5799
Sale Price:	\$1,920,000
Sale Price/SF Bldg:	\$47.44
Terms of Sale:	All cash to seller
Cash Equiv. SP/SF:	\$47.44
Improvement Data:	
Construction:	Masonry/Tilt Wall
Year of Construction:	1982
Condition & Appeal:	Good
Gross Building Area:	40,468 SF
Land Area:	87,966 SF
Land to Building Ratio:	2.17:1
Parking:	Surface
Verified:	Broker/Real Trac

Improved Sale Comparable #6, Continued

FINANCIAL DATA	PRO-FORMA	PER SF
Gross Rental Income	\$242,808.00	\$6.00
Other Income	\$0.00	\$0.00
Gross Potential Income	\$242,808.00	\$6.00
Less Vacancy:		
15%	\$36,421.20	\$0.90
Effective Gross Income	\$206,386.80	\$5.10
Expenses:		
\$0.50	\$20,234.00	\$0.50
Net Operating Income	\$186,152.80	\$4.60
INDICATORS		
Effective GIM	9.30	x
Overall Rate	9.70%	
Sales Price/SF	\$47.44	
Sale Price	\$1,920,000.00	
Net Rentable Area	40,468	

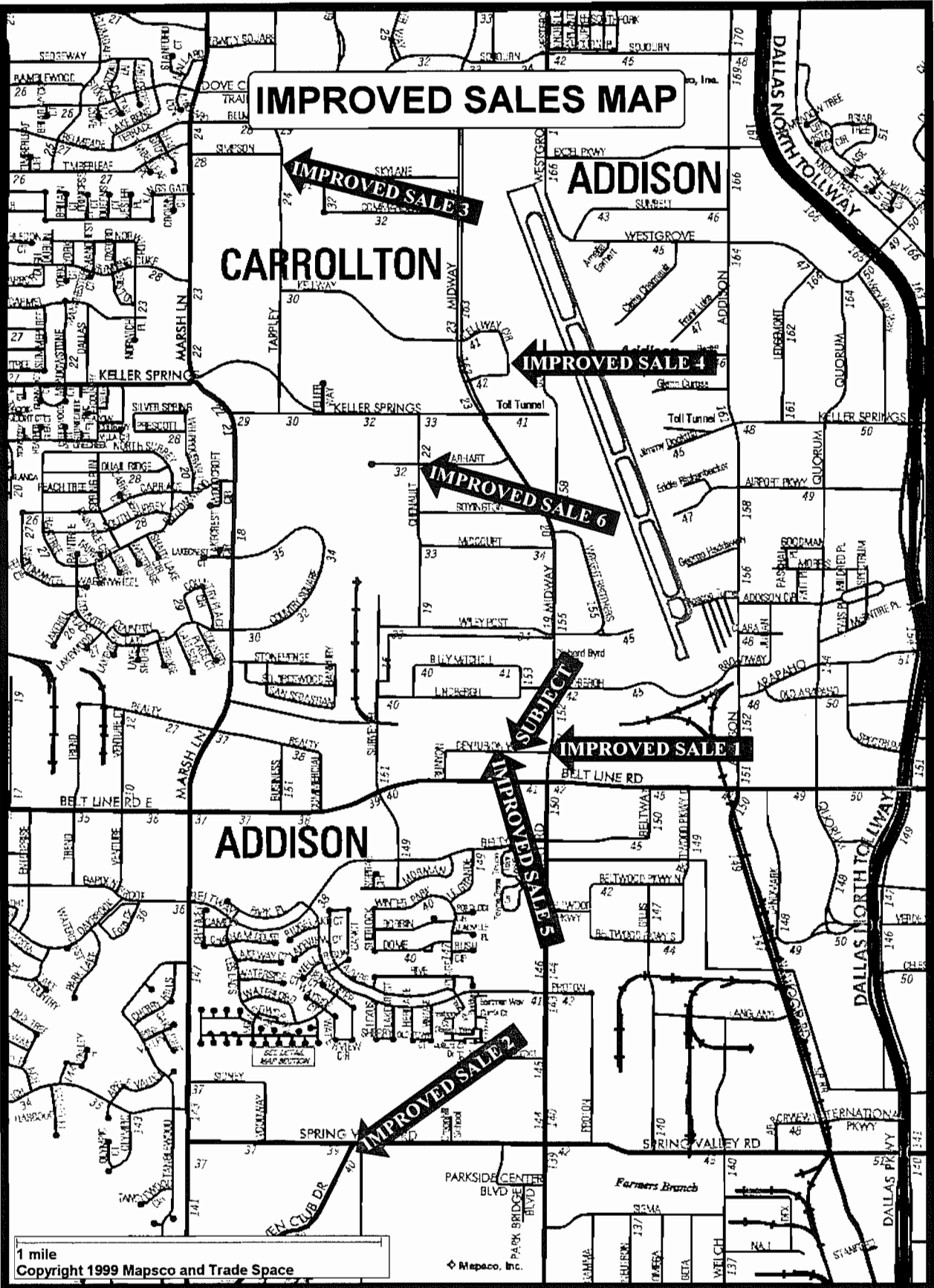
Comments: This building appeared in good condition. It is located at the corner of Chenault and Earhart Drives. It was reported 100% occupied at sale with a rental rate of \$4.35/SF. This rental rate was considered below market levels and a rental rate of \$6.00/SF NNN was estimated for the above pro-forma. Finish out was estimated at 80% office/showroom with AC.



SALE OF SUBJECT



Mapsc:	D14B
Property/Location:	4139 Centurion Way, Addison, Tx.
Grantor:	276 Trust (Gary B. Crouch)
Grantee:	Absolute Systems, Ltd.
Date of Sale:	7-8-02
Legal Desc:	Lot 6, Surveyor Addn., Addison West Ind. Park, Addison
Recorded:	2002131/7460
Sale Price:	\$1,750,000
Sale Price/SF Bldg:	\$56.77
Terms of Sale:	All cash to seller
Cash Equiv. SP/SF:	\$56.77
Improvement Data:	
Construction:	Masonry
Year of Construction:	1980
Condition & Appeal:	Good
Gross Building Area:	30,828 SF
Land Area:	109,825 SF
Land to Building Ratio:	3.56:1
Parking:	Surface
Verified:	Court Records



IMPROVED SALES MAP

CARROLLTON

ADDISON

ADDISON

IMPROVED SALE 3

IMPROVED SALE 4

IMPROVED SALE 6

SUBJECT

IMPROVED SALE 5

IMPROVED SALE 2

1 mile
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IMPROVED BUILDING SALES SUMMARY							
Sale	Date	Size/SF	YOC	SP/SF	EGIM	OAR	NOI/SF
1	2/28/02	52,900	1979	\$64.27	11.06	8.26%	\$5.31
2	10/30/02	20,697	1977	\$72.47	9.70	9.62%	\$6.97
3	11/28/01	24,168	1997	\$69.93	9.91	9.37%	\$6.56
4	1/9/01	25,768	1984	\$58.21	9.35	9.83%	\$5.73
5	8/29/03	16,143	1983	\$71.24	9.70	9.61%	\$6.84
6	12/20/01	40,468	1982	\$47.44	9.30	9.70%	\$4.60
Average		30,024	1984	\$63.93	9.84	9.40%	\$6.00
Subject	7/8/02	30,828	1980	\$56.77			

Analysis of Improved Sales

The subject area is a mixture of newer and more mature industrial buildings that has seen continued development over the recent past. The area is considered slightly over-built in overall industrial supply and based on recorded sales transactions in the area, only limited sales activity has occurred in the 2002 and 2003 time frame for buildings similar to the subject. There were, however, sufficient sales in which to draw a value conclusion for the subject.

Effective Gross Income Multiplier Analysis

Effective Gross Income Multiplier's ranged from 9.30x to 11.06x for the sales, with the most predominant range from 9.35x to 9.9x. Applying a Gross Income Multiplier of 9.5x to the subject's effective gross income of \$191,904 would result in a value of **\$1,823,088**. This falls in line with the estimated value by price/SF.

Price per Square Foot Analysis

The Price Per Square Foot or other comparative methods require adjustments to compensate for dissimilarities between the comparable sales and the subject property. The price per square foot varies according to construction quality, location and demand within the sub-market.

The comparable sales varied in age from 1977 to 1997 with an average year of construction of 1984. Following is a discussion of the adjustments made to the sales.

Property Rights Appraised

The subject is being valued assuming "Fee Simple" ownership. None of the sales were under long term leases at sale and they involved the transfer of a fee simple estate. No adjustments were necessary.

Financing Terms

All of the sales were either sold on a cash basis to the seller or the financing was considered "at market terms" requiring no adjustment.

Condition of Sale

The "Condition" category of adjustment refers to factors that may have effected the sale such as a highly motivated buyer or seller, purchase by an adjacent land owner, or unusual sales arrangement. None of the sales were felt affected by undue stimulus and no adjustments were required.

Time (Market Conditions)

All of the sales were considered fairly recent as to time considering the valuation date of the subject. The general condition of the market was stable within the time frame of the sales and the date of valuation. No adjustment for time was considered appropriate.

Location

Sales 1 is located near the subject at Centurion Way and Midway Road. This sale and the subject are in the same area and experience the same general locational characteristic. This sale is located at a corner and is felt slightly superior in this regard. Downward adjustment was made.

Sale 2 is located on Spring Valley Road at Brookhaven Club Dr. This sale is considered to have a slightly superior location given its major street location and corner siting. Slight downward adjustment was made.

Sale 3 is located on Tarpley Road, north of the subject. This location is similar to the subject's location and the sale has an interior street location as does the subject. No adjustment was felt necessary.

Sale 4 is located on Kellway Circle, north of the subject. This location is similar to the subject's location and the sale has an interior street location as does the subject. No adjustment was felt necessary.

Sale 5 is located near the subject on Centurion Way. No adjustment was necessary.

Sale 6 is located at the corner of Chenault and Earhart, north of the subject. This location is considered similar to the subject's location and no adjustment was made.

Physical Features

Physical features that require adjustments include size, age, condition/appeal and land to building ratios. All of the sales were similar in other physical features such as availability of utilities, topography and site utility.

Size

Typically, smaller buildings tend to sell for a greater per unit price than larger buildings due to the limited marketability of larger improvements and the larger overall capital requirements to purchase larger buildings.

The subject contains 30,828 gross SF. No paired sales could be defined in order to ascertain an appropriate size adjustment, therefore a subjective adjustment was required by the appraiser. Sales 2 through 5 ranged from 16,143 SF to 25,768 SF and slight downward adjustment was made. Sale 1 and 6 were larger buildings and slight upward adjustments were considered.

Age

The subject was constructed in 1980 and was considered similar in age to Sales 1, 2, 4, 5 and 6. Sale 3 was newer than the subject and required downward adjustment.

Condition/Appeal

Condition and appeal considers the overall physical condition of the property along with its general appeal within the market.

All of the sales were considered fairly similar in condition and appeal and no adjustments were made.

Land to Building Ratio

The subject property has a land to building ratio of approximately 3.56:1. This is considered typical for office/warehouse/flex uses. This factor is important in office/warehouse related properties due to the importance of employee/customer parking and car maneuverability. Sales 2 and 5 had slightly greater "L/B" ratios and required downward adjustment. Sales 1, 3, 4 and 6 had smaller "L/B" ratios and required upward adjustments.

Considering these categories of adjustment, the preceding sales will be analyzed and adjusted for their dissimilarities as compared to the subject property. If the sale is superior in a certain regard as compared to the subject, a minus (-) adjustment will be applied, and if the sale is inferior to the subject in a certain item, a plus (+) adjustment will be made. The adjustment grid summarizing the necessary adjustments is as follows:

IMPROVED SALES ADJUSTMENT GRID						
SALE #	1	2	3	4	5	6
(Cash Eq. SP)	\$64.27	\$72.47	\$69.93	\$58.21	\$71.24	\$47.44
Adjustments						
PROP. RIGHTS	0%	0%	0%	0%	0%	0%
Adj. SP	\$64.27	\$72.47	\$69.93	\$58.21	\$71.24	\$47.44
FINANCING	0%	0%	0%	0%	0%	0%
Adj. SP	\$64.27	\$72.47	\$69.93	\$58.21	\$71.24	\$47.44
CONDITION	0%	0%	0%	0%	0%	0%
Adj. SP	\$64.27	\$72.47	\$69.93	\$58.21	\$71.24	\$47.44
TIME	0%	0%	0%	0%	0%	0%
Adj. SP	\$64.27	\$72.47	\$69.93	\$58.21	\$71.24	\$47.44
LOCATION	-20%	-10%	0%	0%	0%	0%
PYSICAL						
Size	10%	-5%	-5%	-5%	-10%	5%
Age	0%	0%	-10%	0%	0%	0%
Condition/Appeal	0%	0%	0%	0%	0%	0%
Land/Bldg. Ratio	5%	-15%	2%	9%	-3%	13%
Adj. Factor	-5%	-30%	-13%	4%	-13%	18%
ADJUSTED SP/SF	\$61.06	\$50.73	\$60.84	\$60.54	\$61.98	\$55.98
AVG. SP/SF	\$58.52					

Analysis of Subject Sale

The subject property sold in July of 2002 for a purchase price of \$1,750,000 or \$56.77/SF. This sale excluded the part taken. The purchaser reported that he spent \$150,000 for interior renovations after the purchase. The purchase price/SF of the subject falls in line with the current sales and estimated price per SF derived from the sales.

Conclusions

The preceding comparable sales exhibit an adjusted Price/SF range of from \$50.73/SF to \$61.98/SF, with an average of \$58.52/SF. From a locational standpoint, Sales 1, 4, 5 and 6 were considered the most comparable. From a physical standpoint, sales 1, 3, 4, 5 and 6 were considered the most similar. All of the sales except Sale 3 were similar in age. After a thorough analysis of the price per square foot exhibited by each of the presented sales, a price per square foot of \$61.00 has been estimated for the subject property. Therefore:

BLDG. AREA	x	PRICE/SF	=	VALUE
30,828	x	\$61.00	=	\$1,880,508

The EGIM method of comparison indicated a value of \$1,823,088. The Price/SF method of comparison indicated a value of \$1,880,508. After considering these two methods of valuation, the greatest weight was placed on the price/SF analysis. Therefore:

FEE SIMPLE VALUE BY SALES COMPARISON APPROACH, Say

\$1,880,508

RECONCILIATION

This section of the report is committed to weighing the strengths and weaknesses of the three different valuation techniques employed herein to arrive at a final market value estimate for the subject property. The actual valuation methodologies which served as a basis for estimating the market value of the subject property were made from the Cost Approach, Income Approach and Sales Comparison Approach. The application of these approaches results in the following market value estimates for the subject property.

LAND (by Sale Comparison)	\$ 431,869
COST APPROACH	\$1,947,357
INCOME APPROACH	\$1,891,527
SALES COMPARISON	\$1,880,508

A reliable indication of the value of land was obtained by comparing the subject site to other similar tracts of unimproved land that have recently sold within the same general vicinity or neighborhood. Adjustments were then made to the unit sale prices of those selected tracts to compensate for dissimilarities between them and the subject site.

The Cost Approach is typically considered the weakest valuation technique of an income producing property, such as the subject. Generally, the Cost Approach has most relevance if the building improvements are new or proposed, as it tends to support the feasibility of the development. However, difficulty in utilizing this approach arises from the estimates of physical, functional, or economic forms of depreciation or obsolescence for existing improvements, which are typically very subjective calls. Furthermore, rapidly changing costs for material and labor make it difficult to be fully knowledgeable at all times, as to accurate reproduction or replacement costs. Therefore, all of these factors contribute to weaken the support of the Cost Approach to Value. The Cost Approach indicated a value slightly above the range of the other two approaches and was given the least weight in the final analysis.

The Income Approach is typically considered to be the strongest valuation technique for an income producing property, such as the subject when the availability of data is good. Income and expense data for industrial buildings in the immediate subject area was good. There was sufficient data within the market area from which comparable data could be extracted to make a reliable judgement in terms of the subject's operating abilities in comparison to those properties. Current market rental trends were reviewed from the comparable properties and an appropriate fair market rental rate was estimated for the subject. There was sufficient income and expense figures on comparable sales in which to arrive at an Overall Capitalization Rate. In addition, surveyed rates for industrial properties in the North Texas region were also relied upon. The derived value from this approach correlated well with the Sales Comparison Approach and it was given the most weight of the three approaches.

The Sales Comparison Approach is highly dependent upon the "quality" and "quantity" of market data. That is, sales of the most comparable improved properties relative to the subject. There was a sufficient number of comparable sales from which to make a comparative analysis. The sales comparables were all located in the immediate area of the subject and were reasonably similar in age, size and overall quality. The value range defined by this approach supported the Income Approach very well.

The data that was available for utilization and correlation within the Income Approach to Value was deemed to reflect the most accurate indication of value for the subject property. Therefore, the final estimate of "Market Value" for the subject "Whole Property", as of **May 19, 2003**, subject to the Assumptions and Limiting Conditions set forth in this report, is:

ONE MILLION EIGHT HUNDRED NINETY ONE THOUSAND FIVE HUNDRED TWENTY SEVEN DOLLARS

\$1,891,527

VALUE OF COMPONENT PARTS

VALUATION OF COMPONENT PARTS	
ITEM	VALUE
Land (Drainage Easement 18,500 SF)	\$ 20,905
Land (Water Line Easement 10,723 SF)	\$ 48,254
Land (Unencumbered 80,602.25 SF)	\$ 362,710
Total Land	\$ 431,869
Building	\$1,303,685
Concrete Paving	\$ 32,963
Asphalt Paving	\$ 38,050
Bridges	\$ 53,760
Landscaping	\$ 31,200
Total Site Improvements	\$ 155,973
Total Value	\$1,891,527

DESCRIPTION OF PART TAKEN

Permanent Easement Acquisition

The part to be acquired consists of a permanent easement acquisition of approximately **.6709 acres or 29,223 SF**. For practical purposes and the purposes related to the valuation of the part taken, the easement taking is considered a fee taking as only nominal property interests are retained by the land owner. The take area is located on the north side of the subject site. It is generally rectangular in shape and is depicted on the survey in the addendum of this report. Approximately 12,950 SF of asphalt paving, 1,804 SF of concrete paving, 2,835 SF of landscape sod area and 2 concrete bridges are located within the acquisition area. No other improvements are located in this area. The proposed Arapaho Road will be elevated at the subject property. The Town of Addison will replace the asphalt paving/parking under the roadway with a concrete parking area and provide access to this area for parking purposes after the take. The land owner will still be able to utilize this area for parking with the same number of spaces as before the take. The open drainage channel will be eliminated and the surface area will paved, eliminating the need for the two bridges. All site work and replacement of grass landscaped areas will be at the cost of the Town of Addison. For these reasons, the value of the improvements located in the Part Taken will not be included in the valuation of the part taken as they are effectively replaced at the cost of the Town of Addison.

The acquisition is for the purpose of constructing Arapaho Road. The acquisition area is located wholly within the 50' existing drainage easement and 30' City of Dallas water easement on the north side of the subject site.

HIGHEST AND BEST USE – PART TAKEN

The acquisition area is not considered of sufficient size or shape to constitute a self sustaining economic unit. For this reason, the estimated Highest and Best Use of this area is considered a severed part of the whole property in which the Highest and Best Use is for light industrial use (in the useable areas) and open space use (in the existing easement areas).

The take area is located wholly within the 50' drainage easement and 30' water line easement.

VALUATION OF PART TAKEN

It was estimated that the fee taking would represent approximately 100% of the underlying fee value of the whole property considering its encumbrance by the existing easements. The estimated value of the acquisition area is calculated as follows:

ITEM	SIZE	DEPREC. UNIT VALUE	VALUE
Area in Drainage Easement	18,500 SF	\$1.13/SF =	\$20,905
Area in Water Line Easement	10,723 SF	\$4.50/SF =	\$48,254
Concrete Paving	1,804 SF	Replaced after take	\$0
Asphalt Paving	12,950 SF	Replaced after take	\$0
Bridges	2	Replaced after take	\$0
Landscaping	2,835 SF	Replaced after take	\$0
TOTAL			\$69,159

VALUE OF PART TAKEN

\$69,159

VALUATION OF REMAINDER BEFORE THE TAKE

The estimated value of the Remainder Before the Take was calculated as follows:

ITEM	SIZE	PRICE/SF	VALUE
Land (Drainage Easement)	0 SF	\$1.13	\$0
Land (Water Line Easement)	0 SF	\$4.50	\$0
Unencumbered Land	80,602.25 SF	\$4.50	\$ 362,710
Building			\$1,303,685
Concrete Paving	14,650 SF	\$2.25	\$ 32,963
Asphalt Paving	38,050 SF	\$1.00	\$ 38,050
Bridges	2	\$26,880 ea.	\$ 53,760
Landscaping	7,800 SF	\$4.00	\$ 31,200
Total	15,878.00 SF		\$1,822,368

VALUE OF REMAINDER BEFORE TAKE

\$1,822,368

VALUATION OF REMAINDER ATER TAKE

After the take, by agreement with the City of Addison, the existing paved parking area located in the proposed ROW and in the City of Dallas Water line easement area, north of the drainage channel, will be replaced at the cost of the Town of Addison. The subject has a total of 130 parking spaces before the take with a required number of parking spaces at 90. On site parking after the take will still total 130 spaces which exceeds the zoning code for parking. The City of Addison has stated in the Condemnation Pleadings that the additional parking located north of the drainage channel will be provided under the elevated proposed Arapaho Road and the owner of the subject property will be allowed to utilize this parking by an agreement with the City of Addison. The open drainage channel will be enclosed in a box culvert and the surface area will be paved to provide access to the parking area. The two bridges will no longer be needed to access this parking area. Associated grass landscaping and dirt work will be at the expense of the Town of Addison. These improvements will effectively cure any loss of parking and access to the parking. Because the subject does not need this parking to meet current parking codes, no damages for loss of parking during the construction time of the roadway is considered appropriate.

The new ROW line will be located approximately 3.5 feet from the rear of the subject building. No rear yard set backs are required by zoning and the proposed roadway will be elevated at the subject property. The location of this proposed ROW line is not considered to detrimentally affect the existing building improvements.

The land to building ratio of the subject after the take is reduced from 3.56:1 to 2.61:1. This land to building ratio is still in a similar ratio to light industrial/flex/office structures in the area. Building Sales 1, 4, and 6 had similar land to building ratios as the subject after the take. The reduction in land to building ratio was not considered to materially affect the remaining subject land and/or improvements.

Three market sales of properties with Arapaho Road ROW acquisitions were reviewed. These sales were compared to sales without ROW acquisitions to determine the effect, if any, of the subject's acquisition. Following is a comparison chart for these sales. The sales are those exhibited in the Sales Comparison Approach to Value section of this report.

IMPROVED BUILDING SALES WITH ROW ACQUISTION				
Sale	Date	Size/SF	YOC	SP/SF
1*	2/28/02	52,900	1979	\$64.27
5**	8/29/03	16,143	1983	\$69.78
Subject Sale***	7/8/02	30,828	1980	\$56.77
IMPROVED BUILDING SALES WITHOUT ROW ACQUISTION				
2	10/30/02	20,697	1977	\$72.47
3	11/28/01	24,168	1997	\$69.93
4	1/9/01	25,768	1984	\$58.21
6	12/20/01	40,468	1982	\$47.44

*Sale Price was net of acquisition-Remainder Sale

**Sale Price was adjusted to a price net of the acquisition amount to reflect a Remainder Sale.

***Sale Price was net of acquisition value - Remainder Sale.

**SITE IMPROVEMENT COST BREAKDOWN
4139 CENTURION WAY**

ITEM	SIZE/QUAN.	UNIT COST	TOTAL COST	% DEPREC.	DEPREC.	DEPREC. COST	SOURCE
CONCRETE PAVING (SF)	14,650	\$4.50	\$65,925	50.00%	\$32,963	\$32,963	SEC.66, PG.2
ASPHALT PAVING	38,050	\$2.00	\$76,100	50.00%	\$38,050	\$38,050	SEC.66, PG.2
BRIDGES 2	960	\$80.00	\$76,800	30.00%	\$23,040	\$53,760	SEC.66, PG.3
LANDSCAPING	7,800	\$4.00	\$31,200	0.00%	\$0	\$31,200	SEC.66, PG.8
TOTAL						<u>\$155,973</u>	

REMAINDER AFTER TAKE – SALES COMPARISON APPROACH

The Sales Comparison Approach was previously explained in the valuation of the Whole Property. The adjustments to the sales remained the same as those applied in the valuation of the whole property. The estimated adjusted price/SF was estimated at \$61.00/SF for a value of \$1,880,508 for the whole property. Because of the relatively small size of the taking, a land to building ratio adjustment was not made but rather an adjustment to the final value was considered for the land in the part taken. As stated previously, the concrete paving, asphalt paving, the two bridges and landscaping will be replaced to provide similar utility to the parking area that can still be utilized by the property owner. Again, the loss of land area will be reflected as an adjustment to the final value as derived from the Sales Comparison Approach.

Estimated Value as Derived from Comparable Sales	\$1,880,508
Adjustment for Land in Take Area	<u>\$ 69,159</u>
Estimated Value of Remainder After Take by Sales Comparison	\$1,811,349

REMAINDER AFTER TAKE – INCOME APPROACH

The Income Approach was previously explained in the valuation of the Whole Property. No rental rate reduction was estimated for the loss of the land located in the take. The take was not estimated to affect the rental ability of the subject building. The Net Operating Income remained the same as that in the valuation of the whole property. The estimated value of the whole property by the Income Approach was \$1,891,527. Because the land located in the take area must be compensated for in the final value of the Remainder After Take, it will be reflected as an adjustment to the final value as derived from the Income Approach.

Estimated Value as Derived from the Income Approach	\$1,891,527
Adjustment for Land in Take Area	<u>\$ 69,159</u>
Estimated Value of Remainder After Take by Income Approach	\$1,822,368

RECONCILIATION OF VALUE – REMAINDER AFTER TAKE

No damages to the remaining subject were estimated as a result of the take. The three approaches to value for the Remainder After the Take rendered the following value estimates.

Land Value	\$ 362,710
Cost Approach	\$1,878,198
Sales Comparison Approach	\$1,811,349
Income Approach	\$1,822,368

The greatest weight was placed on the Income Approach to Value for the final value of the Remainder After the Take. Therefore:

VALUE OF REMAINDER AFTER THE TAKE	\$1,822,368
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SUMMARY OF COMPENSATION DUE

VALUATION SUMMARY		
WHOLE PROPERTY	\$1,891,527	
PART TAKEN		\$69,159
REMAINDER BEFORE TAKE	\$1,822,368	
REMAINDER AFTER TAKE	\$1,822,368	
DAMAGES		\$0
TOTAL COMPENSATION DUE		\$69,159

ADDENDUM

Legal Description of Part Taken

Row Map

Plat Map

Building/Site Plan

Statement In Condemnation

Flood Map

Zoning Map

Qualifications

PARCEL 8 - ARAPAHO ROAD PROJECT

All bearings are referenced to the North Right of Way line of Centurion Way, called S 89°51'55" E, according to the final plat of Lot 3, Surveyor Addition, recorded in Vol. 77173, Page 135, Deed Records of Dallas County, Texas.

A plat of even survey date herewith accompanies this description.

I, Ayub R. Sandhu, a Registered Professional Land Surveyor, hereby certify that the legal description hereon and the accompanying plat represent an actual survey made on the ground under my supervision.

Revised August 21, 2002 to change ownership.

Ayub R. Sandhu 11-12-99
Ayub R. Sandhu, R.P.L.S.
Texas Registration No. 2910

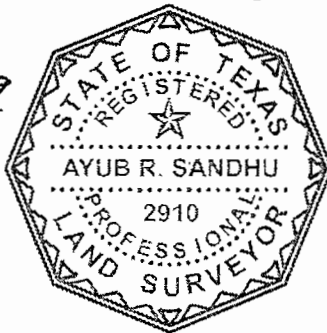
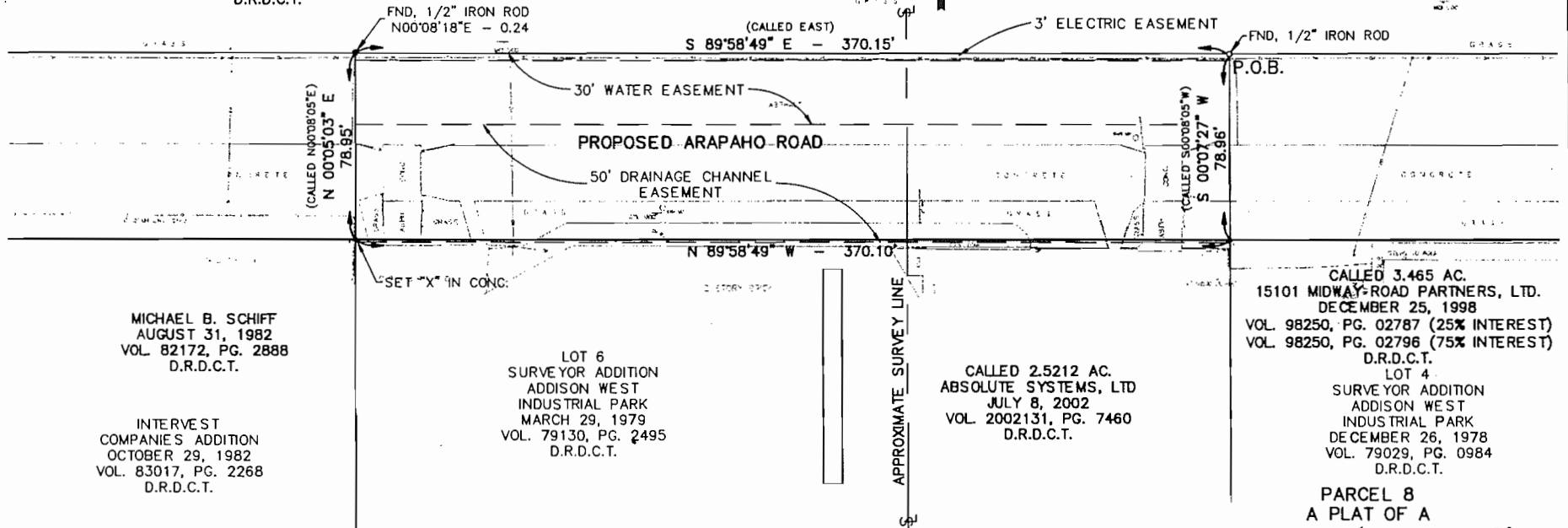


EXHIBIT "B"

DALLAS AREA RAPID TRANSIT
PROPERTY ACQUISITION CORPORATION
(100' R.O.W.)
DECEMBER 27, 1990
VOL. 91008, PG. 1390
D.R.D.C.T.

DAVID MYERS SURVEY
A-923

W.H. WITT SURVEY
A-1609



MICHAEL B. SCHIFF
AUGUST 31, 1982
VOL. 82172, PG. 2888
D.R.D.C.T.

INTERVEST
COMPANIES ADDITION
OCTOBER 29, 1982
VOL. 83017, PG. 2268
D.R.D.C.T.

LOT 6
SURVEYOR ADDITION
ADDISON WEST
INDUSTRIAL PARK
MARCH 29, 1979
VOL. 79130, PG. 2495
D.R.D.C.T.

CALLED 2.5212 AC.
ABSOLUTE SYSTEMS, LTD
JULY 8, 2002
VOL. 2002131, PG. 7460
D.R.D.C.T.

CALLED 3.465 AC.
15101 MIDWAY-ROAD PARTNERS, LTD.
DECEMBER 25, 1998
VOL. 98250, PG. 02787 (25% INTEREST)
VOL. 98250, PG. 02796 (75% INTEREST)
D.R.D.C.T.

LOT 4
SURVEYOR ADDITION
ADDISON WEST
INDUSTRIAL PARK
DECEMBER 26, 1978
VOL. 79029, PG. 0984
D.R.D.C.T.

PARCEL 8
A PLAT OF A
0.6709 ACRE (29,223 SQ. FT.)
TRACT OF LAND
IN THE W.H. WITT SURVEY
ABSTRACT NO. 1609
& DAVID MYERS SURVEY
ABSTRACT NO. 923
TOWN OF ADDISON
DALLAS COUNTY, TEXAS

NOTES:

ALL EASEMENTS SHOWN ARE TAKEN FROM THE PLATS INDICATED
HEREON. THE SURVEYOR DID NOT ABSTRACT THE SUBJECT
PROPERTY SO ALL EASEMENTS MAY NOT BE SHOWN.

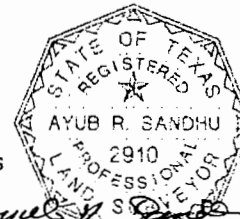
ALL BEARINGS ARE REFERENCED TO THE NORTH RIGHT OF WAY
LINE OF CENTURION WAY, CALLED S 89°51'55" E, ACCORDING TO
THE FINAL PLAT OF LOT 3, SURVEYOR ADDITION, RECORDED IN
VOL. 77173, PAGE 135, D.R.D.C.T.

A LEGAL DESCRIPTION OF EVEN SURVEY DATE HEREWITH
ACCOMPANIES THIS PLAT.

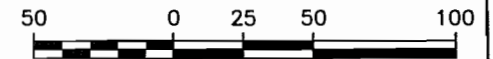
REVISIONS:

OWNER NAME CHANGE 8/20/02

- DENOTES A FOUND POINT AS INDICATED
 - DENOTES A 5/8" IRON ROD SET UNLESS OTHERWISE NOTED
- PROPOSED RIGHT OF WAY LINE

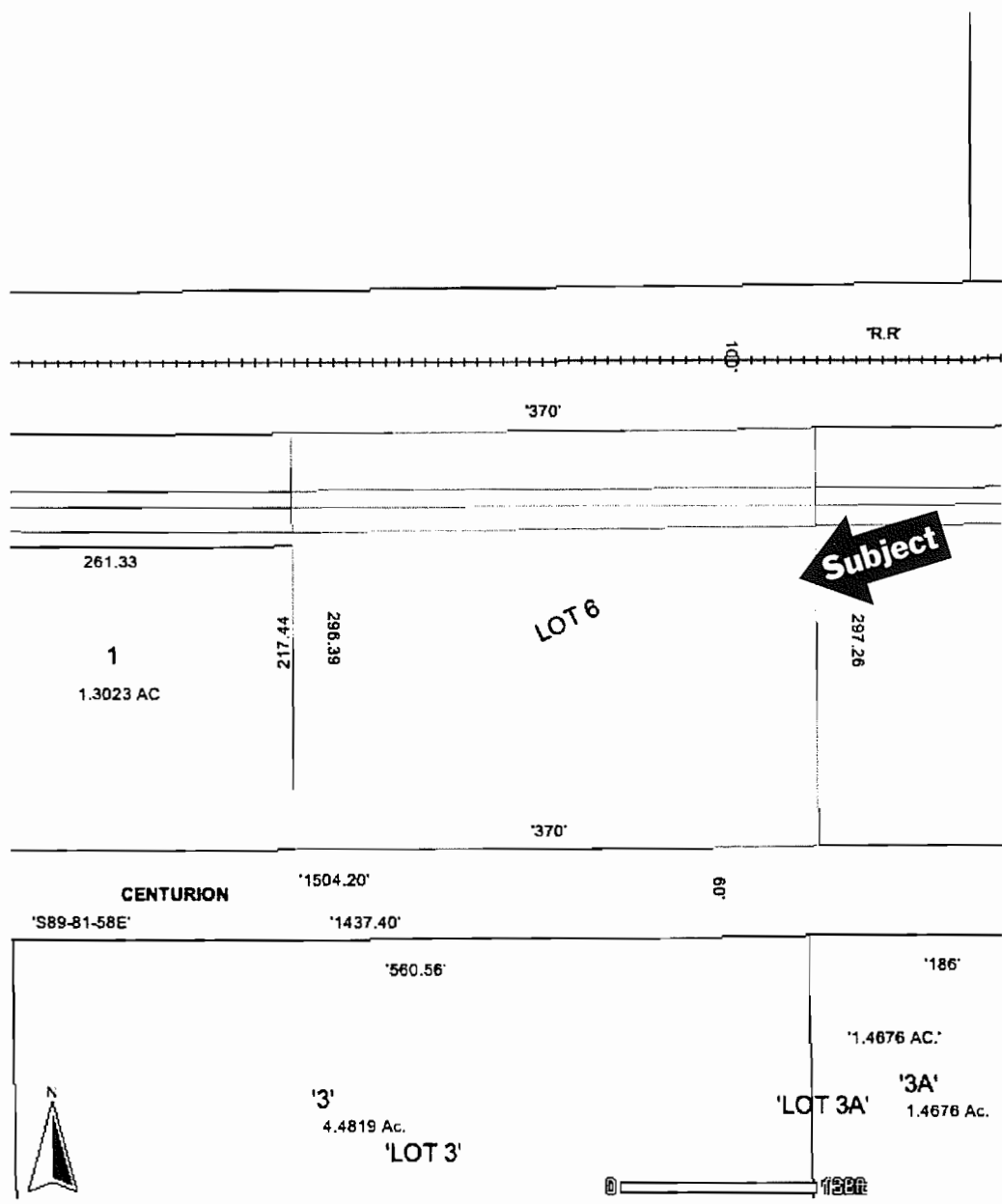


Ayub R. Sandhu
11-12-99

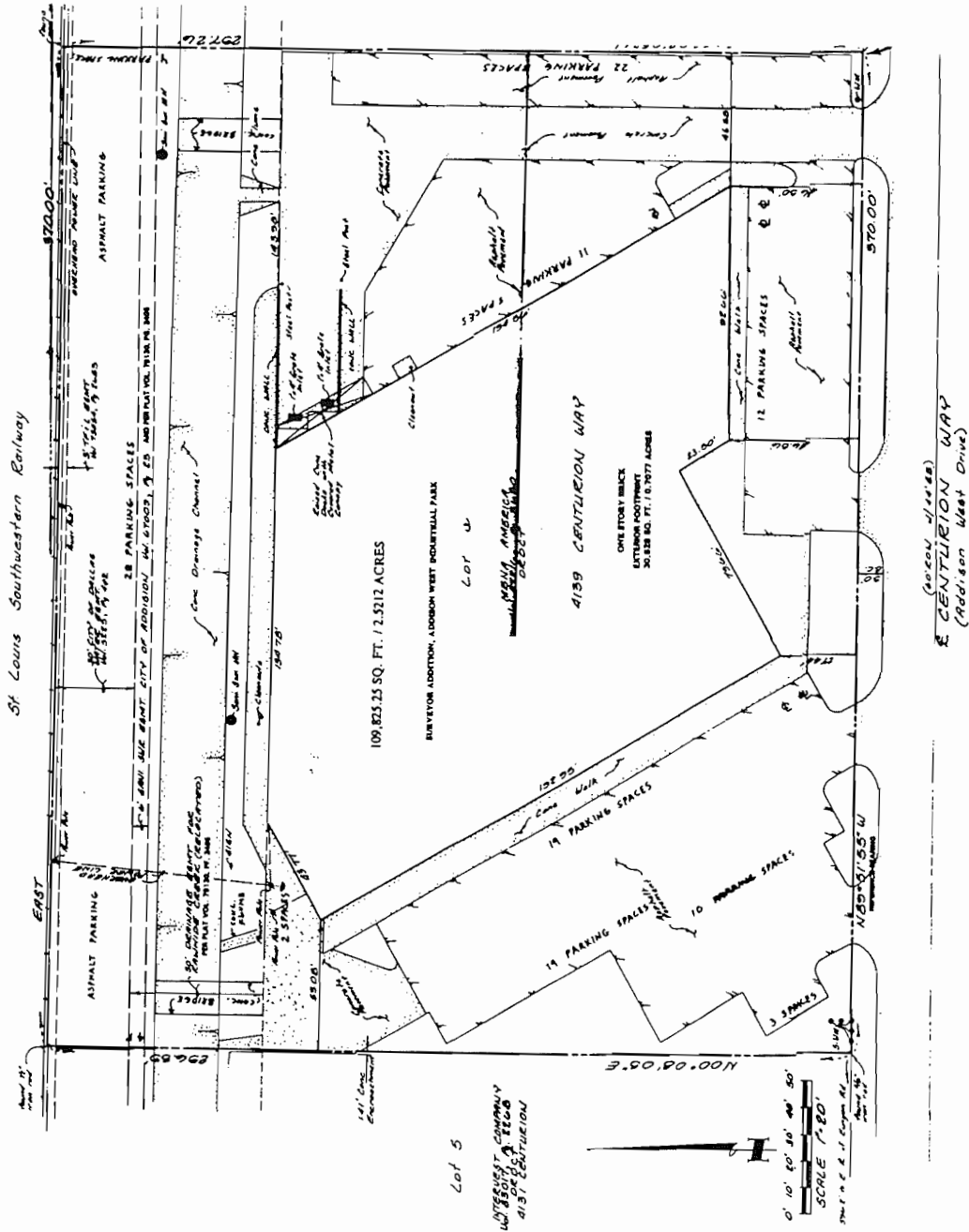


GRAPHIC SCALE
1 INCH = 50 FT.

PLAT MAP



BUILDING/SITE PLAN



No. 03 - 01967 - B

FILED

2003 FEB 19 PM 2:43

TOWN OF ADDISON, TEXAS

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IN THE COUNTY COURT

COUNTY CLERK
DALLAS COUNTY

vs.

AT LAW, NUMBER 2

ABSOLUTE SYSTEMS, LTD., 276 TRUST
AND MERRILL LYNCH BUSINESS
FINANCIAL SERVICES, INC.

DALLAS COUNTY, TEXAS

STATEMENT IN CONDEMNATION

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW, **the TOWN OF ADDISON, TEXAS**, a home rule City operating under the laws of the State of Texas and files this its Statement in Condemnation and would respectfully show this Court as follows:

I.

The Town of Addison, Texas files this action to acquire a permanent easement in, over, under, across and through that certain 0.6709 acre portion of a 2.521 acre tract of land, being Lot 6, Surveyor Addition, recorded in Vol. 79130, Pg. 2496 in the Deed Records of Dallas County, commonly known as 4139 Centurion Way, in the Town of Addison, Texas, and more fully described in Exhibit "A" attached hereto and incorporated by reference herein as if set forth at length, for the purpose of constructing those improvements necessary to provide for the realignment, extension and

improvement of Arapaho Road. The property is owned by **ABSOLUTE SYSTEMS, LTD.**, a Texas Limited Partnership, which may be served with process by serving Mr. Gene Harris, Vice President of Juvat, Inc., its General Partner at 2309 West Parker Road, Plano, Texas 75023. **ABSOLUTE SYSTEMS, LTD.** acquired title to the property on or about July 2, 2002, when it purchased the property from **276 TRUST**, a Trust organized and existing under the laws of the State of Texas. In connection with that transaction, **276 TRUST** retained an interest in the condemnation proceeds as set forth in that certain Condemnation Rights Reservation Agreement entered into between the parties on or about the above date. Therefore, **276 TRUST** holds an interest in this property and the proceeds from this proceeding, and is a necessary party to this proceeding. **276 TRUST** may be served with process by serving its attorney, Barry Knight, who has agreed to accept service. **MERRILL LYNCH BUSINESS FINANCIAL SERVICES, INC.** holds a security interest in the above property under that certain Deed of Trust recorded in Vol. 2002131, Page 7475 of the Deed Records of Dallas County, Texas, and may be served with process by serving its registered agent, Prentice Hall Corporation, 800 Brazos Street, Austin, Texas 78701.

II.

The City Council of the **TOWN OF ADDISON, TEXAS** has found and determined that it is necessary to acquire a permanent easement in, over, under, across, and through the above said tract of land (Exhibit "A"), pursuant to existing law, same to be paid for by said **TOWN OF ADDISON**, with title thereto vesting in the **TOWN OF ADDISON**, for the purpose of acquiring

the necessary right-of-way for the Arapaho Road Project through these proceedings in eminent domain. Said Condemnees shall retain the right to use that portion of the property taken within the easement area and located under the elevated roadway, for the purposes of parking, for ingress and egress, provided that such use does not interfere with the right of the City to operate and maintain the roadway or otherwise endanger the health and safety of the public.

III.

That for the establishment, construction and operation of the said Arapaho Road Project, it is necessary that Plaintiff acquire the permanent easement in, over, under, across and through the above-described tract. Plaintiff and Condemnees have been unable to agree upon the damages resulting from the taking of such property although Plaintiff has made an effort to reach such an agreement, and in furtherance of said effort, has made a firm offer to purchase the easement from the Condemnees, which offer was rejected. Further negotiations would be futile.

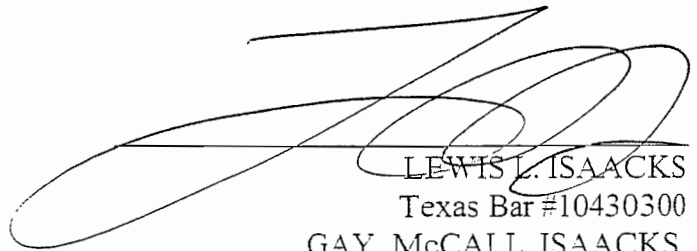
IV.

That there has been conferred upon Plaintiff the powers of condemning and acquiring land as it is entitled to do under existing law, with title thereto vesting in the **TOWN OF ADDISON, TEXAS.**

PRAYER

WHEREFORE, PREMISES CONSIDERED, Plaintiff prays that three disinterested freeholders of Dallas County, Texas, be appointed Special Commissioners as provided by law, to assess the actual damages occasioned by the acquisition of the property rights herein described; and prays for a Decree of Condemnation, vesting title to the easement described in Exhibit "A" attached hereto, in Plaintiff, that Plaintiff recover its costs of court, and for all other relief to which it may be entitled.

Respectfully submitted,



LEWIS L. ISAACKS
Texas Bar #10430300
GAY, McCALL, ISAACKS,
GORDON & ROBERTS
777 East 15th Street
Plano, Texas 75074
Telephone: 972/424-8501
Telecopier: 972/424-5619

ATTORNEY FOR PLAINTIFF

Parcel 8
Field Note Description
Arapaho Road Project
Town of Addison
Dallas County, Texas

BEING a description of a 0.6709 acre (29,223 square foot) tract of land situated in the W.H. Witt Survey, Abstract Number 1609, and the David Myers Survey, Abstract Number 923, Town of Addison, Dallas County, Texas, and being a portion of a called 2.5212 acre tract of land conveyed to Absolute Systems, Ltd. on July 8, 2002 and recorded in Volume 2002131, Page 07460 of the Deed Records of Dallas County, Texas, said called 2.5212 acre tract being all of "Lot 6, Surveyor Addition, Addison West Industrial Park", an addition to the Town of Addison, as evidenced by the plat dated March 29, 1979 and recorded in Volume 79130, Page 2495 of said Deed Records, said 0.6709 acre tract of land being more particularly described by metes and bounds as follows;

BEGINNING at a 1/2 inch iron rod found in the proposed North right of way line of Arapaho Road and the South right of way line of a 100 foot wide railroad right of way as conveyed to Dallas Area Rapid Transit Property Acquisition Corporation (herein referred to as DART) on December 27, 1990 and recorded in Volume 91008, Page 1390 of said Deed Records, said point being the common Northeast corners of said called 2.5212 acre tract and "Lot 6, Surveyor Addition, Addison West Industrial Park", and Northwest corner of a called 3.4654 acre tract of land, 25% interest conveyed by Epina Properties Limited to 15101 Midway Road Partners, LTD. on December 25, 1998 and recorded in Volume 98250, Page 02787 of said Deed Records, 75% interest conveyed by Lehndorff & Babson Property Fund to 15101 Midway Road Partners, LTD. on December 25, 1998 and recorded in Volume 98250, Page 02796 of said Deed Records, said called 3.4654 acre tract being all of the Surveyor Addition, Addison West Industrial Park, an addition to the Town of Addison, as evidenced by the plat dated October 24, 1978 and recorded in Volume 79029, Page 0984 of said Deed Records;

THENCE, SOUTH 00°07'27" WEST (called South 00°08'05" West), departing said lines and along the common East line of said called 2.5212 acre tract and West line of said called 3.4654 acre tract, a distance of 78.96 feet to a 5/8 inch iron rod set in the proposed South right of way line of Arapaho Road;

EXHIBIT "A"

PARCEL 8 - ARAPAHO ROAD PROJECT

THENCE, NORTH 89°58'49" WEST, departing said common line and along the proposed South right of way line of Arapaho Road, a distance of 370.10 feet to an "X" in concrete set in the common West line of said called 2.5212 acre tract and East line of a called 1.776 acre tract of land conveyed to Michael B. Schiff on August 31, 1982 and recorded in Volume 82172, Page 2888 of said Deed Records, said called 1.776 acre tract of land being all of Intervest Companies Addition, an addition to the Town of Addison, as evidenced by the plat dated October 29, 1982 and recorded in Volume 83017, Page 2268 of said Deed Records;

THENCE, NORTH 00°05'03" EAST (called North 00°08'05" East), departing said line and along the common West line of said called 2.5212 acre tract and East line of said called 1.776 acre tract, a distance of 78.95 feet to a 5/8 inch iron rod set in the proposed North right of way line of Arapaho Road Road and South right of way line of said DART railroad for the common Northwest corner of said called 2.5212 acre tract and Northeast corner of said called 1.776 acre tract, from said point a found 1/2 inch iron rod bears North 00°08'18" East, a distance of 0.24 feet;

THENCE, SOUTH 89°58'49" EAST (Called EAST), departing said common line and along the common North line of said called 2.5212 acre tract, proposed North right of way line of Arapaho Road, and South right of way line of said DART railroad, a distance of 370.15 feet (called 370.00 feet) to the **POINT OF BEGINNING**;

CONTAINING an area of 0.6709 acres or 29,223 square feet of land within the metes recited.

PARCEL 8 - ARAPAHO ROAD PROJECT

All bearings are referenced to the North Right of Way line of Centurion Way, called S 89°51'55" E, according to the final plat of Lot 3, Surveyor Addition, recorded in Vol. 77173, Page 135, Deed Records of Dallas County, Texas.

A plat of even survey date herewith accompanies this description.

I, Ayub R. Sandhu, a Registered Professional Land Surveyor, hereby certify that the legal description hereon and the accompanying plat represent an actual survey made on the ground under my supervision.

Revised August 21, 2002 to change ownership.

Ayub R. Sandhu 11-12-99
Ayub R. Sandhu, R.P.L.S.
Texas Registration No. 2910

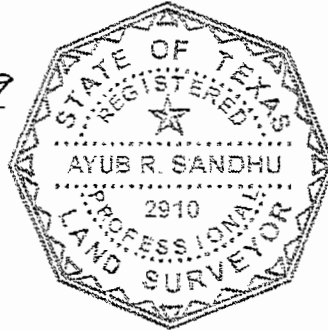
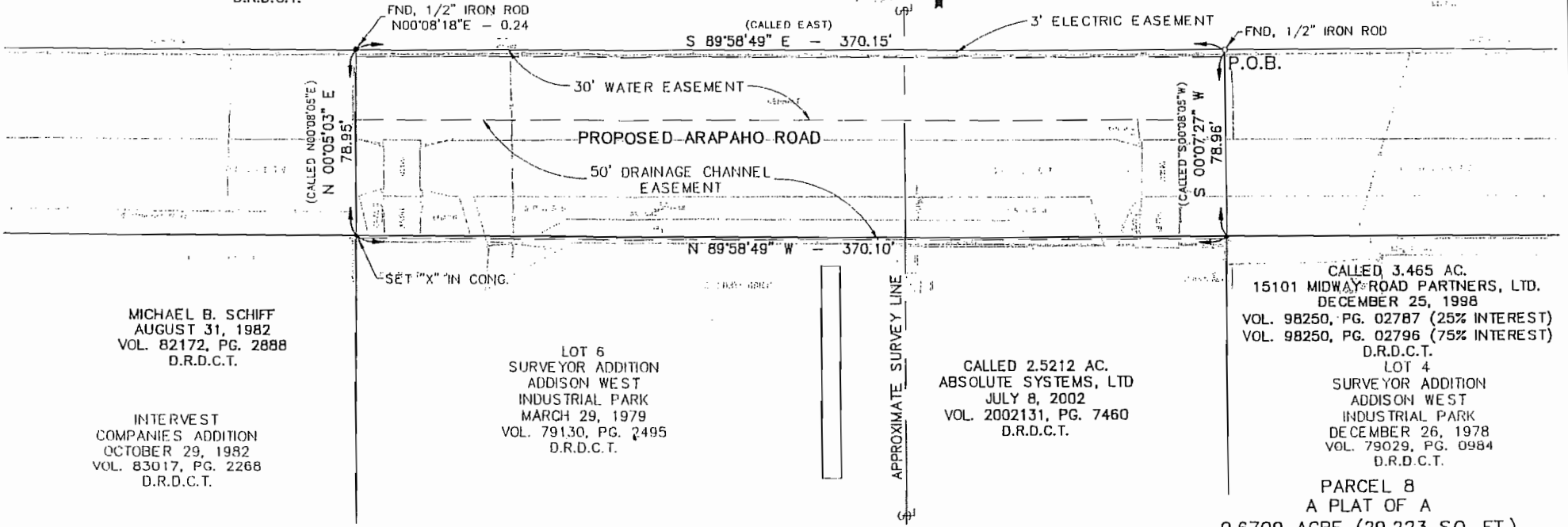


EXHIBIT "B"

DALLAS AREA RAPID TRANSIT
PROPERTY ACQUISITION CORPORATION
(100' R.O.W.)
DECEMBER 27, 1990
VOL. 91008, PG. 1390
D.R.D.C.T.

DAVID MYERS SURVEY
A-923

W.H. WITT SURVEY
A-1609



MICHAEL B. SCHIFF
AUGUST 31, 1982
VOL. 82172, PG. 2888
D.R.D.C.T.

INTERVEST
COMPANIES ADDITION
OCTOBER 29, 1982
VOL. 83017, PG. 2268
D.R.D.C.T.

LOT 6
SURVEYOR ADDITION
ADDISON WEST
INDUSTRIAL PARK
MARCH 29, 1979
VOL. 79130, PG. 2495
D.R.D.C.T.

CALLED 2.5212 AC.
ABSOLUTE SYSTEMS, LTD
JULY 8, 2002
VOL. 2002131, PG. 7460
D.R.D.C.T.

CALLER 3.465 AC.
15101 MIDWAY ROAD PARTNERS, LTD.
DECEMBER 25, 1998
VOL. 98250, PG. 02787 (25% INTEREST)
VOL. 98250, PG. 02796 (75% INTEREST)
D.R.D.C.T.
LOT 4
SURVEYOR ADDITION
ADDISON WEST
INDUSTRIAL PARK
DECEMBER 26, 1978
VOL. 79029, PG. 0984
D.R.D.C.T.

PARCEL 8
A PLAT OF A
0.6709 ACRE (29,223 SQ. FT.)
TRACT OF LAND
IN THE W.H. WITT SURVEY
ABSTRACT NO. 1609
& DAVID MYERS SURVEY
ABSTRACT NO. 923
TOWN OF ADDISON
DALLAS COUNTY, TEXAS

NOTES:

ALL EASEMENTS SHOWN ARE TAKEN FROM THE PLATS INDICATED
HEREON. THE SURVEYOR DID NOT ABSTRACT THE SUBJECT
PROPERTY SO ALL EASEMENTS MAY NOT BE SHOWN.

ALL BEARINGS ARE REFERENCED TO THE NORTH RIGHT OF WAY
LINE OF CENTURION WAY, CALLED S 89°51'55" E, ACCORDING TO
THE ORIGINAL PLAT OF LOT 3, SURVEYOR ADDITION, RECORDED IN
VOL. 73, PAGE 135, D.R.D.C.T.

A LEGAL DESCRIPTION OF EVEN SURVEY DATE HEREWITH
ACCOMPANIES THIS PLAT.

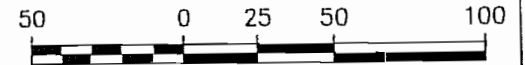
REVISIONS:

OWNER NAME CHANGE 8/20/02

- DENOTES A FOUND POINT AS INDICATED
 - DENOTES A 5/8" IRON ROD SET UNLESS OTHERWISE NOTED
- PROPOSED RIGHT OF WAY LINE



Ayres R. Sanders
11-12-99

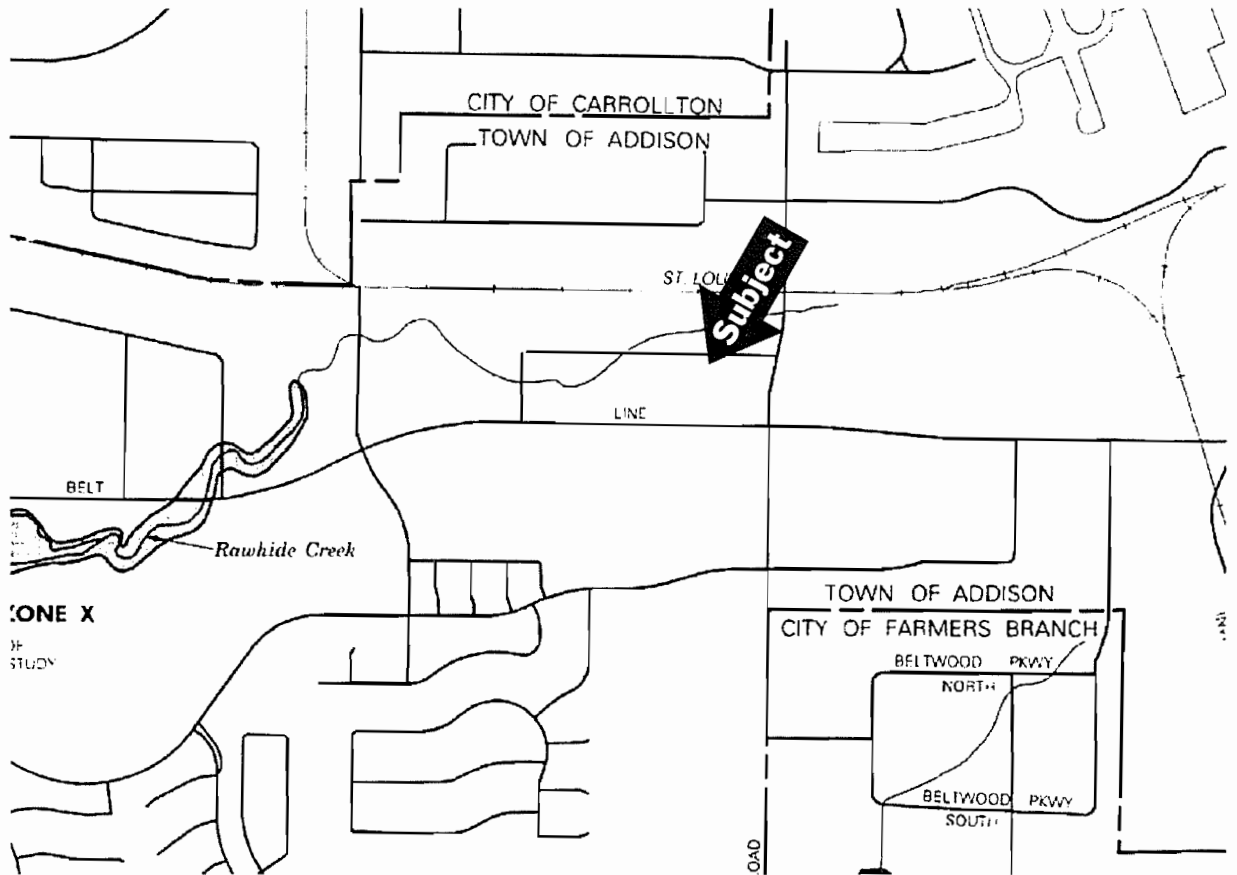


GRAPHIC SCALE
1 INCH = 50 FT.

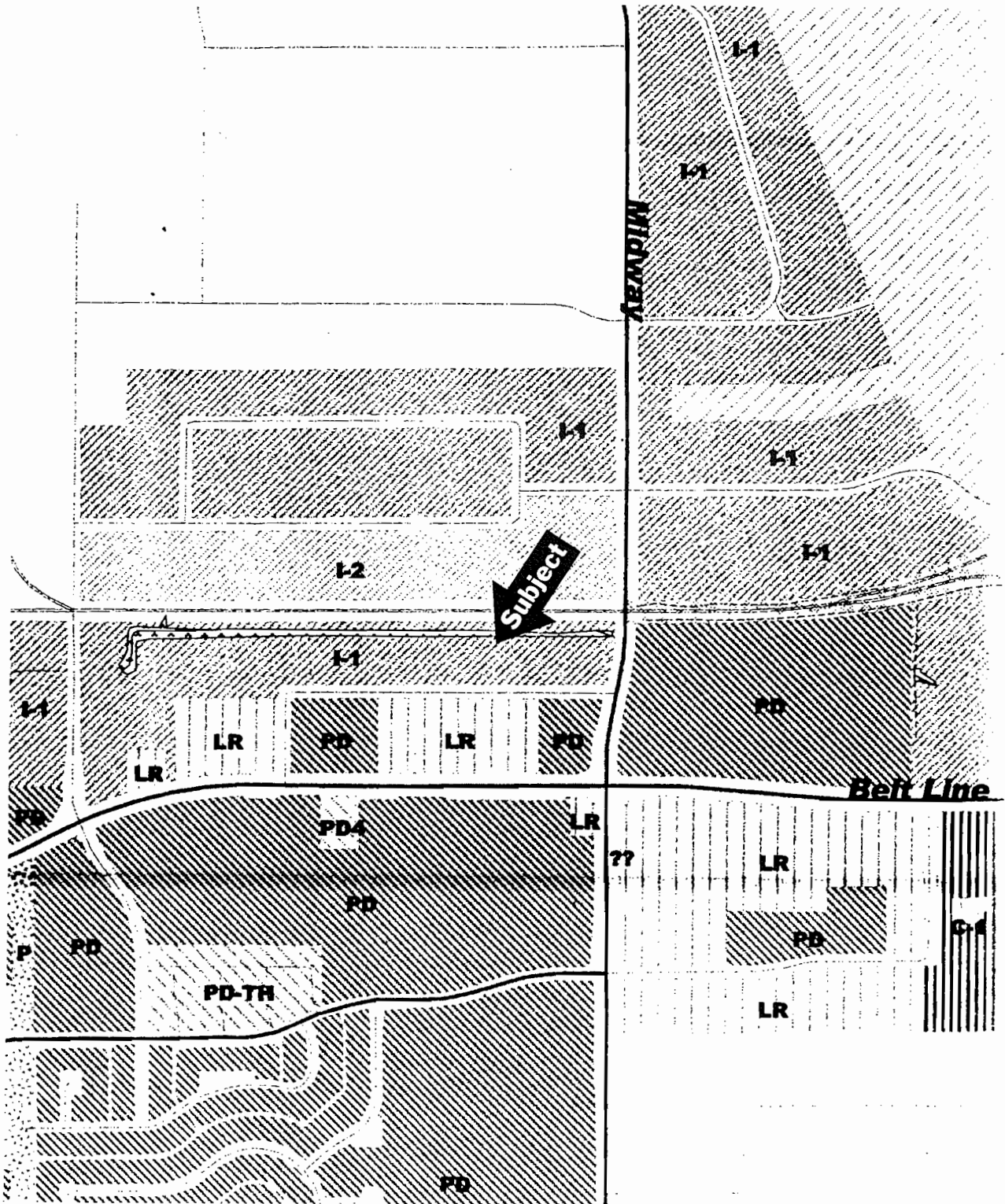
FLOOD MAP

Community-Panel Number
48113C 0180 J

Effective Date:
August 23, 2001



ZONING MAP



**WILLIAM GRANT WALL, MAI
QUALIFICATIONS**

EDUCATION

Graduated from Southern Methodist University
Degree: Bachelor of Business Administration with emphasis in Real Estate
Texas Real Estate Salesman License-1976 - Broker License-1978
Texas State Certified General Real Estate Appraiser #TX-1320185-G
Member, The Appraisal Institute (MAI) #9068

APPRAISAL COURSES, SEMINARS, EXAMS

Appraisal Institute

- Course 1A1 - Real Estate Appraisal Principles
- Course 1A2 - Basic Valuation Procedures
- Course 1B1 - Capitalization Theory & Techniques I
- Course 1B2 - Capitalization Theory & Techniques II
- Course 1B3 - Capitalization Theory & Techniques III
- Course 2-1 - Case Studies in Real Estate Valuation
- Course 2-2 - Valuation Analysis & Report Writing
- Course 2-3 - Standard of Professional Practice
- Seminar - Litigation Valuation
- Seminar - Institute on Eminent Domain, Southwestern Legal Foundation
- Seminar - Appraisal Practices for Litigation
- Seminar - International ROW Assoc. Eminent Domain
- Seminar - Environmental Risk and the Appraisal Process

EXPERIENCE

7/79 to 10/84	A.D. Toland & Associates, Inc. Real Estate Appraiser
10/84 to Present	Independent Fee Real Estate Appraiser W. G. Wall Company

TYPES OF PROPERTIES APPRAISED INCLUDE:

All types of commercial and industrial property

Land	Mobile Home Parks
Farms/Ranches	Office Buildings
Hotel/Motels	Shopping Centers
Special Use Property	Apartments
Office-Warehouses	Restaurants

Extensive Work in Eminent Domain Valuation
Qualified as "Expert" witness in Federal, District and County Courts.

EVALUATION ASSOCIATES

RIGHT OF WAY LAND RIGHTS ANALYSIS • APPRAISAL • ACQUISITION • SOLUTIONS

SUMMARY OF SALIENT FACTS AND CONCLUSIONS ARAPAHO ROAD PROJECT

Parcel No. 8 - JH Crouch Jr. and Jo Crouch

Valuation Conclusion:

Whole Property	\$1,900,000
Proposed Acquisition	\$ 62,381
Remainder Before Acquisition	\$1,837,619
Remainder After Acquisition	\$1,837,619
Loss in Value of Remainder After	\$ -0-

Determination of Compensation:

Permanent Right of Way	\$ 40,181
Compensation for Improvements (paving)	\$ 22,200
Landscaping (None - Replacement)	\$ -0-
Loss in Value of Remainder After	\$ -0-

Total Compensation \$ 62,381

Date of Appraisal: February 13, 2002 (*1)

*(Note *1 - Revised to acknowledge and clarify the absence of a rear yard setback requirement, both before and after the proposed acquisition)*

Location: 4139 Centurion Way, Town of Addison, Texas

Legal Description: Lot 6, Surveyor Addition, Town of Addison, Dallas County, Texas

Land Size: Whole Property (per DCAD records) 2.521 Acres
Right of way Area 0.6709 Acres

Zoning: I-1, Industrial-1 District

Highest and Best Use:

As if Vacant BEFORE: Commercial use
As if Vacant AFTER: Commercial use

EVALUATION ASSOCIATES

RIGHT OF WAY LAND RIGHTS ANALYSIS • APPRAISAL • ACQUISITION • SOLUTIONS

February 14, 2002

Mr. Steve Chutchian, P.E.
Assistant City Engineer
Town of Addison
16801 Westgrove
Addison, Texas 75001-9010

Re: ARAPAHO ROAD PROJECT - Parcel No. 8

Property Owner: JH Crouch, Jr. and Jo Crouch

An appraisal of a 0.6709 acre proposed permanent right of way acquisition (ROW) out of an approximate 2.521 Acre tract of land situated on the north side of Centurion Way, west of Midway Road (known locally as 4139 Centurion Way). The parent tract is legally described as Lot 6, Surveyor Addition, Town of Addison, Dallas County, Texas

Dear Mr. Chutchian:

At your request, we have conducted the analysis and investigations necessary to derive the value of the whole property and proposed acquisition areas based on the economic conditions which prevailed on the current valuation date of February 13, 2002. It is understood that the function of the appraisal, and of this summary of data and analysis employed in that appraisal process, will be used as a basis for establishing *just compensation* due to the property owner concerning the intent of the Town of Addison to acquire the referenced right of way for the widening, realignment and improvement of Arapaho Road.

This appraisal was prepared in accordance with valuation principles which conform with the State of Texas condemnation laws and subsequent legal precedents based on, but not limited to, *State v Carpenter, 89 SW 2nd, 1936*. Further, this report addresses appraisal guidelines of the International Right of Way Association, the Appraisal Institute, and is classified as a *complete summary* report format under the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Foundation. The methods of valuation and reporting are also consistent with an acceptable process relevant to the nature of the whole property and the proposed acquisition area. All herein mentioned value estimates are market oriented and based on the principle of Value in Exchange rather than Value in Use to a specified owner. These value terms, along with other appraisal terminology, are defined in the addendum section of this report.

Mr. Steve Chutchian
February 14, 2002

Owner Contact

The subject property was inspected from various points of reference on several dates from May 2001 to February 2002, with the date of our last inspection being February 13, 2002, also the valuation date. The enclosed photographs were personally taken by the undersigned appraiser during the same time frame. Mr. Gary Crouch was contacted and given the opportunity to accompany the appraiser during the inspection as well as to express any concerns regarding the proposed easement. Mr. Crouch provided access for an interior inspection. He also expressed several concerns regarding the marketability and value of the remainder property. A copy of a memo from Mr. Crouch to Evaluation Associates is included in the addendum. Based on our research, the current owner has held title for more than five (5) years. There are no known contracts or offers for sale on the subject whole property. The property is currently leased to MBNA at a rate of \$9.50/SF or \$23,977/Mo. Although a copy of the lease was not provided to the appraisers, Mr. Crouch represented the lease as an absolute triple net which will expire on December 31, 2001. Given the short duration of remainder of the lease, there is not a leased fee interest to be analyzed and valued.

Based on a review of engineering design and construction plans provided by the Town of Addison, and an inspection of the subject whole property, after the acquisition the site should have the same access and superior exposure when compared with the before condition. Related analysis is described in more detail in the Analysis and Valuation of the Proposed Acquisition Section later in this report. It will also be explained how and why there is no loss of marketability and utility of the property after the acquisition. The appraisers have analyzed the subject property both **before and after** the proposed acquisition and found no diminution in value beyond the portion of the property within the proposed right of way, which is to be compensated.

Subject Site Description

According to investigation of Dallas County Plat Maps, field review by Evaluation Associates, and information provided by Town of Addison, the subject whole property fronts approximately 370 feet along the north side of Centurion Way. The rectangular shaped tract contains 2.521 acres. All public utilities are available to the subject property. Topographical features include generally level terrain. There are three easements located at the rear/northern portion of the subject parent tract. Immediately adjacent to the northern boundary is a 3 foot wide electrical easement. Adjacent on the south of this easement is a 30 foot wide water easement. And south of these two easements is a 50 foot wide drainage easement. Combined, these easements consume approximately 27% of the subject parent

Site utility has been maximized by paving the northern most easements.

tract. It appears the property owner has maximized the utility of the subject site by paving the northern most portion of the tract. It is assumed, as a detailed site plan was not available, the paving overlays the existing 3 foot electrical easement and the 30 foot water easement. Thus, the reduced utility is confined to the existing 50 foot drainage channel easement. Due to the diminished utility, it is estimated the remaining rights constitute approximately 27% of the bundle of fee ownership rights. These easements reduce the useable area of the subject property and confine it to the southern approximate 73% of the 2.521 acres. It is noted that no improvements can be constructed within these easements. There were no other noted or observed easements, encroachments or other special hazards that might effect the marketability or utility of the subject parent tract. The subject site is similar to other commercial sites found within this market area.

Description of Improvements

The aforementioned subject site is improved with an approximate 30,287 SF office/showroom building. According to the owner, approximately 5,263 SF is warehouse space and the remainder is finished for office use. The interior is largely open area, designed for the use of cubicles. There are few partition offices. Recently leased by a single tenant, the space could easily be divided and utilized by two tenants. Under this scenario, the western space would be 100% office with no warehouse space. The overall condition of the building is considered good. The reader is referred to the photographs accompanying this report for a graphic representation of the improvements.

Zoning

Based on our review of the Town of Addison Zoning Map, the subject whole property is zoned I-1, Industrial 1 District. The subject site is improved with an office/showroom building. It appears that the subject property is a legal conforming use both before and after the proposed acquisition. The City requires and maintains certain building and site requirements in this district, a copy of which has been retained in the file.

Highest and Best Use

The highest and best use is that use which will provide the greatest net return to the owner of the land within applicable physical, legal and financial market acceptance constraints. These criteria are usually considered and tested sequentially; i.e., a use may be financially feasible, but this is irrelevant if it is physically impossible or legally prohibited. Highest and Best Use is defined in *The Appraisal of Real Estate*, 11th Edition, published by the Appraisal Institute as being:

"the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

Physical factors include physical characteristics of the site such as shape, size, topography, ingress and egress. The subject property encompasses 2.521 Acres. The tract has adequate size, shape, ingress and egress. Visibility and exposure is to Centurion Way, a secondary street. All utility services are available in the site. As noted, the northern approximate 27% of the tract is encumbered with four easements which diminish the utility of this portion of the subject whole property/parent tract. The physical influences indicate the remaining 73% of the subject site could support a variety of uses.

The legal limits to Highest and Best Use in this case are determined by the zoning ordinance. As previously discussed, the subject property is designated for industrial uses. Analysis of the physical and legal factors suggest that the highest and best use of the southern 73% of the subject whole property is for industrial/commercial uses. All other uses are eliminated as the legal constraints prohibit such uses. The portion encumbered by easements has little, if any, utility.

An analysis of financial factors would include determining uses which produce a market accepted rate of return based on the risks involved. The area surrounding the subject property is developed as a variety of uses - restaurants, professional offices, office/showroom, etc. There are few vacant tracts available for development. Likewise, there are few vacant industrial zoned tracts of land.

Highest and Best Use Conclusion

The highest and best use of the southern 73% of the whole subject property is for a commercial use, as currently improved. The

The northern portion (27%) has little utility and is currently developed to its highest and best use.

northern portion (27%) has little utility and is currently developed to its highest and best use.

Valuation Approach

Analysis indicates that the existing office/showroom building should not be negatively affected by the proposed acquisition. Since it is necessary to value these affected improvements, three approaches to value were applied.

Based on information supplied and investigations made by Evaluation Associates personnel, it appears that after the completion of the thoroughfare widening and improvement project, there

Mr. Steve Chutchian
February 14, 2002

should be no negative impact on the remainder resulting from the proposed acquisition. Access and visibility should be similar both *before* and *after* the proposed acquisition. The site is not adversely affected by the proposed acquisition. Additional detail and discussion in support of this conclusion can be found in the Analysis and Valuation of the Proposed Acquisition Area section.

The existing office/showroom building should not be negatively affected by the proposed acquisition

Conclusion

Our research has included an investigation of market and neighborhood trends which are believed to influence the value of the subject whole property. Specific attention and consideration was given to the value of the subject property, both *before* and *after* the proposed right of way acquisition area. Based upon our analyses and interpretation of the data, the Market Value of the proposed acquisition area as of February 13, 2002, is estimated to be:

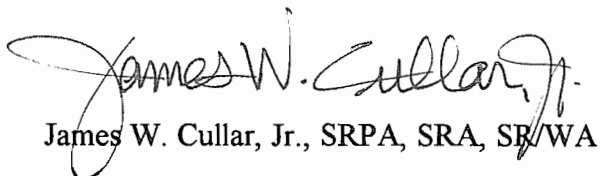
SIXTY TWO THOUSAND THREE HUNDRED EIGHTY ONE DOLLARS
(\$62,381)

The following narrative report sets forth a description of the subject property along with maps, photographs and other exhibits. The report has been prepared in accordance with the Code of Ethics and Professional Conduct promulgated by the Appraisal Institute and the International Right of Way Association. The report is subject to the Assumptions and Limiting Conditions included in the Addendum.

This report was prepared by James W. Cullar, Jr. and Richard N. Baker, both representing the firm Evaluation Associates, and deriving the analysis and value estimate conclusion. The undersigned assumes responsibility for any required testimony.

If you have any questions, please call us.

Respectfully submitted,
EVALUATION ASSOCIATES


James W. Cullar, Jr., SRPA, SRA, SE/WA

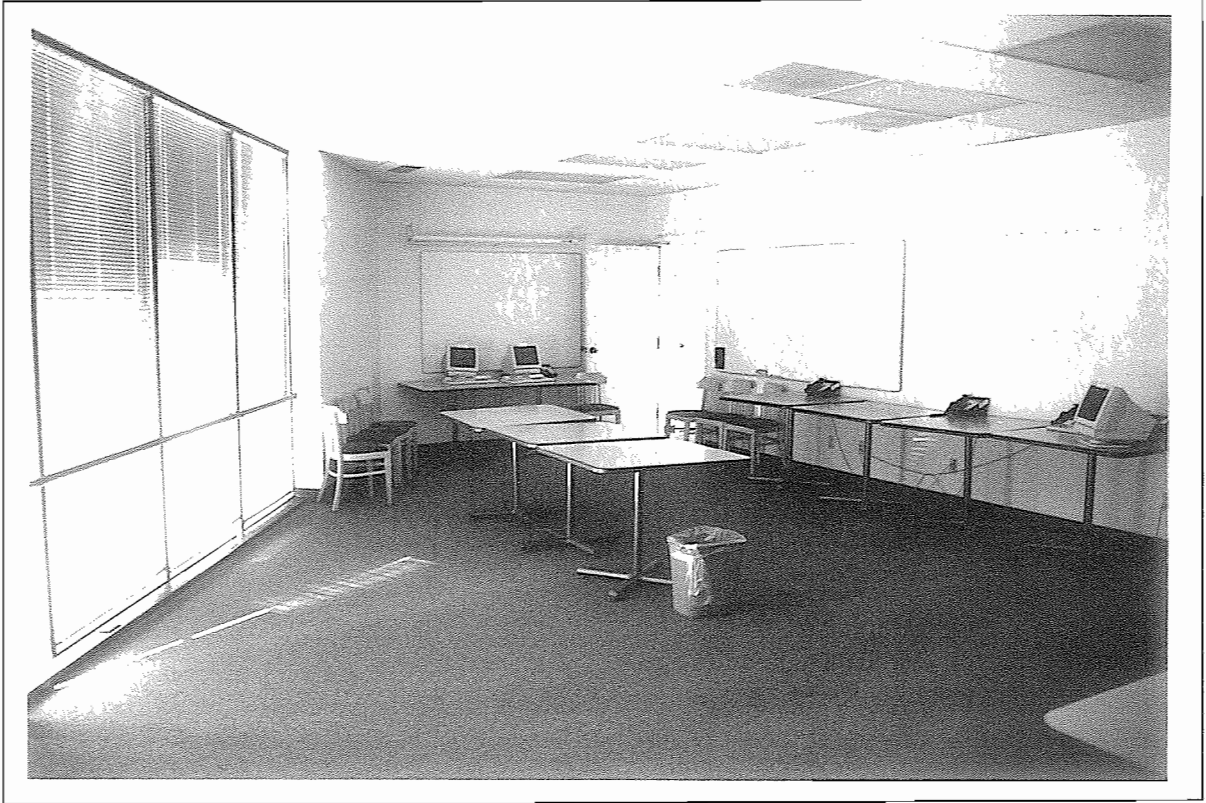
PHOTOGRAPHS OF SUBJECT PROPERTY



Aerial photograph of the subject property



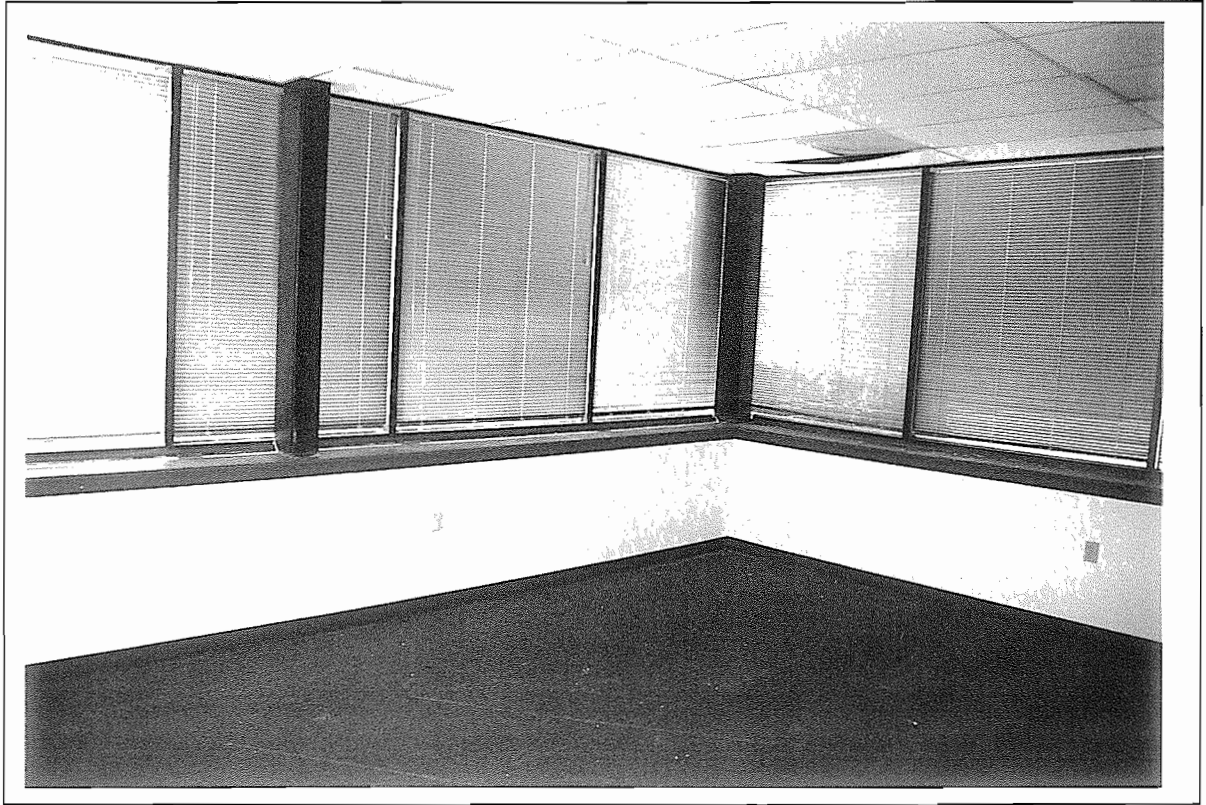
PHOTOGRAPHS OF SUBJECT PROPERTY



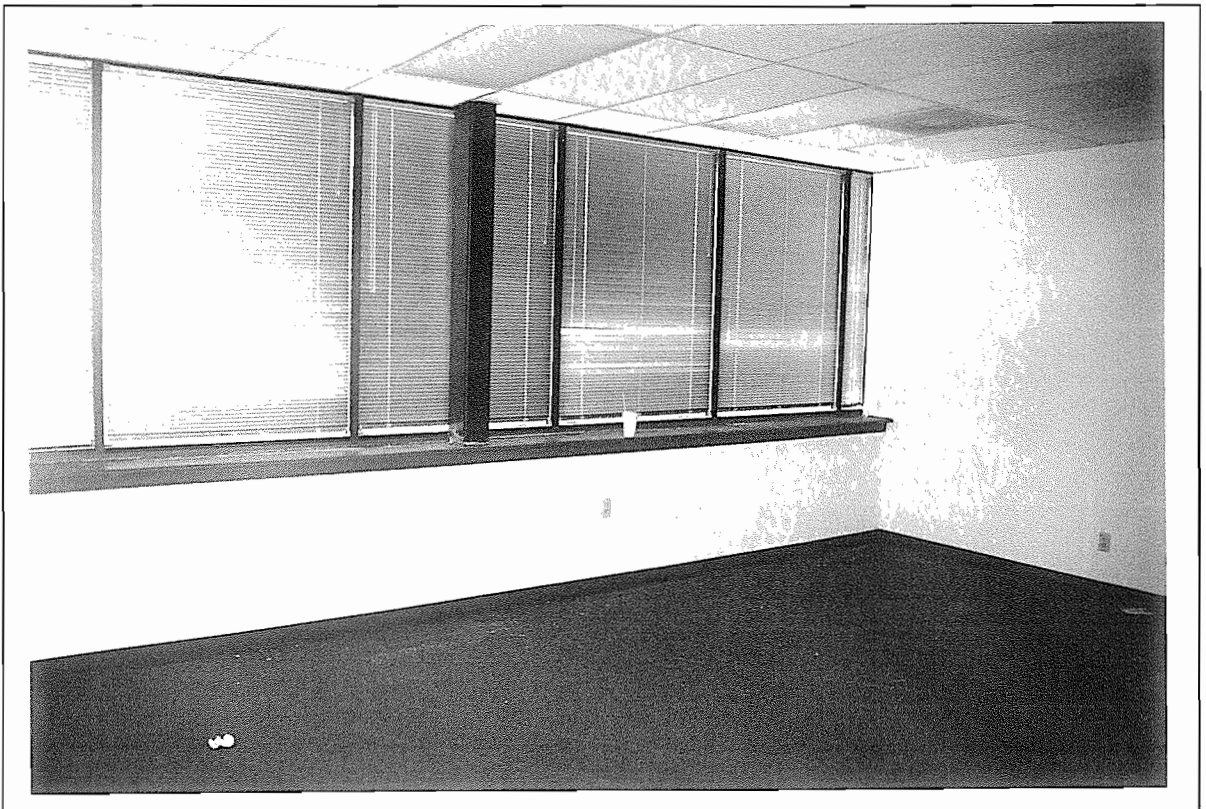
Interior views of the subject property



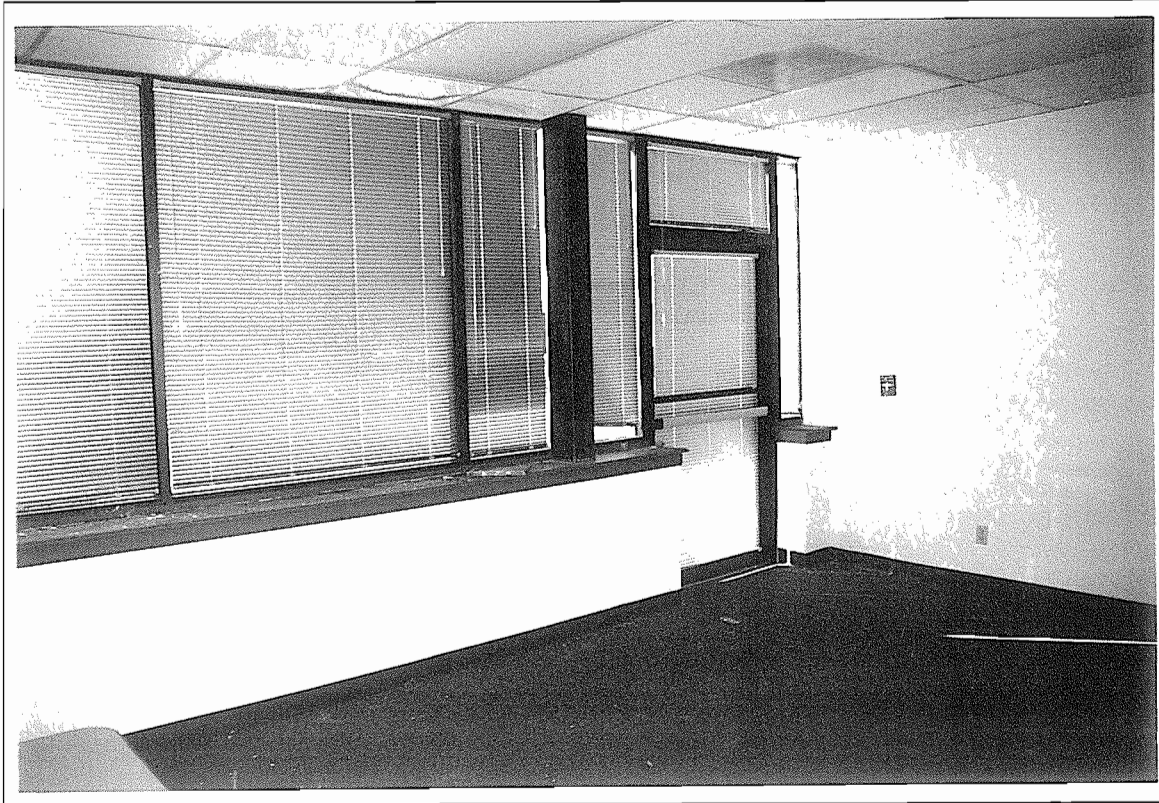
PHOTOGRAPHS OF SUBJECT PROPERTY



Interior views of the subject property



PHOTOGRAPHS OF SUBJECT PROPERTY



Interior views of the subject property



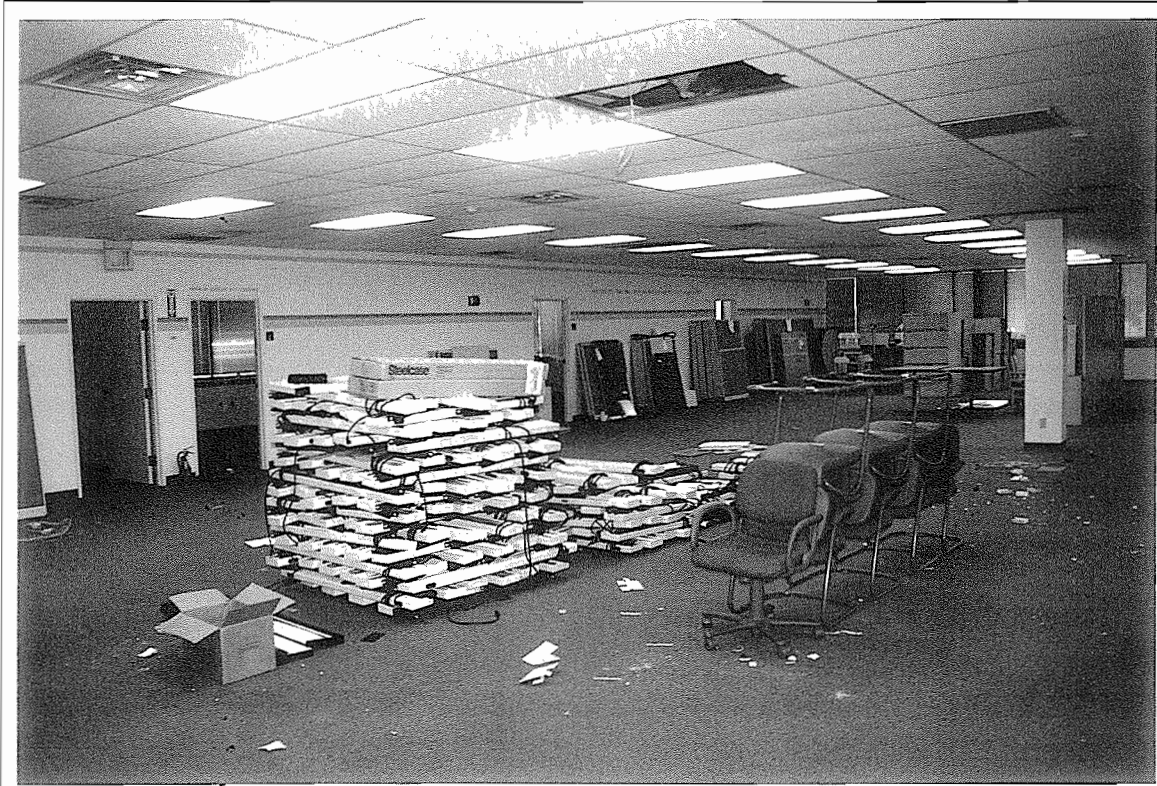
PHOTOGRAPHS OF SUBJECT PROPERTY



Interior views of the subject property



PHOTOGRAPHS OF SUBJECT PROPERTY



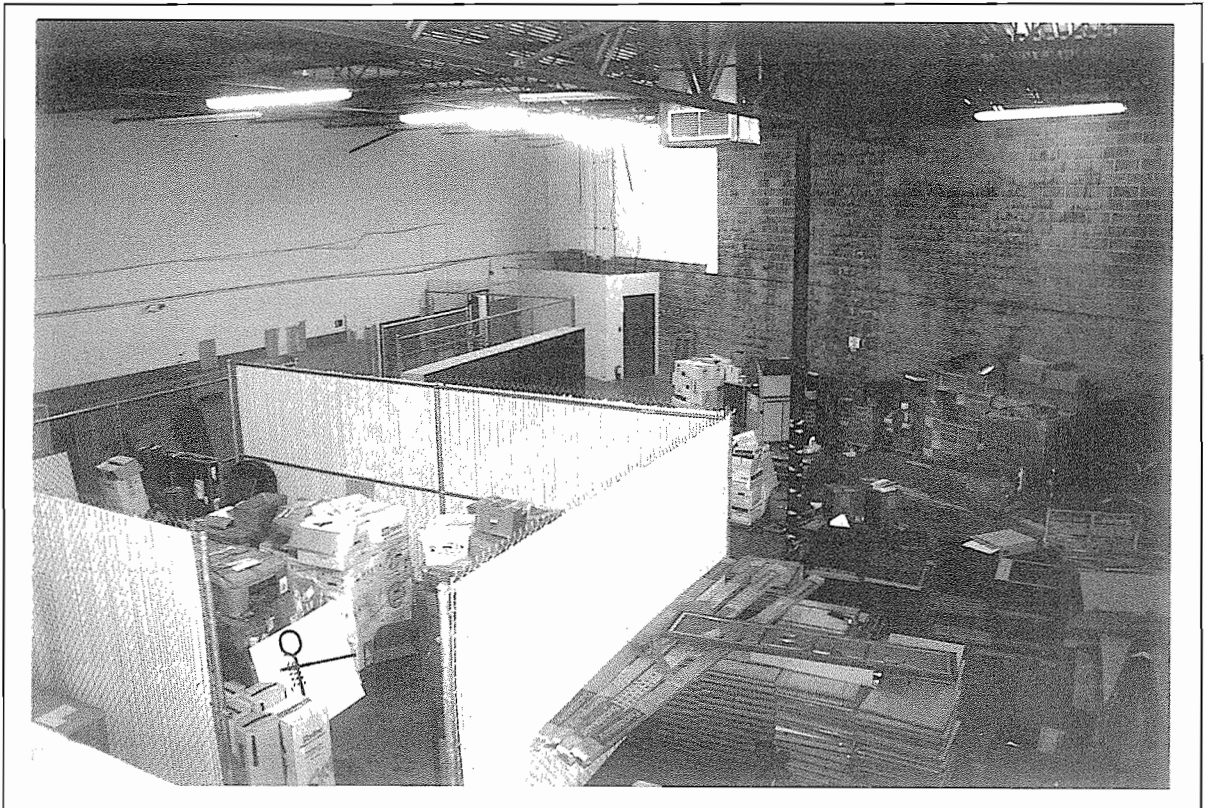
Interior views of the subject property



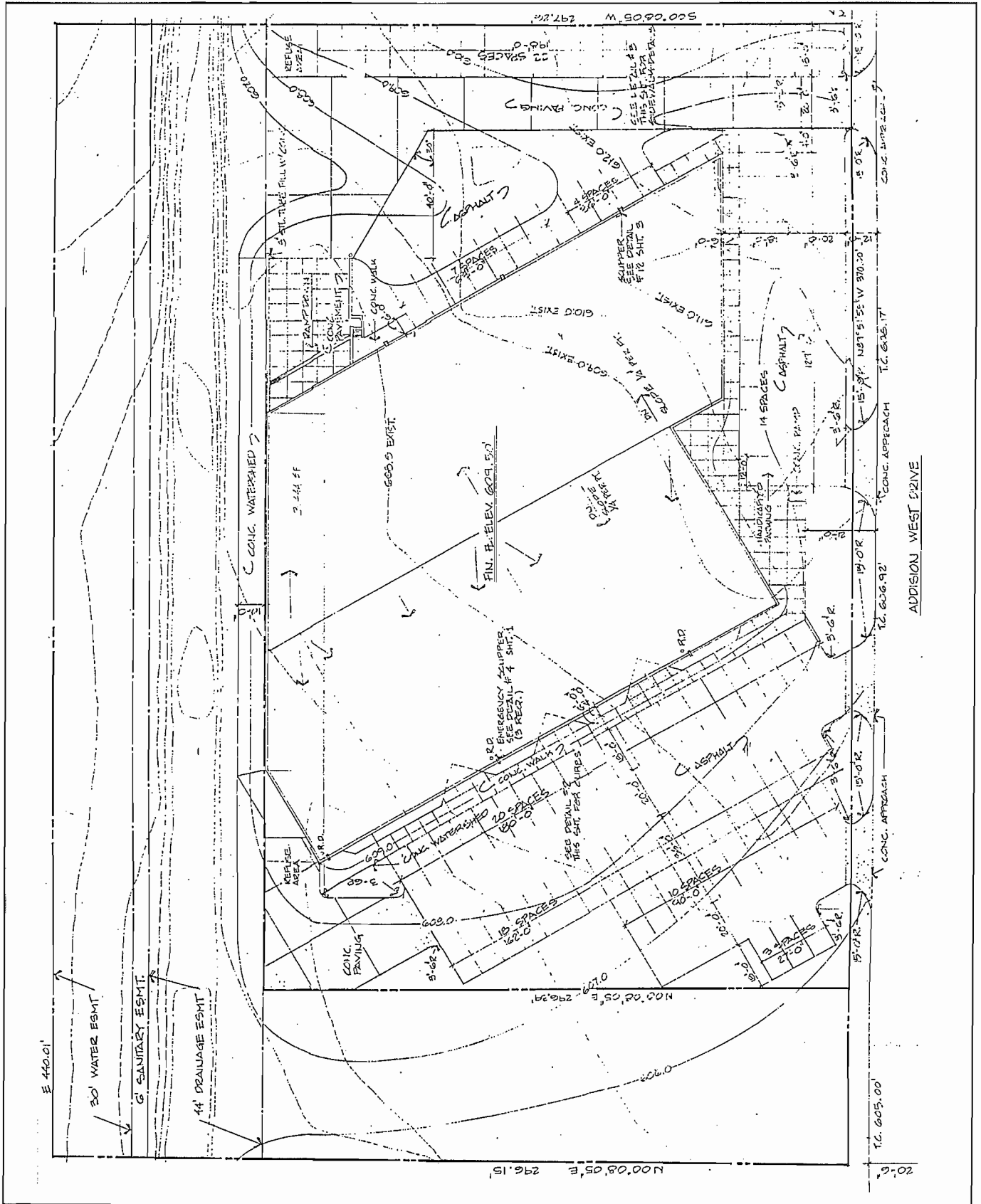
PHOTOGRAPHS OF SUBJECT PROPERTY



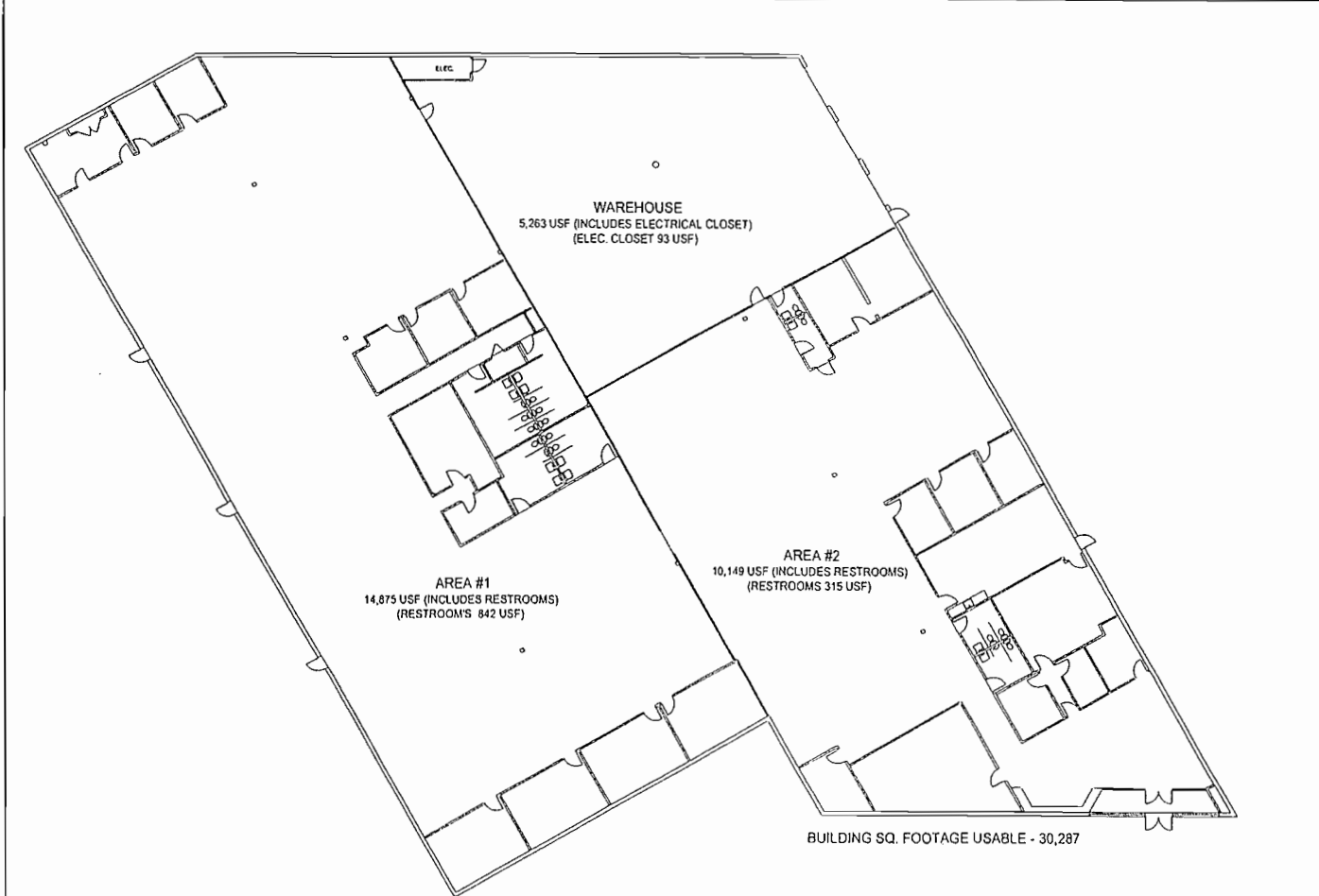
Interior views of the subject property



SITE PLAN



Evaluation Associates



4135 CENTURION WAY
ADDFON, TEXAS



SGDesign, Inc.
3311 Elm Street
Suite 107
Dallas, Texas 75229
714-753-8044
214-753-8041 Fax

PROJECT NO. DRAWING NO.

DATE

SCALE

DESCRIPTION	DATE	SCALE

DATE
06/30/00



FLOOR PLAN
.01

APPRAISAL PROCEDURE

The estimation of Market Value of a property that is being appraised is accomplished by the comparison and analysis of as many techniques as are appropriate. Three approaches are generally used to produce value indications for improved properties while only one (the Sales Comparison Approach) is normally employed in analyzing an unimproved property such as the subject site.

COST APPROACH The value indication by this approach is accomplished by determining the Reproduction (or Replacement) Cost New of the improvements less accrued depreciation from all causes to which the value of the land (estimated by comparison) is added.

SALES COMPARISON APPROACH The comparison of similar properties that have sold in the marketplace is used to produce an indication of value. The comparison may either be direct or indirect by commonly accepted units or elements of comparison.

INCOME APPROACH This approach to value is applicable to properties capable of producing a net income stream. The net income is translated into a value indication through capitalization.

The strengths and weaknesses of each approach employed are weighed in the final analysis. The approach or approaches offering the greatest quantity and quality of supporting data are typically given most consideration and the final value is then correlated.

In this appraisal situation, wherein only the land valuation was required, only the Sales Comparison Approach was employed.

LAND VALUATION

A reliable value indication for the subject land is provided by an analysis and comparison of other tracts that have sold in the marketplace. Many factors influence the price of vacant land. The selected sales are analyzed with respect to real property rights conveyed, financing terms, conditions of sale, market conditions, location and physical characteristics.

- A transaction price is always predicated on the real property interest conveyed. The revenue generating potential of a property can be limited by the terms of existing leases.
- The purchase price can be influenced by financing terms. Non-market financing terms must be considered to determine the cash equivalent price.
- Adjustments for conditions of sale usually reflect the motivations of the buyer(s) and the seller(s). Circumstances such as assemblage sales are considered in this analysis.
- Market conditions sometimes change over time and past sales must be analyzed to determine the direction and velocity of change between the sale date and the appraisal date.
- The analysis of location includes the comparison of trade or market area, proximity and accessibility to major thoroughfares and exposure and accessibility to traffic.
- The analysis of physical characteristics would include zoning, topography, frontage, depth, shape, proximity to public utilities and other factors influencing the utility or use.

COMPETITIVE LAND SALE



Land Sale No. 1

Mapsco # 14-A

Location: N/s of Realty Road, Addison

Grantor: Lincoln Trust Company

Grantee: Osteomed Corporation

Legal Description: Lot 4R, Block 1, Beltline-Marsh Business Park Addition

Date of Sale: April 26, 2001

Volume/Page: 2001082/6116

Site Data:

Size: 4.3625 Acres

Zoning: Industrial

Utilities: All available

Frontage: Along Realty

Shape: Functional

Topography: Level

Easements: None reported detrimental

Improvements: None

Intended Use: Office

Consideration: \$1,000,000 or \$5.26/SF

Financing: All cash to seller

Comments: Site is currently vacant.

COMPETITIVE LAND SALE



Land Sale No. 2

Mapsco # 4-Q

Location: N/s of Sunbelt Drive, east of Westgrove Drive, Addison
Grantor: ECOM
Grantee: Brooke Johnson, Trustee

Legal Description: Tract 15, Block B, Sunbelt Business Park

Date of Sale: November 1, 2000

Volume/Page: 20002213/6508

Site Data:

Size: 3.8426 Acres
Zoning: Commercial
Utilities: All available
Frontage: Sunbelt Drive
Shape: Functional
Topography: Level
Easements: None reported detrimental
Improvements: None
Intended Use: Investment

Consideration: \$753,220 or \$4.50/SF

Financing: All cash to seller

Comments: Property is vacant.

COMPETITIVE LAND SALE



Land Sale No. 3

Mapsc0 # 4-P

Location: NEC of Excel Parkway and Westgrove Drive, Addison

Grantor: Excel Management Service, Inc.

Grantee: FR Development Services, Inc.

Legal Description: Lots 5 and 20, Part of Lots 4 and 21, Block A, Carroll Estates Addition;
Part of Lots 4 and 5, Block B, Carroll Estates Addition

Date of Sale: May 16, 2000

Volume/Page: 200096/2365

Site Data:

Size: 18.742 Acres

Zoning: Commercial

Utilities: All available

Frontage: Excel and Westgrove

Shape: Functional

Topography: Level

Easements: None reported detrimental

Improvements: None

Intended Use: Office/showroom development

Consideration: \$3,567,554 or \$4.37/SF

Financing: All cash to seller

Comments: Property has been improved with office/warehouses.

COMPETITIVE LAND SALE



Land Sale No. 4

Mapsco # 4-P

Location: SEC of Westgrove Drive and Excel Parkway, Addison
Grantor: Stratus Properties Operating Company
Grantee: Jackson-Shaw/Addison Tech, LTD.

Legal Description: Lots 3 and Part of Lot 4, Lots 21 & 22, Block A, Carroll Estates Addition

Date of Sale: October 1, 1999 Volume/Page: 99192/3812

Site Data:

Size: 7.776 Acres
Zoning: PD, Planned Development
Utilities: All available
Frontage: 467 ft on Westgrove; 724 ft on Excel
Shape: Rectangular
Topography: Level
Easements: None reported detrimental
Improvements: None
Intended Use: Proposed Addison Com Center

Consideration: \$1,439,573 or \$4.25/SF

Financing: All cash to seller

Comments: Site acquisition for construction of a tech center.

COMPETITIVE LAND SALE



Land Sale No. 5

Mapsco # 4-P

Location: S/s of Sojourn Drive, approximately. 866 ft. E. of Westgrove Drive, Addison

Grantor: Palmetto Corners LTD

Grantee: Wilcox Sojourn Development, LTD

Legal Description: Lot 1, Block A, Sojourn Plaza Addition

Date of Sale: August 18, 1999

Volume/Page: 99161/3864

Site Data:

Size: 8.128 Acres

Zoning: PD, Planned Development District

Utilities: All available

Frontage: 423 ft on Sojourn

Shape: Rectangular

Topography: Level

Easements: None reported detrimental

Improvements: None

Intended Use: 90,000 SF office building

Consideration: \$1,320,627 or \$3.73/SF

Financing: All cash to seller

Comments: Office building has been constructed on the site.

COMPETITIVE LAND SALE



Land Sale No. 6

Mapsco # 4-B

Location: W/s of Business Avenue, approximately 255 ft N. of Beltline Road, also fronts 34 ft on Beltline Road and 156 ft on E/s of Marsh Lane, Addison

Grantor: Beltline/Marsh JV

Grantee: Budget Suites of America

Legal Description: Part of Beltline-Marsh Addition

Date of Sale: May 13, 1999

Volume/Page: 99093/38

Site Data:

Size: 6.552 Acres

Zoning: I, Industrial District

Utilities: All available

Frontage: 156 ft on Marsh; 250 ft on Business

Shape: Functional

Topography: Level

Easements: None reported detrimental

Improvements: None

Intended Use: Extended stay hotel - 300 units

Consideration: \$2,283,232 or \$8.00/SF

Financing: All cash to seller

Comments: Hotel has been constructed.

Land Sales Map



LAND VALUATION SUMMARY

The subject property is located in Addison. The area is largely developed, thus other competing neighborhoods were researched for sales data. The following sales are very similar to the subject whole property in many respects, however there are some differences. Such differences make it necessary to apply adjustments to the sale properties in order to reconcile the affect of these features on Market Value.

RECAPITULATION OF SALES DATA

Sale No.	Date	Size (Ac)	Zoning	SP/SF
1	4/01	4.3625	I	\$5.26
2	11/00	3.8426	C	\$4.50
3	5/00	18.742	C	\$4.37
4	10/99	7.776	PD	\$4.25
5	8/99	8.128	PD	\$3.73
6	5/99	6.552	I	\$8.00
SUBJECT	2/02	2.521	I-1	----

The above table capsulizes the data presented on the preceding pages. The chart that follows after this section, uses the **sales price per square foot as a unit of comparison**. The sales are analyzed and compared with the subject tract for similarities and differences. The elements considered to be inferior to the subject property are adjusted upward while the superior qualities of the competitive sales are adjusted downward. Adjustments have been based on the appraisers observations of physically and economically oriented differences in each competitive sale. The amount of adjustment is determined by the extent to which the sale varies from the subject property. The adjustment process compensates for the difference between the competitive sale and subject and provides an indication of value for the subject property.

ANALYSIS AND CORRELATION

The preceding summary chart displays six land sales for comparison to the subject whole property/parent tract. A reliable value indication for the subject land is provided by an analysis and comparison to other vacant land that has recently sold in the marketplace. This market derived sales data has been used to abstract and analyze property features that affect sales price. Rights conveyed, financing terms, conditions of sale, location, market conditions and physical characteristics were factors considered to determine which influences price in the subject market area.

Rights Conveyed

The market value fee simple interest in the subject whole property is being sought in this analysis. During the sales verification process, it was determined that there were no existing leases on any of the sale properties, thus indicating that fee simple interest was transferred in each transaction. Therefore, no adjustment is applied to any of the sales for this factor.

Financing Terms

The adjustment for financing considers the effect that seller financing has on the purchase price of a property. Below market interest rates are typically reflected in higher prices per unit. The adjustment for financing is estimated by comparing the financing terms with the terms readily available, as of the sale date, from disinterested parties. All of the sales were reported as cash transactions, thus no adjustment was appropriate for financing terms.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and seller or any unusual concessions by either party to the transaction. The sales were purchased for owner use and/or speculative investment purposes. No adjustment for this factor is applied.

Market Conditions

The sales occurred over an approximate 2 year period prior to the valuation date (February 2002). The sales did provide substantive evidence on which to base a time/market conditions adjustment. A comparison of Sale Nos. 3 and 5 and 4 and 5 indicate some property appreciation. A comparison of Sale Nos. 2 and 3 indicate little in terms of appreciation. Therefore, no adjustment is applied to Sale Nos. 1- 3 as these are recent transaction and there is no indication of property appreciation. Sale Nos. 4 - 6 are adjusted upward to reflect current market conditions.

Location

The influence of location is a composite of numerous attributes such as access, exposure, visibility, quality and consistency of surrounding development, proximity to major roadways and location within the perceived growth pattern as evidenced by existing and planned development.

Sale No. 6 fronts Beltline Road, a major traffic artery. Land uses fronting Beltline are typically those requiring exposure to high traffic counts. Such uses include restaurants, retail and the like. As noted, the subject whole property fronts Centurion Way. This sale location is rated slightly superior to the subject location and a downward adjustment is applied.

The remaining five land sales are located proximate to the subject whole property. Land uses are changing from vacant to office/office showroom and tech center. These five land sales front secondary streets, consequently they are rated similar to the location of the subject property. No location adjustment is made.

Physical Characteristics

The analysis of physical characteristics considers such factors as shape, depth, frontage, zoning, topography and the availability of public utility services. The shape of the subject property is generally rectangular. It has average ingress/egress, and access to the site is considered good. The southern portion of the subject parent tract has adequate depth for commercial development. All of the sale properties compare favorably with the subject with regard to physical features. As indicated, the northern 27% is encumbered by several easements which severely diminish the utility of this area.

Size

The market for real estate is comparable to that for other commodities in that price is sometimes influenced by volume (quantity or scarcity). It can generally be demonstrated that as volume decreases, the price per unit will likely rise. In contrast, unit price typically declines when volume increases. If all other attributes are equal the site may sell for more on a unit basis than a larger one due to reduced holding costs and less risk. However, larger parcels which have potential for various uses, even though additional development and an extended period prior to sale, are adaptable to larger scale intended uses and sometimes sell for a premium. Therefore, in real estate, the aspect of quantity discounting should not be assumed because it is not an economic principle, but rather an inconsistent market reaction. It should be supported by market transactions if available. The subject site contains approximately 2.521 acres. The sales range in size from 3.8

to 18.74 acres. A comparison of the sale properties supports a size adjustment. The following exhibit presents a reconciliation of the adjustment process.

Elements of Comparison	Sale No. 1	Sale No. 2	Sale No. 3	Sale No. 4	Sale No. 5	Sale No. 6
SP/SF	\$5.26	\$4.50	\$4.37	\$4.25	\$3.73	\$8.00
Rights Conveyed	Fee Simple	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple
Financing	Cash	Cash	Cash	Cash	Cash	Cash
Conditions of Sale	Market	Market	Market	Market	Market	Market
Market Conditions	Similar	Similar	Similar	Inferior	Inferior	Inferior
Adjusted Price	\$5.26	\$4.50	\$4.37	\$4.67	\$4.10	\$8.80
Location Physical features	Similar Similar	Similar Similar	Similar Similar	Similar Similar	Similar Similar	Superior Similar
Size	Inferior +10%	Inferior +10%	Inferior +10%	Inferior +10%	Inferior +10%	Inferior +10%
Net Adj.	10%	10%	10%	10%	10%	-40%
Indicated Value	\$5.79	\$4.95	\$4.81	\$5.14	\$4.51	\$5.28

The sale prices ranged from \$3.73/SF to \$8.00/SF before the analysis. After the analysis, the adjusted values ranged between \$4.51/SF and \$5.79/SF. After adjustments were made to the sale properties, this approach produced a relatively narrow range of indicators. In view of these indicators, the Market Value of the subject land is estimated to be:

$$2.521 \text{ Acres} \times 43,560 \text{ SF/Ac} = 109,823 \text{ SF Rd}$$

1. Unencumbered portion of parent tract	80,171 SF x \$5.50/SF x 100%=	\$440,941
2. Existing easement area (27%)	<u>29,652</u> SF x \$5.50/SF x 25% =	<u>\$ 40,771</u>
3. Total	109,823 SF	\$481,712

Rounded to: \$480,000

COST APPROACH

The principle of substitution is basic to the Cost Approach. The principle affirms that a prudent investor would pay no more for a property than the amount for which the site can be acquired and for which improvements that have equal desirability and utility can be constructed without undue delay. An indication of value may be produced by adding the depreciated value of the improvements to the land value estimated by market (direct sales) comparison. The depreciated value of the improvements is determined by first estimating the replacement cost new and subtracting depreciation from all causes, if any.

Cost data in this approach is derived from several sources. The basis for the cost indices utilized in this report are derived from the Marshall Valuation Service manual published by the Marshall & Swift Publication Company. The cost data presented in this manual are based on years of valuation experience, numerous independent appraisals and continual analysis of the costs of new buildings. This publication has been recognized as an authority in the appraisal field for over fifty years. Cost estimates derived from the Marshall Valuation Service are checked, when possible, by a survey of engineers and contractors with experience in like properties. Additionally, the final cost estimate may be revised by this appraiser's experience in valuing similar developments.

In providing complete building cost estimates, an appraiser must consider direct (hard) costs, and indirect (soft) costs. Both types of costs are essential for a reliable replacement cost estimate. In addition, any entrepreneurial profit likely to be realized from the building project must be estimated.

The subject property is a single story office/showroom facility containing approximately 30,287 SF. The building is designed for either single or double tenant occupancy. The 5,263 SF of warehouse space is air conditioned as the remaining portion of the building. There are two dock high doors and one grade level door.

The subject building is most similar to those structures depicted as good, Class C engineering buildings by the *Marshall Valuation Service* manual. The good structures are generally designed with a large amount of divided and finished office space. The buildings are of good code construction with simple ornamentation and finishes.

A review of the *Marshall Valuation Service* manual indicates a cost of \$62.93/SF for good Class C engineering facilities. Applying the current and local multipliers of 1.04 and .92 to this figure

produces cost of \$60.21/SF or **\$1,823,580 (Rd)**. This cost estimate is the final cost to the owner and includes all direct and indirect costs of material, labor and overhead.

Indirect costs such as architect's fees, contractor's overhead and profit, sales tax, permit fees, insurance during construction, and interest on interim construction financing are included in the base cost estimate provided by the *Marshall Valuation Service* manual. Added to this figure is the cost for site improvements which include an asphalt parking lot, security lighting, and landscaping. The estimated cost for these items is based on figures provided by the cost manual and local contractors. The cost estimate for these items totals \$200,000.

The total estimated cost of the buildings and site improvements equates to \$2,023,580. This cost figure is calculated as follows.

Cost of Building	\$1,823,580
Site improvements	<u>\$ 200,000</u>
Total Cost	\$2,023,580

This total direct/indirect cost of \$2,023,580 must be added to an entrepreneurial or developer profit to arrive at the Reproduction Cost New (see page 33 for Cost Approach Summary).

Entrepreneurial Profit

An anticipated profit is often the primary motivation for developing property. The total cost of a project before entrepreneurial profit should be less than the market value of the completed property to reward developers for their risk. This type of profit is generally measured as a percentage of the total direct/indirect reproduction cost of the project. As previously noted, construction activity has been moderate in the subject market area during the past few years. Build to suit, speculative and owner occupied facilities have been constructed during the current market cycle. Therefore, market conditions will support build-to-suit or owner occupied development projects at the current time. On a build-to-suit construction job, developers are currently willing to work competitively and build the project for a minimum profit of 10%. However, it is not expected that a developer would build a project on a speculative basis due to the high degree of risk produced by unfavorable market conditions.

Therefore, a 10% entrepreneurial profit is considered reasonable for the subject project. Applying this 10% rate to the reproduction cost new of \$2,023,580 produces an entrepreneurial profit of \$202,358 (Rd). The total reproduction cost new is calculated as follows:

Direct/Indirect Cost	\$2,023,580
Entrepreneurial Profit	<u>\$ 202,358</u>
Reproduction Cost New	\$2,225,938

ANALYSIS OF DEPRECIATION

Depreciation is a loss in value stemming from diminished utility from all causes. The appraisal profession generally recognizes three forms of accrued depreciation, these being (1) physical depreciation, (2) functional obsolescence and (3) external obsolescence.

The physical deterioration can be divided into two subcategories: curable and incurable. Curable items are those deferred maintenance items that are considered to be in need of immediate repair. The additional utility or value to the property as a result of the improvements would be equal to or greater than the cost to repair the curable items. Deferred maintenance items must be replaced or repaired in order for the property to generate market rent levels. The total physical life of the subject building, based on the quality of construction, the current maintenance level and observed condition the life expectancy is in the 40 years range. When it was new, the estimated life was 40 to 45 years, but as time has passed estimates must reflect observed conditions. While it is possible that the structure could remain standing for even a longer period of time, the improvements will ultimately reach a point beyond which repair and maintenance becomes too costly, without extensive renovation or rehabilitation. As previously noted in the report, the actual age of the subject building is 22 years as recorded in the Dallas County tax office. However, based on the current condition and functional utility of the structure, the facility is estimated to be no more than 35% depreciated from the physical perspective.

Assuming a base physical life of 100%, and that 65% of the structure life remains, as mentioned earlier, the building is about 35% physically depreciated. Therefore, we have utilized a 35% depreciation rate to estimate incurable physical depreciation for the subject property.

This type of depreciation is charged to the Cost New Estimate and is inherent in the structure caused by the age of the foundation, exterior walls and roof system. The depreciation charge is applied as follows:

Cost New	\$2,225,938
X Depreciation Factor	<u>.35</u>
Incurable Physical Depreciation	\$779,078 (Rd)
Total Physical Deterioration	\$779,078

Functional Obsolescence

Functional obsolescence is a loss in value attributable to deficiencies or super-adequacies inherent in the improvements. The measure of obsolescence for a deficiency is the excess cost to cure. If caused by an excess or superadequacy, the measure of obsolescence is the reproduction cost of the superadequacy less physical deterioration already charged plus the cost to cure. To be curable, the necessary cost to cure must not exceed the anticipated increase in value attributable to the cured obsolescence. The overall design and finish-out of the subject property is considered to be similar to most other office/showroom development. A separate category of functional obsolescence has not been calculated.

External Obsolescence

External obsolescence is a measurable loss in value due to detrimental effects from sources other than the subject property. One may observe these factors, but is generally without power to control the situation. Location of a property may represent the greatest contribution to diminished value. The north Dallas County market sector has become more attractive over the past several years. Consequently, office/showroom space with good access to area businesses, attract competitive rents when compared to competitive properties throughout other sectors of the city. Therefore, economic obsolescence is not considered a factor in the case of the subject property.

The total depreciation for the subject property is calculated as follows:

Physical Deterioration	\$779,078
Functional Obsolescence	\$ -0-
External Obsolescence	<u>\$ -0-</u>
Total Depreciation	\$779,078

COST APPROACH SUMMARY

Direct/Indirect Costs

30,287 SF \$1,823,580

Site Improvements

Parking, security lighting, fences and gates \$200,000

Total Estimated Direct/Indirect Costs \$2,023,580

Entrepreneurial Profit @ 10%

Direct/Indirect Costs Rd. \$202,358

Reproduction Cost New

\$2,225,938

Less: Accrued Depreciation

Physical Deterioration \$779,078

Functional Obsolescence \$ -0-

External Obsolescence \$ -0-

Total Accrued Depreciation

(779,078)

Depreciated Cost of Building and Site Improvements

\$1,446,860

Plus: Estimated Land Value

\$480,000

Value Indicated by the Cost Approach

\$1,926,860

Rounded to:

\$1,925,000

SALES COMPARISON APPROACH

The application of this approach produces an estimate of value by comparing the subject with properties which recently sold or which are currently offered for sale in the same or competing areas.

In applying the Sales Comparison approach, the appraiser must complete five steps:

1. Seek out similar properties for which pertinent sales, listings offerings, and/or rental data are available.
2. Ascertain the nature of the conditions of the sale, including the price, terms, motivating forces, and its bona fide nature.
3. Analyze the important attributes of each comparable property in relation to the subject under the general divisions of time, location, and other characteristics, including physical and economic factors.
4. Consider the dissimilarities in the characteristics disclosed in Step 3, in terms of their probable effect on the sale price.
5. Formulate, in light of the comparison thus made, an opinion of the relative value of the subject property as a whole, or where appropriate, by applicable units, compared with each of the similar properties.

The property sales on the following pages are believed to be most recent and comparable to the subject industrial facility and included for analysis and comparison with the subject property.

SALE NO. 1



Location: 4265 Kellway Circle, Addison

Grantor: Greenbriar Corporation

Grantee: Land Advisors, Inc.

Date: 1/9/01

Recording Data: 2001006/5597

Land Area: 1.44 Acres

Gross Building Area: 25,550 SF

Year of Construction: 1984

Construction: Masonry and metal

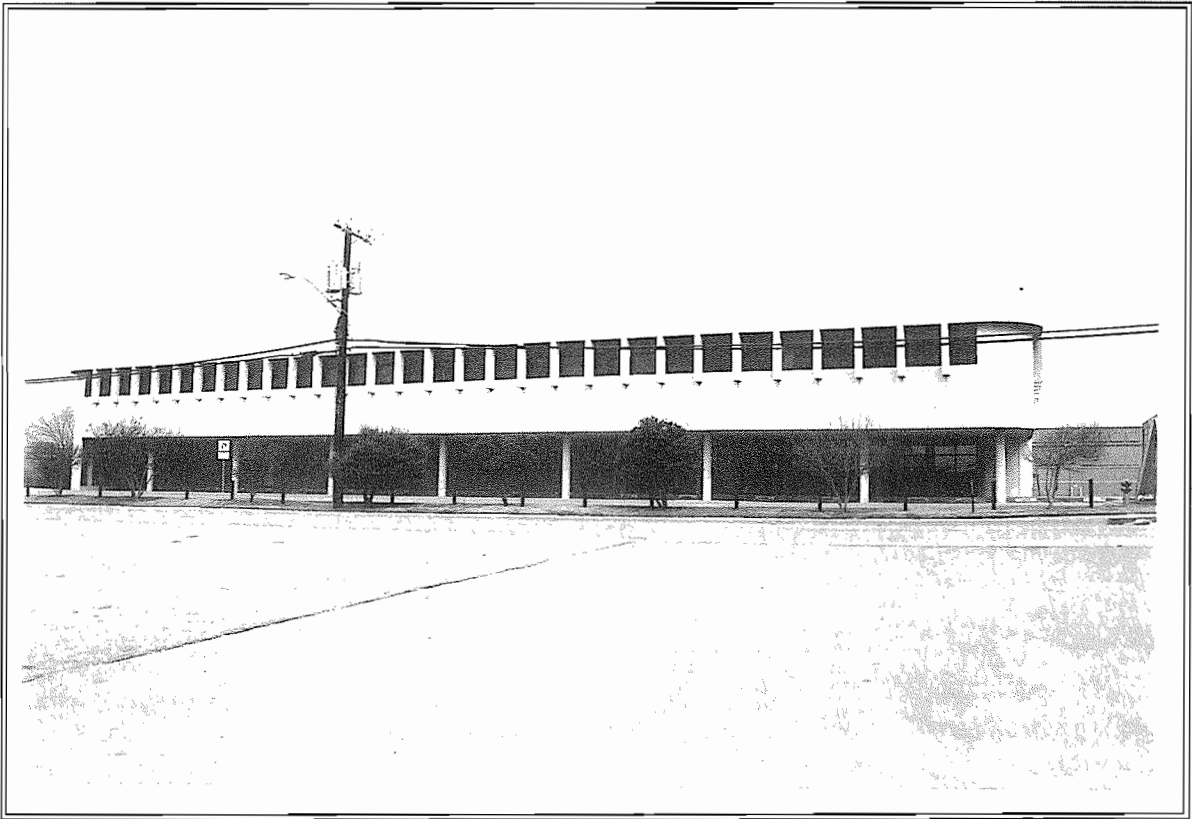
% Office: 85%

Consideration: \$1,500,000 or \$58.71/SF

Financing: \$140,000 equity; Regions Bank financed \$1,360,000

Comments: Owner occupied building, thus no income or expense data to extract financial ratios and multipliers. Attractive building located on a secondary street with some covered parking.

SALE NO. 2



Location: 2535 Manana Drive, Dallas

Grantor: Pleasant Grove Enterprises
Grantee: Felder McLean, LP

Date: 9/10/2001
Recording Data: 2001176/579
Land Area: 1.265 Acres
Gross Building Area: 35,168 SF
Year of Construction: 1985
Construction: Masonry and metal
% Office: 62%
Consideration: \$900,000 or \$25.59/SF
Financing: \$200,000 equity; Graham Mortgage Corp. financed \$700,000

Comments: Single tenant building, thus no income or expense data to extract financial ratios and multipliers. Attractive building located on a secondary street with some covered parking. Fully sprinkled with 1 freight elevator. Currently available for lease on \$7.00/SF NNN

SALE NO. 3



Location: 16650 Excel, Addison

Grantor: Jackson- Shaw/Addison Tech, LP
Grantee: NNN Addison Com Center, LLC

Date: 11/8/2001
Recording Data: 2001219/4775
Land Area: 7.771 Acres
Gross Building Area: 99,300 SF
Year of Construction: 2000
Construction: Masonry and metal
% Office: 90%
Consideration: \$10,823,700 or \$109.00/SF
Financing: \$3,073,700 equity; LaSalle Bank financed \$7,750,000

Comments: Multi tenant building with quoted rental rate of \$14.00/SF, plus a CAM charge of \$2.65/SF.

Listing A



Location: 2251 Chenault Drive, Carrollton (corner of Chenault and Keller Springs)

Broker: Mark Miller and Becky Miller, Robert Lynn Company

Date: 12/5/01

Land Area: 2.19 Acres

Gross Building Area: 44,600 SF

Year of Construction: 1981

Construction: Brick

% Office 27% or 12,200 SF

Consideration: \$2,742,900 or \$61.50/SF

Financing: All cash to seller

Comments: Building is 100% air conditioned.

SALES SUMMARY

Sale No.	Sale Date	Building Size	Overall Price/SF	Rate	GIM
1	1/01	25,550 SF	\$58.71	NA	NA
2	9/01	35,168 SF	\$25.59	NA	NA
3	11/01	99,300 SF	\$109.00	NA	NA
A	12/01	44,600 SF	\$61.50	NA	NA
Subject	2/02	30,287 SF	----	----	----

The preceding table depicts sales of office/showroom facilities located within the Dallas area. Due to the limited number of recent sales in the immediate area of Addison, we expanded our research area to include the surrounding communities. The buildings sold range in size from 25,550 to 99,300 square feet.

The **Selling Price per Square Foot** factor is utilized to estimate the value of the subject property. This method relates the sales price of the project to its size. This method produces a reliable indication of value when properties of similar age, physical characteristics, location, and net incomes per square foot are compared. The **Gross Income Multiplier (GIM)** expresses the relationship (ratio) between sales price (value) and potential gross income. This factor is used to estimate value as a multiple of annual revenue. The GIM method was not utilized in the valuation of the subject property as all of the sale properties were purchased for owner occupancy.

Sales Price per Square Foot Analysis

The improved sales are analyzed and compared with the subject property for similarities and differences with respect to property rights, financing, conditions of sale, market conditions, location, percentage office area, appeal/design, size and land-to-building ratio.

Rights Conveyed

The market value fee simple interest in the subject property is being sought in this analysis. There are existing leases for space on Sale No. 3 and the interest conveyed is leased fee. Wherein the leases were recently executed; there is no significant advantage to lessee or lessor. Sale No. 1 was purchased by an owner occupant and Sale No. 3 was sold by an owner occupant. All of the sale

properties were purchased with similar lease for owner occupancy. Analysis of the sale data fails to indicate an adjustment is warranted.

Financing Terms

The adjustment for financing considers the effect that seller financing has on the purchase price of a property. Below market interest rates are typically reflected in higher prices per unit. The adjustment for financing is estimated by comparing the financing terms with the terms readily available, as of the sale date, from disinterested parties. All of the sales were reported as a cash transaction and require no adjustment.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and seller or any unusual concessions by either party to the transaction. Each of the sales were reported to be arm's length transactions. Therefore, no adjustments are applied to the sales for this factor.

Market Conditions

The sales occurred over an approximate 12 month period prior to the valuation date (February 2002). There have been few office showroom transactions during this time period by which to gauge market value trends in the subject market. An analysis of the sales data does not indicate a decrease or increase in price during the study period due to changing market conditions. Thus no adjustment is applied.

Location

The influence of location in this valuation analysis is a composite of numerous attributes such as access, exposure, visibility, quality and consistency of surrounding development and location within the perceived growth pattern as evidenced by existing and planned development.

The subject property fronts along Centurion Way Drive, a secondary street north of Belt Line Road, a primary thoroughfare in the area. The area is an industrial district of Addison where there has been some new development within recent years. Sale Nos. 1 and 3 are in proximity to the subject property and are considered to be similar in terms of location. No location adjustment is applied. Sale No. 2 is located southwest of the subject property, in an older industrial area of Dallas. This area is comprised of distribution facilities and is generally considered inferior to the subject location. An upward adjustment is applied for locational differences.

Physical Characteristics

Several building features are included as part of this category. These items include appeal/design, size, and land-to-building ratio. As previously described, the subject property consists of 30,287 square feet of space. A majority of the building is office finish and the remainder is warehouse space. This facility is a typical office/showroom property. The defined subject tract indicates a land-to-building ratio of 3.6:1. The physical characteristics of the competitive sales are analyzed in the following discussion.

Design/Appeal - This comparative feature is based on the current condition and appearance of the subject property and each of the sales. Sale No. 3 is a new property and has experienced less depreciation than the subject improvements as well as Sale Nos. 1 and 2. A downward adjustment is applied for these differences. Further, Sale No. 2 has approximately 62% office finish and only the office area is air conditioned. These features are inferior to the subject property and this sale is adjusted upward.

Size - An adjustment for this variable is dictated by buyer preferences in the market. The subject building measures approximately 30,287 square feet in size. The sales range in size from 25,500 square feet to 99,300 square feet. As previously noted in the report, there are a wide variety of industrial and commercial building types and sizes within the subject market area. An analysis of the sale prices indicates that there is no difference in price within the size range of the comparable properties, if all other factors are equal. Therefore, no adjustment is applied for size.

Land-To-Building Ratio - The adjusted land/building ratio for the subject property is 3.6:1. The subject site has adequate space for loading, maneuvering, parking, and vehicle circulation. Each of the sale properties contain enough land area for adequate parking, loading, truck maneuvering, and vehicle circulation, which is similar to the subject site configuration.

The following table presents a summary of the adjustment process with respect to the comparable sales. A discussion of the data and final value estimate is found after the adjustment grid.

Elements of Comparison	1	2	3
Sale Price/SF	\$58.71	\$25.59	\$109.00
Rights Conveyed	Fee	Fee	Leased Fee
Financing	Market	Market	Market
Adjusted Price	\$58.71	\$25.59	\$109.00
Conditions of Sale	Market	Market	Market
Market Conditions	-0-	-0-	-0-
Adjusted Price	\$58.71	\$25.59	\$109.00
Location	-0-	Inferior	-0-
Design/Appeal	-0-	Inferior	Superior
Size	-0-	-0-	-0-
Net Adjustment	0%	70%	-40%
Adjusted Value per Square Foot	\$58.71	\$45.80	\$65.40

In view of these considerations, a value of \$65.00 per square foot is selected for the subject property, computed as follows:

$$30,287 \text{ SF} \times \$65.00/\text{SF} = \$1,968,655$$

Gross Income Multiplier Analysis

The GIM is developed by dividing the sales price by the annual gross income of the property. The GIM is not calculated for the sale properties as all were purchased for owner occupancy.

The Sales Price per Square Foot Method is considered to be representative of the status of the subject property. Thus, an indicated value conclusion of **\$1,970,000** is appropriate.

INCOME APPROACH

The Income Approach is the procedure in appraisal analysis which converts anticipated benefits (dollar income or amenities) to be derived from the ownership of property into a value estimate. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process.

The Income Approach is generally applied in appraising income-producing properties. The quantity, quality and durability of the income stream must be considered in estimating the economic rent of a property.

- Quantity: Comparable rental properties have been gathered from similar properties to indicate a current market rent level.
- Quality: This is a measure of the strength of the tenant(s) that could be expected to occupy the subject property...AAA, regional, local, etc.
- Durability: This is reflected in the vacancy of the area.

The subject property is an office/showroom development. Many competing buildings have been converted to higher percentage office finish (in the 80 to 90 percent range) and are owner occupied. From the owner-occupant perspective, these properties compete with large office rents. To the lessee market, this type space competes at the lower rate of the industrial office/showroom market. Office rates may be slightly elevated over straight office/showroom space, but the market is not consistent on the upside. In the current economy, this subject property will need to compete with good quality office/showroom.

In order to analyze the economic rent for the subject building, a survey was conducted of several other similar facilities. While this study does not include all competitive space, it is useful in determining patterns of occupancy and economic levels of rent. On the following pages is a summary of rent and occupancy levels at other office/showroom facilities in the subject market.

OFFICE SHOWROOM RENTAL NO. 1



Location: 15301 Midway Road, Addison

Property Data:

Size: 45,288 SF
Construction: Aggregate tilt wall
Clear Ceiling Height: 20 feet
% Office: 75 - 90%
Year Built: 1978

Rental Data:

Asking rate: \$9.00- \$10.00
Occupancy: 100%
Comments: Rent lease of 8,000 SF was \$9.75/SF on an industrial gross lease basis.
The space was 90% office. Estimated net rental rate is \$8.00/SF.

OFFICE SHOWROOM RENTAL NO. 2



Location: 3220 Commander Road, Addison

Property Data:

Size: 30,00SF; 11,788 SF available
Construction: Concrete tilt wall
%Office: 90%
Year Built: 1984
Clear ceiling height 10 feet

Rental Data:

Asking rate: \$8.50/SF
Occupancy: 90%

OFFICE SHOWROOM RENTAL NO. 3



Location: 15101 Midway Road, Addison

Property Data:

Size: 52,800 SF
Construction: Concrete tilt wall
%Office: 70 - 85%
Year Built: 1979
Clear ceiling height 24 feet

Rental Data:

Asking rate: \$7.00/SF
Occupancy: 100%

Comments:

Property is adjacent to the subject on the east. The most recent lease was signed in July 2001. The tenant leased 24,000 SF at a rate of \$7.00/SF, triple net.

Rental Map



INCOME APPROACH SUMMARY

The foregoing rent summaries were used to estimate market rent for the subject units and represent the most comparable data available to the appraisers. Each of these properties are classified as office showroom/flex buildings available for commercial or industrial business needs. A summary of the rental data is displayed on the following table.

Analysis and Correlation

Address	Size	Lease Rate	Terms
15301 Midway	8,000 SF	\$9.75/SF	Gross
3220 Commander	11,788 SF	\$8.50/SF	NNN
15101 Midway	24,000 SF	\$7.00/SF	NNN
4139 Centurion Way	30,287 SF	-----	-----

As noted, the appraisers were not provided operating information for the subject property; therefore, it is necessary to develop a hypothetical income and expense statement for the subject property. Mr. Crouch represented the property as being leased on a net basis whereby the tenant is responsible for taxes, utilities, insurance and maintenance.

A survey of several competing properties in the subject market was made to arrive at a market rental estimate for space within the subject facility. Following are those findings. All three competitive properties were given equivalent consideration in deriving the adopted rental rate for the subject property. In the final analysis, No. 3 (adjacent to the subject property) was given more weight. The most recent lease in this building transpired in July 2001 at the rate of \$7.00/SF. With that in mind, a rental rate of \$7.50/SF was selected for the subject property. The subject property has slightly more office space than the compared rental space; hence, the conclusion slightly higher than the neighboring property.

Vacancy and Collection Loss

An allowance for this category recognizes that income shortfalls may occur because of either vacancy and turnover or credit irregularities. The demand for office showroom/flex space is moderate as evidenced by the vacancy rates of the surveyed properties. A vacancy rate of 10% is considered realistic and supportable to account for possible future tenant default and turnover.

The Income Approach is based on the premise that the subject property can be leased/rented, thus generating an income stream. In order to arrive at a net income estimate, the typical expenses incurred must first be deducted.

Management

The subject property must be considered as an investment under prudent management. A charge is made to reflect either the owner's input of time and attention or that of a professional agent. The management expense includes property supervision. It is believed that a prudent owner, if performed his self or herself, would set aside specific funds to account for time and services associated with management of the property. According to various management companies in the Dallas area, the typical management fee can be a fixed amount or based on a percentage of effective gross income. A management expense of 5% of effective gross income, or **\$10,222** (*see page 55 for calculations*) is estimated for the subject property.

Real Estate Taxes

Dallas Central Appraisal District values the subject property, land and improvements. The subject property is located within the taxing jurisdictions of Dallas County, Town of Addison, and the Dallas Independent School District. As noted, the subject property has been leased on a net basis and is being marketed as available on a net basis. A comparison of the assessed value of the subject property was made to determine the fairness. The following table displays the assessed value of the subject property and of other similar properties in the area.

Address	Total Assessed Value	Building SF per Tax records	Assessed Value/SF
15301 Midway Rd	\$1,122,000	25,500	\$44.00
15101 Midway Rd	\$1,600,000	52,800	\$30.30
4125 Centurion Way	\$850,000	16,143	\$52.65
4139 Centurion Way	\$1,189,630	31,306	\$38.00

The preceding analysis indicates the assessed value of the subject property is less than other properties in the area. The average assessed value of the competitive properties is \$42.32/SF. It appears the subject property was re-assessed in for the tax year of 1999. It also appears, based on a review of the assessed values of other properties in the area, the assessed value for the subject property is equitable; however, it is noted the assessed value for the subject property is less than

the value conclusion derived in this appraisal report. The estimated taxes using the DCAD assessed value, total \$29,120 [or assessed value x tax rate = taxes due].

$$(\$1,189,630 \times 0.02448 = 29,120)$$

Insurance

The structures in this area are leased on a net basis with the tenant paying building insurance (not contents). Based on interviews with local insurance agents, the rate for a property like the subject should be approximately \$0.12/SF or \$3,634 annually. As noted, a projected vacancy rate of 10% was estimated. That is, the owner would be responsible for 10% of the insurance cost or \$363 (*see page 55 for calculations*).

Maintenance & Repair

Building maintenance and repair is provided by the owner. This includes sweeping the drives, picking up trash around the property, and developing and implementing an on-going maintenance program which tends to extend the life of the asset. That being the case, a charge of \$0.25/SF or \$7,572 is applied to the operating income of the subject property. As noted, a projected vacancy rate of 10% was estimated. That is, the owner would be responsible for 10% of the maintenance cost or \$757 (*see page 55 for calculations*).

Utilities

Typical public utilities including electric, water, sewer and gas are required for the operation of a office/showroom facility. In addition, trash removal service is necessary. Although typically itemized on an operating statement, these services are combined for this analysis. As noted, the subject property is leased on a net basis and no utility charge is applied, including the brief vacancy.

To summarize, the subject property would be leased on a triple net basis whereby the tenant is responsible for all operating expenses. Therefore during periods where the property is leased, the owner should pay no operating expenses. However, there are periods of vacancy. Currently, market indications are a vacancy rate of 10%. Thus, the owner would be responsible for the estimated operating expenses during the vacancy period and these expenses are projected as follows:

Management 5% of EGI	\$10,222
Real Estate Taxes	\$ 2,912
Insurance	\$ 363
Maintenance & Repair	<u>\$ 757</u>
Total	\$14,254

ANALYSIS OF CAPITALIZATION RATE

The capitalization rate utilized in the Income Approach combines input from the marketplace in conjunction with a review of mortgage/equity positions. Derivation of the overall rate from sales is generally preferred when sufficient data is available from transactions of similar, competitive properties. Two of the sale properties did not provide sufficient data to develop an overall rate. One sale was purchased by an owner occupant and another sale was sold by an owner occupant. As previously explained, the subject neighborhood/property type is recognized as a sophisticated investor market. Many commercial and industrial properties in the area are purchased for specific use by the buyer who have investment (risk-return) criteria which must be met before a purchase is made.

Because most properties are purchased with debt and equity capital, the return on investment component of the overall capitalization rate must satisfy the market return requirements of each investment position. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk or they will not make funds available. Similarly, equity investors must anticipate receiving a competitive equity yield commensurate with the perceived risk or they will divert their investment funds elsewhere.

The technique displayed on the following pages takes into consideration current available mortgage terms and interest rates as well as investor yield requirements. This method also includes a projection period for which the subject property is likely to be held.

The prime rate at the nation's money center banks is reported to be 5.53% reflecting recent efforts to stimulate a decelerating and/or stagnate economy, the rate has been decreased several times during the past year. It is unclear whether Federal Reserve policymakers will continue to add stimulus to the economy. In addition, we contacted regional lenders to establish relevant local practices.

Lending Requirements

Loan-to-value Ratio	75%
Mortgage Interest Rate	9%
Amortization Period	25 years
Call Period	10 years
Mortgage Constant	.00839, monthly payment

In order to estimate the appropriate rate applicable to the equity position, consideration is given to yields on competing investments. Bond yields are often used as a benchmark for interest risk rates on real estate investments. A recent survey published by The Appraisal Institute indicated the yields listed below:

<u>Survey of Bond Yields</u>	<u>As of October, 2001</u>
US Treasury Bonds (1-10 Yr.)	4.57%
Corporate Bonds, Aaa (1-10 Yr.)	7.03%
Corporate Bonds, A-BBB/Baa(1-10 Yr.)	7.91%

The preceding bond survey indicated yields from 4.57% to 7.91%. The yield rate of a real estate investment is regarded as somewhat similar to that which securities attract. It reflects an anticipation on the part of purchasers that cash flows will likely improve as lending interest rates fall or rental levels increase. As previously discussed, the subject competitive market is primarily comprised of locally owned, regional and national businesses who cater a variety of services in the area. Considering current economic conditions, rental rates in the subject market are not anticipated to increase in the near term. Therefore, an equity yield rate significantly above the bond yields best reflects current industrial market conditions in the subject neighborhood. Considering the quantity and quality of the potential rental income on the subject property a 12% return to the equity position is appropriate. This rate is significantly above the yield of the high-grade corporate bonds which are judged to have a lesser degree of risk compared to the subject project. A 12% rate of return is attractive to an investor interested in the purchase of the subject property, considering the risk associated with the investment. The risk factors include modest demand, and minimum appreciation potential which contributes to the illiquidity of the property.

Using the concepts depicted in the preceding analysis, the Band of Investment format is applied to the subject project below. The appropriate factors in the format are derived from the American Institute of Real Estate Appraisers Financial Tables.

BAND OF INVESTMENT FORMAT

1. Mortgage Ratio (75.0%) X Annual Constant (.10007)	=	0.075053
2. Equity Ratio (25.0%) X Equity Yield Rate (.12)	=	0.030000
3. Loan Ratio (75.0%) X Paid Off Loan Ratio (.1726)		
X SFF (.05698)	=	<u>(0.00738)</u>
Basic Rate (r)	=	0.097673
4. + Dep/- App (2.0%) X SFF (.05698)*	=	<u>0.001140</u>
Capitalization Rate (R)	=	0.098813
Rounded to:	=	9.9%

Note: SFF is the Sinking Fund Factor at equity yield rate for projection period. Dep/App is the change in value from depreciation/appreciation during the projection period.

As illustrated above, the Band of Investment technique reflects a capitalization of 9.9% for the subject property. The calculations assume a 75% first mortgage loan, with a 9% interest and 25 year amortization. The equity yield rate is projected at 12% over a ten year holding period for the subject development. Little or no appreciation or depreciation is anticipated for the subject property during the holding period due to the uncertain economic conditions.

Estimation of a capitalization rate using the Band of Investment Technique with typical investor yield requirements and current mortgage interest rates indicates a capitalization rate of approximately 9.9% for the subject improvements. Mortgage markets are subject to fluctuation, and price increases or the rate of inflation can only be estimated. Mortgage rates have decreased throughout the past year and there have been numerous companies which have decreased employment levels. The events of September 11, 2001 have created uncertainty in the market place. At this time, it is not clear what the impact this and subsequent events may have on real estate values.

In the final analysis, the appraisers have capitalized the projected income stream using various rates drawn from market experience. This converts the future benefits of estimated net operating income (from the stabilized operating pro forma) to present value. Rates from these parameters are believed to typify the motivations of buyers and sellers of similar type properties in the marketplace.

The stabilized operating statement for the subject property follows:

CORRELATION AND FINAL ESTIMATE OF VALUE

The value indications produced by the three approaches are summarized as follows:

Cost Approach:	\$1,925,000
Sales Comparison Approach:	\$1,875,000
Income Approach:	\$1,900,000

In the final analysis, the strengths and weaknesses of each approach must be considered and most weight is given to the approach or approaches with the greatest quantity and quality of supporting data.

The **Cost Approach** is most applicable when a property is new or proposed and represents the highest and best use of the site. The approach is also reliable when land values are documented in the marketplace and cost estimates are readily supported. The cost figures provided by the Marshall Valuation Service manual are believed to be accurate and reliable. The date of construction is 1980, and a visible inspection indicates that the subject property does suffer from a minimal amount of physical deterioration which must be estimated. The physical deterioration must be estimated which may adversely affect the reliability of this approach. Another weakness of this approach is the difficulty of estimating the correct amount of entrepreneurial profit. This approach is given the least consideration since it fails to give any consideration to the income-producing capability of a property such as the subject building.

The **Sales Comparison Approach** utilizes recent sales of commercial and industrial buildings in the subject and competing areas as a basis of value by comparison. The unit of comparison analyzed is the selling price per square foot of building area. This approach to value reflects current perceptions in the market. The strength of this approach is that the sales data provides direct evidence of how buyers and users view the current market. The sales occurred within the past 12 months prior to the appraisal date. However, research and analysis of the market indicates that industrial property values have generally remained steady in most nearby geographic areas during this time frame. Therefore, stabilizing market conditions contribute to the reliability of this approach. Since the Sales Comparison Approach does reflect current perceptions of the market, this approach is believed to set forth a valid estimate of value for the subject property.

The **Income Approach** involved the analysis of similar office/showroom/flex leases in the subject market and further utilized an estimated reconstructed operating statement for the subject property. This approach to value is based on the assumption that there is a direct relationship between the net operating income produced by a property and the total value. The rental data utilized in this approach represents the most current information available. The estimated

economic rent for the subject property is believed accurate since the rental data reflects the most recent leases signed for similar properties in the immediate locale. Expense estimates for the subject property are well supported by information obtained from lease properties and market participants. The net operating income was capitalized by an overall capitalization rate. The Mortgage/Equity Format was used to arrive at an appropriate capitalization rate for the subject property. The Income Approach represents the motivations of buyers in the local market because investors are concerned with the income generating ability of a property in the current economic period. Due to this situation and the fact that market rent and expense estimates are well documented and supported from the marketplace, the Income Approach presents a reliable estimate of value for the subject property.

In view of these findings, primary weight is placed on both the Sales Comparison Approach and Income Approach. Therefore, the Market Value of the fee simple interest in the subject property, as of February 13, 2002, is estimated to be:

ONE MILLION NINE HUNDRED THOUSAND DOLLARS

\$1,900,000

Parcel 8
Field Note Description
Arapaho Road Project
Town of Addison
Dallas County, Texas

BEING a description of a 0.6709 acre (29,223 square foot) tract of land situated in the W.H. Witt Survey, Abstract Number 1609, and the David Myers Survey, Abstract Number 923, Town of Addison, Dallas County, Texas, and being a portion of a called 2.5212 acre tract of land conveyed to J. H. Crouch, Jr. and Jo Doris Crouch on August 4, 1997 and recorded in Volume 97153, Page 03266 of the Deed Records of Dallas County, Texas, said called 2.5212 acre tract being all of "Lot 6, Surveyor Addition, Addison West Industrial Park", an addition to the Town of Addison, as evidenced by the plat dated March 29, 1979 and recorded in Volume 79130, Page 2495 of said Deed Records, said 0.6709 acre tract of land being more particularly described by metes and bounds as follows;

BEGINNING at a 1/2 inch iron rod found in the proposed North right of way line of Arapaho Road and the South right of way line of a 100 foot wide railroad right of way as conveyed to Dallas Area Rapid Transit Property Acquisition Corporation (herein referred to as DART) on December 27, 1990 and recorded in Volume 91008, Page 1390 of said Deed Records, said point being the common Northeast corners of said called 2.5212 acre tract and "Lot 6, Surveyor Addition, Addison West Industrial Park", and Northwest corner of a called 3.4654 acre tract of land, 25% interest conveyed by Epina Properties Limited to 15101 Midway Road Partners, LTD. on December 25, 1998 and recorded in Volume 98250, Page 02787 of said Deed Records, 75% interest conveyed by Lehndorff & Babson Property Fund to 15101 Midway Road Partners, LTD. on December 25, 1998 and recorded in Volume 98250, Page 02796 of said Deed Records, said called 3.4654 acre tract being all of the Surveyor Addition, Addison West Industrial Park, an addition to the Town of Addison, as evidenced by the plat dated October 24, 1978 and recorded in Volume 79029, Page 0984 of said Deed Records;

THENCE, SOUTH 00°07'27" WEST (called South 00°08'05" West), departing said lines and along the common East line of said called 2.5212 acre tract and West line of said called 3.4654 acre tract, a distance of 78.96 feet to a 5/8 inch iron rod set in the proposed South right of way line of Arapaho Road;

PARCEL 8 - ARAPAHO ROAD PROJECT

THENCE, NORTH 89°58'49" WEST, departing said common line and along the proposed South right of way line of Arapaho Road, a distance of 370.10 feet to an "X" in concrete set in the common West line of said called 2.5212 acre tract and East line of a called 1.776 acre tract of land conveyed to Michael B. Schiff on August 31, 1982 and recorded in Volume 82172, Page 2888 of said Deed Records, said called 1.776 acre tract of land being all of Intervest Companies Addition, an addition to the Town of Addison, as evidenced by the plat dated October 29, 1982 and recorded in Volume 83017, Page 2268 of said Deed Records;

THENCE, NORTH 00°05'03" EAST (called North 00°08'05" East), departing said line and along the common West line of said called 2.5212 acre tract and East line of said called 1.776 acre tract, a distance of 78.95 feet to a 5/8 inch iron rod set in the proposed North right of way line of Arapaho Road Road and South right of way line of said DART railroad for the common Northwest corner of said called 2.5212 acre tract and Northeast corner of said called 1.776 acre tract, from said point a found 1/2 inch iron rod bears North 00°08'18" East, a distance of 0.24 feet;

THENCE, SOUTH 89°58'49" EAST (Called EAST), departing said common line and along the common North line of said called 2.5212 acre tract, proposed North right of way line of Arapaho Road, and South right of way line of said DART railroad, a distance of 370.15 feet (called 370.00 feet) to the **POINT OF BEGINNING**;

CONTAINING an area of 0.6709 acres or 29,223 square feet of land within the metes recited.

PARCEL 8 - ARAPAHO ROAD PROJECT

All bearings are referenced to the North Right of Way line of Centurion Way, called S 89°51'55" E, according to the final plat of Lot 3, Surveyor Addition, recorded in Vol. 77173, Page 135, Deed Records of Dallas County, Texas.

A plat of even survey date herewith accompanies this description.

I, Ayub R. Sandhu, a Registered Professional Land Surveyor, hereby certify that the legal description hereon and the accompanying plat represent an actual survey made on the ground under my supervision.

Ayub R. Sandhu 11-12-79

Ayub R. Sandhu, R.P.L.S.
Texas Registration No. 2910

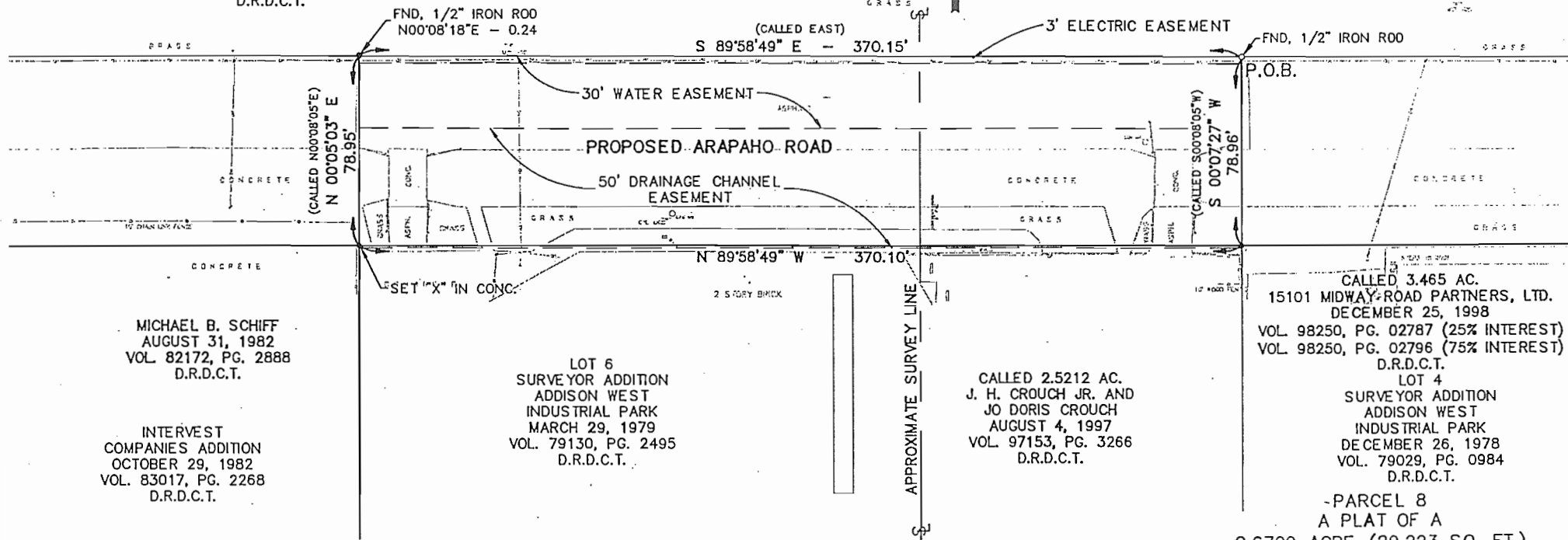


EXHIBIT "B"

DALLAS AREA RAPID TRANSIT
PROPERTY ACQUISITION CORPORATION
(100' R.O.W.)
DECEMBER 27, 1990
VOL. 91008, PG. 1390
D.R.D.C.T.

DAVID MYERS SURVEY
A-923

W.H. WITT SURVEY
A-1609



MICHAEL B. SCHIFF
AUGUST 31, 1982
VOL. 82172, PG. 2888
D.R.D.C.T.

INTERVEST
COMPANIES ADDITION
OCTOBER 29, 1982
VOL. 83017, PG. 2268
D.R.D.C.T.

LOT 6
SURVEYOR ADDITION
ADDISON WEST
INDUSTRIAL PARK
MARCH 29, 1979
VOL. 79130, PG. 2495
D.R.D.C.T.

CALLED 2.5212 AC.
J. H. CROUCH JR. AND
JO DORIS CROUCH
AUGUST 4, 1997
VOL. 97153, PG. 3266
D.R.D.C.T.

CALLED 3.465 AC.
15101 MIDWAY ROAD PARTNERS, LTD.
DECEMBER 25, 1998
VOL. 98250, PG. 02787 (25% INTEREST)
VOL. 98250, PG. 02796 (75% INTEREST)
D.R.D.C.T.

LOT 4
SURVEYOR ADDITION
ADDISON WEST
INDUSTRIAL PARK
DECEMBER 26, 1978
VOL. 79029, PG. 0984
D.R.D.C.T.

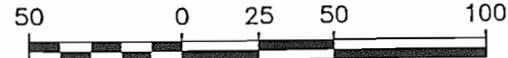
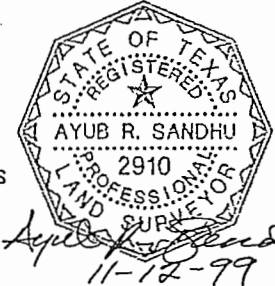
- PARCEL 8
A PLAT OF A
0.6709 ACRE (29,223 SQ. FT.)
TRACT OF LAND
IN THE W.H. WITT SURVEY
ABSTRACT NO. 1609
& DAVID MYERS SURVEY
ABSTRACT NO. 923
TOWN OF ADDISON
DALLAS COUNTY, TEXAS

NOTES:
ALL EASEMENTS SHOWN ARE TAKEN FROM THE PLATS INDICATED
HEREON. THE SURVEYOR DID NOT ABSTRACT THE SUBJECT
PROPERTY SO ALL EASEMENTS MAY NOT BE SHOWN.

ALL BEARINGS ARE REFERENCED TO THE NORTH RIGHT OF WAY
LINE OF CENTURION WAY, CALLED S 89°51'55" E, ACCORDING TO
THE FINAL PLAT OF LOT 3, SURVEYOR ADDITION, RECORDED IN
VOL. 77173, PAGE 135, D.R.D.C.T.

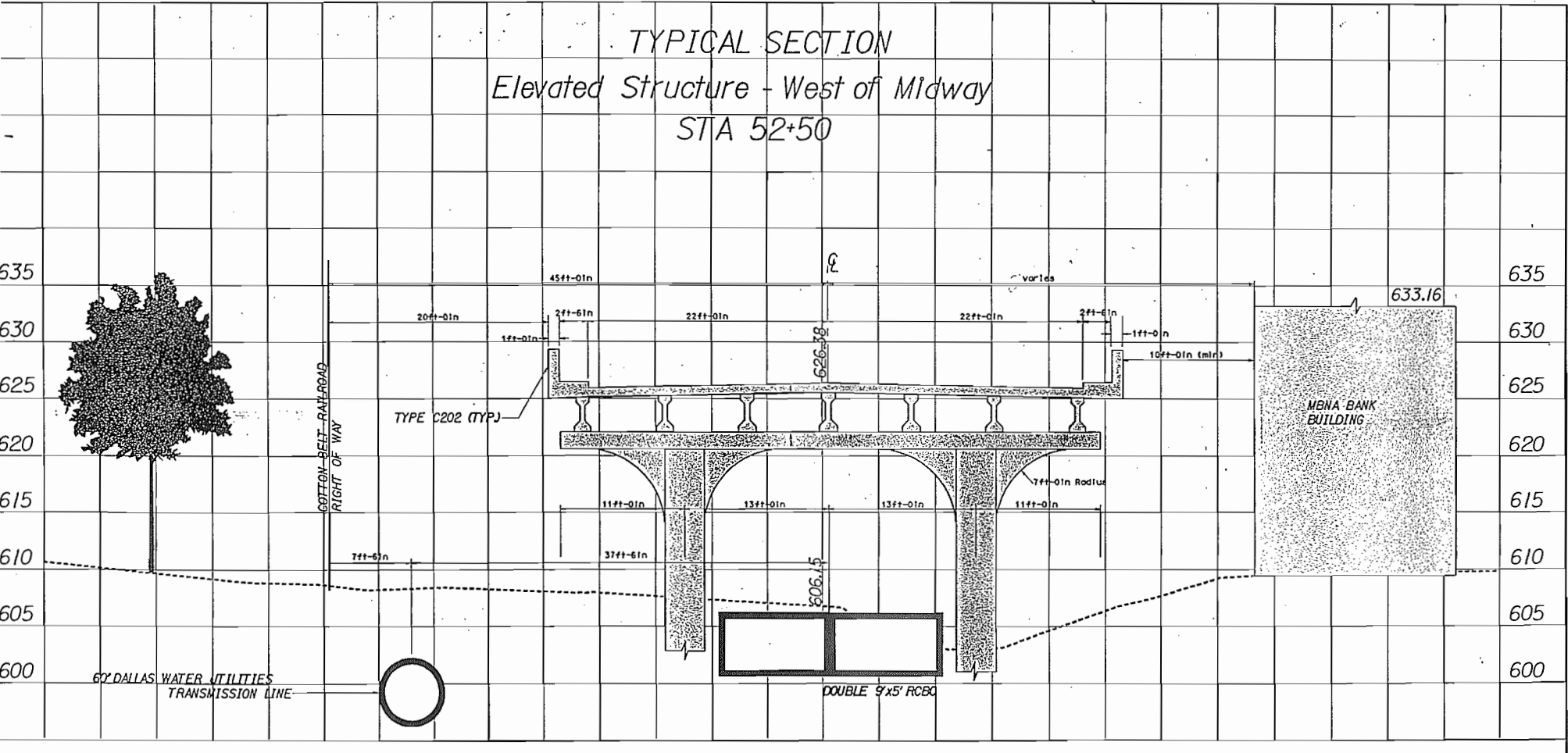
A LEGAL DESCRIPTION OF EVEN SURVEY DATE HERewith
ACCOMPANIES THIS PLAT.

- DENOTES A FOUND POINT AS INDICATED
- DENOTES A 5/8" IRON ROD SET UNLESS OTHERWISE NOTED
- PROPOSED RIGHT OF WAY LINE



GRAPHIC SCALE
1 INCH = 50 FT.

TYPICAL SECTION
 Elevated Structure - West of Midway
 STA 52+50



PHOTOGRAPHS OF SUBJECT PROPERTY



Views of the proposed acquisition area



PHOTOGRAPHS OF SUBJECT PROPERTY



View of the proposed acquisition area

ANALYSIS AND VALUATION OF PROPOSED ACQUISITION AREA

The Proposed Acquisition

According to the attached surveyor's field notes, the proposed acquisition area contains 0.6709 acres (29,223 SF) for the widening and reconstruction of Arapaho Road. The location, dimensions and shape of the proposed acquisition area are shown on the Acquisition Map exhibit page(s). The proposed acquisition area is rectangular in shape and is located at the rear (northern) portion of the subject parent tract. This acquisition will reduce the subject parent tract by approximately 27%. As noted, a 50 foot wide drainage easement extends through the northern portion of the parent tract as does a 30 foot wide water easement and a 3 foot wide electrical easement. The proposed road improvement acquisition overlays (occupies) all of these easement areas. Inspection of these existing easement areas indicates part of the proposed acquisition area has been incorporated into the existing land use. Although surface use (parking) is present, the land area has minimal utility and is in the reduced utility portion of the parent tract. The proposed acquisition consumes the remaining rights within the existing easement area.

Considering the Highest and Best Use of the proposed acquisition area, the standard sequential tests; physically possible, legally permissible, economically feasible, and maximally productive were analyzed. Because of the unique size and shape characteristics of the proposed acquisition area it has no potential for independent utility separate from the parent tract. Therefore, the *highest and best use* of the proposed acquisition area is as a part of the whole parent tract. Review of the accompanying photographs confirms that the proposed acquisition route affects the asphalt parking area located in the proposed acquisition area. The land value is based on \$5.50 SF which is supported by the sales data and analysis presented on the preceding pages of this report.

Landscape

The project sponsors intend to return the existing landscaped areas to an attractive and similarly functional condition as before the road widening. This is being done with the assistance of a landscape consultant reporting to the Town of Addison. Assurances have been made by the Town during the appraisal process that there will be no requirement on the property owner to replace landscape, nor to meet minimum City requirements for new construction. The reasoning is that if the street construction placed the hardship on the property owner, the City will be responsible for mitigation. Therefore, no compensation for landscape has been included.

Therefore, taking all factors into consideration, the value of the proposed acquisition area can be calculated as follows:

Proposed acquisition area located (see Page 28 for derivation of values)		
within the existing easement area	\$29,223 x 5.50/SF x 25%	= \$40,181
(See Item 2 - Page 28)		
<i>plus</i> compensation for improvements in acquisition area:		
Asphalt parking area	11,100 SF x \$2.00/SF	= <u>\$ 22,200</u>
Total compensation		\$62,381

Value of the Remainder Before the Acquisition

The value of the Remainder Before the Acquisition is simply the mathematical difference between the value of the whole property less the value of the Proposed Acquisition Area. Therefore, the value of the Remainder Before the Acquisition can be calculated as follows:

Whole Property Value (Land only)	\$1,900,000
Less: Value of Proposed Acquisition Area	<u>\$ 62,381</u>
Value of the Remainder Before the Acquisition	\$1,837,619

Value of the Remainder After the Acquisition

As noted, the proposed acquisition area will be used for the widening and realignment of Arapaho Road. After the acquisitions, the remaining site will continue to be an interior tract having similar accessibility and increased visibility. The remaining site will have similar highest and best use as before the acquisition.

In developing the analysis of the Remainder Highest and Best Use and estimating the value after the acquisition, several questions were formulated and answered through the combined sources of: analysis of the Right of Way Acquisition Map, the engineering design and construction plans, the Town of Addison Department of Engineering, and consultation with locally knowledgeable consultants. The answers to specific questions, combined with the analysis of the undersigned land rights appraiser, were subsequently applied to market reaction observations and data introduced by the appraiser to finalize remainder impact conclusions. Following are some of the considerations in the valuation of the remainder after the proposed acquisition(Remainder After).

- 1) Will the remainder property comply with zoning regulations?

Yes, according to Ms. Carmen Moran, City Secretary and Director of Planning and Zoning, it appears the remainder site will be a legal conforming use under current zoning regulations as there are no rear or side yard setback requirements under the I-1

zoning district. The new Arapaho Road row line will be 4 feet from the rear of the building and this distance exceeds the zoning setback requirements.

- 2) Will the remainder property have access to new Arapaho Road?

No, at this time it appears Arapaho Road will be a limited access route and no access will be granted to individual properties along the route, nor, would access benefit the subject property. Additionally, the new road is several feet above the grade of the remainder and it is not practical to have access to the roadway from the subject remainder.

- 3) What is the grade of the new Arapaho Road adjacent to the subject property?

Based on available plan and profile design plans, the new road will be approximately seven (7) feet above grade at the western boundary of the subject remainder tract, rising at a grade of 2.88% and is planned to be fifteen (15) feet above the eastern property boundary.

- 4) Are there any direct benefits as a result of this project?

Even though there will be no direct access, the subject remainder property may experience some degree of increased visibility as a result of adjacency to the new Arapaho Road. However, this is not a measurable benefit.

Secondly, it appears the property owner is relived of any maintenance and liability of the existing easement area.

Thirdly, and more importantly, the new elevated roadway being constructed as a bridge behind the subject property building, will effectively provide the opportunity for covered parking. As of the date of this appraisal, a specific site/parking plan has not been provided to the appraisers for consideration in this valuation process. However, it is assumed that a minimum of the same number (approximately 36) spaces will be substituted, as a part of the new road construction. Assuming that an equal or greater number of parking spaces will be provided for the benefit of the subject property under new Arapaho Road, it is assumed there is no loss of parking as a result of the proposed acquisition.

- 5) What is the distance from the new road to the edge of the building?

Based on available engineering plans, the bridge will be approximately ten (10) from the building. That being the case, this evaluation concludes that the proximity of the new road, together with the required setback, does not necessitate the need to remove any

building area to provide a rear yard setback, nor additional setback from the new bridge. Community standards as promulgated through zoning requirements reflect the acceptance of closeness to public thoroughfares and other like kind facilities. Industrial buildings vary in distance to other properties and to roadways, many are in close proximity to one another and to roadways. Market evidence does not support any diminution in value as a result of the subject property being approximately ten (10) feet from the new bridge.

Therefore in the final analysis, the market of the remainder subject property after the acquisition and realignment of Arapaho Road is no less than the value before the acquisition and reconstruction.

RECAPITULATION

A recapitulation of the pertinent values of the whole property, the proposed acquisition area, the remainder before and after the acquisition are depicted below:

A.	Value of the Whole Property		\$1,900,000
B.	<i>less</i> Value of the Proposed Acquisition Area		<u>\$ 62,381</u>
C.	<i>equals</i> Value of the Remainder Before the Acquisition	$(A-B=C)$	\$1,837,619
D.	Value of the Remainder After the Acquisition		\$1,837,619
E.	<i>equals</i> Loss in Value due to the Acquisition	$(C-D=E)$	\$ -0-
F.	<i>equals</i> Total Compensation	$(B+E=F)$	\$ 62,381

AFFIDAVIT AND CERTIFICATE OF VALUE

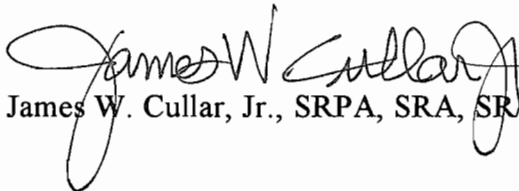
The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. We have personally inspected the subject property.
2. We have no present or contemplated future interest in the real estate that is the subject of our evaluation.
3. We have no personal interest or bias with respect to the subject matter of this evaluation or the parties involved.
4. To the best of our knowledge and belief, we have included only truthful statements of fact in this report; and the analysis, opinions and conclusions expressed herein are true and correct and no pertinent information has knowingly been withheld.
5. The compensation for our professional service is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
6. The analyses, opinions and conclusions in the report are limited only by the assumptions and limiting conditions set forth, and are the personal, unbiased, professional analyses, opinions and conclusions of the appraiser.
7. The development of the herein expressed value opinions have been made in conformity with, and is subject to the requirements of the Uniform Standards of Professional Appraisal Practice adopted by both the Appraisal Institute and the International Right of Way Association and can be supported by internal file inspection.
8. No persons other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.
- 9) This document is hereby communicated to the original client named in the transmittal letter for the privileged use that client and their selected distribution. It is understood that most appraisal products are prepared to be a tool for some financial decision purpose. With this understanding, it should be noted that this report was obtained from Evaluation Associates, who owns the data and the detailed file memorandum, notes, etc., which may consist of *trade*

secrets and commercial or financial information that is privileged and confidential and exempt from disclosure under 5 U.S.C. 552 (b) (4). Therefore, please notify Evaluation Associates of any request of reproduction of this appraisal.

- 10) The act of preparation and submission of this report to the public in the form of the original client, simultaneously makes this report subject to the professional requirements of the Appraisal Institute and the International Right of Way Association regarding review by its duly authorized representatives.
- 11) The Appraisal Institute conducts both mandatory and voluntary programs of continuing education for their designated members depending upon the date of the conferring of the specific professional designation.. Designated members who meet the minimum standards for these programs are awarded periodic educational certification. James W. Cullar, Jr., and Richard N. Baker are currently certified under their respective and applicable programs.
- 12) This Appraisal is classified as Complete in Scope and is presented in Summary Format.
- 13) The market derived value of the proposed acquisition areas as of February 13, 2002 is estimated to be:

SIXTY TWO THOUSAND THREE HUNDRED EIGHTY ONE DOLLARS
(\$62,381)


James W. Cullar, Jr., SRPA, SRA, SRWA


Richard N. Baker, MAI

EVALUATION ASSOCIATES

Right of Way Land Rights Appraisal and Acquisition Solutions

James W. Cullar, Jr., SRPA, SRA, SR/WA Qualifications and Professional Background

EDUCATION

Graduate of North Texas State University, BBA 1967

All courses, demonstration appraisal reports, professional experience, and quality reviews required for the three professional designations awarded from 1969 to current time.

PROFESSIONAL EXPERIENCE

Founder and general manager of Evaluation Associates, a real property consulting and land rights acquisition firm, providing a variety of real property evaluation services for the financial market, public land rights acquiring agencies, and individuals seeking decision making information for mortgage lending, asset review, right of way land rights acquisition and related matters.

Jim Cullar has qualified as an expert witness in county, state and federal courts in Dallas, Tarrant, Collin, Denton, Ellis, Grayson, and Travis Counties.

Prior to founding Evaluation Associates, Jim was a lender and appraiser with a large financial institution; and later the chief appraiser with the Right of Way Division of the Dallas County Department of Public Works. He has been a self employed consultant since 1985. Jim keeps abreast of industry change through reading, continuing education, teaching, forum discussion, and publication.

PROFESSIONAL AFFILIATIONS

The Appraisal Institute SRPA, SRA Member designation

Past President - North Texas Chapter 1995

Member National Board of Directors - 1997 - 1999

National Finance Committee 1998-1999

Chair - Region VIII 1999

International Right of Way Association (IR/WA Region 2)

SR/WA Designation

Certified Instructor of:

Real Estate Appraisal Principles

Income Approach to Valuation

Appraisal of Partial Acquisition

Easement Evaluation

State Certified General Texas Real Estate Appraiser - TX - 1321322 G

EVALUATION ASSOCIATES

Right of Way Land Rights Appraisal and Acquisition Solutions

RICHARD N. BAKER, MAI Qualifications and Professional Background

EDUCATION

Graduate of Texas Tech University • Masters of Business Administration - May 1985.

Graduate of Southern Methodist University • Bachelor of Arts - Bachelor of Business Administration - May 1983

All courses, demonstration appraisal reports, professional experience, and quality reviews required for the MAI professional designation awarded 1996.

RECENT ACCREDITED APPRAISAL COURSES and SEMINARS

Uniform Standards of Professional Appraisal Practice, Part C (December, 2001)

Appraisal of Local Retail Properties (October 2001)

Analyzing Operating Expenses (October 2001)

Highest and Best Use Applications (November 1999)

Standards of Professional Practice, Part C (March 1998)

Dynamics of Office Building Valuation (November 1997)

PROFESSIONAL EXPERIENCE

Appraisal experience includes the analysis and preparation of comprehensive narrative appraisal reports, evaluating a variety of interests in numerous property types including multi-family residential, industrial, office, retail, rural and urban land, special purpose properties, right-of-way land rights acquisition matters, special benefits / enhancement studies, and related consultation issues.

Appraisal work product has been accepted and utilized for mortgage lending, estate tax planning and settlement, property exchange, corporate management decisions, road and thoroughfare improvement assessment programs, and partial acquisition valuation for just compensation analysis by eminent domain acquiring agencies.

PROFESSIONAL DESIGNATIONS and AFFILIATIONS

MAI - The Appraisal Institute #10984

State Certified Real Estate Appraiser-General #1322012-G

Texas Real Estate Salesman - Inactive

APPRAISAL INSTITUTE LEADERSHIP CONTRIBUTION

Candidate Guidance Chair - North Texas Chapter - 1998

Web Site Committee Chair - North Texas Chapter - 2001 - 2002

Regional Representative - Region VIII - 2000 - 2001

Region Representative to National Technology Outreach Committee 1999 - 2001

North Texas Chapter - Member Board of Directors - 2001 - 2003

ADDENDUM

ASSUMPTIONS, LIMITING CONDITIONS & DISCLOSURES

For the purpose of this appraisal, the following assumptions and limiting conditions are made a part thereof:

1. That title to the individual property will be good and marketable and that title is in fee simple under single ownership unless otherwise stated.
2. No responsibility is assumed by the appraiser for matters of legal character. The value is reported without regard to questions of title, boundaries, encumbrances, easements and encroachments. All existing liens and encumbrances have been disregarded, and the property is appraised as though free and clear under responsible ownership and management unless otherwise stated.
3. The valuation is reported in dollars of currency prevailing on the date of the appraisal.
4. If the subject is an improved property, the sketches in this report are approximate and are included, together with the photography, to assist the reader in visualizing the property.
5. All information and comments pertaining to this and other properties represent the combination of facts provided by others and the professional opinion of the appraiser, formed after careful examination and study of the subject property. Hence, the work product of the appraiser is an estimate. While it is believed that the information, estimates and analyses which led to the herein stated estimated value conclusions are correct, and the primary appraiser is prepared to testify as to the applicability of the selected data to the valuation of the subject property, the appraiser does not guarantee any element of the data base. Nor does he assume any financial liability for errors in facts provided by others, analysis or judgement. The client's remedy is referral of a faulty analysis to the Appraisal Institute, the International Right of Way Association, and/or the Texas Appraisal Licensing and Certification Board.
6. This is a financial decision document. It is not a marketing tool. Therefore no part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the professional organizations that designate the appraisers or to the applicable designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication other than the intent of the report as a financial decision tool for the original client.
7. Given adequate preparation notice, the appraiser is prepared to provide testimony and to appear in court by reason of this appraisal, under separate contract, at the request of the original client.
8. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

ASSUMPTIONS, LIMITING CONDITIONS & DISCLOSURES VALUE

9. Also, the value is estimated under the assumption that there will be no international or domestic, political, economic, or military actions that will seriously affect real estate values throughout the country.
10. Real estate values are influenced by a large number of external factors. The analysis included all of the data necessary to form an informed highest and best use and value conclusion. The report does not include all the data necessary to support the value estimate. All pertinent facts have been referenced in this report, but we do not guarantee that we have knowledge of all factors that might influence the value of the subject. Due to rapid changes in the external factors, the value estimate is considered reliable only as of the date of the appraisal and any related testimony..
11. In the event the appraisal is based upon proposed improvements, it is assumed that the improvements will be constructed in substantial conformity with plans and specifications that have been furnished the appraiser, and with good materials and workmanship. It is also assumed that the proposed foundation and construction techniques are adequate for the existing sub-soil conditions.
12. Unless otherwise stated in this report, the existence of environmentally hazardous or damaging material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos or urea-formaldehyde may affect the value of the property. The value estimate is predicted on the assumption that there is no such material on or in the property that would cause such a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client, property owner and/or prospective purchaser is advised to conduct environmental due diligence with regard to the property including having the necessary environmental assessments and/or environmental audits made to determine if any environmental problems related to the subject property exist. If any environmental problems are found which effect the subject property, the value estimate contained in this report is subject to review and may not be valid.
13. The American and Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I (we) have no direct evidence relating to this issue, I (we) did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

DEFINITION OF TERMS

1. Market Value: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller or buyer under conditions whereby:
 - a. buyer and seller are typically motivated;
 - b. both parties are well informed or well advised, and each acting in what they consider their best interest;
 - c. a reasonable time is allowed for exposure in the open market;
 - d. payment is made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

2. Value in Use: The value of an economic good to its owner-user which is based on the productivity (privacies in income, utility or amenity form) of the economic good to a specific individual.

3. Highest and Best Use: The most profitable likely use to which a property can be put. That use of land which may reasonably be expected to produce the greatest net return to land over a period of time. That legal use which will yield to land the highest present value.

4. Abbreviations commonly used in the appraisal of real estate:

SF	=	square feet	RR	=	railroad
/AC	=	per acre	ROW	=	right of way

5. Vehicular traffic artery abbreviations:

St.	=	Street	FM	=	Farm to Market Rd
Ln	=	Lane	US	=	United States Highway
Dr	=	Drive	I	=	Interstate Highway
Rd	=	Road	Frwy	=	Freeway
Pl	=	Place	Expwy	=	Expressway
Pkwy	=	Parkway	Hwy	=	Highway
Ave	=	Avenue	SH	=	State Highway
Blvd	=	Boulevard	N	=	North
Cir	=	Circle	S	=	South
Ct	=	Court	E	=	East
Mt.	=	Mount	W	=	West

MEMORANDUM

TO: Jim Cullar, SRPA, SRA, SR/WA
Richard Baker, MAI

FROM: Gary Crouch, CCIM, CPM

DATE: September 10, 2001

RE: 4139 Centurion Way – Addison, Texas

I sincerely appreciate your interest in hearing my comments about the impact of the proposed Arapaho Road Extension. I am pro-growth and development oriented however, the closeness of the road – within ten feet to 4139 Centurion Way creates a number of concerns. As a recap, I am very concerned with the following issues:

Leasing Prospective

1. No one likes uncertainty, especially prospective tenants. The unknown of potential business disruptions when the construction is so close to the property will have a significant effect on the lease-up timeframe and the rental rates. In fact, some tenants will refuse to consider this property solely on this issue. The delay in lease-up will cause a loss of over \$30,000.00 per month when CAM, tax and insurance are included. The lease-up time which has historically been about six months could easily triple.
2. The ability to continue to attract high credit corporate tenants will be significantly impacted by the aesthetic appeal of being within 10 feet of an estimated 25,000 cars per day traveling at 40 m.p.h. The noise level will dramatically increase along with the danger of objects being thrown or falling from vehicles on the elevated roadway. Significant danger will be apparent to employees in the adjacent parking lots. The prospective list of tenants will decline in credit, size requirements and length of the lease terms.
3. Shorter-term leases than the typical seven to ten year terms will result in more frequent tenant improvement expenses and frequent periods of vacancy.
4. The feasibility to increase the square footage of the building space by as much as 20,000 square feet with a mezzanine level will cease to exist as the obtainable rental rates decline.

Operational Prospective

1. The ability to retain safe, usable parking will be severely impacted.
2. If the property is partially or completely destroyed, the feasibility of building a structure on the existing footprint will be eliminated. Even if the town grandfathers the structure, a prudent developer would not build a structure within ten feet of a major elevated roadway.
3. Insurance rates and the ability to insure a non-conforming property will increase and be more difficult to retain.

4. The ability to retain a tenant after a loss or partial loss of the property would mean the tenant would have to downsize.

Value Prospective

1. Financial Operation
 - a. Rents will decrease
 - b. Lease-up time will increase
 - c. Credit of tenants will decrease
 - d. Size of tenants will decrease
 - e. Lease terms will decrease
 - f. Frequency of tenant improvement will increase
 - g. Frequency of vacancy will increase
2. Asset Value
 - a. Capitalization rates will increase
 - b. Leverage will decrease
 - c. Operational cost will increase
 - d. Collection loss will increase
 - e. Asset value will decrease
 - f. Marketability of a sale of property decreases
3. Due to the size of the property, with credit tenants such as the property has had in the past make the property an excellent institutional property or candidate for a 1031 exchange. However, with the proposed changes this property will be removed from consideration by institutional investors and the majority of 1031 exchange buyers

Image, location and perception create value. In fact, I have attached a recent article from *The Wall Street Journal* that addresses this very issue for your review. I have also enclosed a CD containing a mock up of the overpass and building.

If I may be of further assistance, please do not hesitate to call.

EVALUATION ASSOCIATES

REAL ESTATE ANALYSIS AND CONSULTATION

August 31, 2001

J. H. Crouch and Jo Crouch
5341 Gatesworth Lane
Dallas, Texas 75287-5437

Re: Town of Addison - Arapaho Road Project - Phase II

Dear Mr. and Mrs. Crouch:

As you are probably aware, the Town of Addison proposes to extend Arapaho Road from Addison Road west to Marsh Lane. In earlier meetings and correspondence, you may have been informed that this project will require the acquisition of a portion of your property on Centurion Way. The Town of Addison may have mailed you documents describing the proposed acquisition. The area crosses the north side (back) of your property, behind the building.

Evaluation Associates has been employed by the Town of Addison to assist them in the evaluation of your property for compensation related to the right of way. Part of the process involves a review of many physical and economic factors. As for the property inspection aspect, even though we may be able to view what we need to see from the perimeter, aerial photography, maps and plats of record, we would like to meet with you to discuss the appraisal process, and to consider your perspective. At that time, you are invited to ask any questions you have regarding the appraisal process and issues that will be considered in the appraisal of your property.

Please feel free to forward your questions to jcullar@airmail.net, mail, or fax to (214) 553-1414. In the interim, would you please complete the accompanying questionnaire to provide background information in preparation for the property review?

A self-addressed envelope has been provided for your assistance. Please mail it back as soon as possible, as the information contained may assist us in preparing to meet with you. If you feel that the proposed road project will have any specific impact on your property, please tell us. Everything will be taken into consideration in the appraisal process.

Thank you for your time and assistance.

Evaluation Associates

OWNERSHIP QUESTIONNAIRE and PROPERTY INSPECTION AUTHORIZATION

J. H. Crouch and Jo Crouch
5341 Gatesworth Lane
Dallsa, Texas 75287-5437

RE: Town of Addison - Arapaho Road Project - Phase II

To assist us in contacting you at the most convenient time and place, please complete this questionnaire. We want to explain as much as possible regarding the appraisal process and to hear your viewpoint regarding the impact of the proposed right of way acquisition and the proposed roadway construction on your property. Thank you for your cooperation.

Name of Property Owner: _____

Person completing this form: _____

Have you purchased this property within the past 5 years? Yes _____ No _____

If yes, When and from Whom: _____

Business Hours phone: _____

When is the best time to contact you? _____

Weather permitting we would like to visit your property between 9:00 A.M. and 1:00 P.M. on Monday, September 10, 2001. The preferred alternate date will be the same times on Tuesday, September 11, 2001. You are invited to accompany us, and/or meet with the appraiser on another date.

Do you wish to meet with and accompany the appraiser during the on site inspection of the property?

Yes _____ No _____

Would you like to meet with the appraiser at another time? Yes _____ No _____

List below any additional information you may have that we should be aware of:

