



Valbridge
PROPERTY ADVISORS

Appraisal Report

Club Onyx
10557, 10500 & 10600 Wire Way Drive
Dallas, Dallas County, Texas 75220

Report Date: March 17, 2016



PREPARED FOR:
Centennial Bank
Ms. Danita Webb
719 Harkrider
Conway, Arkansas 72032

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Valbridge Report No.: TX01-16-0124-000



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March 17, 2016

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Ms. Danita Webb
Centennial Bank
719 Harkrider
Conway, Arkansas 72032

RE: Appraisal Report
Club Onyx
10557, 10500 & 10600 Wire Way Drive
Dallas, Dallas County, Texas 75220

Dear Ms. Webb:

In accordance with your request, we have prepared an appraisal of the above-referenced property. The appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinion.

The appraised properties is located in the northwest quadrant of the City of Dallas. The property is identified as Club Onyx, located at 10557, 10500 and 10600 Wire Way Drive in Dallas, Dallas County, Texas 75220. The property is further identified by the Assessor's Parcel Numbers (APN) 006489000B01A0000 (10557 Wire Way), 0064890A000040400 (10500 Wire Way) and 0064890A000040500 (10600 Wire Way). The site encompasses approximately 11.134 acres or 484,989 square feet. The property includes a modern 19,468 square foot nightclub building currently occupied by Club Onyx and the adjacent 6.497 acres of excess land.

We developed analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); the Interagency Appraisal and Evaluation Guidelines; and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the reporting requirements of our client as we understand them.

Centennial Bank is the client in this assignment. The intended user of the appraisal report is Centennial Bank. The intended use is for loan underwriting and-or credit decision purposes. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent on the following extraordinary assumptions and/or hypothetical conditions (if any):

Extraordinary Assumptions:

The appraisers did not receive a survey or environmental site analysis for the property. The appraisal assumes the property is free of environmental contamination.

Hypothetical Conditions:

None.

Based on the analysis contained in the following report, the value conclusion involving the subject property is summarized as follows:

VALUE CONCLUSION

Value Type	Value Premise	Interest Appraised	Effective Date	Indicated Value
Market Value	As Is	Fee Simple	February 29, 2016	\$5,860,000

This value estimate does not include any value for moveable furniture, fixtures and equipment.

This letter of transmittal is not considered valid if separated from this report and represented as a standalone document. The letter must be accompanied by all sections of this report as outlined in the Table of Contents, in order for the value opinions set forth above to be valid. There are a number of factors and methodologies described in the attached narrative report that outline the appraisers' reasoning, analysis, conclusions and explanation necessary for a reader's understanding.

Thank you for consideration of our firm with reference to this appraisal assignment.

Respectfully submitted,
Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc.



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State Certified General
Real Estate Appraiser
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Table of Contents

Cover Page	
Letter of Transmittal	
Table of Contents	i
Summary of Salient Facts	ii
Aerial and Front Views.....	iii
Introduction	1
D/FW Market Area Analysis.....	5
Neighborhood Analysis	11
Site Description	15
Improvements Description	21
Assessment & Tax Data	30
Highest & Best Use.....	31
Appraisal Methodology	34
Land Valuation.....	35
Valuation of the Excess Land (6.497 Acres).....	49
Cost Approach	51
Sales Comparison Approach.....	55
Income Capitalization Approach	78
Reconciliation.....	88
General Assumptions & Limiting Conditions	89
Certification.....	95
Addenda.....	97

Summary of Salient Facts

Property Name:	Club Onyx
Address:	10557, 10500 and 10600 Wire Way Drive, Dallas, Texas 75220
Assessor's Parcel Numbers:	006489000B01A0000 (10557 Wire Way) 0064890A000040400 (10500 Wire Way) 0064890A000040500 (10600 Wire Way)
Property Rights Appraised:	Fee simple estate interest
Zoning:	"IR", Industrial Research. The owner possesses a Sexually Oriented Business License (SOB), Mixed Beverage Late Hours Permit, and Texas Tobacco Products Taxes Permit for Club Onyx located at 10557 Wire Way Drive, Dallas, Texas.
Site Area:	11.134 acres (484,989 square feet) of which 6.497 acres are considered as excess land.
Existing Improvements	
Property Type:	Retail/nightclub
Property Use:	Free-standing nightclub building
Gross Building Area:	19,468 square feet
Rentable Area:	19,468 square feet
Year Built:	Circa 2003
Condition:	Average to Good
Extraordinary Assumptions:	The appraisers did not receive a survey or environmental site analysis for the property. The appraisal assumes the property is free of environmental contamination.
Hypothetical Conditions:	None.
Highest and Best Use	
As Vacant:	Commercial/nightclub, adult cabaret, specialty retail or industrial development as warranted by demand.
As Improved:	Continued use as a nightclub or adult cabaret.
Date of Inspection:	February 29, 2016
Date of Report Preparation:	March 17, 2016

VALUE CONCLUSION

Value Type	Value Premise	Interest Appraised	Effective Date	Indicated Value
Market Value	As Is	Fee Simple	February 29, 2016	\$5,860,000

Aerial and Front Views

AERIAL VIEW



FRONT VIEW



Introduction

Client and Other Intended Users of the Appraisal

The client and intended user in this assignment is Centennial Bank. No other users are intended. Information contained in this report though intended to be sufficient for the needs of the client and intended user, may not be sufficient for the needs of any third party that may try and rely on this analysis for their own decision-making purposes.

Intended Use of the Appraisal

The intended use of this report is for loan underwriting and-or credit decisions by Centennial Bank and/or participants.

Real Estate Identification

The subject property (Club Onyx) is located at 10557 Wire Way Drive and the excess land is located 10500 and 10600 Wire Way Drive in Dallas, Dallas County, Texas 75220. The Dallas County Appraisal District identifies the subject property as Assessor's Parcel Numbers (APN) 006489000B01A0000 (10557 Wire Way), 0064890A000040400 (10500 Wire Way) and 0064890A000040500 (10600 Wire Way).

Legal Description

The property is legally described as:

Lot 1A, Block B/6489, Murdock, Dallas County, Texas (10557 Wire Way Dr., Dallas, Texas)

Lo 4.4, Block A/6489, Lombardy Business Park Replat, Dallas County, Texas (10500 Wire Way Dr., Dallas, Texas)

Part of Lot 4, Block A/6489, Lombardy Business Park Replat, Dallas County, Texas (10600 Wire Way Dr., Dallas, Texas)

Real Property Interest Appraised

The fee simple estate interest of the subject property has been appraised. Personal property, FF&E (furniture, fixtures and equipment) and business value are not part of this appraisal assignment.

Definition of Fee Simple Estate

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

Type and Definition of Value

The following type of value for the subject property was developed.

¹ Appraisal Institute, The Dictionary of Real Estate Appraisal, Fifth Edition, (Chicago: Appraisal Institute, 2010), p. 78.

VALUATION SCENARIOS

Valuation	Completed
"As Is"	Yes
"As Complete"	No
"As Stabilized"	No
"Insurable Value"	No

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:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

Please refer to the Glossary in the Addenda section for further definitions of value type(s) employed in this report.

Effective Dates of Value

The effective date of value is as follows:

Valuation	Effective Date
As Is	February 29, 2016

Date of Report

David H. Thomas, III toured the appraised property on February 29, 2016, the date of our most recent property tour. Paul P. Grafe, MAI, CCIM has reviewed the appraisal report. The date of this report is March 17, 2016, the date indicated on the letter of transmittal. The conclusions are reflective of current market conditions.

² As published in the Federal Register, in accordance with Title XI of the Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), 12 CFR 564.2(f), as adopted August 1990.

Scope of Work

The scope of work outlines all steps completed in the development of the appraisal analysis. This includes, 1) the extent to which the subject property is identified, and the determination of the “problem to be solved,” 2) the extent to which the subject property is toured, 3) the type and extent of data researched; 4) the type and extent of analysis applied and the type of appraisal report prepared. These items are discussed as follows:

Extent to Which the Property and Problem is Identified

The appraisal problem has been identified with the client. The appraisers have not completed any other appraisal assignments related to the subject property in the past three years. The appraisers have completed a number of appraisal assignments related to retail and restaurant properties in the Dallas – Fort Worth MSA; therefore, the appraisers possess the appropriate knowledge and experience to competently complete this assignment.

Extent to Which the Property Is Inspected

The appraisers completed a physical tour of the subject property, made descriptive notes and have taken sufficient photographs to adequately depict the characteristics of the property. The immediate neighborhood and surrounding market area were toured by the appraisers to assist in determining the development characteristics of the market area.

Type and Extent of the Data Researched

The appraisers visited with local real estate brokers, property managers, appraisers and other area real estate market participants. These interviews assisted the appraisers in understanding real estate trends in the subject property general market area along with confirmation of comparable property transactions, listings, and rental rates of similar properties.

Type and Extent of Analysis Applied

The three traditional valuation approaches to include the Cost, Sales Comparison and Income Capitalization Approaches have been utilized to form an opinion of market value in the appraised property.

In the Cost Approach, the value of the site is estimated through the use of the Sales Comparison Approach. The most appropriate unit of comparison is the sales price per gross square feet of land area. The strength of this approach is that if comparable market data is available, it should adequately reflect the attitudes of typical buyers and sellers in the market place. The depreciated market cost new of the improvements and related site improvements have been estimated and added to the estimated value of the underlying site. The logic involved is that no prudent purchaser/investor would pay more for the property than the amount for which the site can be acquired for which the improvements can be constructed.

The Sales Comparison Approach utilizes the comparison of various properties that are considered similar to the appraised property. The most appropriate unit of comparison is the sales price per square foot of building area. The sales price per square foot of building area is directly compared to the comparable sales based on various characteristics which can have an impact on or affect value. The strength of the Sales Comparison Approach is that if comparable market data is available, it should adequately reflect attitudes of typical buyers and sellers in the marketplace.

The Income Capitalization Approach considers the property's ability to generate rental income. In the Income Capitalization Approach, the appraisers analyzed comparable properties which are leased in order to estimate market rent. When the gross potential income is estimated, a deduction for vacancy and collection loss is applied, indicating effective gross income. From effective gross income, operating expenses are deducted, indicating net operating income. Net operating income is capitalized by a market derived overall capitalization rate which is typically reflective of an investor's rate of return.

The indicated values by the three valuation approaches are correlated into a final market value opinion. This valuation assignment recognized the property's "as is" market value.

Type of Appraisal and Report Option

This is an appraisal of real estate prepared in a narrative appraisal report format in accordance with Standards Rule 2-2(a) of the 2015-2016 Uniform Standards of Professional Appraisal Practice (USPAP). Information contained in this report, although intended to be sufficient for the needs of the client, may not be sufficient for the needs of any third party who might try to rely on this analysis for their own decision making purposes. Third parties are advised to seek their own experts and counsel.

Use of Real Estate as of the Effective Date of Value

The subject property was being used as an owner-occupied nightclub (adult cabaret) as of the effective date of appraisal.

Use of Real Estate as of the Date of this Report

Same as above.

Ownership and Sales History

According to Dallas County Appraisal District records, title to the subject property is vested in RCI Holdings Inc. (10557 Wire Way) and RCI Wire Way Inc. (10500 and 10600 Wire Way). The property has been under the same ownership for the past three years. The property was constructed circa 2003 as a nightclub.

The appraised property is not listed for sale or under contract. To the knowledge of the appraisers, there have been no other transactions other than those previously stated in the past three years.

List of Items Requested but Not Provided

Property survey and environmental site analysis.

Extraordinary Assumptions

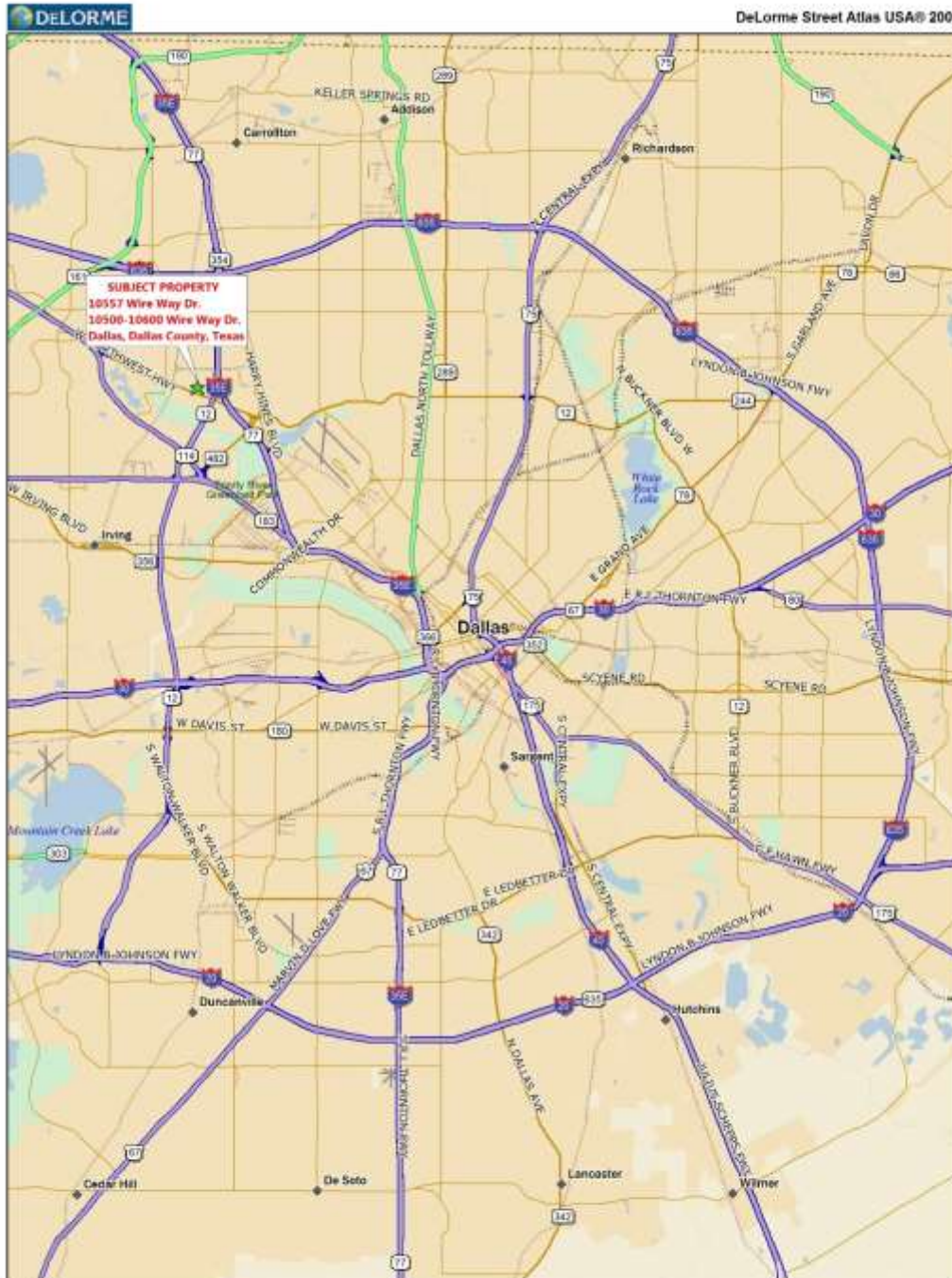
The appraisers did not receive a survey or environmental site analysis for the property. The appraisal assumes the property is free of environmental contamination.

Hypothetical Conditions

None.

D/FW Market Area Analysis

LOCATION MAP



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Overview

The subject is located in the City of Dallas, in Dallas County. It is part of the Dallas/Fort Worth/Arlington MSA. This 2016 Metropolitan Statistical Area is comprised of Collin, Dallas, Delta, Denton, Ellis, Hunt, Johnson, Kaufman, Parker, Rockwell, Tarrant, and Wise counties in Texas.

Population

Population characteristics relative to the MSA and the four most populated counties are presented in the following table.

POPULATION

Population						
Area	Annual % Change			Estimated	Projected	Annual % Change
	2000	2010	2000 - 10	2015	2020	2015 - 20
Texas	20,851,820	25,145,561	1.9%	26,964,627	29,078,165	1.5%
DFW MSA	5,761,057	7,020,482	2.1%	6,888,007	7,448,063	1.6%
Dallas County	2,218,899	2,368,139	0.7%	2,476,360	2,615,063	1.1%
Tarrant County	1,446,813	1,809,034	2.3%	1,923,658	2,063,753	1.4%
Collin County	491,675	782,341	4.8%	877,488	988,337	2.4%
Denton County	432,382	662,614	4.4%	747,349	851,120	2.6%

Source: *Site-to-Do-Business (STDB Online)*

The City of Dallas is the seat of Dallas County, and its 2010 population was 1,197,816. The other cities within Dallas County with a population over 100,000 include; Garland (226,876), Irving (216,290) and Grand Prairie (175,396) and Mesquite (139,824).

The City of Fort Worth is the seat of Tarrant County and had a 2010 population of 741,206, and the only other city in Tarrant County with a population exceeding 100,000 is Arlington (365,438).

The City of McKinney is the seat of Collin County, and its 2010 population was 131,117. The other cities within Collin County with a population over 100,000 include; Plano (259,841) and Frisco (116,989).

The City of Denton is the seat of Denton County, and its 2010 population was 113,383 and the only other city in Denton County with a population exceeding 100,000 is Carrollton (119,097).

Employment

Traditionally, the area's dominant industries include Professional and Business Services, Government, Education and Health Services and Retail Trade, and Wholesale Trade. The greater Dallas area historically has been a service and trade based economy, while the greater Fort Worth area has included higher percentage of manufacturing. The North Texas economy has been strong over the past several years due to the growth of oil and gas drilling using fracking techniques in the Barnett Shale geological formation under much of north Texas. Employment by industry for the MSA is as follows:

Employment By Sector

Category	Percent
Natural Resource, Mining & Construction	5.0%
Manufacturing	7.0%
Trade, Transportation & Utilities	21.0%
Information	3.0%
Financial Activities	9.0%
Professional & Business Services	18.0%
Education & Health Services	12.0%
Leisure & Hospitality	10.0%
Other Services	3.0%
Government	12.0%
<i>Source: Texas Labor Market Review January 2016</i>	100.0%

The largest employers in the Dallas/Fort Worth area are tabulated as follow:

LARGERST EMPLOYERS

Employer	Personnel
Texas Health Resources	21,100
Bank of America	20,000
Dallas Independent School District	19,800
American Airlines	19,219
Baylor Heath Care System	16,850
Lockheed Martin	16,800
JPMorgan Chase	14,500
Texas Instruments	14,000
City of Dallas	13,000
UT Southwest Medical Center	12,100
Fort Worth Independent School District	10,000
Parkland Health & Hospital System	9,442

Source: Texas Dallas Business Journal Book of Lists 12/2013

In addition the preceding employers, there are 38 other employers in the greater area with 2,700 to 9,400 personnel.

Unemployment

The following table exhibits current and past unemployment rates as obtained from the Bureau of Labor Statistics. Overall, the Region boasts one of the lowest unemployment rates for metropolitan statistical areas in the country at 3.7 percent.

Unemployment Rates

Area	2010	2011	2012	2013	2014	2015
Texas	8.0%	7.2%	6.3%	5.6%	4.7%	4.2%
DFW MSA	8.2%	7.8%	6.7%	6.1%	4.0%	3.7%
Dallas County	8.8%	8.4%	7.2%	6.6%	4.3%	3.8%
Tarrant County	8.3%	7.8%	6.6%	6.1%	4.0%	3.7%
Collin County	7.3%	7.0%	6.1%	5.5%	3.6%	3.3%
Denton County	7.3%	6.9%	6.0%	5.6%	3.5%	3.2%

Source: Bureau of Labor Statistics - Seasonally Adjusted Year End

Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA and counties compare favorably to the state median. Only Dallas County has a median income below the state median.

Median Household Income

Area	Estimated	Projected	Annual % Change
	2015	2020	2015 - 20
Texas	\$53,616	\$61,681	2.8%
DFW MSA	\$61,302	\$72,696	3.5%
Dallas County	\$50,489	\$56,428	2.3%
Tarrant County	\$57,883	\$67,794	3.2%
Collin County	\$92,822	\$103,286	2.2%
Denton County	\$79,791	\$89,174	2.3%

Source: Site-to-Do-Business (STDB Online)

D/FW Transportation and Linkages

East-West Interstates 20 and 30, along with North-South Interstates 35 and 45, link the Metroplex with industrial, commercial, and agricultural centers in the nation. Ongoing and recently completed construction projects, such as US-75, Interstate 635, and Loop 190 will have a significant impact on area businesses and residents. Central Expressway is the primary north/south traffic artery through the center of Dallas, and with the recent completion of a \$636 million expansion, it is making Dallas' CBD more attractive to businesses. Currently LBJ Freeway is undergoing a major expansion from US-75 to Luna Road, and this project is targeted for completion by the end of 2015.

Additionally, the "high five" level interchange at Central Expressway and Interstate 635 was completed in 2006, and it is the first five-level interchange in north Texas. Dallas is in the process of the largest light rail construction project underway in North America, with \$3.5 billion of light rail expansion in the works, resulting in DART doubling in size. December 2010 brought 28 additional miles on the Green Line; the Blue Line extension to Rowlett came in 2012; and the Orange Line to DFW Airport arrives in 2015. DART started with 11 miles of light rail in summer 1996 with the Red and Blue lines and covers 13 cities; it's a multimodal system of buses, HOV lanes, and two types of trains; it covers 700 square miles; and cities join DART by dedicating one cent of sales tax to transit. One of the added benefits to the light rail stations are the transit-oriented developments (TOD) that accompany them.

There are some TODs along the new Green Line already, with Baylor, and Citiplace and Mockingbird Station, plus some other things in the works with Deep Ellum and the Hatcher Station. Irving also has plans for the Orange Line. In March 2010 Jack Wierzenski at DART projected there is \$8 billion in private investments either in place, under construction, or in the "vision stages" along DART lines.

Dallas/Fort Worth International Airport is approximately 17 miles from the central business districts of both cities. It is self-supporting with bonds being retired through aircraft landing fees, parking fees, terminal rentals, and other income sources. In 2003, with more than 53.2 million passengers, the D/FW Airport ranked as the sixth busiest airport in the world (www.airports.org) with a forecasted passenger load by the year 2015 of more than 100,000,000. A \$2.7 billion, five-year capital development project has been completed. The centerpiece of the expansion includes a two million square foot international terminal with 23 gates for widebody jets, ticketing counters for 120 agents, and a federal inspection facility. Also included in the capital development plan was an automated people mover and a high-speed train system that link the airport to the DART (Dallas Area Rapid Transit) rail and a new Hyatt Hotel. An additional \$3 billion is budgeted over the next 20 years to expand cargo, passenger, and other facilities. D/FW Airport reportedly (www.dfwairport.com) contributes \$11.2 billion to the local economy and the airport facilitates the employment of 47,000 people. American Airlines is the largest employer at D/FW Airport with approximately 60% of the total passenger traffic load, and their international passenger traffic has increased 168% since 1995. American Airlines was recently purchased by U.S Airways, but the new combined company will operate as American Airlines.

In addition to D/FW Airport, there are two ancillary airports in the area. Alliance Airport, north of Fort Worth, is the nation's first major airport devoted strictly to commercial use. Alliance is approximately 15 miles north of the Fort Worth central business district and 15 miles northwest of the D/FW Airport. This area continues to grow as an industrial node for manufacturing and distribution.

The other major airport, Love Field, is 5 miles north of downtown Dallas. Love Field was at one time Dallas' primary airport, but Southwest Airlines, American Airlines and Delta are the only commercial airlines currently operating there now. Flights out of Love had been limited to adjoining states by the Wright Amendment, which was phased out in October 2014. In 2015, long haul flights resumed at Love Field.

Fort Worth is known for manufacturing, while Dallas' reputation is centered more on finance, high tech, telecommunications, and trade. The Fort Worth economic base is a diversified blend of aerospace industry, high-technology research and development, corporate management, manufacturing, and commercial activities. Fort Worth has more than 120 industrial parks and 15,800 acres zoned for industrial use within a 10-mile radius of downtown.

As a major financial center, Dallas is home to both the 11th district of the Federal Reserve Bank and the 9th district of the Federal Home Loan Bank. Two of the largest commercial banks in Texas (Bank of America and Chase) are in the Metroplex.

D/FW Manufacturing

Prominent manufacturers include Raytheon, Texas Instruments (TI), Loral/Vought's aircraft plant in Grand Prairie, General Motor's assembly plant in Arlington, Lockheed Martin's plant in Fort Worth, and Bell Helicopter's facilities throughout Tarrant County. Recently Raytheon Company inked a subcontract deal with BEA Systems worth up to \$70 million to develop hit avoidance technology for the Army's Future Combat System program. Raytheon's McKinney-based Network Centric Systems will do the bulk of the work under the three-phase agreement. The first phase is worth \$10 million, Raytheon was quoted to have said in the Dallas Business Journal.

Toyota North America has recently moved from California to Plano, north of Dallas. This move will include 4,000 jobs to Plano, and the average salary will be in the six figures. Toyota North America received \$40,000,000 in tax incentives from the state of Texas and additional incentives from the City of Plano are anticipated.

D/FW Wholesale Trade

Dallas is a major wholesale trade center largely by virtue of the world's largest wholesale trade complex, The Dallas Market Center. This district, located northwest of downtown Dallas, is composed of eight major facilities totaling 9.2 million square feet on a 150-acre site. Its facilities make Dallas one of the largest trade show centers, attracting 600,000 buyers annually and accounting for more than \$7 billion in annual wholesales.

D/FW Service Sector

Over the past 10 years the service sector, as a percentage of the total D/FW economy, has been growing due to the presence of many high-tech service companies. Legal services continue at an even pace. Transportation activity is mixed. Accounting and consulting services employment is up and temporary staffing service is improving.

Conclusions

In conclusion, the secondary market (Dallas/Fort Worth Metroplex) has grown relatively steadily because of a strong diversified economic base, corporate relocations, and the growth of the high-tech and telecommunications industries. However, the national economic slump in 2008 cooled growth. That aside, business expansions and relocations have increased since 2009 and are forecast to continue to strengthen the Metroplex economy. Most economic prognosticators agree that unemployment in Dallas topped out and new jobs are forecasted to be added to offset the 31,627 jobs lost in 2009, and this reversal appears to be coming to fruition as job growth in north Texas has been robust in the past several years.

Overview

The appraised property is located along the north side of Northwest Highway in the northwest sector of the City of Dallas. The location is approximately 8.7 miles northwest of the central business district of Dallas. The appraised property has frontage along the west and east sides of Wire Way Drive. Wire Way Drive extends north from Lombardy Lane to Manana Drive.

Neighborhood Location and Boundaries

General neighborhood boundaries include I-35 to the east, State Highway 114 to the south, President George Bush Turnpike (toll road) to the northwest and I-635 (LBJ Freeway) to the north. The subject neighborhood is bisected by Royal Lane in an east to west direction and Luna Road and Riverside Drive in a north to south direction. Northwest Highway intersects with John W. Carpenter Freeway (SH 114) in the west sector of the neighborhood. Northwest Highway intersects with Walten Walker Blvd. and I-35 E in the southeast sector of the neighborhood. I-35 is the primary interstate highway in the Dallas market area which extends north to Denton, Texas and to Oklahoma City and south to Waco and Austin.

Transportation Routes

Major travel and commuter routes within the market area include I-35, Northwest Highway, LBJ Freeway, and President George Bush Turnpike (toll road). I-35 is a main north/south traffic artery connecting the City of Dallas with Denton to the north. The President George Bush Turnpike extends south from I-35 along the west boundary of the Cities of Dallas, Irving, Grand Prairie terminating at I-20. Northwest Highway extends northwest from I-35 to merge with SH 114. I-635 extends west from SH 121 across the north sector of Dallas to U.S. Highway 75 in the north central sector of Dallas and further east along the easternmost boundaries of the City of Dallas. In the southeast sector of the neighborhood, Northwest Highway is a two-way, four-way commercial road extending northwest from IH-35 to merge with SH 114. Access to the appraised property from Northwest Highway is via Lombardy Lane to Wire Way Drive. Wire Way extends north from Lombardy Lane and Wire Way are two-land, two-way neighborhood streets. Wire Way extends north from Lombardy Lane to Manana Drive. Manana Drive extends east from Spangler Road beneath I-35 and further east to Harry Hines Blvd. The appraised property neighborhood is bisected by neighborhood streets, state highways, and interstate highways connecting the appraised property neighborhood with the central business district and suburban areas of Dallas County.

Demographics

The table on the following page depicts the area demographics in San Antonio within a 1, 3, and 5 mile radius from the subject.

DEMOGRAPHIC TRENDS*

Description	1-Mile Radius	3-Mile Radius	5-Mile Radius
Population			
2000	508	73,939	216,101
2010	660	71,160	224,724
2015	715	74,607	234,243
2020 Projection	778	78,570	246,897
2010-2015 Annual Rate	1.54%	0.91%	0.79%
2015-2020 Annual Rate	1.70%	1.04%	1.06%
Households			
2000	249	22,976	76,440
2010	350	25,056	81,760
2015	379	26,623	85,119
2020 Projection	412	28,157	89,875
2010-2015 Annual Rate	1.53%	1.16%	0.77%
2015-2020 Annual Rate	1.68%	1.13%	1.09%
2015 Median Age	30.3	30.0	32.5
2015 Avg. Household Size (persons)	1.89	2.79	2.74
Household Income (Year 2015)			
Median HH Income	\$25,235	\$44,406	\$51,194
Average HH Income	\$36,441	\$68,251	\$78,816
Est. Per Capita Inc.	\$15,010	\$24,390	\$28,690

* Per Site to Do Business. (March 8, 2016)

For the purpose of the appraisal, the five-mile radius has been analyzed. According to the 2010 Census, the population within a five-mile radius of the appraised property was 224,724. The 2015 population was estimated at 234,243. The 2020-projected population is 246,897, indicating an annual growth rate of 0.79% between 2010 and 2015. The average household is 2.74 persons indicating an estimated 85,119 households in 2015. The projection for 2020 is 89,875. The annual household growth rate between 2010 and 2015 was 0.77%. The median age is 32.5. According to the chart, the median household income is estimated at \$51,194 with an average household income of \$78,816. The estimated per capita income is \$28,690.

Neighborhood Land Use

The subject neighborhood is located in an area with industrial, nightclub, retail, restaurant, office and residential land uses. The central portion of the neighborhood is bisected by the Trinity River and tributaries which is flood prone and limits development. An approximate breakdown of the development in the area is as follows.

LAND USES

Use	Percent
Built up:	70.0%
Residential:	10.0%
Retail:	20.0%
Office:	10.0%
Industrial:	30.0%
Vacant:	30.0%

The immediate market is area is developed with established industrial and neighborhood retail development. The newer residential and multi-family development is located in proximity to the intersection of I-635 and President George Bush Turnpike in the west/northwest sector of the neighborhood.

Conclusion

In summary, the subject property is located at 10557, 10500 & 10600 Wire Way Drive. The property is located within the northwest sector of Dallas between I-35 and George Bush Turnpike. Access to the property from northbound Northwest Highway is via Lombardy Lane and Wire Way Drive. The property has an access point along the north line along Northwest Highway. The market area is mixed in character with industrial, retail, office and residential uses. There is limited vacant commercial land in the immediate area that is outside the flood hazard and developable. The economic outlook for this area is considered stable.

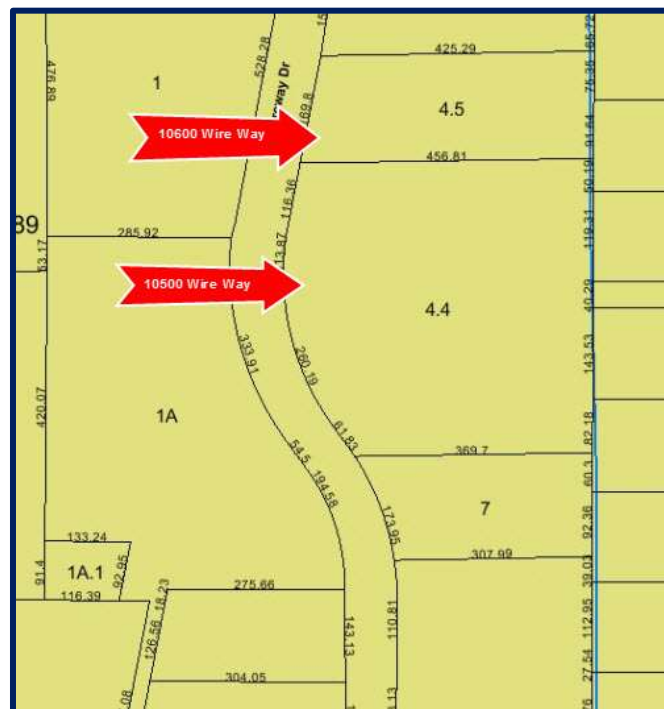
Site Description

The following description is based on our property inspection, assessor records, and information provided by the client, owner, property manager, and/or broker.

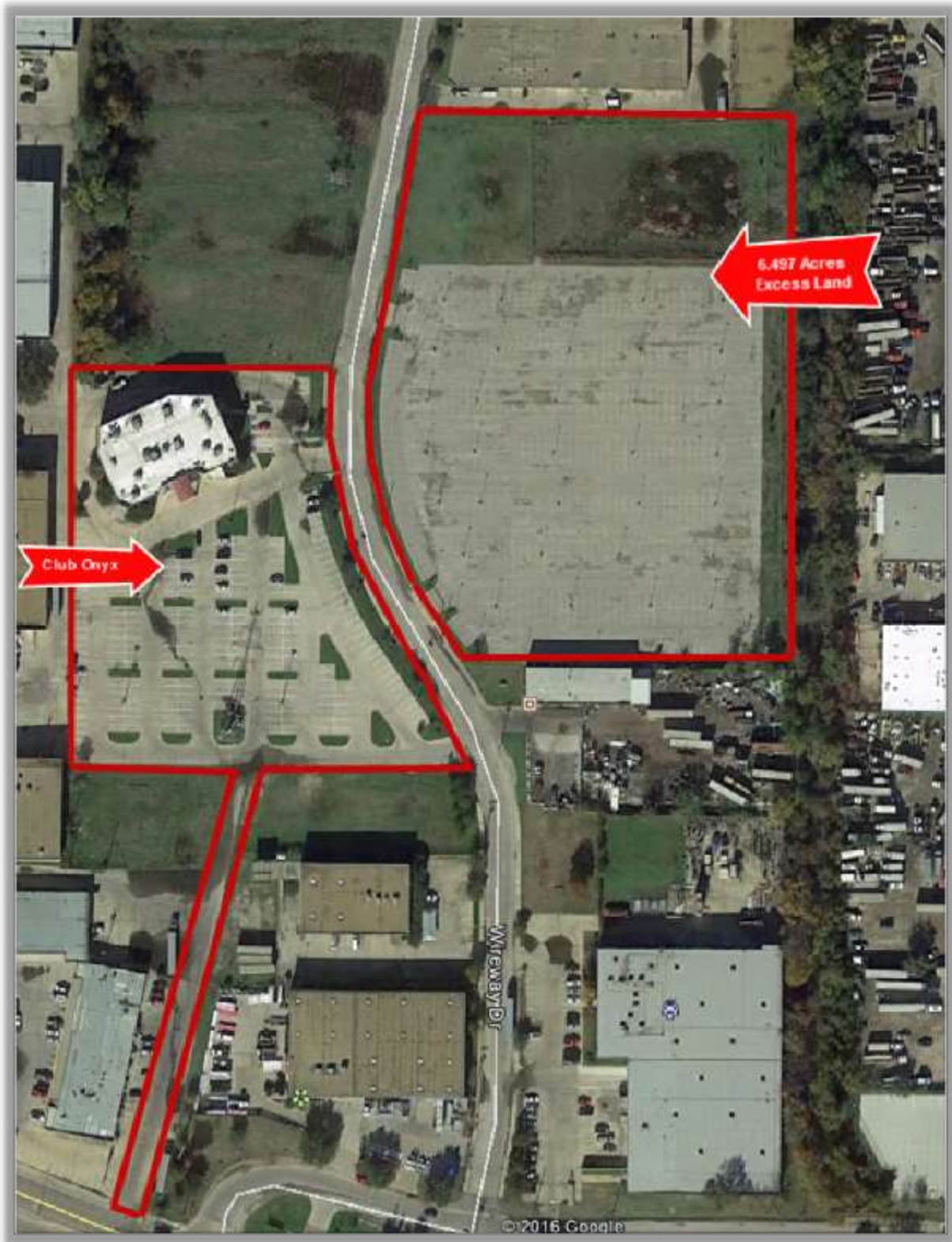
DCAD MAP – 10557 WIRE WAY



DCAD MAP – 1-10500 & 10600 WIRE WAY



PROPERTY AERIAL PHOTO



General Data

Street Address: 10557, 10500 & 10600 Wire Way Drive, Dallas, Texas 75220
Assessor's Parcel Numbers: 006489000B01A0000 (10557 Wire Way), 0064890A000040400 (10500 Wire Way) and 0064890A000040500 (10600 Wire Way)

Adjacent Land Uses

North: Vacant commercial land followed by equipment storage yard and truck terminal.
South: Vacant commercial land, office warehouse development, recycling center and distribution warehouse.
East: Countertop manufacturing, lumber distribution, equipment storage yard, auto collision center, and a wood pallet storage yard.
West: Multi-tenant office/warehouse and distribution buildings.

Physical Characteristics

Site Area: 11.134 acres or 484,989 gross square feet. The property is bi-sected by Wire Way Drive. The portion of the property along the east line of Wire Way Drive is considered as excess land. Therefore, the underlying land area for the nightclub building contains 4.637 acres.
Shape/Configuration: Irregular/Non-contiguous
Topography: Gently sloping to level
Parcel Location: An interior location without a corner exposure.

Access

Frontage Feet: 10557 Wire Way Drive has approximately 583 feet along the west line of Wire Way Drive and approximately 87 feet along the north line of Northwest Highway. 10500 and 10600 Wire Way Drive has approximately 600 feet along the east line of Wire Way Drive. The street frontages are estimated using DCAD Maps.
At Signalized Intersection: No

Site Improvements

Off-Site Improvements: Wire Way Drive is a two-way, two-lane street; Northwest Highway is a two-way, four-lane street.
Utilities: Public utilities are available to the site to include electricity, public water, public sewer, telephone, etc.
On-Site Improvements: The property, 10557 Wire Way, has two driveway access points along the west line of Wire Way and one driveway access point along Northwest Highway. The 10557 Wire Way site has approximately 245-paved passenger vehicle parking spaces, concrete curbing, concrete sidewalks, monopole parking lot lighting and landscaping. The 10500 Wire Way Drive site has 580 paved passenger vehicles parking spaces, concrete curbing, monopole parking lot lighting and landscaping.

Flood Zone Data

Flood Map Panel: 48113C0310J, dated August 23, 2001.
Flood Zone: The appraised property appears to be located in Zone "X", areas

outside the 100-year floodplain. The appraisers noted a portion of the site along Northwest Highway may to be in Zone "AE", base flood hazard determined. The building and parking lots appear to be located outside the 100-year floodplain in the opinion of the appraisers.

Other Site Conditions

Soils:	The appraisers have not been provided a soil or subsoil survey of the appraised property. This appraisal is based on the assumption that there are no soil or subsoil characteristics, including any sort of environmental contamination, which would adversely impact the site. If environmental contamination is present, the value conclusions contained herein may change.
Environmental Issues:	To the knowledge of the appraiser, there are no known environmental issues that adversely affect the value of the appraised site.
Easements & Encumbrances:	The appraisers noted an overhead power transmission line extending north from Northwest Highway across the parking lot of 10557 Wire Way Drive and bisecting the property.

Site Ratings

Location:	Average
Access:	Average
Visibility:	Average
Site Improvements:	Good
Overall Site:	Average

Zoning Designation

Zoning Code:	"IR", Industrial Research
Zoning Comments:	The "IR" District's purpose is to provide for research and development, light industrial, office and supporting commercial uses in an industrial research park setting. This district is not intended to be located in areas of low and medium density residential development. The main uses permitted include commercial and business service uses, industrial uses, institutional and community service uses, commercial amusement inside, lodging uses, office uses, retail and personal service uses, transportation uses, public service uses, wholesale, distribution and storage uses. No residential uses are permitted. A Commercial Amusement Inside is allowed; however, a special use permit may be required. Amusement Center means a facility for which an Amusement Center License is required under the Dallas City Code. The Commercial Amusement Inside uses include billiard hall, dance hall, bingo parlor, bowling alley, skating rink and motor track. Commercial Amusement Inside means a facility fully enclosed building that offers entertainment or games of skill to the general public for a fee. <u>This use includes, but is not limited to, an adult arcade, adult cabaret, adult theatre, amusement center, billiard hall,</u>

bowling alley, children's amusement center, dance hall, motor track or skating rink.

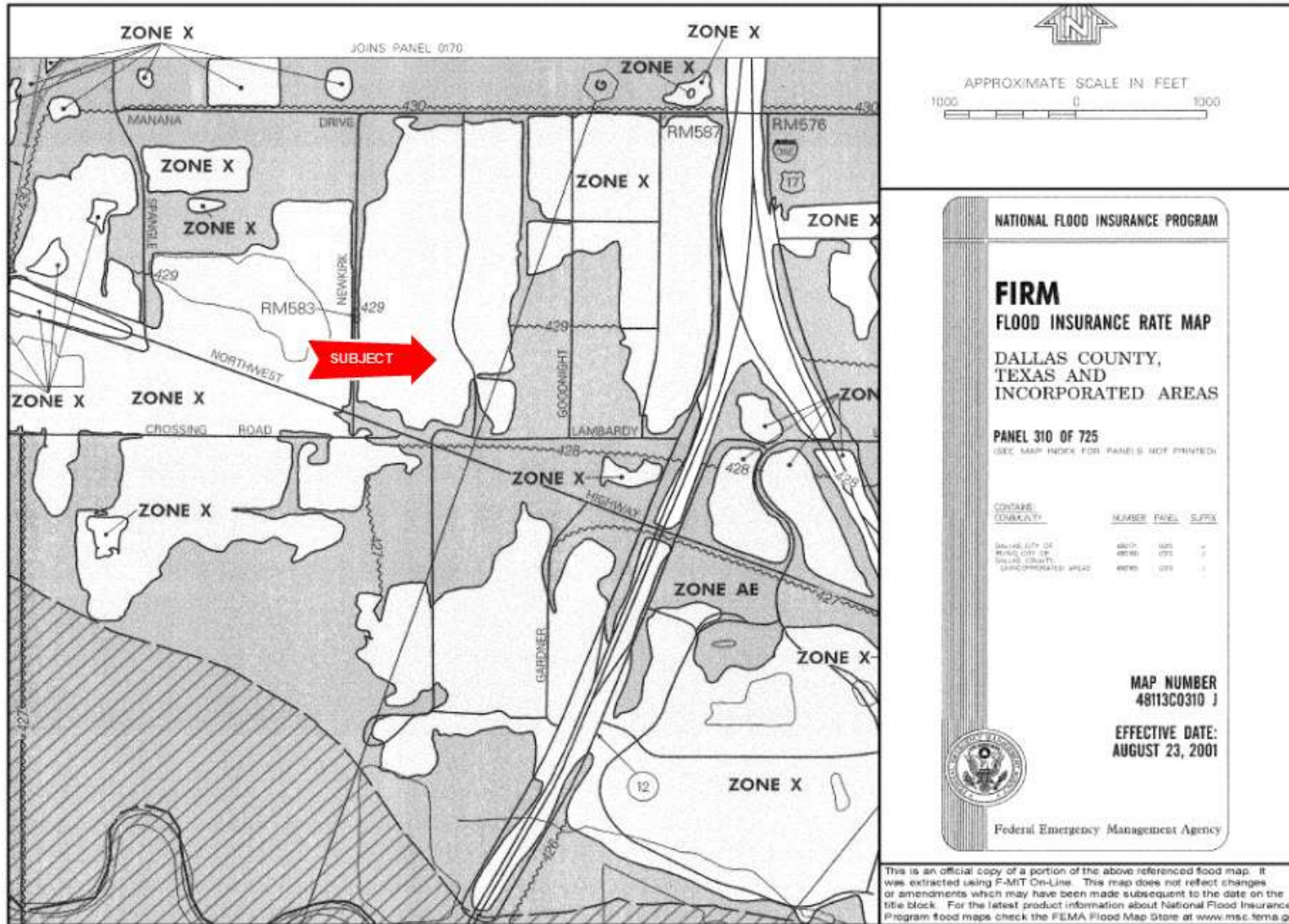
The owner possesses a Sexually Oriented Business (SOB) license, Mixed Beverage Late Hours permit and Texas Tobacco Products taxes permit for Club Onyx located at 10557 Wire Way Drive, Dallas, Texas.

Analysis/Comments on Site:

As previously discussed, approximately 6.497 acres of land located along the east line of Wire Way Drive is considered to be excess land. Approximately 209,663 square feet of the excess land is improved with a paved parking lot and site improvements. The parking lot with approximately 580 parking spaces provides overflow parking for the nightclub property.

The developed property is a 4.637-acre property located along the west line of Wire Way Drive. Access to the site is provided by two driveway curb cuts along Wire Way Drive and one driveway curb-cut along Northwest Highway. Overall, the site has average access and visibility. Due to the physical characteristics exhibited by the appraised site, the property appears to be functional for most types of medium to large size commercial, industrial and retail (nightclub) development.

FLOODPLAIN MAP



Improvements Description

Photographs of the Appraised Property



View of the appraised property facing northwest from Wire Way Drive.



View of the main entrance for Club Onyx looking north across the parking lot.

Photographs of the Appraised Property



View of the east elevation of the nightclub building and employee service entrance.



View of the rear (north) elevation of the nightclub building.

Photographs of the Appraised Property



Typical view depicting the main bar area.



View depicting the mezzanine bar area with pool tables overlooking the main lounge on the ground floor.

Photographs of the Appraised Property



View depicting the women's locker room area.



View of the "shower" stage located in the main lounge area. The area has a main stage, three small stages and two bar areas.

Photographs of the Appraised Property



View of an overhead power transmission line extending north from Northwest Highway across 10557 Wire Way Drive parking lot.



View of the excess land and parking lot looking east from Wire Way Drive. The parking lot has approximately 580 striped parking spaces.

Photographs of the Appraised Property



View of frontage along Wire Way Drive facing north with the nightclub property on the left.



View of frontage along Wire Way Drive facing south with the excess land to the left.

The following description is based on our property inspection, assessor records, and information provided by the client and-or owner.

General Data

Property Type:	Retail
Property Subtype:	Nightclub
Number of Buildings:	One
Number of Stories:	Two
Number of Parking Spaces:	Approximately 245 passenger vehicle parking spaces on the development site.

Building Areas & Ratios

Gross Building Area (GBA):	19,468 square feet (Per DCAD Records)
Net Rentable Area (NRA):	19,468 square feet
Land-to-Building Ratio:	10.38:1

Age / Life

Year Built:	Circa 2003
Actual Age:	13 years
Effective Age:	6 years
Typical Building Life:	40 years
Remaining Economic Life:	34 years

Exterior

Construction Class:	Class "C" Cocktail Lounge per <i>Marshall and Swift Cost Handbook</i> .
Foundation:	Concrete slab.
Frame/Walls:	Concrete tilt panel.
Roof System/Cover:	Built-up roof system.

Interior

Floors:	Combination clay tile, ceramic tile, commercial carpet floor coverings in the public areas with non-slip ceramic tile floor covering in the kitchen and ceramic tile floor covering in the locker room.
Walls:	Painted sheetrock walls in the lounge area, ceramic tile wall covering in the restrooms, and FRP wall cover in the kitchen.
Ceiling Finish:	Open ceiling to the insulated roof decking in the main lounge and mezzanine area, suspended 2' x 4' ceiling grid system in the kitchen, locker room, and office areas.
Lighting Fixtures:	Pendant lighting above the bar areas, specialty lighting in the main lounge and stage areas, fluorescent fixtures in the private areas and hi-bay lighting above the main lounge.
No. of Restrooms:	Four restrooms and separate locker room.
Furniture, Fixtures & Equipment:	Excluded for purposes of this real property appraisal (movable equipment), certain fixtures in the kitchen such as walk-in cooler, walk-in freezer, vent hood, etc. are considered part of the real estate.

Mechanical Systems

Electrical:	Assumed adequate and typical.
Plumbing:	Assumed adequate and typical.
HVAC:	Assumed adequate and typical.
Elevator:	One.
Fire Protection:	100% sprinkled.

Improvement Ratings

Quality:	Good to Excellent
Condition:	Average to Good
Functional Utility:	Good
Deferred Maintenance:	Appears typical for age/condition of the improvements.
Overall Rating:	Average to Good

Analysis/Comments on Improvements

The appraised building is an approximately 19,468 square feet, free-standing, nightclub building occupied by Club Onyx. The nightclub building is located along the west line of Wire Way Drive and north line of Northwest Highway.

The nightclub structure is constructed on a concrete slab foundation with concrete tilt panel exterior walls, built-up roof system with gutters and downspouts. The concrete tilt panel height is approximately 28 feet to 30 feet. The building is designed with metal frame door systems, metal service doors, and glass paneled doors at the main entrance. The building is 100% fire sprinkled. The building is climate controlled with roof mounted central heat and air conditioning units. A canopy awning above the main entrance is in poor condition.

The interior of the building is configured as main entrance vestibule, main lounge area, two bars, main dance stage, three small stages, "shower" stage, DJ booth, women's locker room, two restrooms, kitchen, manager's office and barber shop on the ground floor.

The main lounge area finish out includes a combination clay tile and carpet floor coverings. There are specialty lighting, incandescent lighting and house lights (hi-bay lighting). The main bar is located in the west portion of the main lounge. The bar has stainless steel bar equipment and stone bar top. A second bar is located in the southeast sector of the building and has similar finish out. Located in the northwest corner of the building is the commercial kitchen. The commercial kitchen has non-slip ceramic tile floor covering, floor drains, FRP wall covering, ceramic tile baseboard, 2' x 4' ceiling grid system and approximate 10' ceiling height. In the kitchen is a walk-in freezer/cooler, vent-a-hood with fire suppression system and a dry storage room. The kitchen includes a separate walk-in freezer. The women's locker room is located in the north portion of the building. The locker room appears larger than similar changing areas. The locker room includes ceramic tile floor covering, ceramic tile walls to the ceiling, two showers, two lavatories, two built-in toilet enclosures, etc. The condition of the locker room is fair to average with stained carpets, marked-up walls, and shows wear and tear. From the locker room, a door leads to the main stage area. The main stage is elevated approximately three feet above the lounge floor area. The wooden stage includes a pole for dancing. The "shower" stage with a clear shower enclosure is elevated approximately four feet above the lounge floor. There are three separate smaller stages with poles for dancing.

The mezzanine lounge area is accessible from an interior stairway and an elevator. The mezzanine area finish out includes combination of carpet and tile floor covering, painted sheetrock walls, and metal railing along the edge of the mezzanine. The mezzanine area is separated as the bar, three small stages and open seating areas. The bar has wood cabinets with a stone countertop and tile footrest. The bar has built in cabinetry and stainless steel equipment. The lighting on the mezzanine level includes pendent lighting over the bar and specialty lighting. Located on the mezzanine floor are separate men's and women's restrooms. The men's restroom has ceramic tile floor covering, ceramic tile wall cover, two urinals, one lavatory and one toilet enclosure. The women's restroom is assumed to be similar quality. There is a private manager's office and a liquor storage room with walk-in cooler. An interior emergency exit stairwell is located along the east side of the mezzanine area.

The site is improved with concrete paved parking, concrete curbing, patio and landscaping. The open patio is located along the southeast portion of the building. The site has approximately 245 striped parking spaces. The parking lot includes monopole parking lot lights and dumpster enclosure. The property has a driveway access point along Northwest Highway and two concrete curb cuts along Wire Way Drive.

Overall, the condition of the improvements is considered average to good, in the opinion of the appraisers. The improvements were constructed circa 2003. The property is configured for a nightclub. The total enclosed building area is approximately 19,468 square feet. The development site consists of approximately 4.637 acres or 201,988 square feet. The structure's effective age is considered less than actual age due to the quality and condition of the building and site improvements.

Assessment & Tax Data

Assessment Methodology

The appraised property is identified under Property ID Numbers 006489000B01A0000 (10557 Wire Way), 0064890A000040400 (10500 Wire Way) and 0064890A000040500 (10600 Wire Way) according to Dallas County Appraisal District Records. The property is located within the following tax jurisdictions.

TAXING ENTITY CHART

Taxing Entity	2015 Tax Rate
City of Dallas	\$0.7970000
Dallas ISD	\$1.2820850
Dallas County	\$0.2531000
Dallas County Community College	\$0.1236500
Parkland Hospital	\$0.2860000
Total Tax Rate	\$2.7418350

Assessed Values and Property Taxes

The subject's assessed values, applicable tax rates and total taxes, including direct assessments, are shown in the following table:

SUMMARY OF ASSESSED VALUES & PROPERTY TAXES

10557 Wire Way	
Land	\$302,982
Improvements	\$3,597,020
Total	\$3,900,002
Total Tax Rate	\$2.741835
Total Taxes	\$106,932

SUMMARY OF ASSESSED VALUES & PROPERTY TAXES

10500 & 10600 Wire Way	
Land	\$424,500
Improvements	\$0
Total	\$424,500
Total Tax Rate	\$2.741835
Total Taxes	\$11,639

Conclusions

The 2015 estimated tax burden for the entire property is approximately \$118,571. The estimated 2015 tax burden for the nightclub building and site are estimated as \$106,932. The tax burden for the 6.497 acres of excess land is estimated as \$11,639.

According to the Dallas County Tax Assessor's Office, the subject's property taxes are current as of the date of value. Taxes are assumed to increase in future years. The assessed values are less than the appraisers' opinion of market value.

Highest & Best Use

The Highest and Best Use of a property is the reasonably probable and legal use of vacant land or an improved property that is: physically possible, appropriately supported, financially feasible, and that results in the highest value.

It is necessary to project the highest and best use of a subject property both As If Vacant, and As Improved. Improved properties may have a highest and best use that is different than the existing use. The existing use will generally continue however, until the sum of the land value and demolition costs of the improvements exceeds the total value of the property in its existing use plus demolition costs.

Analysis of Highest and Best Use as if Vacant

In developing the highest and best use of the property as though vacant, the appraisers focus on: 1) the existing use, 2) a projected development, 3) an assemblage, or 4) holding the land as an investment.

LEGALLY PERMISSIBLE

Characteristic	Conclusion
Zoning Classification:	"IR", Industrial Research
Permitted Uses:	Allows for a wide array of commercial and retail applications.
Probability of Change:	Unlikely

PHYSICALLY POSSIBLE

Characteristic	Conclusion
Size:	11.134 acres (total)
Shape:	Irregular
Utilities:	Public utilities available.
Visibility:	Average
Flood Plain:	Zone "X" and "AE", outside 100-year floodplain and base flood hazard determined
Soil Conditions:	Assumed none that affect value.
Environmental:	Assumed none that affect value.
Other:	None.
Physically Possible Uses:	Commercial development could possibly include light industrial manufacturing, freight terminal, mini warehouse, alcoholic beverage establishments, financial institution, hotel or motel, heavy equipment sales and commercial amusement.

FINANCIALLY FEASIBLE

	Use1 (Industrial)	Use 2 (Commercial Amusement)	Use 3 (Office)
Demand	Good	Good	Marginal
Supply	Balanced	Balanced	Balanced
Feasibility	Good	Good	Marginal
Support	Observation	Observation	Observation

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use, and therefore highest and best use as though vacant, is for medium to large size retail development as nightclub or adult cabaret as warranted by demand. The northwest sector of Dallas is one of the most favorable with regard to nightclub and adult cabaret development within the MSA. The development along the north and south side of Northwest Highway in the area includes a number of sexually oriented businesses that include adult cabaret, adult motion picture theater, nude modeling studio, adult bookstore, adult video arcade, that are permitted and licensed by the City of Dallas and Dallas County. The neighborhood surrounding the appraised property is established with industrial, warehouse, distribution/warehouse, recycling facility, heavy equipment sales and light manufacturing uses. Generally, sexually oriented businesses (SOB) are prohibited from development within 1,000 feet of a place of religious worship, a public or private elementary or secondary school, a childcare facility, a boundary of residential district, a public park, a cemetery, the property line of a lot devoted to residential use, or another licensed sexually oriented business. The rents in the northwest sector for nightclubs typically exceed average rents for industrial uses and office/warehouse properties.

The appraised property site related to 10557 Wire Way Drive (Club Onyx) comprises 4.637 acres and is irregular in shape with adequate frontage along Wire Way Drive and Northwest Highway. The site is zoned "IR", Industrial Research. The zoning encompasses a wide variety of uses ranging from industrial uses to retail use. As such, use of the property for a variety of industrial and retail uses is legally permissible. The same is true for the 6.497 acres of excess land along the east side of Wire Way Drive. Given the location of the site along Wire Way Drive, industrial or office/warehouse uses would be likely. The excess land is less than 1,000 feet from Club Onyx and likely would not be permitted by Dallas County zoning for involvement as a nightclub or sexually oriented business. Therefore, the most financially feasible use of the property is for future industrial, office/warehouse, distribution warehouse or equipment storage or sales yard. This use is also maximally productive use of the excess land.

Analysis of Highest and Best Use as Improved

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: (1) continuation of the existing use; (2) modification of existing use; or (3) demolition and redevelopment of the land.

The appraised property is improved with a 19,468 square foot, two-story, good to excellent quality nightclub building of concrete tilt panel construction and parking areas, all being utilized for the day to day operations of a successful nightclub. The nightclub building is designed with state-of-the-art features including multiple bars, stages, seating areas and finish out and site improvements. Club Onyx has been operating successfully for the past many years. Nightclub use satisfies all four criteria for highest and best use including legal permissibility, physical possibility, financial feasibility and maximal productivity.

There are a number of nightclubs and adult cabarets in the immediate market area. The property's owner indicates that total sales volume has decreased for the past year as a result of the slowdown in the energy (oil and gas) sector. The appraised property is one of the largest adult cabaret properties in Texas according to market participants. The property is owner operated and is maintained in average to good condition for the age.

Conclusion of Highest and Best Use As Improved

Based on the above discussion concerning the appraised property's location in an area of established commercial development, good name recognition and historical gross sales, it is the appraisers' opinion that the highest and best use of the property "as improved" is for the continued use as a nightclub and adult cabaret development with excess land available for additional parking or an industrial purpose building as warranted by demand.

Appraisal Methodology

Three Approaches to Value

There are three traditional approaches typically available to develop indications of real property value: the Cost, Sales Comparison, and Income Capitalization Approaches.

Cost Approach

The Cost Approach is based upon the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or proposed, or when the improvements are so specialized that there is little or no sales or rental data from comparable properties.

Sales Comparison Approach

The Sales Comparison Approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general-purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors. The strength of this approach is that if comparable market data is available, it should adequately reflect the attitudes of typical buyers and sellers in the marketplace.

Income Capitalization Approach

The Income Capitalization Approach is based on the principle of anticipation, or the assumption that value is created by the expectation of benefits to be derived in the future, such as expected future income flows including the reversion, or future re-sale of the property appraised. Its premise is that a prudent investor will pay no more for the property than he or she would for another investment of similar risk and cash flow characteristics. The Income Capitalization Approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.

Subject Valuation

The Cost, Sales Comparison and Income Capitalization Approaches are used in formulating an opinion of value for the property. The Sales Comparison Approach was used in formulating an opinion of value in the 4.637 acres of development land and excess land. The three approaches were used in formulating an opinion of value for the property “as is”.

Land Valuation

Methodology

Land is most often valued using the Sales Comparison Approach. This approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining the property with the same utility. In the Sales Comparison Approach, the opinion of market value is based on closed sales, listings, and pending sales of properties similar to the subject property.

A systematic procedure for applying the Sales Comparison Approach includes the following steps: (1) researching and verifying transactional data; (2) selecting relevant unit of comparison; (3) analyzing and adjusting the comparable sales for differences and various element of comparison, and (4) reconciling the adjusted sales into a single value indication for the subject site.

Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is price per square foot.

Elements of Comparison

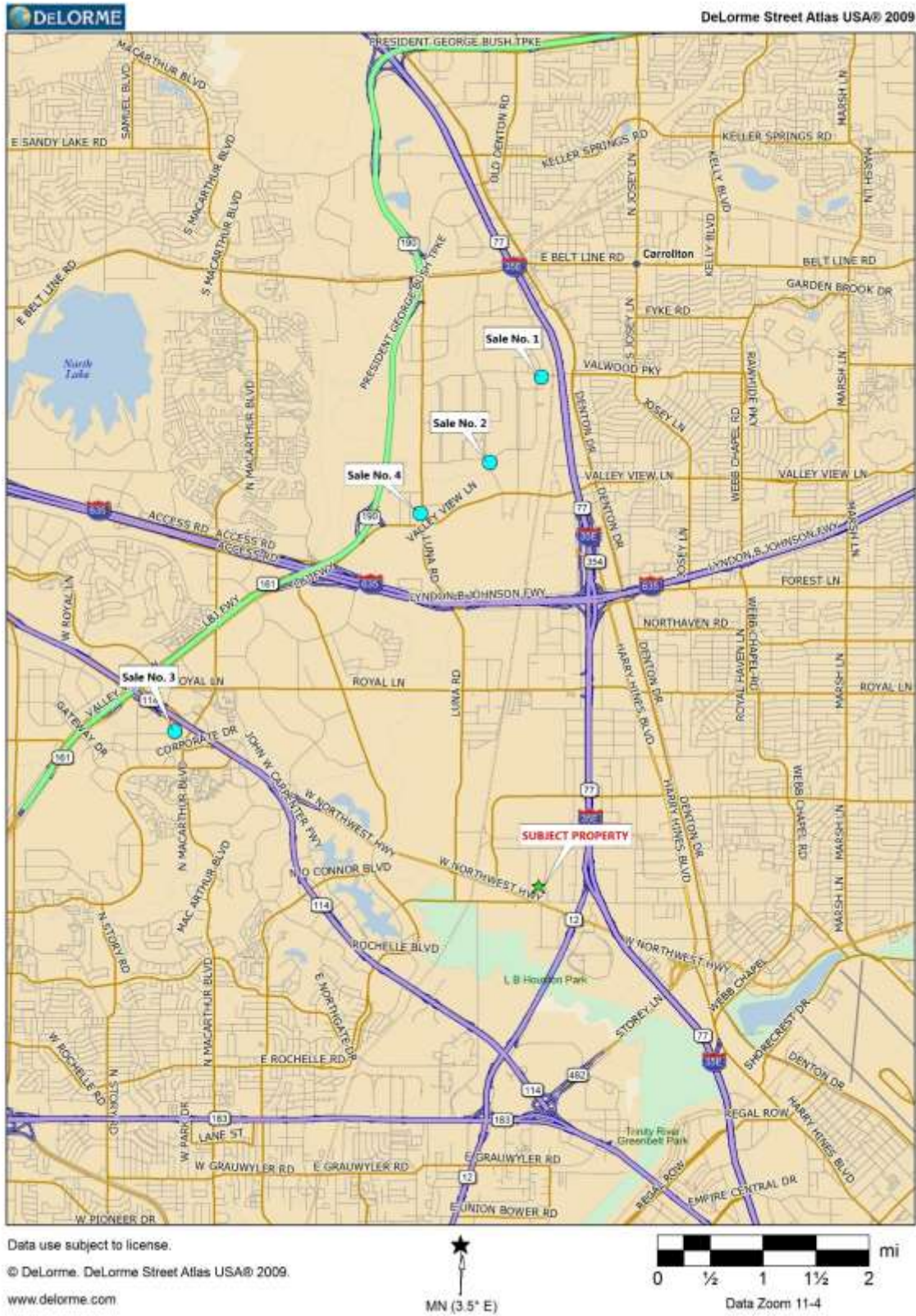
Elements of comparison are the characteristics of properties and transactions that cause the prices of real estate to vary. The main elements of comparison in sales comparison analysis are as follows: (1) real property rights conveyed; (2) financing terms; (3) conditions of sale; (4) expenditures made immediately after purchase; (5) market conditions; (6) location; (7) physical characteristics; (8) economic characteristics; (9) zoning/use; and (10) non-realty components of value.

Comparable Sales Data

The land sales data was derived from a search of data sources and public records, a field survey, and interviews with knowledgeable real estate professionals.

The appraisers applied four recent land sales in our analysis of the value of the site. These sales are summarized in this section of the report. Beginning on the following page is a location map, followed by the comparable sales sheets and a discussion of our adjustments and the indicated value of the 4.637 acres site. The value of the 6.497 acres of land is estimated by comparison and adjustment of the sales.

COMPARABLE LAND SALES MAP



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LAND SALE No. 1



Property Identification

Property/Sale ID	9204/8415
Property Type	Land
Address	13998 N. Diplomat Drive
City, State Zip	Farmers Branch, Texas 75234
County	Dallas
MSA	Dallas
Map/Grid	12/L
Tax ID	24189000100010000
Sector	320 NE

Transaction Data

Sale Date	09-26-2015
Sale Status	Closed
Grantor	DFW Grujarati Samaj
Grantee	ABDP, LLC
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Deed Book/Page	201500258816
Sale Price	\$530,000
Adjusted Price	\$530,000

Property Description

Gross Acres	3.36
Gross SF	146,170.00
Primary Frontage (Feet)	131.00
Primary Frontage Name	Valwood Parkway
Secondary Frontage (Feet)	587.00
Secondary Frontage Name	Diplomat Dr.
Proposed Use	Warehouse
Street Access	Average
Visibility	Average
Shape	Rectangular
Topography	Gently Sloping
Utilities	Electric, Telephone, Public Water
Zoning Description	Industrial PUD
Easements/Encumbrances	No

Indicators

\$/Gross Acre	\$157,945
\$/Gross SF	\$3.63
\$/FF	\$4,045.80

Verification

Sale Confidentiality	Not Confidential
Sale Confirmed By	David Thomas
Sale Confirmed With	Jagdish Godhwani, Broker
Confirmed With Phone	972-484-6644
Confirmation Date	03-09-2016
Deed Reviewed By:	DT

Additional Information

Property Remarks: The sale property is raw land. The property is located approximately one block west of I-35 E along the south line of Valwood Parkway. An area of drainage extends along the east property boundary. The neighboring property uses are industrial/warehouse. The sale price was confirmed as \$530,000 or \$3.63 per square foot.

Legal Description: Lot 1, Block 10, Valwood Park Farmers Branch Phase Two, Dallas County, Texas.

LAND SALE No. 2



Property Identification

Property/Sale ID	9205/8416
Property Type	Land
Address	2020 W. Diplomat Drive
City, State Zip	Farmers Branch, Texas
County	Dallas
MSA	Dallas
Map/Grid	12/P
Tax ID	244747200A001000
Sector	320 NE

Transaction Data

Sale Date	12-05-2014
Sale Status	Closed
Grantor	Valwood Development, LLC
Grantee	GMJJ Properties, LLC
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Sale Price	\$531,920
Adjusted Price	\$531,920

Property Description

Gross Acres	2.55
Gross SF	110,860.00
Primary Frontage (Feet)	349.00
Primary Frontage Name	Hutton Dr.
Secondary Frontage (Feet)	218.00
Secondary Frontage Name	Diplomat
Street Access	Average
Visibility	Average
Shape	Rectangular
Topography	Gently Sloping
Utilities	Electric, Telephone, Public Water
Zoning Description	Industrial PUD
Easements/Encumbrances	No

Indicators

\$/Gross Acre	\$209,006
\$/Gross SF	\$4.80
\$/FF	\$1,524.13

Verification

Sale Confidentiality	Not Confidential
Sale Confirmed By	David Thomas
Sale Confirmed With	Craig Mays
Confirmation Date	03-09-2016
Deed Reviewed By:	DT

Additional Information

Property Remarks: The sale property is raw land. The property is located along the southeast corner of Hutton Drive and Diplomat Drive. An area of drainage extends along the south property boundary.

Legal Description: Lot 1, Block A, Multimedia, Dallas County, Texas

LAND SALE No. 3



Property Identification

Property/Sale ID	9206/8417
Property Type	Land
Address	1420 Greenway Drive
City, State Zip	Irving, Texas
County	Dallas
MSA	Dallas
Map/Grid	21A/L
Tax ID	3256509000000000
Sector	320 NE

Transaction Data

Sale Date	01-28-2014
Sale Status	Closed
Grantor	Fobare
Grantee	HMS Business Services, LLC
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Deed Book/Page	DD01232014
Sale Price	\$1,811,159
Adjusted Price	\$1,811,159

Property Description

Gross Acres	7.55
Gross SF	328,704.00
Primary Frontage (Feet)	1,000.00
Primary Frontage Name	Greenway Drive
Secondary Frontage (Feet)	714.00
Secondary Frontage Name	Corporate Drive
Street Access	Average
Visibility	Average
Shape	Rectangular
Topography	Gently Sloping
Utilities	Electric, Telephone, Public Water
Zoning Description	Industrial PUD
Easements/Encumbrances	No

Indicators

\$/Gross Acre	\$240,016
\$/Gross SF	\$5.51
\$/FF	\$1,811.16

Verification

Sale Confidentiality	Not Confidential
Sale Confirmed By	David Thomas
Sale Confirmed With	Craig Mays
Confirmation Date	03-09-2016
Deed Reviewed By:	DT

Additional Information

Property Remarks:	The sale property is raw land. The property is located approximately one-half mile east of George Bush Turnpike (tollway). The property is generally rectangular in shape. The sale price was confirmed as \$1,811,159 or \$5.51 per square feet.
Legal Description:	Being 7.546 acres in the Sector XII, Walnut Hill Business Park 23rd Inst, Dallas County, Texas.

LAND SALE No. 4



Property Identification

Property/Sale ID	9207/8418
Property Type	Land
Address	2444 Luna Road
City, State Zip	Carrollton, Texas
County	Dallas
MSA	Dallas
Map/Grid	12/S
Tax ID	141087700305R0000
Sector	320 NE

Transaction Data

Sale Date	12-27-2013
Sale Status	Closed
Grantor	One Bank & Trust NA
Grantee	Don Valk
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Sale Price	\$722,820
Adjusted Price	\$722,820

Property Description

Gross Acres	3.02
Gross SF	131,429.00
Primary Frontage (Feet)	454.00
Primary Frontage Name	Luna Rd.
Proposed Use	Mini-warehouse
Street Access	Average
Visibility	Average
Shape	Rectangular
Topography	Gently Sloping
Utilities	Electric, Telephone, Public Water
Zoning Description	Industrial PUD
Easements/Encumbrances	No

Indicators

\$/Gross Acre	\$239,567
\$/Gross SF	\$5.50
\$/FF	\$1,592.11

Verification

Sale Confidentiality	Not Confidential
Sale Confirmed By	David Thomas
Sale Confirmed With	Craig Mays
Confirmation Date	03-09-2016
Deed Reviewed By:	DT

Additional Information

Property Remarks: The property was raw land. The property was developed as Assured Self-Storage. The sale price was confirmed as \$722,820 or \$5.50 per square foot.

Legal Description: Lot 5R, Block 3, Valley View West Business Park 2, Dallas County, Texas.

Land Sales Comparison Analysis

The appraisers analyzed the sales and applied adjustments for material differences in the elements of comparison previously listed. The comparable sales are adjusted to the subject; if the comparable sale was superior to the subject, we apply a negative adjustment to the comparable sale. A positive adjustment to the comparable property was applied if it was inferior to the subject. A summary of the elements of comparison follows.

Transaction Adjustments

These items are applied prior to the application of property adjustments. Transaction adjustments include:

1. real property rights conveyed
2. financing terms
3. conditions of sale
4. market conditions (date of sale)

Each of the sales transferred on a fee simple estate basis. Thus, no adjustments are considered appropriate. All of the consummated comparables are considered typical arm's length transactions and no adjustments are applied for this factor. The sales transferred between December 2013 and September 2015. Market conditions have remained stable and reflective of current market conditions; no adjustment is applied.

The adjusted price reflects the sale price adjusted for property rights conveyed, date of sale and financing. The adjusted sale price is utilized in calculating the additional adjustments in this analysis.

Property Adjustments

Property adjustments are based on locational and physical characteristics and are applied after the application of transactional adjustments. The adjustments include location, size, primary frontage, shape/configuration, access/visibility, corner influence, zoning, floodplain, utilities, topography, and easements/encumbrances.

Location

The four comparable land sales selected are located in the northwest sector of Dallas. The location of the four comparable sales benefits from ease of access to IH-35, I-635, SH 114, and President George Bush Turnpike. The location of the sale properties benefit from less road congestion and newer public infrastructure. Land pricing in the area of the comparable sales is greater as a result of flexible access and connection to the major roadways. Therefore, the comparable sales are adjusted downward accordingly for superior location.

Land Size

The appraised site contains 4.637 acres. The sales range in size from 2.545 acres to 7.546 acres. No adjustment is applied to Sale No. 1 and Sale No. 4 due to the similarity in size with the subject. Sale Nos. 2 is adjusted downward accordingly due to the smaller land area. Sale No. 3 is adjusted upward due to the larger land area.

Shape/Configuration

The appraised property has an irregular shape. Sale Nos. 2, 3 and 4 are rectangular in shape; downward adjustments are applied for this superior characteristic.

Corner Influence

The appraised property is an interior site with no corner influence. Sale No. 2 is adjusted downward for corner influence.

Easements/Encumbrances

The appraised property is bisected by an overhead power transmission line. The overhead electric line limits potential development of the site within the easement. Comparable Sale Nos. 1, 2, 3 and 4 are not known to be encumbered by similar easements; a downward adjustment is warranted.

Other Characteristics

Other physical characteristics that can influence the pricing of land include zoning, floodplain, utilities and topography. All of the comparable sales are considered similar to the subject in terms of these other physical characteristics and no other adjustments are made.

Summary of Adjustments

Based on the preceding comparative analysis, the appraisers have summarized adjustments to the comparable sales on the following table. We completed a quantitative analysis. These adjustments are based on our market research, best judgement and experience in the appraisal of similar properties.

LAND SALES SUMMARY AND ADJUSTMENT GRID

Development Site									
Comparable No.	Subject	1	Adj.	2	Adj.	3	Adj.	4	Adj.
Location	10557 Wire Way Drive, Dallas, Texas	13998 N. Diplomat Drive, Farmers Branch, Texas		2020 W. Diplomat Drive, Farmers Branch, Texas		1420 Greenway Drive, Irving, Texas		2444 Luna Road, Carrollton, Texas	
Total Price		\$530,000		\$531,920		\$1,811,159		\$722,820	
Price/SF		\$3.63		\$4.80		\$5.51		\$5.50	
Market Conditions									
Property Rights	Fee Simple	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%
Adjusted Price/SF			\$3.63		\$4.80		\$5.51		\$5.50
Financing	Cash-to-Seller	Cash-to-Seller	0%	Cash-to-Seller	0%	Cash-to-Seller	0%	Cash-to-Seller	0%
Adjusted Price/SF			\$3.63		\$4.80		\$5.51		\$5.50
Condition of Sale	Arm's Length	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%
Adjusted Price/SF			\$3.63		\$4.80		\$5.51		\$5.50
Date of Sale		Sep-15	0%	Dec-14	0%	Jan-14	0%	Dec-13	0%
ADJUSTED PRICE/ SQ. FT.			\$3.63		\$4.80		\$5.51		\$5.50
Adjustments									
Location	Subject	Similar	-15%	Similar	-20%	Similar	-40%	Similar	-35%
Land Size (Acres)	4.637	3.356	0%	2.545	-5%	7.546	5%	3.017	0%
Physical Characteristics									
Primary Frontage	Approx. 583 ft. along Wire Way Drive and 87 ft. along Northwest Highway	Approx. 131 ft. along Valwood Pkwy. and 587 ft. along Diplomat Dr.	0%	Approx. 349 ft. along Hutton Dr. and 218 ft. along Diplomat	0%	Approx. 1,000 ft. along Greenway Dr., 714 ft. along Corporate Dr.	0%	Approx. 454 ft. along west side of Luna Road	0%
Shape/Configuration	Irregular	Irregular	0%	Rectangular	-5%	Generally Rectangular	-5%	Rectangular	-5%
Access/Visibility	Average / Average	Average / Average	0%	Average / Average	0%	Average / Average	0%	Average / Average	0%
Corner Influence	No	Yes (secondary)	0%	Yes	-5%	Yes (secondary)	0%	No	0%
Zoning	Industrial Research	Industrial PUD	0%	Industrial PUD	0%	Industrial PUD	0%	Industrial PUD	0%
Flood Plain	Minimal	None	0%	None	0%	None	0%	None	0%
Utilities	All Public	Public	0%	Public	0%	Public	0%	Public	0%
Topography	Gently Sloping to Level	Gently Sloping	0%	Gently Sloping	0%	Gently Sloping	0%	Gently Sloping	0%
Easements/Encumbrances	Overhead Electric Line	None Adverse	-5%	None Adverse	-5%	None Adverse	-5%	None Adverse	-5%
Total Adjustments			-20%		-40%		-45%		-45%
INDICATED VALUE /S.F.			\$2.90		\$2.88		\$3.03		\$3.03

Minimum Indicated Value \$2.88 **Indicated value: \$3.00 per SF**
Maximum Indicated Value \$3.03 **\$610,000 (RD)**
Average Indicated Value \$2.96

Conclusion

From the market data available, four land sales in competitive market areas were selected as most comparable to the subject. The unadjusted sale prices for the comparable sales range from \$3.63 to \$5.51 per square foot, with an average of \$4.86 per square foot.

The adjusted sale properties reflect a value range from \$2.88 to \$3.03 per square foot, with an average of \$2.96 per square foot. Based on this analysis, the indicated value for the land is summarized as follows.

VALUE INDICATION

Land Sales Comparison Approach	
Value per Land Area (SF)	\$3.00
Land Area (SF)	201,988
Indicated Value:	\$610,000

Valuation of the Excess Land (6.497 Acres)

Methodology

Based on the positioning of the existing subject building (Club Onyx Nightclub), the appraised property includes approximately 6.497 acres or 283,001 square feet of excess land located along the east side of Wire Way Drive. The excess land is identified as 10500 and 10600 Wire Way Drive. The excess land is developed with a paved parking lot with curbing, lighting, and approximately 580 striped parking spaces. The north portion or approximately 73,338 square feet is undeveloped land. The site has a gently sloping to level topography. The excess land has approximately 600 feet of frontage along the east line of Wire Way Drive and is rectangular in shape. The excess land is zoned "IR", Industrial Research. The value of the development site was estimated by comparison with Land Sale Nos. 1, 2, 3 and 4 previously analyzed. The four land sales are used in the analysis of the excess land.

The adjustments to Sale Nos. 1, 2, 3 and 4 are similar as previously discussed in the *Development Site Analysis* with the exception of land size, shape, easements/encumbrances and site improvements. The land size of the excess land is 6.497 acres. Land Sale Nos. 1, 2 and 4 are adjusted downward for smaller land size. The shape/configuration of the subject is rectangular. Sale Nos. 1 is irregular in shape and is adjusted upward. The appraised property is improved with a paved parking lot with lighting. Land Sale Nos. 1, 2, 3, and 4 are all land with no site improvements noted. Therefore, Sale Nos. 1, 2, 3 and 4 are adjusted upward for this unit of comparison. These adjustments are based on our market research, best judgement and experience in the appraisal of similar properties.

Conclusion

From the market data available, four sales in competitive market areas were selected as most comparable to the subject 6.497 acres. The unadjusted sale prices range from \$3.63 to \$5.51 per square foot.

The adjusted sale prices reflect a value range from \$3.27 to \$3.60 per square foot, with an average of \$3.51 per square foot. The four comparable sales indicate a close range in value after adjustments.

Based on this analysis, the indicated value of the 6.497 acres of excess land is summarized as follows:

VALUE INDICATION

Land Sales Comparison Approach	
Value Per Land Area (SF)	\$3.50
Land Area (SF)	283,001
Indicated Value (Rounded)	\$990,000

The appraisers have summarized adjustments to the comparable sales on the following table.

COMPARABLE LAND SALES SUMMARY & ADJUSTMENT GRID

Excess Land									
Comparable No.	Subject	1	Adj.	2	Adj.	3	Adj.	4	Adj.
Location	10500 & 10600 Wire Way Drive, Dallas, Texas	13998 N. Diplomat Drive, Farmers Branch, Texas		2020 W. Diplomat Drive, Farmers Branch, Texas		1420 Greenway Drive, Irving, Texas		2444 Luna Road, Carrollton, Texas	
Total Price		\$530,000		\$531,920		\$1,811,159		\$722,820	
Price/SF		\$3.63		\$4.80		\$5.51		\$5.50	
Market Conditions									
Property Rights	Fee Simple	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%
Adjusted Price/SF			\$3.63		\$4.80		\$5.51		\$5.50
Financing	Cash-to-Seller	Cash-to-Seller	0%	Cash-to-Seller	0%	Cash-to-Seller	0%	Cash-to-Seller	0%
Adjusted Price/SF			\$3.63		\$4.80		\$5.51		\$5.50
Condition of Sale	Arm's Length	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%
Adjusted Price/SF			\$3.63		\$4.80		\$5.51		\$5.50
Date of Sale		Sep-15	0%	Dec-14	0%	Jan-14	0%	Dec-13	0%
ADJUSTED PRICE/ SQ. FT.			\$3.63		\$4.80		\$5.51		\$5.50
Adjustments									
Location	Subject	Similar	-15%	Similar	-20%	Similar	-40%	Similar	-35%
Land Size (Acres)	6.497	3.356	-5%	2.545	-5%	7.546	0%	3.017	-5%
Physical Characteristics									
Primary Frontage	Approx. 600 ft. along east line of Wire Way Drive	Approx. 131 ft. along Valwood Pkwy. and 587 ft. along Diplomat Dr.	0%	Approx. 349 ft. along Hutton Dr. and 218 ft. along Diplomat	0%	Approx. 1,000 ft. along Greenway Dr., 714 ft. along Corporate Dr.	0%	Approx. 454 ft. along west side of Luna Road	0%
Shape/Configuration	Rectangular	Irregular	5%	Rectangular	0%	Generally Rectangular	0%	Rectangular	0%
Access/Visibility	Average / Average	Average / Average	0%	Average / Average	0%	Average / Average	0%	Average / Average	0%
Corner Influence	No	Yes (secondary)	0%	Yes	-5%	Yes (secondary)	0%	No	0%
Zoning	Industrial Research	Industrial PUD	0%	Industrial PUD	0%	Industrial PUD	0%	Industrial PUD	0%
Flood Plain	All Usable	None	0%	None	0%	None	0%	None	0%
Utilities	All Public	Public	0%	Public	0%	Public	0%	Public	0%
Topography	Gently Sloping to Level	Gently Sloping	0%	Gently Sloping	0%	Gently Sloping	0%	Gently Sloping	0%
Easements/Encumbrances	None Adverse	None Adverse	0%	None Adverse	0%	None Adverse	0%	None Adverse	0%
Site Improvements	Paved Parking Lot	None	5%	None	5%	None	5%	None	5%
Total Adjustments			-10%		-25%		-35%		-35%
INDICATED VALUE /S.F.			\$3.27		\$3.60		\$3.58		\$3.58

Minimum Indicated Value	\$3.27	Indicated value:	\$3.50 per SF
Maximum Indicated Value	\$3.60		\$990,000 (RD)
Average Indicated Value	\$3.51		

Cost Approach

Methodology

In the Cost Approach, we estimate replacement or reproduction costs of the improvements (including direct costs, indirect costs and entrepreneurial incentive), deduct all forms of depreciation (physical, functional and economic/external), and add land value to derive a value indication. In theory, an investor or buyer of real estate will not pay more for a property than the cost to replace or reproduce the property less any accrued depreciation plus payment of entrepreneurial incentive.

The Cost Approach incorporates five components: direct construction costs, entrepreneurial incentive, indirect costs, depreciation, and land value. The elements considered in each category are listed below.

The appraisers have prepared a Cost Approach in order to estimate the "as is" market value of the appraised property. The construction costs applicable to the improvements have been estimated utilizing the *Marshall Valuation Service*. The appraisers have referenced Section 13, Page 13 for Cocktail Lounges. The Cocktail Lounge exterior walls, interior finish, lighting, plumbing and mechanical system are similar to the appraised property in the opinion of the appraisers. The appropriate category of construction is Class "C", Good and Excellent quality. The cost data presented in *Marshall Valuation Handbook* was dated May 2014. The costs are adjusted according to the Current Cost Multipliers outlined in Section 99 and the Local Multipliers outlined in Section 99.

Direct Construction Costs

The first step of the Cost Approach analysis is to estimate the replacement or reproduction cost of the improvements. Direct building costs include the basic gross hard costs and site improvements such as parking lot paving and marking, sidewalks and curbs, exterior lighting, and landscaping. Direct construction costs are based on actual contracts and/or budgets, costs of comparable projects, or through cost estimating services (i.e.; *Marshall & Swift Valuation Service*)

In this approach, we have employed replacement cost. Replacement cost is the estimated cost to construct, at current prices as of the effective date, a building of equal utility to the subject using modern materials and current standards, design and layout. Replacement cost differs from reproduction cost in that it reflects the costs based on current market standards as opposed to reproduction costs that reflect costs to construct an exact duplicate using the same materials, construction standards, design, layout and quality, and includes all deficiencies, super-adequacies and obsolescence.

The *direct development costs* or "hard" costs are the construction costs that apply to the building and associated improvements. The associated improvements include paving, curbing, concrete work, landscape and lighting. The building structure cost is estimated at \$3,149,922. The concrete paving, curbing, and sidewalks are estimated as \$595,000. The parking lot lighting and landscaping is estimated at \$50,000. The total direct costs are estimated to be \$3,794,922.

Indirect Construction Costs

Indirect costs or “soft” costs typically include landholding costs for property taxes which are basically taxes on the land during construction, miscellaneous fees (legal/city fees/inspections) and entrepreneurial profit. The taxes on the land are estimated at \$8,307, which is approximately 12 months of taxes on the subject site. The miscellaneous fees associated with the development are estimated at 3.0% of total direct costs, or \$113,848. The entrepreneurial profit associated with the development is estimated at 12.0% of the total direct and indirect costs, or \$470,049. All indirect costs total \$592,402. The total replacement cost new, therefore, calculates to be \$4,387,126.

Depreciation

The next step is to estimate depreciation applicable to the improvements. Depreciation can result from a number of factors including physical deterioration, functional inefficiencies and external/economic factors. The various forms of depreciation are discussed as follows:

Physical Depreciation - Curable

The subject property has been maintained and is in average to good condition overall.

Physical Depreciation - Incurable

Long-lived physical depreciation reflects depreciation to structural components. Within the *Property Description*, the economic life was estimated at 40 years while the effective age was estimated for the building as 6 years. The economic life for the site improvements is estimated at 20 years while the effective age was estimated at 4 years. Deductions are applied for physical depreciation to the building and site improvements of \$695,352.

External/Economic Obsolescence

The subject property does not suffer from external or economic obsolescence.

Deducting all forms of depreciation develops a depreciated replacement cost of \$3,691,775.

The Cost Approach is considered to provide a reasonable estimate of value given the age and condition of the building and site improvements.

Land Value

The final step in the Cost Approach is the addition of the land value. Land value of the 4.637 acres was previously estimated at \$610,000. The land value of the excess land with 6.497 acres was previously estimated as \$990,000.

COST APPROACH
Club Onyx
10557 Wire Way Drive, Dallas, Texas

Estimated Replacement Cost New	Area (SF)	Unit Cost	Unit Total	Total
DIRECT COSTS:				
Building Area (Gross SF):				
Commercial Building - Nightclub	19,468	\$161.80	\$3,149,922	\$3,149,922
	19,468			
Site Improvements:				
Concrete Paving, Curbing, Sidewalks	170,000		\$595,000	\$645,000
Parking Lot Lighting and Landscape			\$50,000	
Total Direct Cost				\$3,794,922
INDIRECT COSTS:				
Taxes on Land During Construction			\$8,307	\$592,204
Miscellaneous Fees (Legal / City Fees / Inspection)		3.0%	\$113,848	
Entrepreneurial Profit		12.0%	\$470,049	
Total Indirect Cost				\$592,204
Replacement Cost New				\$4,387,126
ESTIMATED ACCRUED DEPRECIATION				
Physical Depreciation:				
Commercial Building - Nightclub	6/40	15.0%	\$546,221	(\$695,352)
Site Improvements	4/20	20.0%	\$149,131	
Total Estimated Physical Depreciation				
Estimated Physically Depreciated Replacement Cost New				\$3,691,775
Functional Obsolescence		0.0%	\$0	\$0
External Obsolescence		0.0%	\$0	
Total Estimated Functional & External Obsolescence				
Estimated Depreciated Replacement Cost New				\$3,691,775
Estimated Land Value of Development Site	4.637	201,988	\$3.00 /SF	\$610,000
Estimated Land Value of Excess Land	6.497	283,001	\$3.50 /SF	\$990,000
Total Value "As Is" by the Cost Approach			(RD)	\$5,290,000

Cost Approach Value Indication

Conclusion – Cost Approach “As Is”

Based on this analysis, the value indicated by this approach is summarized as follows:

VALUE INDICATION “AS IS”	
Cost Approach	
Value Per GBA	\$271.73
Building Area (GBA)	19,468
Indicated Value	\$5,290,000

Sales Comparison Approach

Methodology

This approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. In the Sales Comparison Approach, an indication of market value is developed by analyzing closed sales, listings, or pending sales of properties similar to the subject property, using the most relevant units of comparison. The comparative analysis focuses on the difference between the comparable sales and the subject property using all appropriate elements of comparison.

A systematic procedure for applying the Sales Comparison Approach includes the following steps: (1) researching and verifying transactional data, (2) selecting relevant units of comparison, (3) analyzing and adjusting the comparable sales for differences in various elements of comparison, and (4) reconciling the adjusted sales into a single value indication for the subject.

Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for retail/nightclub properties such as the subject is price per square foot of gross building area.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that should be considered in sales comparison analysis are as follows: (1) real property rights conveyed; (2) financing terms; (3) conditions of sale; (4) expenditures made immediately after purchase; (5) market conditions; (6) location; (7) physical characteristics; (8) economic characteristics; (9) zoning/use; and (10) non-realty components of value.

Comparable Sales Data

A search of data sources and public records, a field survey, and interviews with knowledgeable real estate professionals in the area is also conducted to obtain and verify nightclub, adult cabaret, local and regional restaurant properties comparable to Club Onyx that have sold or been listed recently in the market.

The Sales Comparison Approach relates transactions of nightclub, adult cabaret, and restaurant properties found throughout the Dallas - Fort Worth market area and State of Texas to the subject property on a per square foot unit basis. The properties range in size from 5,004 to 12,500 square feet and transacted from January 2012 to April 2014. The unadjusted sales price per square foot ranges from \$244.44 to \$398.73 with an average of \$300.69. The overall sales price ranges from \$1,630,000 to \$3,819,962 with an average sales price of \$2,629,994. All six sales adjust well to support the indicated estimate of market value.

These sales are summarized in this section of the report. Beginning on the following page is a location map, followed by the comparable sales sheets and a discussion of our adjustments and the indicated value of the appraised property.

RETAIL SALE NO. 1



Property Identification

Property/Sale ID	9186/8396
Property Type	Retail
Property Name	Black Orchid
Address	2151 Manana Drive
City, State Zip	Dallas, Texas
County	Dallas
Map/Grid	22/Q
Tax ID	006508000D0050000
Sector	157 NE
Additional Location Info	Northside Manana Dr.

Transaction Data

Sale Date	01-17-2012
Sale Status	Closed
Grantor	Bryan S. Foster
Grantee	RCI Holdings, Inc.
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Deed Book/Page	201200012593
Sale Price	\$3,055,555

Property Description

Zoning Code	IR
Zoning Classification	Industrial Research
Flr. Area Ratio (FAR)	0.15
Gross Land to Bldg	6.69
Access	Average
Visibility	Average
Land Acres	1.92
Land Sq Ft	83,635.00
Topography	Gently Sloping
Landscaping	Good, Patio
Easements/Encumbrances	No
In Flood Plain?	No
Flood Zone	Zone 'X' outside 100-year floodplain
Flood Map Number	48113C0310J
Effective Date	08-23-2001
Utilities Description	Electric, Telephone, Public Water

Building Description

Gross Building SF	12,500
Stories	2
Building Condition	Good
Foundation Type	Concrete slab
Roof Type	Built-up
Construction Type	Masonry
Year Built	2005
Tenancy	Single-Tenant
Sprinklers	Yes

Financial Data & Indicators (Actual)

PGI	\$312,500
Vacancy	\$18,750
EGI	\$293,750
Expenses	\$13,188
NOI	\$280,562
PGIM	9.780
EGIM	10.402
Expense Ratio	4.49%
OAR	9.18%

Indicators

\$/SF GBA	\$244.44
Occupancy at Sale	100.0%

Verification

Sale Confidentiality	Confidential Sale
Sale Confirmed By	David Thomas
Confirmation Date	03-04-2016
Deed Reviewed By:	DT

Additional Information

Property Remarks: The sale property is located in an area of industrial development. The sale property was reported to be in good condition at the time of sale. The purchaser is an owner/occupant.

The sale price is the allocated portion of a two-property portfolio sale of an adult entertainment facility on Manana Drive in Dallas, TX and in Fort Worth, TX for \$5,500,000.

The appraiser was not provided financial data for the property. The above calculations are based on proforma data.

Legal Description: Lot 5, Block D/6508, CWF Amended, Dallas County, Texas.

RETAIL SALE No. 2



Property Identification

Property/Sale ID	9185/8395
Property Type	Retail
Property Name	Cabaret East
Address	12325 Calloway Cemetery Road
City, State Zip	Fort Worth, Texas 76040
County	Tarrant
MSA	Fort Worth-Arlington
Map/Grid	518/E2
Tax ID	41194691
Sector	320 NE
Additional Location Info	NEC F.M. 157 and Calloway Cemetery Rd.

Transaction Data

Sale Date	01-17-2012
Sale Status	Closed
Grantor	Bryan S. Foster
Grantee	RCI Holdings, Inc.
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Deed Book/Page	212011457
Sale Price	\$2,444,445

Property Description

Primary Frontage Name	Calloway Cemetery
Secondary Frontage Name	F.M. 157
Zoning Code	I
Zoning Classification	Light Industrial
Flr. Area Ratio (FAR)	0.06
Gross Land to Bldg	17.23
Access	Good
Visibility	Good
Land Acres	3.96
Land Sq Ft	172,319.00
Shape	Rectangular
Topography	Generally level
Landscaping	Average
Easements/Encumbrances	No
In Flood Plain?	No
Flood Zone	Zone 'X' outside 100-year floodplain
Flood Map Number	48439C0240K
Effective Date	09-25-2009
Utilities Description	Electric, Telephone, Public Water

Building Description

Gross Building SF	10,000
Stories	One
Building Condition	Good
Foundation Type	Concrete slab
Roof Type	Built-up
Construction Type	Masonry
Year Built	2006
HVAC	100%
Tenancy	Single-Tenant

Financial Data & Indicators (Actual)

PGI	\$250,000
Vacancy	\$15,000
EGI	\$235,000
Expenses	\$10,550
NOI	\$224,450
PGIM	9.780
EGIM	10.402
Expense Ratio	4.49%
OAR	9.18%

Indicators

\$/SF GBA	\$244.44
Occupancy at Sale	100.0%

Verification

Sale Confidentiality	Confidential Sale
Sale Confirmed By	David Thomas
Confirmation Date	03-04-2016
Deed Reviewed By:	DT

Additional Information

Property Remarks: The sale property is located in the suburban northeast sector of Fort Worth, just north of Arlington, TX. The area is approximately 50% developed with industrial and fuel farm surrounding uses. The sale property was reported to be in good condition at time of transaction. The purchaser is an owner/occupant.

The sale price is the allocated portion of a two property portfolio sale of an adult entertainment facility on Calloway Cemetery Road in the city limits of Fort Worth, TX and Manana Drive in Dallas, TX for \$5,500,000.

The appraiser was not provided financial data for the property. The above calculations are based on proforma data.

Legal Description: Lot 1R, Block 1, JW Calloway Addition, Tarrant County, Texas.

RETAIL SALE No. 3



Property Identification

Property/Sale ID	9191/8401
Property Type	Retail
Property Name	Redneck Heaven
Address	3840 N.E. Loop 820
City, State Zip	Fort Worth, Texas 76137
County	Tarrant
MSA	Fort Worth-Arlington
Map/Grid	50/E
Tax ID	06986374
Sector	320 NE
Additional Location Info	SEQ Loop 820 and Beach St.

Transaction Data

Sale Date	06-28-2013
Sale Status	Closed
Grantor	Trinity Beach Investors, LLC
Grantee	Edgewater FTW, LLC
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Deed Book/Page	D213168514
Sale Price	\$1,680,000

Property Description

Primary Frontage Name	NE Loop 820 Frontage Road
Zoning Code	F
Zoning Classification	General Commercial
Flr. Area Ratio (FAR)	0.09
Gross Land to Bldg	11.45
Access	Average
Visibility	Average
Land Acres	1.68
Land Sq Ft	73,257.00
Shape	Rectangular
Topography	Generally level
Landscaping	Average
Easements/Encumbrances	No
In Flood Plain?	No
Flood Zone	Zone 'X' outside 100-year floodplain
Flood Map Number	48439C0185K
Effective Date	09-25-2009
Utilities Description	Electric, Telephone, Public Water

Building Description

Gross Building SF	6,400
Stories	One
Building Condition	Good
Foundation Type	Concrete slab
Roof Type	Built-up
Construction Type	Wood
Year Built	1999
Year Built Comments	Renovated 2011
HVAC	100%
Tenancy	Single-Tenant

Financial Data & Indicators (Actual)

PGI	\$156,000
Vacancy	\$9,360
EGI	\$146,640
Expenses	\$6,639
NOI	\$140,001
PGIM	10.770
EGIM	11.457
Expense Ratio	4.53%
OAR	8.33%

Indicators

\$/SF GBA	\$262.50
Occupancy at Sale	100.0%

Verification

Sale Confidentiality	Not Confidential
Sale Confirmed By	David Thomas
Sale Confirmed With	Contract
Confirmation Date	03-04-2016
Deed Reviewed By:	DT

Additional Information

Property Remarks: The sale property is located in the north sector of Fort Worth. The property has exposure along the south line of N.E. Loop 820 frontage road. The neighboring properties are national chain restaurants. The property was constructed circa 1999 and extensively renovated in 2011 by the tenant. The tenant lease with Redneck Heaven commenced in May 2011 for a term of 15 years. The lease rate in Years 1 and 2 was \$156,000 per annum, triple net. The purchaser is Redneck Heaven who was previously leasing the property.

The appraiser was provided financial data for the property. The above calculations are based on actual data.

Legal Description: Lot 2A, Block 9A, Northern Crossing, Tarrant County, Texas.

RETAIL SALE No. 4



Property Identification

Property/Sale ID	9190/8400
Property Type	Retail
Property Name	Bombshells Restaurant & Bar
Address	21005 IH-45 North
City, State Zip	Spring, Texas 77388
County	Harris
MSA	Houston
Map/Grid	292/T
Tax ID	1315500010005
Sector	201 SE
Additional Location Info	NW/C of IH-45 North & Old Holzwarth Road

Transaction Data

Sale Date	09-30-2014
Sale Status	Closed
Grantor	Houlounn, LLC
Grantee	Shofner Properties, LLC
Property Rights	Leased Fee
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Sale Price	\$3,819,962

Property Description

Zoning Classification	None
Flr. Area Ratio (FAR)	0.11
Gross Land to Bldg	9.13
Access	Average
Visibility	Average
Land Acres	2.44
Land Sq Ft	106,286.00
Shape	Irregular
Topography	Generally level
Easements/Encumbrances	No
In Flood Plain?	No
Flood Zone	Zone 'X' outside 100-year floodplain
Flood Map Number	48201C0260L
Effective Date	06-18-2007
Utilities Description	Electric, Telephone, Public Water

Building Description

Gross Building SF	11,637
Stories	One
Building Condition	Good
Foundation Type	Concrete slab
Roof Type	Built-up
Construction Type	Stucco
Year Built	2011
Year Built Comments	Renovated 2014
HVAC	100%
Tenancy	Single-Tenant

Financial Data & Indicators (Actual)

PGI	\$267,651
Vacancy	\$16,059
EGI	\$251,592
Expenses	\$11,621
NOI	\$239,971
PGIM	14.270
EGIM	15.183
Expense Ratio	4.62%
OAR	6.28%

Indicators

\$/SF GBA	\$328.26
Occupancy at Sale	100.0%

Verification

Sale Confidentiality	Confidential Sale
Sale Confirmed By	David Thomas
Confirmation Date	03-06-2016
Deed Reviewed By:	DT

Additional Information

Property Remarks: The property was originally constructed in 2011 as Furrs Fresh Buffet cafeteria. The tenant (Bombshells Restaurant & Bar) is a subsidiary of RCH Holdings, Inc. According to the tenant (Bombshells) the executed lease was for approximately \$23.00/S.F. and is for 15 years with (4) 5-year renewal options and escalations. The tenant regarded the building as 'shell' space and renovated the property at a cost of over \$2 million.

The sale price was confirmed as \$3,819,962 or \$328.26 per square foot of building area. The appraiser was provided financial data for the property. The above calculations are based on actual data.

Legal Description: Res. A3, Block 1, Louetta Retail Center, Harris County, Texas.

RETAIL SALE No. 5



Property Identification

Property/Sale ID	9189/8399
Property Type	Retail
Property Name	Kirby's Steakhouse
Address	3305 East State Highway 114
City, State Zip	Southlake, Texas 76092
County	Tarrant
MSA	Fort Worth-Arlington
Map/Grid	27/K
Tax ID	07217412
Sector	320 NE
Additional Location Info	West side of S.H. 114

Transaction Data

Sale Date	09-15-2014
Sale Status	Closed
Grantor	Southlake Investments LLC
Grantee	DAR Properties Seven LLC
Property Rights	Leased Fee
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Deed Book/Page	D214203608
Sale Price	\$3,150,000

Property Description

Zoning Classification	Commercial
Flr. Area Ratio (FAR)	0.09
Gross Land to Bldg	11.03
Access	Average
Visibility	Average
Land Acres	2.00
Land Sq Ft	87,120.00
Shape	Rectangular
Topography	Generally level
Landscaping	Good
Easements/Encumbrances	No
In Flood Plain?	No
Flood Zone	Zone 'X' outside 100-year floodplain
Flood Map Number	48113C0150K
Effective Date	07-07-2014
Utilities Description	Electric, Telephone, Public Water

Building Description

Gross Building SF	7,900
Stories	One
Building Condition	Good
Foundation Type	Concrete slab
Roof Type	Built-up
Construction Type	Masonry
Year Built	1999
HVAC	100%
Tenancy	Single-Tenant

Financial Data & Indicators (Actual)

PGI	\$264,966
Vacancy	\$15,898
EGI	\$249,068
Expenses	\$10,237
NOI	\$238,831
PGIM	11.890
EGIM	12.647
Expense Ratio	4.11%
OAR	7.58%

Indicators

\$/SF GBA	\$398.73
Occupancy at Sale	100.0%

Verification

Sale Confidentiality	Confidential Sale
Sale Confirmed By	David Thomas
Confirmation Date	03-07-2016
Deed Reviewed By:	DT

Additional Information

Property Remarks: Property is a Kirby's Steakhouse in Southlake, TX. The property has exposure along State Highway 114 in the north sector of the DFW Metroplex. The property is reported to be in good condition at time of transaction. The seller signed a 20-year triple net lease that was executed at the close of escrow of the sale. The lease is at an initial rate of \$33.54/S.F., plus 5% escalations every five years with (3) 5-year renewal options.

The sale price was confirmed as \$3,150,000 or \$398.73 per square foot of building area. The appraiser was provided financial data for the property. The above calculations are based on actual data.

Legal Description: Lot 9, Block A, Southlake Bank Place Addition, Tarrant, County, Texas.

RETAIL SALE No. 6



Property Identification

Property/Sale ID	9188/8398
Property Type	Retail
Property Name	Fresco's Cocina Mexicana
Address	7432 Denton Highway
City, State Zip	Watauga, Texas
County	Tarrant
Tax ID	40361349
Sector	320 NE
Additional Location Info	East side of Denton Highway

Transaction Data

Sale Date	04-17-2014
Sale Status	Closed
Grantor	Q Dog Highland Village LLC
Grantee	Raymond Garcia Construction
Property Rights	Leased Fee
Financing	Cash to Seller
Conditions of Sale	Arm's Length
Deed Book/Page	D214077797
Sale Price	\$1,630,000

Property Description

Zoning Classification	Commercial
Flr. Area Ratio (FAR)	0.10
Gross Land to Bldg	10.39
Access	Average
Visibility	Average
Land Acres	1.19
Land Sq Ft	51,975.00
Shape	Rectangular
Topography	Generally level

Landscaping	Good
Easements/Encumbrances	No
In Flood Plain?	No
Flood Zone	Zone 'X' outside 100-year floodplain
Flood Map Number	48439C0070K
Effective Date	09-25-2009
Utilities Description	Electric, Telephone, Public Water

Building Description

Gross Building SF	5,004
Stories	One
Building Condition	Good
Foundation Type	Concrete slab
Roof Type	Built-up
Construction Type	Masonry
Year Built	2002
HVAC	100%
Tenancy	Single-Tenant

Financial Data & Indicators (Actual)

PGI	\$130,004
Vacancy	\$7,800
EGI	\$122,204
Expenses	\$5,417
NOI	\$116,787
PGIM	12.540
EGIM	13.338
Expense Ratio	4.43%
OAR	7.16%

Indicators

\$/SF GBA	\$325.74
Occupancy at Sale	100.0%

Verification

Sale Confidentiality	Confidential Sale
Sale Confirmed By	David Thomas
Confirmation Date	03-06-2012
Deed Reviewed By:	DT

Additional Information

Property Remarks: The sale property is located on the east side of Denton Highway, just south of Starnes Road. The tenant is a local restaurant in the DFW Metroplex. The lease has an initial term of 15 years that began in 2013. The least is a rate of \$25.98/S.F., double net. The lease rate increases 10% every five years. The landlord is responsible for the roof and structure.

The sale price was confirmed as \$1,630,000 or \$325.74 per square foot of building area. The appraiser was provided financial data for the property. The above calculations are based on actual data.

Legal Description: Lot 3, Block 1, Harvest Baptist Church, Tarrant County, Texas.

Sales Comparison Analysis

All of the sales are analyzed, and adjustments are applied for material differences in the various elements of comparison including market conditions, location, size, and other relevant factors. If the comparable sale is considered superior to the subject, the appraisers applied a negative adjustment to the comparable sale. A positive adjustment to the comparable property is applied if it is considered inferior to the subject. A summary of the elements of comparison follow.

Transaction Adjustments

These items are applied prior to the application of property adjustments. Transaction adjustments include

1. Real Property Rights Conveyed
2. Financing Terms
3. Condition of Sale
4. Market Conditions

The adjustments are discussed as follows:

Property Rights

Comparable Sale Nos. 1, 2 and 3 transacted the fee simple estate interest. Sale Nos. 4, 5 and 6 transacted the leased fee estate interest with local and regional credit tenants in place. The subject is being appraised for the fee simple estate interest. Sale Nos. 4, 5 and 6 are adjusted downward for the tenants in place with 10 to 20 year lease terms.

Market Conditions

The comparable sales range in date of transaction from January 2012 to April 2014. The date of appraisal is February 29, 2016. Comparable Sale Nos. 3, 4, 5 and 6 are considered recent and reflect current market conditions. Comparable Nos. 1 and 2 are somewhat dated transactions; therefore, an upward adjustment is warranted.

Other Elements of Comparison

All other elements of comparison for market conditions were judged similar; (i.e. financing, condition of sale) and require no adjustments.

Property Adjustments

Property adjustments are usually expressed quantitatively as percentages that reflect the increase or decrease in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are utilized. Property adjustments are applied after the application of transaction adjustments.

The adjustments are discussed as follows:

Location

The appraised property is located in proximity to Northwest Highway and the intersection with I-35 E. The neighboring property uses include office/warehouses, adult cabarets, nightclubs, fast food restaurants, and sexually oriented businesses (SOB). Sale No. 1 is located just north of the appraised property along Manana Drive and is considered similar in location. Comparable Sale No. 2 is located in northeast Tarrant County in an area of less dense development considered inferior to the appraised property; an upward adjustment is applied. Comparable Sale No. 3 is located along the Northeast Loop 820 Frontage Road and

considered similar in location. Comparable Sale No. 4 is located in Spring, Texas; a northern suburb of Houston with exposure along IH-45; a downward adjustment is applied for superior location. Comparable Sale Nos. 5 and 6 are located in areas of retail development with higher land pricing; downward adjustments are applied accordingly for superior location.

Size (Gross Square Feet)

The appraised property includes approximately 19,468 square feet of gross building area. The comparable sales range in size from 5,004 to 12,500 square feet. The adjustments for building size are considered in the land-to-building ratio adjustments.

Land to Building Ratio

The subject has a land to building ratio of 10.38:1 utilizing the gross building area and the land size of 4.637 acres. The comparable sales exhibit a range in land to building ratios from 6.69:1 to 17.23:1 Sale No. 1 has an inferior land to building ratio; an upward adjustment is applied. Comparable Sale No. 2 has a superior land-to-building ratio; a downward adjustment is applied. Comparable Sale Nos. 3, 4, 5, and 6 closely bracket the land-to-building ratio of the appraised property; no adjustments are warranted.

Age/Condition

The appraised property was constructed circa 2003 and is in overall average to good condition. The building is configured for nightclub occupancy. Sale No. 1 was developed circa 2005 and reported to be in good condition at the time of sale. Comparable Sale No. 2 was constructed circa 2006 and reported to be in good condition at the time of transaction. Sale No. 3 was constructed circa 1999, the interior was renovated in 2011 and is in good condition. Sale No. 4 was constructed circa 2011, the interior was extensively renovated in 2014 and is in excellent condition. Sale No. 5 was constructed circa 1999 and reported to be in good condition at the time of transaction. Sale No. 6 was constructed circa 2002 and was in good condition at the date of sale. Sale Nos. 1, 2, 3, 4, 5 and 6 are judged to be superior in age/condition and require downward adjustments.

Construction Quality

The appraised property is good to excellent quality construction with concrete tilt panel exterior walls, built-up roof and is 100% climate controlled. Sale Nos. 1, 2, 3, 4 and 6 are good quality construction with average to good quality exterior detail. Comparable Sale No. 5 has excellent quality construction, excellent quality detail and interior finish out; a downward adjustment is warranted.

Site Improvements

The appraised property site improvements include the concrete paved parking lot, a small patio, security lighting and landscape. The comparable sales are considered similar with regard to site improvements when compared to the appraised property; no adjustment is applied.

Summary of Adjustments

Based on the preceding comparative analysis, a qualitative analysis has been completed. A summary of the adjustments to the comparable properties follows. The adjustments are based on our market research, best judgment, and experience in the appraisal of similar properties.

IMPROVED SALES SUMMARY & ADJUSTMENT GRID

Club Onyx													
Comparable No.	Subject	1	Adj.	2	Adj.	3	Adj.	4	Adj.	5	Adj.	6	Adj.
Location	10557 Wire Way Drive, Dallas, Texas	2151 Manana Drive, Dallas, Texas		12325 Calloway Cemetery Road, Euless, Texas		3840 NE Loop 820, Fort Worth, Texas		21005 IH-45 North, Spring, Texas		3305 East S.H. 114, Southlake, Texas		7432 Denton Highway, Watauga, Texas	
Property Name	Club Onyx	Former Black Orchid		Cabaret East		Redneck Heaven		Bombshells Restaurant & Bar		Kirby's Steakhouse		Fresco's Cocina Mexican	
Total Price		\$3,055,555		\$2,444,445		\$1,680,000		\$3,819,962		\$3,150,000		\$1,630,000	
Price/Square Foot		\$244.44		\$244.44		\$262.50		\$328.26		\$398.73		\$325.74	
Market Conditions													
Property Rights	Fee Simple	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%	Leased Fee	-5%	Leased Fee	-5%	Leased Fee	-5%
Adjusted Price/SF			\$244.44		\$244.44		\$262.50		\$311.85		\$378.80		\$309.45
Financing	Cash-to-Seller	Cash-to-Seller	0%	Cash-to-Seller	0%	Cash-to-Seller	0%	Cash-to-Seller	0%	Cash-to-Seller	0%	Cash-to-Seller	0%
Adjusted Price/SF			\$244.44		\$244.44		\$262.50		\$311.85		\$378.80		\$309.45
Condition of Sale	Arm's Length	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%
Adjusted Price/SF			\$244.44		\$244.44		\$262.50		\$311.85		\$378.80		\$309.45
Date of Sale		Jan-12	2%	Jan-12	2%	Jun-13	0%	Sep-14	0%	Sep-14	0%	Apr-14	0%
ADJUSTED PRICE/SQ. FT.			\$249.33		\$249.33		\$262.50		\$311.85		\$378.80		\$309.45
Adjustments													
Location	Subject	Similar	0%	Inferior	5%	Similar	0%	Superior	-10%	Superior	-15%	Superior	-15%
Size (GBA)	19,468	12,500	0%	10,000	0%	6,400	0%	11,637	0%	7,900	0%	5,004	0%
Land Size (Acres)	4.6370	1.92	0%	3.956	0%	1.682	0%	2.440	0%	2.000	0%	1.193	0%
Physical Characteristics													
Land to Building Ratio	10.38	6.69	5%	17.23	-5%	11.45	0%	9.13	0%	11.03	0%	10.39	0%
Age/Condition	2003 / Average-Good	Circa 2005 / Good	-5%	Circa 2006 / Good	-5%	Circa 1999, Renovated 2011 / Good	-10%	Circa 2011, Renovated 2014 / Excellent	-15%	Circa 1999 / Good	-5%	Circa 2002 / Good	-5%
Construction Quality	Concrete Tilt Panel, Built-up Roof, 100% HVAC / Good	Good Quality Detail, Masonry Exterior, Built-up Roof, 100% HVAC / Good	0%	Average Quality Detail, Masonry Exterior, Built-up Roof, 100% HVAC / Good	0%	Good Quality Detail, Frame Construction, Wood Exterior, Built-up Roof, 100% HVAC / Good	0%	Good Quality Detail, Stucco Exterior, Built-up Roof, 100% HVAC / Good	0%	Excellent Quality Detail, Masonry Exterior, Built-up Roof, 100% HVAC / Excellent	-10%	Good Quality Detail, Brick Exterior, Built-up Roof, 100% HVAC / Good	0%
Utility/Configuration	2 story / Single tenant	2 story / Single tenant	0%	1 story / Single tenant	0%	1 story / Single tenant	0%	1 story / Single tenant	0%	1 story / Single tenant	0%	1 story / Single tenant	0%
Site Improvements	Concrete Parking, Small Patio, Security Lighting, Landscape	Concrete Parking, Patio, Landscaping	0%	Paved Parking, Lighting	0%	Paved Parking, Lighting	0%	Concrete Parking, Patio, Lighting, Landscaping	0%	Concrete Parking, Lighting, Landscaping	0%	Concrete Parking, Lighting, Landscaping	0%
Total Adjustments			0%		-5%		-10%		-25%		-30%		-20%
INDICATED VALUE/SQ. FT.			\$249.33		\$236.86		\$236.25		\$233.89		\$265.16		\$247.56

Minimum Indicated Value \$233.89 "As Is" Market Value: **\$245.00** per SF
Maximum Indicated Value \$265.16 **\$4,770,000 (RD)**
Average Indicated Value \$244.84 **\$990,000 Excess Land (6.497 Acres or 283,001 SF)**
Total Market Value Indication: \$5,760,000 (RD)

Sales Comparison Approach Conclusion

The comparable sales are adjusted based on pertinent elements of comparison as discussed earlier and summarized the adjustments in the preceding grid. The final adjusted sale prices for the comparable sales range from \$233.99 to \$265.16 per square foot, with an average of \$244.84 per square foot.

The comparable sales are recent and all transacted either the fee simple or leased fee estate interest. The sales adjust equally well to indicate a reliable estimated market value. Therefore, the estimated market value is closely aligned with the indicated average, say \$245.00 per square foot or \$4,770,000. When the contributory value of excess land is added, \$990,000, the property's total market value is estimated to be **\$5,760,000**, rounded or **\$295.87** per square foot of gross building area.

Based on this analysis, the value indicated by the Sales Comparison Approach is summarized as follows:

VALUE INDICATION

Sales Comparison Approach	
Building Size (SF)	19,468
Value Per SF	\$295.87
Indicated Value (Rounded)	\$5,760,000

Income Capitalization Approach

Methodology

The Income Approach is developed by converting a projection of future rental income into a present value by a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, also known as discounted cash flow (DCF) analysis. The Direct Capitalization Technique is appropriate in this analysis.

Direct capitalization involves developing a stabilized forecast of income, and capitalizing the income into value using a capitalization rate. Direct capitalization assumes the income forecast and value change will be similar for the subject and comparables properties.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are therefore important aspects of the valuation process. The steps in developing the Income Approach are as follows:

- Market Rent Analysis
- Vacancy Analysis
- Expense Analysis
- Rate Analysis

Application of Methodologies

Direct capitalization is most applicable to stabilized properties and those with long-term leases and level income. In this appraisal, the appraiser employed the direct capitalization method in developing an indication of market value as of February 29, 2016.

Market Rent Analysis

As previously noted in the report, the fee simple estate interest is valued based on the estimated obtainable rental rates (market rent) in the Dallas - Fort Worth MSA. Potential rent is calculated based upon contract and quoted rentals for generally similar and competitive properties in the local market area, focusing on nightclubs, adult cabarets and restaurants with similar locations, size and market appeal. A location map and a summary of comparable rental properties are included on the following pages.

COMPARABLE LEASE LOCATION MAP



RETAIL RESTAURANT RENT COMPARABLES

No.	Name/Location	Year Built	GBA (SF)	Term	Rent/SF/Year	Rent Increases	Lease Type
1	Baby Dolls Fort Worth 3601 South State Highway 157 Fort Worth, Texas	1967 Renovated	4,600	3-5 years	\$22.17	No	NNN
2	Cabaret Royale 10723 Composite Drive Dallas, Texas	1977 Renovated	17,000	3-5 years	\$35.29	No	NNN
3	The Men's Club 2340 West Northwest Highway Dallas, Texas	1992 Renovated	20,827	3-5 years	\$30.54	No	NNN
4	Redneck Heaven 3840 N.E. Loop 820 Fort Worth, Texas	1999 Renovated	6,400	15 years	\$24.38	Yes	NNN
5	Bombshells Restaurant & Bar 21005 IH-45 North Spring, Texas	2011 Renovated	11,637	15 years	\$23.00	Yes	NNN
6	Kirby's Steakhouse 3305 East State Highway 114 Southlake, Texas	1999	7,900	20 years	\$33.54	Yes	NNN
					Min. Ind.	\$22.17	
					Max Ind.	\$35.29	
					Avg. Ind.	\$28.15	
					Median Ind.	\$27.46	

Rent Comparables Photographs



Baby Dolls Ft. Worth



Cabaret Royale

Rent Comparables Photographs



The Men's Club



Redneck Heaven

Rent Comparables Photographs



Bombshells Restaurant and Bar



Kirby's Steakhouse

Market Rent Indication

The commercial/retail comparable leases indicate an annual lease rate range from \$22.17 to \$35.29 per square foot per annum. The properties analyzed range in size from 4,600 to 20,827 gross square feet of building area. The indicated average is \$28.15 per square foot and the indicated median is \$27.46 per square foot, both per annum. Rental Nos. 1, 2, and 3 are all adult cabarets that indicate the higher average of the rental range. Conversely, Rental Nos. 3, 4 and 5 are leased by restaurant tenants indicating a lower average of range. The average rental rate for establishments operated as bars, excluding Rental No. 6 is \$27.08 per square foot.

Based on the above discussion and considering the size of the subject, and local credit tenant most likely to possess the property, the appraisers have estimated the market rent for the subject property to be \$26.00 per square foot per year.

The Income Approach factors in the indicated market rental rate of \$26.00 per square foot per annum on a net lease arrangement. The potential gross rental income for the nightclub is estimated as \$506,168.

Tenant Reimbursements

Properties like the subject property are typically structured on a triple net lease where the tenant reimburses for taxes, insurance and common area maintenance/repairs. The real estate tax reimbursement for the nightclub building and underlying land is estimated as \$106,932. The total reimbursement for the subject property insurance is \$12,492 and common area maintenance/repairs are \$19,468. The total tenant reimbursements of \$138,892 generate a potential gross income (PGI) of \$645,060.

Vacancy and Collection Loss Analysis

The property is configured for single tenant occupancy in a market that is well occupied. An estimated rate of 6.0% or \$38,704 annual allowance for vacancy and collection loss results in effective gross income of \$606,356.

Expense Analysis

The expense analysis denotes all expenses necessary to maintain the production of revenue from operating the property. Under a triple net lease arrangement, for a free-standing building, the tenant would likely reimburse the owner for the pertinent expenses such as taxes, insurance and common area maintenance. Expenses borne by the owner include an allowance for management which represents an amount paid to have the property professionally managed, or an amount representative of the owner's time in doing so. The final expense includes an allowance for reserves for replacement. The following discussion outlines these expense items.

- Taxes: The estimated taxes for the restaurant, site improvements and land assessed by the Dallas County Appraisal District are \$106,932.
- Insurance: Hazard insurance is necessary to protect the property in the event of damages that may result from fire, weather, break-in, etc. Insurance expense in 2016 is estimated at \$0.64 per square foot or approximately \$12,492.
- Common Area Maintenance - CAM: Common Area Maintenance (CAM) includes expense items such as roof repair, plumbing, parking lot paving/painting, etc. The total CAM charges are estimated at \$1.00 per square foot or \$19,468.

- Management: The management fee is the contractual amount paid to have the property professionally managed, or an amount representative of the owner's time in doing so. Typically, management fees are expressed as a percentage of effective gross income, ranging from approximately 2% to 5%, depending upon the age, condition, building size, tenant type, anticipated management intensities, etc. The appraisers estimate the management fee to be approximately 3.0% of effective gross income; the annual expense is \$18,191.
- Replacement Reserves/Miscellaneous: The appraisers have estimated the reserves for replacement to be approximately \$0.35 per square foot of building area, or \$6,814 per year. The reserve amount is intended to reflect a monetary reservation for various capital items which require replacement over the life of the building. These capital expenditures are not charged back to the tenant.

Total Operating Expenses

The total operating expenses equate to \$163,896.

Net Operating Income

Effective gross income was earlier reported to be \$606,356. Ownership expenses total \$163,896 indicating a net operating income of \$442,460. The next step considers the estimation of the overall capitalization rate which is applied to the net operating income to indicate a lump sum value applicable to the subject property.

Overall Capitalization Rate

The capitalization rate is a rate of return an investor would expect to receive on the property based on its net rental income. Capitalization rates vary depending on risk, age and condition of the building, maintenance requirements, ease of leasing, etc. All of these factors, plus prevailing rates of return on alternative investments influence capitalization rates.

In the Dallas and Ft. Worth markets, the appraisers have identified nightclub and restaurant transactions involving leased fee estate interest; most of which are local and regional credit restaurant tenants, thereby setting the middle range of applicable rates. A local credit occupied property, such as the subject, typically markets at a higher rate than a national credit tenant occupied property. The property owner operates Club Onyx along Wire Way Dr., XTC along Stemmons Freeway (I-35), Cabaret East located along Callaway Cemetery Rd. and Rick's located along Calmont Ave. in Ft. Worth in separate market areas. The subject property will likely garner a higher overall rate than a national credit company.

Six recent comparable sales in Dallas, Ft. Worth and Houston areas conveyed the leased fee estate interests. Sale Nos. 1, 2 and 3 conveyed the fee simple estate interest with the appraiser extracting a pro forma overall capitalization rate. Sale Nos. 4, 5, and 6 transacted with the leased fee estate interest and an actual overall capitalization rate was extracted by the appraisers. A summary of the overall capitalization rates of the comparable sales are as follows. These are for local and regional credit tenants and indicate the middle of the range for an appropriate capitalization rate for the subject.

SUMMARY OF OVERALL CAPITALIZATION RATES

Sale No.	Identification/ Location	Address	GBA	Date of Sale	Overall Rate (%)
1	Black Orchid	2151 Manana, Dallas	12,500	Jan-12	9.18%
2	Cabaret East	12325 Calloway Cem., Ft. Worth	10,000	Jan-12	9.18%
3	Redneck Heaven	3840 N.E. Loop 820, Ft. Worth	6,400	Jun-13	8.33%
4	Bombshells	21005 IH-45 North, Spring	11,637	Sep-14	6.28%
5	Kirby's Steakhouse	3305 E. SH 114, Southlake	7,900	Sep-14	7.58%
6	Fresco's Cocina Mexican	7432 Denton Hwy., Watauga	5,004	Apr-14	7.16%
Average					7.95%
Median					7.96%

The comparable sales above indicate overall capitalization rates ranging from 6.28% to 9.18%. The average indicated by the six comparable sales is 7.95%.

In addition to various comparable sales, the appraisers have also consulted the Pricewaterhouse Coopers Real Estate Investor Survey.

3rd Quarter 2015 PwC Real Estate Investor Survey			
Overall Capitalization Rate (OAR)			
Segment	Range	Avg.	Annual Change
National Net Lease Market	5.50% - 9.00%	6.83%	-15

The Pricewaterhouse Coopers Real Estate Investor Survey indicates overall capitalization rates for the National Net Lease Market as of 3rd Quarter 2015 to range from 5.50% to 9.00% with an average of 6.83% for institutional grade properties, which is down 15 basis points from one year ago. The capitalization rates exhibited by the Pricewaterhouse Coopers Real Estate Investor Survey were for all cash transactions in major metropolitan areas. The survey is for credit leased properties which indicates the lower-end of the range for overall rates.

Most local credit occupied commercial properties in older development areas of Dallas-Ft. Worth "trade" at rates over 8.0% to as high as 10.0% (or better). The subject however is in an established metropolitan area with a successful business in place since 2008 and would be within the range. The appraised property operates as an adult cabaret with Sexually Oriented Business (SOB) license and liquor license. Market participants indicate properties with sexually oriented businesses and liquor sales transact with a higher overall capitalization rate of 1.0% to 3.0% above retail and restaurant properties. This is indicated in the Summary Of Overall Capitalization Rates provided above.

This analysis assumes a local credit tenant for the property. The appraised property is a well maintained nightclub in one of Dallas's most established entertainment neighborhoods. Considering the age and configuration of the improvements along with the well-identified nature of the operation, the concluded overall capitalization rate relative to the Club Onyx is in the range of 8.50% to 9.50%, say 9.0%.

Direct Capitalization Conclusion

Dividing the appropriate capitalization rate of 9.0% into the estimated net operating income of \$442,460 indicates a market value by the Income Capitalization Approach of \$4,920,000, rounded. When the

contributory value of the excess land is added, \$990,000, the property's total market value is estimated to be **\$5,910,000** rounded, or **\$303.58** per square foot of gross building area.

An Income Approach summary follows:

INCOME APPROACH SUMMARY			
Club Onyx			
10557 Wire Way Drive, Dallas, Texas			
	Square Feet	Annual Rent/SF	Annual Rent
Net Rentable Area	19,468		
Potential Rental Income			
10557 Wire Way Drive, Dallas, Texas	19,468	\$26.00	\$506,168
Total Potential Rental Income			\$506,168
Tenant Reimbursements			
Real Estate Taxes		\$5.49	\$106,932
Insurance		\$0.64	\$12,492
Common Area Maintenance/Repairs		\$1.00	\$19,468
		\$7.13	\$138,892
Potential Gross Income			\$645,060
Less - Vacancy And Collection Loss	6.0%		(\$38,704)
Effective Gross Income			\$606,356
Less - Ownership Expenses			
Taxes		\$5.49	\$106,932
Insurance		\$0.64	\$12,492
Common Area Maintenance (maintenance, repairs, utilities, trash, etc.)		\$1.00	\$19,468
Management	3.0%	of EGI	\$18,191
Structural Maintenance/Reserves		\$0.35	\$6,814
Total Ownership Expenses		(\$8.42)	(\$163,896)
Net Operating Income			\$442,460
Overall Capitalization Rate	9.00%		\$4,916,222
Value Indicated by Direct Capitalization		(RD)	\$4,920,000
Excess Land - 6.497 Acres			\$990,000
Total Market Value Indication			\$5,910,000

Reconciliation

Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

VALUE INDICATIONS & CONCLUDED VALUES

	As Is
Valuation Date:	February 29, 2016
Cost Approach	\$5,290,000
Sales Comparison Approach	\$5,760,000
Income Capitalization Approach	\$5,910,000
Market Value Conclusion	\$5,860,000

In order to derive a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach. The approaches relate to one another within a pattern characteristic of current market conditions.

The most meaningful approach is considered to be the Income Capitalization Approach. Given the availability and reliability of data within the Income and Sales Comparison Approaches, the appraisers gave greater weight to the Income Capitalization Approach in arriving at a final value conclusion. Similar type properties are typically purchased by investors, who primarily rely upon the methods employed by the Income Approach. The Cost Approach indicates development of the property is feasible.

Exposure and Marketing Periods

Exposure time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The estimated adequate exposure time is 12 months or less.

The reasonable marketing time is an opinion of the amount of time it might take to sell a real property interest at the concluded market value level during the period immediately after the effective date of an appraisal. The estimated adequate marketing time is 12 months or less.

General Assumptions & Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.

10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but no third-parties not listed as an intended user on the face of the appraisal or the engagement letter may rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

19. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income & Expense Projection" are anticipated.
20. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
21. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.
22. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
23. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
24. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.

25. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
26. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
27. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and 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, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
28. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an 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 could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
29. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
30. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
31. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
32. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.

33. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.
34. You and Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Dugger, Canaday, Grafe, Inc. or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. for this assignment, and under no circumstances shall any claim for consequential damages be made.
35. Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc.. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc. in such action, regardless of its outcome.
36. The value opinion(s) provided herein is subject to any and all predications set forth in this report.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Dugger, Canaday, Grafe, Inc. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.

38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the appraisal within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Paul P. Grafe, MAI, CCIM did not make a personal inspection of the property that is the subject of this report. David H. Thomas, III made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the people signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I, Paul P. Grafe MAI, CCIM have completed the continuing education program for Designated Members of the Appraisal Institute.



Paul P. Grafe, MAI, CCIM
Senior Managing Director
State Certified General
Real Estate Appraiser
TX-1320847-G



David H. Thomas, III
State Certified General
Real Estate Appraiser
TX-1337352-G

Addenda

Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 5th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Additional Rent

Any amounts due under a lease that is in addition to base rent. Most common form is operating expense increases. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base (Shell) Building

The existing shell condition of a building prior to the installation of tenant improvements. This condition varies from building to building, landlord to landlord, and generally involves the level of finish above the ceiling grid. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

The areas of the building that provide services to building tenants but which are not included in the rentable area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building

common areas are; floor common areas, parking spaces, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A statement issued by a local government verifying that a newly constructed building is in compliance with all codes and may be occupied.

Common Area (Public) Factor

In a lease, the common area (public) factor is the multiplier to a tenant's useable space that accounts for the tenant's proportionate share of the common area (restrooms, elevator lobby, mechanical rooms, etc.). The public factor is usually expressed as a percentage and ranges from a low of 5 percent for a full tenant to as high as 15 percent or more for a multi-tenant floor. Subtracting one (1) from the quotient of the rentable area divided by the useable area yields the load (public) factor. At times confused with the "loss factor" which is the total rentable area of the full floor less the useable area divided by the rentable area. (BOMA)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.

CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings. CAM can refer to all operating expenses.

CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15 percent addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee. (Dictionary)

Condominium

A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common areas.

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real property restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature to continue, subject to the easement. In some locations, a conservation easement may be referred to as a conservation restriction. (Dictionary)

Contributory Value

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

1) In appraising, the loss in a property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
2) In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method. (Dictionary)

Disposition Value

The most probable price that a specified interest in real property is likely to bring under the following conditions:

- Consummation of a sale within a exposure time specified by the client;
- The property is subjected to market conditions prevailing as of the date of valuation;

- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time specified by the client;
- Payment will be made in 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. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

1) The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TIs). (Dictionary)

EPDM

Ethylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called an expense recovery clause or stop clause. (Dictionary)

Estoppel Certificate

A statement of material factors or conditions of which another person can rely because it cannot be denied at a later date. In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. (Dictionary)

Exposure Time

1) The time a property remains on the market. 2) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Fair Market Value

The price at which the property should change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts. [Treas. Reg. 20.2031-1(b); Rev. Rul. 59-60. 1959-1 C.B. 237]

Fee Simple Estate

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. (Dictionary)

Floor Common Area

Areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a full service lease. (Dictionary)

Going Concern Value

- The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern.
- The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. (Dictionary)

Gross Building Area

The total constructed area of a building. It is generally not used for leasing purposes (BOMA)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of the same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expense in income-producing properties when less than 100 percent occupancy is assumed. The gross up method approximates the actual expense of providing services to the rentable area of a building given a specified rate of occupancy. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning. A general term encompassing any system designed to heat and cool a building in its entirety.

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximally profitability. Alternatively, the probable use of land or improved –specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary)

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Industrial Gross Lease

A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real estate taxes as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Dictionary)
(Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees).

Investment Value

The value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken. (Dictionary)

Fee Simple Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary)

Leasehold Interest

The tenant's possessory interest created by a lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

- Consummation of a sale within a short period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 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. (Dictionary)

Loan to Value Ratio (LTV)

The amount of money borrowed in relation to the total market value of a property. Expressed as a percentage of the loan amount divided by the property value. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor.

Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value

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:

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in United States 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.

Market Value As If Complete

Market value as if complete means the market value of the property with all proposed construction, conversion or rehabilitation hypothetically completed or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value As If Stabilized

Market value as if stabilized means the market value of the property at a current point and time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time). (Dictionary)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real property for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole (a fractional interest). (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real estate taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Prospective Future Value Upon Completion

Market value "upon completion" is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such

effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

Prospective Future Value Upon Stabilization

Market value "upon stabilization" is a prospective future value estimate of a property at a point in time when stabilized occupancy has been achieved. The projected stabilization date and the value estimate must reflect the absorption period required to achieve stabilization. In addition, the cash flows must reflect lease-up costs, required tenant improvements and leasing commissions on all unleased areas.

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

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

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the original lessee when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee (i.e., the tenant) leases part or all of the property to another party and thereby becomes a lessor. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Substantial Completion

Generally used in reference to the construction of tenant improvements (TIs). The tenant's premises are typically deemed to be substantially completed when all of the TIs for the premises have been completed in accordance with the plans and specifications previously approved by the tenant. Sometimes used to define the commencement date of a lease.

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net leases, or fully net lease. (Dictionary)

(The market definition of a triple net leases varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area or building common area on a floor. The total of all the usable areas on a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Engagement Letter



Appraisal Engagement Summary Contract

Date Awarded: 2/16/2016

Project Number: 16-000534-02-01

Appraiser Name: Paul Grafe, MAI, CCIM.
Appraiser Company: Valbridge Property Advisors
Address: 111 Soledad, Suite 800, San Antonio, TX 78205
Phone: 210-227-6229
Fax: 210-227-8520
Email: pgrafe@valbridge.com

Borrower Name: Ed Anakar/RCI Holdings
Property Address: 10557 Wireway Drive, Dallas, TX 75220
Property Type: Retail-Commercial, Tavern, Bar, Nightclub, Micro-Brewery
Property Description:
Access/Contact Info: Ed Anakar
Phone: 713-385-0044
Email: ed@rciis.com
Alt. Phone:

Please accept this letter as your authorization to prepare an appraisal of the above referenced property on behalf of Centennial Bank. The specifics of the engagement including the agreed upon fee and delivery date are shown below. The details of this assignment, including scope of work and additional requirements are described in the RFP and Award within RIMSCentral.

All Appraisal reports must include an opinion of the "As is" value of the real property as of the effective date of the appraisal report, even if a different value (going concern, subject to, prospective, etc.) is requested by the client.

Delivery Date: 3/7/2016

Delivery Requirements:

Upon receipt of this assignment, make arrangement with Ed Anakar, Property Contact, for a property inspection. After all reasonable efforts have failed to obtain the required data to complete this assignment, contact Danita Webb for assistance and/or extension of delivery date. Upload separately, an electronic copy of your appraisal report and invoice to RIMSCentral website no later than the delivery date. If a complete copy of the report cannot be uploaded, please contact support at DWebb@my100bank.com. *Failure to comply with delivery requirements could result in penalty to the appraisal fee.*

Appraisal Fee: \$3,000, inclusive of all costs necessary to complete the report. Any costs not included in the fee must be approved in advance by Centennial Bank.

Invoice Requirements

INVOICES MUST BE ADDRESSED AS FOLLOWS:

Danita Webb

Centennial Bank
16-000534-02-01
1



Centennial Bank
719 Harkrider
Conway, AR 72032

Please include your Federal Tax ID number *and* Invoice # or **RIMS Project number: 16-000534-02-01** on your invoice.

Summary

The appraisal must comply with the Uniform Standards of Professional Appraisal Practice (USPAP), Title XI of "FIRREA" and the General Appraisal Guidelines. Failure to comply with any of the above requirements may result in rejection of the appraisal. In addition, payment of the fee is subject to a review of the appraisal for compliance with the requirements outlined above.

By agreeing to accept this engagement, your report will comply with the most current USPAP and all other guidelines specified.

***Note: All single family residential appraisals must be completed by use of the most current residential form.

Please ensure that the following items are included with the report.

- o Signed copy of the engagement letter in the addenda of the report
- o Property completed invoice addressed to Centennial Bank

Respectfully,

Danita Webb
Centennial Bank

Accepted: _____

Date: _____


2/16/16

Centennial Bank
16-000534-02-01
2

[← Back](#)
RIMS Customer: Centennial Bank
Project #: 16-000534-02-1

- Award Information

Date Awarded: 2/16/2016
 Canceled: No
 Fee: \$3,000.00
 Property Contact(s): Ed Anakar, 713-385-0044, ed@ncjls.com

Directly Awarded: No
 Delivery Date: 3/7/2016

Job Attachments:

File	Description	Date Uploaded	Confirmation Number
10557 and 10550 Wireway Drive.pdf	10557 and 10550 Wireway Drive	2/16/2016 4:05:56 PM CST	

- Bid Information

Proposed Fee: \$3,000.00
 Signatory Information: Paul P. Grafe
 Prior Services: Have you performed or provided any services regarding the subject property within the prior three years, as an appraiser or in any other capacity? If Yes, please provide details in the Comments field.
 No
 Bid Comments: The above fee assumes we complete all four assignments

Proposed Delivery Date: 3/7/2016
 Office Location:

- RFP Information

Purpose Of Request: Refinance of Subject Property
 Response Deadline: 2/12/2016
 Desired Delivery Date: 3/03/2016

RFP Contact: Danita Webb
 Contact Phone: 501-328-4623

ADDRESSEES:

First name	Last name	Company	Address
Danita	Webb	Centennial Bank	719 Harkrider Conway, AR 72032

Total Addressees: 1

SCOPE OF SERVICES:

Intended Use Use - Loan Underwriting
 The intended use of this appraisal is for loan underwriting and/or credit decisions by Centennial Bank and/or participants

Intended User(s) User - Centennial Bank
 The intended users of this report is Centennial Bank and/or affiliates

Approach(es) to Value Approach - ALL
 All Approaches

Inspection Requirements Inspect - Full Subject
 An interior and exterior inspection of the subject property in sufficient detail to determine marketability

Other Requirements None

Report Type: Appraisal Report
 Report Format: Narrative

VALUATION SCENARIOS:	Valuation Premise	Premise Qualifier	Property Interest	Comment
	Market Value	As Is	Fee Simple	

<https://online.rimscentral.com/Orders/ViewOrder.aspx?enc=UGFnZU1vZGU9Vmllld0F3Y...> 2/16/2016

-Property Information

Project Name: RCI Holdings/Texas
Property Comment: Gentlemen's club and additional land for parking
Property Type: IN2 - Retail-Commercial - Tavern, Bar, Nightclub, Micro-Brewery - Commercial establishments oriented around the sale and on-site consumption of alcoholic beverages.
Address: 10557 Wireway Drive, Dallas, TX 75220
County: Dallas
Improvement Size (Primary): 19,468 SF
Land Size: 201,988 Acres
Excess Land: 209,663 SF-Land
Number Of Tenants: 0
Parcel Numbers: 006489000B01A0000,0064890A000040400
Current Use: Gentlemen's club and additional land for parking
Number Of Buildings: 1
Year Built: 2003
Property Status: Existing
Property Tenancy: Owner Occupied 100%
Ground Lease?: No
Listed for Sale?: No
Proposed Renovation?: No
Pending/Recent Sale?: No
Legal Description: Blk B/6489 LT 1A ACS 4.637 and Blk A/6489 LT 4.4 ACS 4.8124

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<https://online.rimscentral.com/Orders/ViewOrder.aspx?enc=UGFnZU1vZGU9Vmllld0F3Y...> 2/16/2016

Qualifications of Paul P. Grafe

Education

- *Bachelor of Science Degree in Agricultural Economics* with a specialization in Real Estate – Texas A&M University; May 1985
- During his education at Texas A&M University, he completed 18 hours of core real estate courses

Specialized Education

Received credit for the following courses sponsored by the Appraisal Institute, American Society of Farm Managers and Rural Appraisers, Commercial Investment Real Estate Institute and International Right-of-Way Association:

- Separating Real, Personal and Intangible Value, Appraisal Institute, 2012
- Standards of Professional Practice Part C, 2013
- Business Practices and Ethics, 2013
- Advanced Applications, Appraisal Institute, 2005
- Decision Analysis for Commercial Investment Real Estate (CI 301), 1998
- Market Analysis for Commercial Real Estate (CI 201), 1997
- Advanced Resource Appraisal (A-34), 1995
- Completed all core courses under the American Institute of Real Estate Appraisers required for the MAI designation, 1984-1988

Experience

Presently and since 1985, Paul P. Grafe has been engaged in independent real estate fee appraisal and consultant work. Presently, he is Senior Managing Director of Valbridge Property Advisors | Dugger, Canaday, Grafe, Inc., Real Estate Consultants and Appraisers.

Other business interests have included Alamo Fiesta Recreational Vehicle Resort, Boerne, Texas and ranching registered Angora and Boer Goats. Mr. Grafe has served as an officer and on the boards of a number of civic and education related organizations. He has been active in coaching youth sports to include baseball, soccer and basketball. He is also involved with several FFA and 4-H programs.

Clients served include corporations, law firms, accounting firms, individuals, financial institutions, mortgage lenders, conduit lenders, governmental agencies, developers and estates.

Real estate appraisal and counseling experience is varied and includes mixed use developments, office, multi-family, retail, hotel, and industrial. Special purpose properties appraised include resort hotels and developments, retirement communities, nursing homes, golf courses, aircraft hangars, and micro processing facilities. Agricultural appraisal experience includes recreational and working ranches in Texas and Wyoming, small grain farms, mushroom farms, fertilizer plants, and nurseries. He has developed specializations in the appraisal of multi-family and retail properties as well as appraisal related to condemnation.

In addition to valuation and counseling on real property, he has completed appraisals dealing with many types of equipment and rolling stock.

Generally his trade area encompasses the State of Texas. Mr. Grafe has had the opportunity to complete a number of appraisals throughout the United States over the last fifteen years. These assignments varied in property type to include multi-family, credit leased properties (i.e., CVS Drugstores, Eckerd Drugstores,

IHOP Restaurants, etc.), retail, office and industrial. Appraisals have been made in the states of Arkansas, California, Colorado, Indiana, Illinois, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, New Mexico, New Hampshire, North Carolina, Oklahoma, Pennsylvania, South Carolina, and Wyoming.

Appraisal assignments have also been completed in the Republic of Mexico and Puerto Rico. Appraisals in Mexico have been completed in the states of Tamaulipas, Guanajuato, Nuevo Leon, Mexico, Baja California, Chihuahua, and Sinaloa. The emphasis of these assignments has been industrial and resort properties.

He has qualified as an expert witness and testified for real estate related matters in County, District, and Federal Courts.

During May 1985 to December 1988, Mr. Grafe was employed as an associate appraiser for Noble, Glen & Associates, Inc.

During October 1984 to May 1985, he was employed part time for Brazosland Appraisals in Bryan, Texas as a residential market research intern.

Professional Affiliations Include the Following Organizations

- Member, Appraisal Institute, Certificate No. 8582, MAI; October 1990
- State Certified General Appraiser in the State of Texas, Certification No. TX-1320847-G; May 24, 1991
- Real Estate Broker License, No. 0354271; 1992
- Member, Commercial Investment Real Estate Institute, Certificate No. 8330, CCIM; November 1998
- President, San Antonio Chapter of the Appraisal Institute; 1999 Director, San Antonio Chapter of the Appraisal Institute; 1993-2000
- President, International Right-of-Way Association; 2001 Director, International Right-of-Way Association; 1997-2001
- Treasurer, Boerne Sunrise Rotary Club; 1997 Director, Boerne Sunrise Rotary Club; 1994-1997
- Member, Society of Texas A&M Real Estate Professionals

Recent Seminars and Lectures

- Speaker - 27th Annual Legals Seminar on Ad Valorem Taxation; "How Do You Know I Know You Know What You Say You Know?" Expert Qualification and Disqualification Rules and Issues, 2013
- Scope of Work: Expanding Your Range of Services, 2006
- Speaker – International Right-of-Way Region 2 Seminar; "New Trends in the Appraisal Industry," 2005
- Real Estate Issues Seminar; International Right-of-Way Association Chapter 39; 1997-2011

Qualifications of David H. Thomas, III

Education

- *Bachelor of Arts – Sociology, Emory University, 1987*
- *Associate of Arts Degree, Oxford College of Emory University, 1984*

Specialized Education

Courses completed for accreditation sponsored by the Appraisal Institute:

- Applied Residential Property Valuation (AI-102), *Atlanta, GA; 1991*
- Appraisal Procedures (AI-120), *Houston, TX; 2001*
- Basic Income Capitalization (AI-310), *Houston, TX; 2002*
- National Uniform Standards of Professional Appraisal Practice, 15 Hour (AI-410N), *Arlington, TX; 2007*
- Advanced Sales Comparison and Cost Approaches (AI-530), *Arlington, TX; 2007*

Course completed for accreditation by Texas Appraiser Licensing and Certification Board:

- Real Estate Appraisal Principles (GLO211), *Dallas, TX; 1988*

Experience

- Real estate associate employed by Dugger, Canaday, Grafe, Inc., Real Estate Consultants and Appraisers since April 2000
- Vice President of Acquisitions employed by FirstCity Financial Corp., Waco, Texas, from December 1994 to June 1999. Experience included underwriting of commercial real estate loans for portfolio purposes and purchase of delinquent real estate tax liens, as well as analysis and evaluation of commercial loans
- Real estate associate employed by J.R. Kimball, Inc., Fort Worth, Texas, from September 1991 to December 1994. Experience included analysis of 1 to 4 family residential properties using FNMA residential guidelines and parcel analysis for tax appeal process

Licenses

- State Certified General Real Estate Appraiser in the State of Texas, License No. TX-1337352-G; September 27, 2007
- Texas Real Estate Salesman License, License No. 0395199 (*inactive*)
- Georgia Real Estate License (*inactive*)

Civic Activities

- Rotary Club of San Antonio - Member
- Landa Gardens Conservancy – Former Board Secretary
- Monte Vista Historical Society - Member

You may wish to laminate the pocket identification card to preserve it.

PAUL PHILLIP GRAFE
111 SOLEDAD ST STE 800
SAN ANTONIO, TX 78205

The person named on the reverse is licensed by the Texas Appraiser Licensing and Certification Board.

Inquiry as to the status of this license may be made to:

Texas Appraiser Licensing and Certification Board
P.O. Box 12188
Austin, Tx 78711-2188
www.talcb.texas.gov
(512) 936-3001
Fax: (512) 936-3899

Texas Appraiser Licensing and Certification Board
P.O. Box 12188 Austin, Texas 78711-2188
Certified General Real Estate Appraiser

Number: **TX 1320847 G**
Issued: **06/02/2015** Expires: **05/31/2017**
Appraiser: **PAUL PHILLIP GRAFE**


Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.


Douglas E. Oldmixon
Commissioner

Texas Appraiser Licensing and Certification Board
P.O. Box 12188 Austin, Texas 78711-2188
Certified General Real Estate Appraiser

Number: **TX 1320847 G**
Issued: **06/02/2015** Expires: **05/31/2017**
Appraiser: **PAUL PHILLIP GRAFE**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.


Douglas E. Oldmixon
Commissioner

You may wish to laminate the pocket identification card to preserve it.

DAVID HUGH THOMAS III
111 SOLEDAD SUITE 800
SAN ANTONIO, TX 78205

The person named on the reverse is licensed by the Texas Appraiser Licensing and Certification Board.

Inquiry as to the status of this license may be made to:

Texas Appraiser Licensing and Certification Board
P.O. Box 12188
Austin, Tx 78711-2188
www.talcb.texas.gov
(512) 936-3001
Fax: (512) 936-3899

Texas Appraiser Licensing and Certification Board
P.O. Box 12188 Austin, Texas 78711-2188
Certified General Real Estate Appraiser

Number: **TX 1337352 G**
Issued: **08/21/2015** Expires: **09/30/2017**
Appraiser: **DAVID HUGH THOMAS III**


Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.


Douglas E. Oldmixon
Commissioner

Texas Appraiser Licensing and Certification Board
P.O. Box 12188 Austin, Texas 78711-2188
Certified General Real Estate Appraiser

Number: **TX 1337352 G**
Issued: **08/21/2015** Expires: **09/30/2017**
Appraiser: **DAVID HUGH THOMAS III**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.


Douglas E. Oldmixon
Commissioner

Information on Valbridge Property Advisors

Valbridge covers the U.S. from coast to coast, and is one of the Top 3 national commercial real estate valuation and advisory services firms based on:

- Total number of MAIs (145 on staff)
- Total number of office locations (67 across the U.S.)
- Total number of staff (600 strong)

Valbridge is owned by our local office leaders. Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.

Valbridge services all property types, including:

- Office
- Industrial
- Retail
- Apartments/multifamily/senior living
- Lodging/hospitality/recreational
- Land
- Special-purpose properties

Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements. Specialty services include:

- Portfolio valuation
- REO/foreclosure evaluation
- Real estate market and feasibility analysis
- Property and lease comparables, including lease review
- Due diligence
- Property tax assessment and appeal-support services
- Valuations and analysis of property under eminent domain proceedings
- Valuations of property for financial reporting, including goodwill impairment, impairment or disposal of long-lived assets, fair value and leasehold valuations
- Valuation of property for insurance, estate planning and trusteeship, including fractional interest valuation for gifting and IRS purposes
- Cost segregation studies
- Litigation support, including expert witness testimony
- Business and partnership valuation and advisory services, including partial interests

Independent Valuation for a Variable World

Office Locations

Corporate Office

Valbridge Property Advisors
2240 Venetian Court
Naples, FL 34109
888-981-2029 Toll-Free
239-325-8234 phone
239-325-8356 fax

Alabama

Valbridge Property Advisors |
Real Estate Appraisers, LLC
4732 Woodmere Boulevard
Montgomery, AL 36106
334-277-5077 phone
334-277-5078 fax

Arizona

Valbridge Property Advisors |
MJN Enterprises, Inc.
6061 E. Grant Rd., Suite 121
Tucson, AZ 85712
520-321-0000 phone
520-290-5293 fax

California

Valbridge Property Advisors |
Hulberg & Associates, Inc.
225 Crossroads Blvd., Suite 326
Carmel, CA 93923
831-917-0383 phone
925-327-1696 fax

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