

LEWIS REALTY ADVISORS
CONSULTANTS APPRAISERS

952 Echo Lane Suite 315
Houston, Texas 77024-2758
E-mail: ira@lewis-realty.com

713 461-1466
Fax 713 468-8160

August 5, 2009

Mr. Bob Christy
Director of Real Estate
City of Houston – Building Services Department
P.O. Box 61189
Houston, Texas 77280

Mr. Denis Braham – Lakewood Church
Winstead, Sechrest & Minick
910 Travis Street
Suite 2400
Houston, Texas 77002

**Re: 6.945 Acres of Land Being a Portion of Blocks 5 and 6 of the Lamar-
Weslayan Addition and all of Seminole Street Right-of-Way, in the
A.C. Reynolds Survey, Abstract 61, Harris County, Texas**

Dear Mssrs. Bob Christy and Denis Braham:

At your request, we have prepared the accompanying appraisal report with our estimate of the market value of the leased fee interest in the above-referenced property. The attached summary appraisal report provides essential data and detailed reasoning employed in estimating the market value of the leased fee interest in the above-referenced property as of August 5, 2009 to be:

\$7,700,000

SEVEN MILLION SEVEN HUNDRED THOUSAND DOLLARS

This is a ***summary report*** prepared in accordance with the 2008-2009 *Uniform Standards of Professional Appraisal Practice, The Texas Appraiser Licensing and Certification Board (TALCB), The State of Texas, and the Appraisal Institute.* Additional data and supporting documentation is contained within our files.

A CONFIDENTIAL REAL PROPERTY VALUATION REPORT

OF

THE LEASED FEE INTEREST

IN LAKEWOOD CHURCH

LEGALLY DESCRIBED AS

**6.945 ACRES OF LAND BEING A PORTION OF BLOCKS 5 AND 6 OF THE
LAMAR-WESLAYAN ADDITION AND ALL OF SEMINOLE STREET
RIGHT-OF-WAY, IN THE A.C. REYNOLDS SURVEY, ABSTRACT 61,
HARRIS COUNTY, TEXAS**

PREPARED FOR

**Mr. Bob Christy
Director of Real Estate
City of Houston – Building Services Department
P.O. Box 61189
Houston, Texas 77280**

And

**Mr. Denis Braham – Lakewood Church
Winstead, Sechrest & Minick
910 Travis Street
Suite 2400
Houston, Texas 77002**

Date of the Appraisal: August 5, 2009

Date of the Report: August 5, 2009

PREPARED BY

**LEWIS REALTY ADVISORS
952 ECHO LANE, SUITE 315
HOUSTON, TEXAS 77024
(713) 461-1466
www.lewisrealty.com**

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Section I

Scope of the Appraisal: We utilized the appraisal process to estimate the market value of the 6.945-acre above-described property. We have researched supply and demand characteristics and conducted a market study of real estate activity in the immediate vicinity of the property. Our due diligence included collection and analysis of sales, contracts, offerings, the use and condition of the improvements, analysis of the lease agreement, the site coordination agreement, the parking facilities agreement, the chilled water agreement, 10-year treasury yield rates, the consumer price index for urban consumers (CPI-U) for the Houston-Baytown-Sugar Land MSA, and other recent developments that have occurred in the area, and a determination of highest and best use of the property. Sources of data include Harris County deed records, Harris County Appraisal District data, the United States Treasury, the United States Department of Labor and Statistics, owner's representatives and knowledgeable individuals active in the market area for our analysis of the property. We inspected the property and competitive properties within the market.

The appraisal process was utilized and is a systematic approach, whereby the appraiser researches, collects, and analyzes data pertaining to the property in order to develop an opinion of market value for the real property interest being appraised. The first step in this process is an inspection and investigation of the subject site and the market area in which it is located. The appraiser then researches and collects data pertaining to comparable properties that have sold, are contracted to sell or listed for sale in the market. If the property is income-producing, data is collected pertaining to income and operating expenses for the subject and similar properties.

As will be discussed in the "Highest and Best Use" section of this appraisal report, the subject site is subject to a lease agreement by and between the *City of Houston* and *Lakewood Church*. This lease has a 30-year option at the termination of the first term. As such, it is the appraisers' opinion that the improvements will have outlived their economic lives at the end of the option period as the improvements will have an actual age of 100 years. Therefore, we have utilized the income capitalization approach to estimate the market value of the income stream from the lease agreement and the sales comparison approach to estimate the value of the land as though vacant at the end of the lease agreement (reversion). Because the improvements will have outlived their economic lives at the end of the lease agreement, the cost approach and the improved sales comparison approaches are not applicable. This report is deemed credible and reliable.

Competency Rule: We have the knowledge and experience of appraising similar type properties located within the subject's market area, as well as past valuations of the subject property, and applying the approaches to value utilized; therefore, we are able to complete this assignment competently.

Jurisdictional Exception Rule: If any part of the Uniform Standards of Professional Appraisal Practice is contrary to the law or public policy of any jurisdiction, only that part shall be void and of no force or effect in that jurisdiction.

Definition of Market Value: Market Value, as used herein, is defined as:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in any other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.¹

The market value estimate of the above-referenced property assumes that it meets the appropriate state and federal environmental standards for its highest and best use.

Estimated Reasonable Exposure Time: Inherent in the definition of market value is the assumption that the property being appraised is exposed to the market for a reasonable and customary period of time. This exposure time may be different for different types of real estate, and is presumed to precede the effective date of value estimated in this appraisal report. Based upon current market conditions and recent sales history of properties similar to the subject land, the reasonable exposure time for the property, as valued herein, is 12 to 18 months.

Date of Report: The date of the report is August 5, 2009.

Effective Date of the Appraisal: The effective date of the appraisal (value) is August 5, 2009.

Property Rights Appraised: For the purpose of this assignment, the property rights appraised are the “leased fee estate”. Leased fee estate is defined as:

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.²

Identity of the Client and Intended User of the Report: The clients and intended users of this report are *Mr. Bob Christy, Mr. Denis Braham, the City of Houston, and Lakewood Church* and their representatives.

Purpose and Intended Use of the Appraisal: The appraisal is intended to be used by the clients with regard to negotiations of a purchase price to be paid by *Lakewood Church* to the *City of Houston* for the subject property.

¹ *The Appraisal of Real Estate*, Thirteenth Edition (Chicago Appraisal Institute, 2008)

² *The Dictionary of Real Estate Appraisal*, Fourth Edition (Chicago: Appraisal Institute, 2002)

Statement of Ownership and History: According to the Harris County property records, the property is owned by the *City of Houston*. There have been no arms-length transactions of the property in the three years prior to August 5, 2009. However, as of the date of value, the property has been leased to *Lakewood Church*.

As will be further discussed in the “Improvement Description” section of this appraisal report, the subject property is currently improved with the Lakewood Church Central Campus. Prior to becoming the Lakewood Church Central Campus, the subject property and improvements were utilized as a sports arena known as “The Summit” and later “Compaq Center.” During the course of the subject property’s use as a sports and entertainment arena, “The Summit/Compaq Center” housed the Houston Rockets franchise’s home games, the Houston Aeros franchise’s home games, the Houston Hotshots franchise’s home games, the Houston Comets franchise’s home games, and the Houston Thunderbears/Texas Terror franchise’s home games. In addition, the “Summit/Compaq Center” also featured acts from the Ringley Brothers & Branum & Bailey Circus, the World Wrestling, the Justin Bull Riding Championship, Disney On Ice, and musical acts to including Paul McCartney, Neil Young, Michael Jackson, Elvis Presley, Cher, and Madonna.

As will be discussed in the “Lease Analysis” section of this appraisal report, Lakewood Church has leased the subject property from the City of Houston. This lease commenced on December 28, 2001. Prior to commencement of the lease agreement, the City of Houston issued a request for proposals for redevelopment and occupancy of the improvements situated on the subject property through the City of Houston City Council adopted Motion 2001-0757, dated July 3, 2001. By approval of the lease, Lakewood Church proposed to invest more than \$20,000,000 to renovate and redevelop the existing improvements. Following is a summary of the renovations that were proposed by Lakewood Church. (Please see Tab V in the “Addenda” section of the appraisal report for a full description of the renovations.)

- Construction of an “International Conference Center”;
- Construction of a “Broadcast Communications Facility”;
- Construction of a “Center for World Missions”;
- Construction of a “Language Translation Center”;
- Construction of a “Family Life Center”;
- Construction of a “Main Worship Center and Auditorium”;
- Construction of a “Visitor’s Center”;
- Construction of a “Library and Resource Center”;
- Construction of a “Day Care Center”;
- Construction of a “Wellness Center”;
- Construction of a “Community Service Center”;
- Construction of a “Job and Skills Training Center”;
- Construction of a “Retail Center”;
- Construction of a “Parking Garage”;
- Construction of a “Central Plant”;
- Site and Landscaping

Lakewood Church broke ground on the above-referenced renovations and redevelopments in December of 2003 and had their first worship service on July 18, 2005. Since July 18, 2005, Lakewood Church has been offering church services five times a week to include services at 7:30 p.m. on Wednesdays, 7:30 p.m. on Saturdays, and at 8:30 a.m., 11:00 a.m., and 1:00 p.m. on Sundays.

Lease Analysis: As of the date of value, the subject property has been leased by Lakewood Church. In addition to the lease agreement by and between the City of Houston (“Lessor”) and the Lakewood Church (“Lessee”), the subject property is also subject to a Parking Facilities Agreement, a Chilled and Heated Water Agreement, and a Site Coordination Agreement, which are collectively referred to as the “Operations Agreements.”

Lease Agreement - Pursuant to the lease agreement by and between the City of Houston (“Lessor”) and Lakewood Church (“Lessee”), and having an effective date as of December 28, 2001, Lakewood Church leased the site and certain buildings and improvements commonly known as the former “Compaq Center.” The initial term of this lease is for thirty years as of December 28, 2001, with an option for one extended term of an additional 30 years. The base rent for the initial term is \$11,874,925.40, provided that the tenant, Lakewood Church, may also be required to pay the Landlord, the City of Houston, \$22,600,000 as additional consideration for the First Extended Term.

According to the lease, provided that Lakewood Church has invested more than \$25,000,000 in alterations during the initial 30 year term, Lakewood Church may extend the term of the lease for an additional 30 years “by delivering written notice of the exercise of such option to Landlord (City of Houston) at least one year prior to the expiration of the Initial Term.” Furthermore, the landlord “shall have the right to not allow (Lakewood Church) to exercise the option for the First Extended Term unless (Lakewood Church) has invested at least \$39,000,000 in Alterations (which includes chilled water or other air conditioning system).” Additionally, Lakewood Church shall pay to (the City of Houston) the sum of \$22,600,000 as additional consideration for the First Extended Term, which payment shall be due and payable in equal annual installments of approximately \$753,333 throughout the First Extended Term...commencing on the commencement date of the First Extended Term and continuing thereafter on each annual anniversary of such commencement date.

The lease agreement by and between the City of Houston (“Lessor”) and Lakewood Church (“Lessee”) also limits the permitted and prohibited uses of the site and building improvements. With regard to permitted uses, “Tenant (Lakewood Church) covenants and agrees that it shall use and occupy the leased premises and the improvements solely for sporting events, productions, conventions, receptions, trade shows, exhibitions, performances, religious services and other religious uses, office, retail, library, conferences, seminars, radio, television, internet, cable, satellite, or any other broadcasting, publishing, training, education, fitness, community outreach, child development, counseling, youth activities, visitors center, nursery and child care, wellness care and training, job training, restaurant, charitable purposes, fund raising activities,

parking garage, and other parking facilities, chilled water plant, design, development and construction of improvements related thereto.”

Pursuant to the lease agreement, prohibited uses of the leased premises and improvements include the following:

- a) “Any use of the leased premises for events which could be in competition with the downtown multi-purpose arena (Toyota Center) to be constructed and leased to *Rocket Ball, Ltd.*; provided however, that this restriction shall not prohibit the leased premises from being used for religious services and religious activities by religious organizations, K-12 athletic functions, the Olympic Games, the Pan-American Games and for non-revenue generating public or civic ceremonies and forums...” “This restriction shall inure to the benefit of, and be enforceable by *Rocket Ball, Ltd.* and its successors and assigns”;
- b) Cause or permit obnoxious or offensive odors or fumes to emanate or be dispelled from the improvements other than normal odors incident to any of the permitted uses;
- c) Cause or permit excessive accumulations of garbage, trash, rubbish or any other refuse in, on or about the improvements;
- d) Create, cause, maintain or permit any public or private nuisance in, on, or about the improvements;
- e) Use or allow the improvements to be used for unlawful purpose or for any purpose which is violative of any permitted exception;
- f) Use or allow the improvements to be used for the sale or display of any pornographic material or material which is obscene under standards set forth in any applicable laws, or operate or allow any person to operate in, on or about the improvements any store or other facility, a principal or significant portion of the business of which is a ‘sexually oriented business,’ as such term is defined in the City Codes in effect from time to time during the term, or any similar business;
- g) Use or allow the improvements to be used for the sale or display of any lewd, offensive or immoral sign or advertisement, including any sign or advertisement that promotes lewd, offensive or immoral activities, including sexually immoral activities;
- h) Use or allow the improvements to be used as a place of permanent residence by any person or for any time share purposes;
- i) Use or allow the improvements to be used for the sale of paraphernalia or other equipment or apparatus which is used primarily in connection with the taking or use of illegal drugs (or their equivalent);
- j) Use or permit the improvements to be used for the public display or public or private sale of guns or other weapons, ammunition, or explosives other than fireworks, with such permits as may be required by Applicable Law;
- k) Use or permit the improvements to be used for a target range, vehicle repair facility, car wash facility, warehouse (but any area for the storage of goods necessary or desirable for the operation of the property or related to any permitted use shall not be deemed a warehouse), convalescent care facility (although this shall not prevent the use of the property for wellness care and training purposes including other uses reasonably incidental thereto) or

mortuary (although this shall not prevent of the property for funeral services, including the temporary location of a casket at the property during such services), or use or permit it to be used for any assembly, manufacture, distillation, refining, smelting or other industrial or commercial agricultural operation or use;

- l) Except during the course of performing alterations (and then only if kept in a neat and orderly condition), use any portion of the leased premises, other than portions inside the improvements, for storage (except for storage related to any permitted use);
- m) Use or permit any use or condition of the improvements which would cause any insurance policies required to be obtained, kept and maintained under this lease to become void, voidable, unenforceable, suspended or impaired, in whole in part, or which would otherwise cause any sum paid out under any such insurance policy to become repayable, in whole or in part (unless in such event tenant repays same from sources other than such insurance proceeds), or which would make it impossible to obtain any required insurance at commercially feasible rates;
- n) Cause or permit to exist any structural damage to the improvements in violation of any applicable laws or this lease;
- o) Use, generate, manufacture, produce, store, treat or dispose of hazardous materials (other than the use, storage and disposal of hazardous materials customarily used, stored and/or disposed of in the operation and/or cleaning of comparable facilities or facilities operated for uses comparable to any permitted use, so long as such hazardous materials are used, stored and disposed of in compliance with all applicable laws); and,
- p) Use or occupy or knowingly permit the improvements to be used or occupied, or do or knowingly permit to be done any act or thing upon or within the improvements, in a manner that would in any way give any governmental authority legal grounds to revoke any license, permit or certificate affecting the improvements.

A full copy of the lease agreement is presented in the “Addenda” section.

Site Coordination Agreement – The “Site Coordination Agreement” was entered into by and between Crescent Real Estate Equities Limited Partnership and Lakewood Church, and has an effective date of December 31, 2002. This agreement is within regard to traffic and parking coordination between the Greenway Plaza buildings and the subject property, landscaping for the subject property, events held at the subject property, and architectural matters relating to the subject property. The term for the “Site Coordination Agreement is as follows:

“....Certain aspects of this Site Coordination Agreement will commence upon dates as expressly set forth herein below. Certain aspects of this Site Coordination Agreement (such as the Coordination fee...) shall expire and terminate after certain time periods, if an express time for termination or expiration is set forth in this Site Coordination Agreement with respect to such matter(s). If an express time period is not expressly set forth in this Site Coordination Agreement for expiration or termination, such right, duty

or obligation shall continue so long as either (a) the lease is in existence, or (b) Lakewood or any person or entity which owns or controls, is owned or controlled by, or under common control with Lakewood, or any successor thereto by merger, consolidation, reorganization, sale of substantially all of its stock or assets or other similar transaction (each, a “Lakewood Party”), has any interest in the Lakewood Center land or in Lakewood Center, whether as the tenant, owner or simply the occupant.”

With regard to consideration for the “Site Coordination Agreement”, “Lakewood pays Crescent a fee in the annual amount of \$125,000, with the first such payment being due and payable on the earlier of (i) December 31 of the first calendar year in which the services are required and (ii) thirty days after the provision of any services...” “...Thereafter, Lakewood shall pay Crescent \$125,000 on each of the next four successive anniversaries of the first payment date, for a total of five payments of \$125,000 each, for a total of \$625,000 as a coordination for the services.” A complete copy of “The Site and Coordination Agreement” is presented in the “Addenda” section.

Parking Facilities Agreement – The “Parking Facilities Agreement” is entered into by and between Crescent Real Estate Funding III, L.P. and Lakewood Church, and has an effective date of December 31, 2002. Pursuant to this agreement, “...Crescent hereby irrevocably...grants to Lakewood, subject to and upon the terms and conditions hereof, a license to use the following described parking spaces in the below-described parking facilities, including vehicular and pedestrian access thereto and therefrom, as described herein, at the locations and during the times herein stipulated, for the purpose of parking the cars and other non-commercial passenger vehicles of agents, representatives, employees, guests, and invitees of Lakewood, including those permitted vehicles of persons attending the Lakewood Center on City Dates (as defined in the lease) (collectively the “Lakewood Parkers”), going to the Lakewood Center throughout the term of this parking agreement...”

The initial term for the “Parking Facilities Agreement” is as follows:

“...Crescent’s and Lakewood’s rights, obligations, and duties under this parking agreement shall not commence until the date (the “Commencement Date”) that is the earlier of (i) four hundred eighty (480) days after the commencement date of the lease and (ii) the date upon which Lakewood opens the Lakewood Center to the public, and shall end on the last day of the 360th full calendar month thereafter unless earlier terminated as provided herein...”

With regard to a renewal option for the “Parking Facilities Agreement,” “Lakewood may, at its sole option renew this parking agreement for an additional term of 30 years commencing on the day immediately following the scheduled expiration date of the initial term of this parking agreement and expiring (if not earlier terminated) on the date which is the 30th anniversary date of such commencement date of the renewal term, on the same terms and

conditions as contained in this parking agreement, except that Lakewood shall have no further right to renew this parking agreement...”

Consideration for the “Parking Facilities Agreement” includes parking fee costs, direct labor and cleaning costs, and general maintenance and operations costs. Parking fee costs are described as follows:

“Commencing on the commencement date and continuing through the term of this parking agreement, Lakewood shall pay Crescent...an annual parking fee in the amount of \$2,500,000, adjusted at the beginning of every third year (a year being a period of 12 months and not necessarily a calendar year, i.e. at the beginning of the 37th month, 73rd month, 109th month, etc.) provided that such annual parking fee shall be payable by Lakewood in equal monthly installments, with the first such monthly installment to be paid on or before the commencement date and with each subsequent monthly installment to then be due and payable on or before the fifth day of each succeeding calendar month during the term of this parking agreement (which monthly installment shall be determined based upon the annual parking fee as same may exist from time to time annually during the term of this parking agreement.)

Additionally, “every third year, the parking fee, the parking facilities maintenance fee, and any other amount specified herein shall be adjusted to account for increases or decreases in the Consumer Price Index)provided, however, that in no event shall any decreases in the Consumer Price Index ever result in the parking fee being less than the annual amount of \$2,500,000 nor the parking facilities maintenance fee being less than the annual amount of \$25,000, as each of such amounts may be adjusted from time to time for any equitable adjustments expressly stated herein...”

A full copy of “The Parking Facilities Agreement” is presented in the “Addenda” section of this appraisal report.

Chilled and Heated Water Agreement – A “Chilled and Heated Water Agreement” was entered into by and between Crescent Real Estate Funding IV, L.P. and Lakewood Church and having an effective date of December 31, 2002. However, pursuant to conversations Lisa N.M. Ward, Special Projects Coordinator with Lakewood Church, this lease is no longer in effect with regard to the subject property.

Conclusion – Considering the size and unique nature of the improvements located on the subject property, the preceding-referenced leases minimize the effect of any functional obsolescence that may be incurred by the subject property due to its unique nature. However, even though the leases minimize the functional obsolescence that is incurred by the subject property, they also greatly reduce the marketability of the site and subject property improvements as currently constructed.

Section II

Area Analysis: The subject is located within the Houston-Sugar Land-Baytown Metropolitan Statistical Area (MSA) which includes Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller counties, the ten counties that constitute the lower Gulf Coastal Plains of southeast Texas. Their population of over 5.5 million and combined size of approximately 10,000 square miles makes this the sixth largest MSA in the country. The City of Houston serves as the county seat of Harris County, the largest county within the Houston-Sugar Land-Baytown MSA, and is located roughly 50 miles northwest of the Gulf of Mexico.

Market Area Analysis: The subject site is located on the north side of the Southwest Freeway (U.S. Highway 59) between Edloe Street and Timmons Lane in the City of Houston, Harris County, Texas. The property's northern boundary is Norfolk Street, which separates the subject property from the Houston City Club and the Greenway Plaza parking garage. The market area is generally bound by San Felipe Street to the north, Westpark Road to the south, Dunlavy Street to the east, and the West 610 Loop South to the west. The Southwest Freeway is the largest thoroughfare that traverses the market area in an east/west direction and links the property with the Houston CBD to the east and "Uptown" Houston to the west. Additionally, the Southwest Freeway links the site with other major freeways in the greater Houston area to include: 1) Loop 610, 2) Interstate Highway 45, and 3) the Sam Houston Parkway. The West 610 Loop South is the largest north/south thoroughfare that traverses the market area. Other major east/west thoroughfares within the market area include Westheimer Road (FM 1093), West Alabama Street, Richmond Avenue, and Westpark Road. The other major north/south thoroughfares that traverse the market area include Wesleyan Street, Buffalo Speedway, Kirby Drive, Shepherd Drive, and Dunlavy Street.

The site is located within Greenway Plaza, an office, retail, hotel, and residential mixed-use development located generally along the north side of the Southwest Freeway (U.S. Highway 59) between Buffalo Speedway and Wesleyan. With over 6.5 million square feet of leasable space, office buildings are the predominant land use within Greenway Plaza. Additionally, within the overall market area, there has been numerous commercial, retail, and residential developments over the past years as land prices within the market area have steadily increased as market participants have moved back to the core of the city to combat fuel prices and long linkages to consumer service centers. As such, high density development has occurred to meet the demands of the population within the market area. Examples of development can be found along the east and west sides of Kirby Drive where several residential towers have been constructed. Additionally, the Upper Kirby Redevelopment Authority has expanded Kirby Drive to enhance the aesthetic and drainage qualities of the roadway as well as to make the roadway more pedestrian friendly. Other developments include the construction of a new Costco Center, which is located on the northeast corner of Wesleyan Street and Richmond Avenue.

Following is a summary of population, households, and housing units, median, per capita, and average incomes within the market area:

	Harris County	Subject 1-Mile	Subject 3-Mile	Subject 5-Mile
Population				
1990	2,818,199	17,349	126,067	343,285
2000	3,400,578	19,728	139,373	377,377
2009	4,091,773	20,611	158,607	442,744
2014 (Projected)	4,462,751	21,371	169,853	472,767
% Change 1990-2000	20.66%	13.71%	10.55%	9.93%
% Change 2000-2009	20.33%	4.48%	13.80%	17.32%
% Change 2009-2014	9.07%	3.69%	7.09%	6.78%
% Change 2000-2014	31.24%	8.33%	21.87%	25.28%
Households				
1990	1,026,448	9,324	61,817	151,969
2000	1,205,516	10,923	71,101	172,360
2009	1,425,897	11,348	80,421	194,043
2014 (Projected)	1,549,166	11,735	86,133	207,365
% Change 1990-2000	17.45%	17.15%	15.02%	13.42%
% Change 2000-2009	18.28%	3.89%	13.11%	12.58%
% Change 2009-2014	8.65%	3.41%	7.10%	6.87%
% Change 2000-2014	28.51%	7.43%	21.14%	20.31%
Housing Units				
1990	1,173,808	10,354	71,928	181,440
2000	1,298,130	12,199	80,224	192,535
2009	1,551,089	12,914	92,822	220,898
2014 (Projected)	1,683,289	13,360	99,569	236,339
% Change 1990-2000	10.59%	17.82%	11.53%	6.11%
% Change 2000-2009	19.49%	5.86%	15.70%	14.73%
% Change 2009-2014	8.52%	3.45%	7.27%	6.99%
% Change 2000-2014	29.67%	9.52%	24.11%	22.75%
Median Household Income				
1990	\$30,970	\$36,391	\$31,801	\$27,559
2000	\$42,872	\$60,437	\$55,053	\$42,481
2009	\$56,391	\$75,831	\$69,040	\$55,807
2014 (Projected)	\$59,582	\$72,686	\$67,812	\$58,176
% Change 1990-2000	38.43%	66.08%	73.12%	54.15%
% Change 2000-2009	31.53%	25.47%	25.41%	31.37%
% Change 2009-2014	5.66%	-4.15%	-1.78%	4.24%
% Change 2000-2014	38.98%	20.27%	23.18%	36.95%

	Harris County	Subject 1-Mile	Subject 3-Mile	Subject 5-Mile
Per Capita Household Income				
1990	\$15,202	\$33,834	\$28,703	\$21,611
2000	\$21,435	\$57,033	\$48,724	\$33,442
2009	\$26,026	\$62,733	\$54,193	\$37,971
2014 (Projected)	\$26,592	\$66,038	\$56,056	\$39,161
% Change 1990-2000	41.00%	68.57%	69.75%	54.75%
% Change 2000-2009	21.42%	9.99%	11.22%	13.54%
% Change 2009-2014	2.17%	5.27%	3.44%	3.13%
% Change 2000-2014	24.06%	15.79%	15.05%	17.10%
Avg. Household Income				
1990	\$41,391	\$63,866	\$57,827	\$47,939
2000	\$59,814	\$101,373	\$94,764	\$73,837
2009	\$74,223	\$113,789	\$105,802	\$84,859
2014 (Projected)	\$76,124	\$120,083	\$109,419	\$87,413
% Change 1990-2000	44.51%	58.73%	63.88%	54.02%
% Change 2000-2009	24.09%	12.25%	11.65%	14.93%
% Change 2009-2014	2.56%	5.53%	3.42%	3.01%
% Change 2000-2014	27.27%	18.46%	15.46%	18.39%

After analysis of the above demographic trends within the market area, the area surrounding the subject property is not anticipated to see larger increases in population, households and housing units, and income growth when compared to Harris County as a whole. This is attributable to the nature of the market area in which approximately 95% of the land has been previously developed. Additionally, there have been numerous developments in northwest and west Harris County which also helps to explain the variance between Harris County as a whole and the subject property's market area. However, given the public and private developments that have occurred within the market area over the previous three years prior to the effective date of value, it is our opinion that the market area is in an economic stable cycle until less stringent lending practices and consumer confidence is restored. Once credit is available in the market, we anticipate the market area to be in an economic growth cycle for the foreseeable future.

Site Analysis: An analysis of the property is particularly important in estimating highest and best use. Information pertaining to the property is based upon facts reviewed through the client, public records, and our site inspection and investigation. Following is a discussion of those site characteristics considered most important.

Property Location, Size and Shape: Per Harris County Appraisal District tax records, the property is a 6.945-acre (302,524-square feet) rectangular shaped tract located on the north side of the Southwest Freeway (U.S. Highway 59) between Edloe Street and Timmons Lane, Houston, Harris County, Texas. The northern boundary is Norfolk Street, which separates Lakewood Church from the Houston City Club and the Greenway Plaza parking garage.

Legal Description: The site is legally described as 6.945 acres of land being Blocks 5 and 6 of the Lamar-Weslayan Addition and all of Seminole Street, in the A.G. Reynolds Survey, Abstract 61, Harris County, Texas.

Property Tax Information: The tax identification number for the subject is 125-625-001-0001. The taxing entities include the Houston Independent School District, Harris County, Harris County Flood Control, Port of Houston Authority, Harris County Hospital District, Harris County Education Department, Houston Community College, and the City of Houston. However, since the property is owned by the City of Houston it has not been assessed by the Harris County Appraisal District (HCAD) for ad valorem tax purposes as of the date of value.

However, if the property was sold to individual third party, ad valorem taxes would be due to the City of Houston and Harris County. For informational purposes we have reviewed HCAD's value estimate and the ad valorem taxes for the property 1 block to the west of the subject property. The two sites are similar in most regards having considerable frontage and access to the Southwest Freeway and being of similar size (6.9 acres and 7.0 acres). Following is a summary of the data for 2009:

Owner Name:	Car Park, L.P.
Land Size (Acres):	6.945 acres
Land Size (Sq. Ft.):	302,524 sq. ft.
2009 Value Estimate:	\$14,841,000
2009 Value Estimate / Sq. Ft.:	\$49.06

Taxing Authority	2008 Est. Tax Rate	2008 Est. Taxes
Houston Independent School District	1.156700	\$171,666
Harris County	0.389230	\$ 57,766
Harris County Flood Control	0.030860	\$ 4,580
Port of Houston Authority	0.017730	\$ 2,631
Harris County Hospital District	0.192160	\$ 28,518
Harris County Education Department	0.005840	\$ 867
Houston Comm. College	0.092430	\$ 13,718
City of Houston	0.638750	\$ 94,797
Total	2.523700%	\$374,543

Site Access and Frontage: Street access to the site is from surrounding roadways including the Southwest Freeway (U.S. Highway 59), Timmons Lane, Edloe Street, and Norfolk Street. Approximate frontage feet on these adjacent roadways are as follows:

Southwest Freeway:	750 frontage feet
Timmons Lane:	450 frontage feet
Edloe Street:	450 frontage feet
Norfolk Street:	750 frontage feet

Flood Plain: According to The Federal Emergency Management Agency (FEMA) map panel number 48201C0860L, dated June 18, 2007, none of the land is within the 100-year or 500-year flood plains.

Environmental Statement: We are not qualified to detect the presence of environmental hazards, and the services of an expert in this field should be retained if there is any question as to the existence of hazardous materials or environmental problems. The value estimated in this appraisal is based on the assumption that the property is unaffected by environmental issues or hazardous materials.

Off-Site Improvements: All adjacent roadways are concrete paved with curb and gutter drainage. These street improvements are in good condition.

Utilities: Public water and sanitary sewer are available to the property by the City of Houston. Electricity is provided to the property by Integris, and gas is provided to the property by CenterPoint.

Easements: Harris County Appraisal District maps and a metes and bounds description of the site provided by the clients indicate Seminole Street bisects the property in an east/west direction approximately 150 north of the Southwest Freeway (U.S. Highway 59). It is unknown whether this street right-of-way has been abandoned. For the purposes of our analysis, we have assumed the right-of-way has been abandoned and could be used as part of the overall site. We reserve the right to alter our opinions if the Seminole right-of-way is not abandoned or such abandonment is legally denied or financially prohibitive.

Adjacent Land Uses: Property uses adjacent to the subject property consist of the following:

Direction from Property	Land Use
North	Houston City Club
Northeast	Office Building
Northwest	Office Buildings
South	Retail Across US 59
Southeast	Retail Across US 59
Southwest	Retail Across US 59
East	Hotel
West	Office Building

Zoning/Restrictions: The City of Houston does not subscribe to zoning as a means of land use control. However, the use of the subject property is greatly limited. There are several instruments that outline the limitations of the subject use: 1) the lease agreement and operating agreements for the subject property, 2) the Interlocal Arena Development Agreement (IADA) dated September 13, 2000, and 3) restrictions outlined in the deed for the property out of Greenway Plaza, Ltd. into the City of Houston filed in the Harris County deed records under film code 172-24-2150 and dated October 23, 1973. Following is a summary of the restrictions each instrument has on future use:

Lease Agreement and Operating Agreements – As previously stated in the “Lease Analysis” section of this appraisal report, the subject is permitted to be used for only the following “Tenant (Lakewood Church) covenants and agrees that it shall use and occupy the leased premises and the improvements solely for sporting events, productions, conventions, receptions, trade shows, exhibitions, performances, religious services and other religious uses, office, retail, library, conferences, seminars, radio, television, internet, cable, satellite, or any other broadcasting, publishing, training, education, fitness, community outreach, child development, counseling, youth activities, visitors center, nursery and child care, wellness care and training, job training, restaurant, charitable purposes, fund raising activities, parking garage, and other parking facilities, chilled water plant, design, development and construction of improvements related thereto.”

Pursuant to the lease agreement and operating agreements, prohibited uses of the leased premises and improvements include the following:

- a) “Any use of the leased premises for events which could be in competition with the downtown multi-purpose arena (Toyota Center) to be constructed and leased to *Rocket Ball, Ltd.*; provided however, that this restriction shall not prohibit the leased premises from being used for religious services and religious activities by religious organizations, K-12 athletic functions, the Olympic Games, the Pan-American Games and for non-revenue generating public or civic ceremonies and forums...” “This restriction shall inure to the benefit of, and be enforceable by *Rocket Ball, Ltd.* and its successors and assigns”;
- b) Cause or permit obnoxious or offensive odors or fumes to emanate or be dispelled from the improvements other than normal odors incident to any of the permitted uses;
- c) Cause or permit excessive accumulations of garbage, trash, rubbish or any other refuse in, on or about the improvements;
- d) Create, cause, maintain or permit any public or private nuisance in, on, or about the improvements;
- e) Use or allow the improvements to be used for unlawful purpose or for any purpose which is violative of any permitted exception;
- f) Use or allow the improvements to be used for the sale or display of any pornographic material or material which is obscene under standards set forth in any applicable laws, or operate or allow any person to operate in, on or about the improvements any store or other facility, a principal or significant portion of the business of which is a ‘sexually oriented business,’ as such term

- is defined in the City Codes in effect from time to time during the term, or any similar business;
- g) Use or allow the improvements to be used for the sale or display of any lewd, offensive or immoral sign or advertisement, including any sign or advertisement that promotes lewd, offensive or immoral activities, including sexually immoral activities;
 - h) Use or allow the improvements to be used as a place of permanent residence by any person or for any time share purposes;
 - i) Use or allow the improvements to be used for the sale of paraphernalia or other equipment or apparatus which is used primarily in connection with the taking or use of illegal drugs (or their equivalent);
 - j) Use or permit the improvements to be used for the public display or public or private sale of guns or other weapons, ammunition, or explosives other than fireworks, with such permits as may be required by Applicable Law;
 - k) Use or permit the improvements to be used for a target range, vehicle repair facility, car wash facility, warehouse (but any area for the storage of goods necessary or desirable for the operation of the property or related to any permitted use shall not be deemed a warehouse), convalescent care facility (although this shall not prevent the use of the property for wellness care and training purposes including other uses reasonably incidental thereto) or mortuary (although this shall not prevent of the property for funeral services, including the temporary location of a casket at the property during such services), or use or permit it to be used for any assembly, manufacture, distillation, refining, smelting or other industrial or commercial agricultural operation or use;
 - l) Except during the course of performing alterations (and then only if kept in a neat and orderly condition), use any portion of the leased premises, other than portions inside the improvements, for storage (except for storage related to any permitted use);
 - m) Use or permit any use or condition of the improvements which would cause any insurance policies required to be obtained, kept and maintained under this lease to become void, voidable, unenforceable, suspended or impaired, in whole in part, or which would otherwise cause any sum paid out under any such insurance policy to become repayable, in whole or in part (unless in such event tenant repays same from sources other than such insurance proceeds), or which would make it impossible to obtain any required insurance at commercially feasible rates;
 - n) Cause or permit to exist any structural damage to the improvements in violation of any applicable laws or this lease;
 - o) Use, generate, manufacture, produce, store, treat or dispose of hazardous materials (other than the use, storage and disposal of hazardous materials customarily used, stored and/or disposed of in the operation and/or cleaning of comparable facilities or facilities operated for uses comparable to any permitted use, so long as such hazardous materials are used, stored and disposed of in compliance with all applicable laws); and,
 - p) Use or occupy or knowingly permit the improvements to be used or occupied, or do or knowingly permit to be done any act or thing upon or within the improvements, in a manner that would in any way give any governmental

authority legal grounds to revoke any license, permit or certificate affecting the improvements.

Interlocal Arena Development Agreement – The IADA was entered into on September 13, 2000 between the City of Houston and the Harris County Houston Sports Authority. In general the agreement lays out responsibilities of varying parties for the development, construction, financing, use and occupancy of a new multi-purpose arena within downtown Houston (Toyota Center). Those portions of the IADA that relate to the subject property are Section 7 (“Compaq Center Lease”) and Section 8 (“Non-Compete”). Section 7 initially outlines what was to occur if the referendum for financing a new downtown arena had failed in November 2000. Because the referendum passed, this portion of the agreement no longer applies. The second portion of Section 7 outlines what occurs with the passing of the referendum; thus, this portion survived after the approval of the referendum by Harris County voters. In short, it provides that any interim lease of the Compaq Center after November 2003 would terminate “upon completion of the Arena and Parking Garage” in downtown. Given that the Toyota Center and parking garage were completed in 2003 and officially opened in September of 2003, this portion of Section 7 is no longer applicable to the use of the subject property and has no impact on the City’s.

Section 8 of the IADA is infinitely more onerous to the City’s interest in the subject property. This non-compete section states:

...the Compaq Center will not be permitted to be used for events that could be in competition with the [downtown] Arena; provided, however, that the Compaq Center may be used for religious services and religious activities by religious organizations, K-12 athletic functions, the Olympics, Pan-American Games and for non-revenue generating public or civic ceremonies or forums...

This clause, in effect, limits the use of the land as of December 1, 2003 and beyond to non-income generating events. The impact that this limitation has on the marketability, and ultimately market value will be discussed in the highest and best use section.

Deed Restrictions – The 1973 deed out of Greenway Plaza, Ltd. (whose successor we understand to be Crescent Real Estate) into the City, likewise, limits the use of the property. After the initial 30-year term of this agreement (ending October 30, 2003) the restrictions are automatically extended for successive 10-year periods unless both parties release them. The restrictions were extended, and now the agreement requires that:

...no portion of the Subject Property shall be used for any purpose or use other than one or more of the following: municipal sports arena purposes...; offices; library' post-office; retail stores; banks; and savings and loan association quarters.

Due to the deed restrictions remaining with the property, the only legal uses of the subject (both as improved and as a vacant site) would be those defined above but for "municipal sports arena purposes" which has been restricted by the previously described IADA. For the purposes of our analysis, we have assumed that the only legally non-conforming use is for "municipal sports arena purposes" pursuant to the IADA. We reserve the right to change our opinions pending further legal clarification.

Improvement Analysis: The subject property has been improved with a +/- 16,000 seat auditorium and associated site improvements which were completed in 1975. Additionally, during a period from 2003-2005, Lakewood made numerous renovations to include the following³:

- Construction of an "International Conference Center";
- Construction of a "Broadcast Communications Facility";
- Construction of a "Center for World Missions";
- Construction of a "Language Translation Center";
- Construction of a "Family Life Center";
- Construction of a "Main Worship Center and Auditorium";
- Construction of a "Visitor's Center";
- Construction of a "Library and Resource Center";
- Construction of a "Day Care Center";
- Construction of a "Wellness Center";
- Construction of a "Community Service Center";
- Construction of a "Job and Skills Training Center";
- Construction of a "Retail Center";
- Construction of a "Parking Garage";
- Construction of a "Central Plant";
- Site and Landscaping

³ A survey and site plan of the subject property's improvements was not provided to the appraisers to indicate an exact size and layout of the improvements on the subject site. Therefore, the appraiser has assumed the improvements descriptions to follow Lakewood's proposal "Redevelopment of the Compaq Center." Any deviation from the proposal may require the appraisers to make appropriate adjustments to the appraisal report and value conclusion.

Based on our site analysis and site investigation, it appears that Lakewood has constructed all of the improvements as outlined in their proposal titled “Redevelopment of the Compaq Center.” Additionally, the improvements appear to be in good to excellent condition for its age and quality of construction.

Highest and Best Use Analysis: The following summarizes the highest and best use of the property.

As Vacant:

Legally Permissible: As previously referenced, the property is located on the northwest corner of Edloe Street and the Southwest Freeway (U.S. Highway 59) in the City of Houston, Harris County, Texas. The City of Houston does not subscribe to zoning as a means of land use control. However, as previously outlined in the “Lease Analysis” section of this appraisal report as well as the “Zoning/Restrictions” sub-section of the “Site Analysis” section of the report, the property is legally restricted by 1) a lease agreement by and between the City of Houston (“Lessor”) and Lakewood Church (“Lessee”), and having an effective date as of December 28, 2001, 2) a Site Coordination Agreement by and between Crescent Real Estate Equities Limited Partnership and Lakewood Church, and having an effective date of December 31, 2002, 3) a Parking Facilities Agreement by and between Crescent Real Estate Funding III, L.P. and Lakewood Church, and having an effective date of December 31, 2002, 4) an Interlocal Arena Development Agreement (IADA) entered into on September 13, 2000 between the City of Houston and the Harris County Houston Sports Authority. And 5) deed restrictions as outlined in the 1973 deed out of Greenway Plaza, Ltd. (whose successor we understand to be Crescent Real Estate). As such, uses of the property are strictly limited.

Physically Possible: The site is approximately 6.945 acres in size, rectangular in shape, not encumbered by the 100-year and 500-year flood zones, has access to high-density utilities, is level and topography and at street-grade. As such, virtually any legally permissible use remains physically possible for the subject property.

Financially Feasible: As previously referenced in the “Market Area” section of this appraisal report, the subject property’s market area is in an economic stable cycle. However, there is quite a bit of pent-up demand within the market area that is a result of the financial credit markets. Therefore, we anticipate that when credit becomes more readily available to end-users within the market area, we expect the market area to enter into an economic growth cycle. Additionally, as previously referenced, the property is within the mixed-use Greenway Plaza development. The predominant land use within this activity center is office buildings, and there are a variety of complimentary uses including retail, hotel, and residential. As such, given the current cycle of the market area coupled with the new residential and commercial developments within the overall market area as well as Crescent’s investments within Greenway Plaza, it is our opinion that development of the property is financially feasible as of the date of value.

Maximally Productive: Based on the legally permissible, physically possible, and financially feasible uses of the subject property, it is our opinion that the maximally productive use of the property as of August 5, 2009 is a mixed-use development which would likely include some form of office, which will largely be contingent upon then-current demand, with complimentary retail or other uses.

As Improved:

Legally Permissible: In the “Site Analysis” and “Lease Analysis” sections of this appraisal report, we outlined the restrictions placed upon the improvements and subject property pursuant to 1) a lease agreement by and between the City of Houston (“Lessor”) and Lakewood Church (“Lessee”), and having an effective date as of December 28, 2001, 2) a Site Coordination Agreement by and between Crescent Real Estate Equities Limited Partnership and Lakewood Church, and having an effective date of December 31, 2002, 3) a Parking Facilities Agreement by and between Crescent Real Estate Funding III, L.P. and Lakewood Church, and having an effective date of December 31, 2002, 4) an Interlocal Arena Development Agreement (IADA) entered into on September 13, 2000 between the City of Houston and the Harris County Houston Sports Authority, and 5) deed restrictions as outlined in the 1973 deed out of Greenway Plaza, Ltd. (whose successor we understand to be Crescent Real Estate).

The most important of the five above-referenced items is the lease agreement by and between the City of Houston (“Lessor”) and Lakewood Church (“Lessee”). The lease agreement limits the use of the improvements to the following: sporting events (as long as its not in violation of the IADA), productions, conventions, receptions, trade shows, exhibitions, performances, religious services and other religious uses, office, retail, library, conferences, seminars, radio, television, internet, cable, satellite, or any other broadcasting, publishing, training, education, fitness, community outreach, child development, counseling, youth activities, visitors center, nursery and child care, wellness care and training, job training, restaurant, charitable purposes, fund raising activities, parking garage, and other parking facilities, chilled water plant, and design, development, and construction of improvements related thereto.

Physically Possible: There is one primary physical issue that impacts the property from a physical standpoint: its lack of parking on-site. Given the large size of the existing improvements, there is insufficient on-site parking to permit the continued use of the improvements resulting in a non-conforming use and substantial incurable functional obsolescence. However, parking has been provided for the subject property pursuant to “The Parking Facilities Agreement” by and between Crescent Real Estate Funding III, L.P. and Lakewood Church, and having an effective date of December 31, 2002. As previously referenced, this parking agreement has an initial term of 30 years with one renewal option for an additional 30-year term. We anticipate that Lakewood Church will exercise their right to a renewal option for the additional 30-year term. Any parking arrangements beyond the 30-year renewal term are purely speculative.

Financially Feasible: As of the date of value, the Lakewood International Center is a building that can only be utilized as described by the lease agreement by and between the City of Houston (“Lessor”) and Lakewood Church (“Lessee”), and having an effective date as of December 28, 2001. The permitted uses described in the lease agreement required Lakewood Church to spend \$69,000,000 in renovations and redevelopment of the property. However, this substantial cash outlay would constitute a “value in use” as opposed to “market value,” which is the subject of this appraisal report. As such, no profit-driven entities would likely buy or lease the property for its continued use as improved.

Remaining possible users, therefore, are non-profit entities, for example, house of worship, universities, schools, etc. There are very few parties with the financial capacity to purchase, lease, and redevelop the Lakewood International Center. As such, the fact that there are only few non-profit candidates in the marketplace further limits demand and serves to diminish the marketability, value and rent that a property could otherwise gain. As an additional consideration, should such a non-profit entity prove capable, the City of Houston, and other taxing authorities, would continue to earn no ad valorem tax benefit from the property.

Maximally Productive: There are numerous legal, physical and financial constraints on the continuing use of the Lakewood International Center. Although the improvements were renovated and redeveloped from 2003 to 2005, the overall building was constructed in 1975. Additionally, in our judgment, Lakewood Church will exercise its option to renew the property for an additional 30-year term. Upon completion of this renewal term, the property will have an actual age of 97 years. Further, the subject property’s “Parking Facilities Agreement” will have expired resulting in insufficient parking arrangements for continued use of the improvements. This greatly reduces the marketability of the subject property and results in a large amount of incurable functional obsolescence. This incurable functional obsolescence coupled with the curable and incurable physical obsolescence, resulting from the improvements having an actual age of 97 years at the end of the lease agreement, we do not consider the improvements to contribute value to the property. As such, our estimate of highest and best use for the property as improved is to raze the improvements to make way for a new development of the site at the expiration of the lease.

Market Value Estimate: As previously discussed, we have estimated the market value of the property as of August 5, 2009 by the income capitalization approach – yield capitalization technique and the sales comparison approach. The cost approach was not utilized because of the legal, physical, and financial limitations that have been detailed throughout this report, that effect the improvements as of the date of value.

Additionally, to estimate the market value of the property, one must deduct the cost to demolish the structure from the site. We have interviewed Tommy Uzick with *TRU Construction Consulting, L.L.C.* of Bellaire, Texas and Angie Boone with *Texas Port Recycling* to quantify demolition costs to return the property to a development-ready vacant site. Preliminary estimates range from \$1 million to \$1.5 million with

an annual escalation rate of 3%. Both companies would require considerable onsite analysis to refine their estimates and prepare formal bids as demolition bids are based on the value and quantity of the scrap metal within the proposed demolished improvements. In our analysis, we have used the middle of this indicated range, or \$1.25 million with an annual escalation rate of 3%. The calculations involved in applying this figure follow in the market value estimate of the report. Following is our analysis:

Sales Comparison Approach: The sales comparison approach is defined as:

*A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sales prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant.*⁴

“In the sales comparison approach, the appraiser develops an opinion of value by analyzing similar properties and comparing these properties with the subject property. The comparative techniques of analysis applied in the sales comparison approach are fundamental to the valuation process. Estimates of market rent, expenses, land value, cost, depreciation, and other value parameters may be derived in the other approaches to value using similar comparative techniques. Similarly, conclusions derived in the other approaches are often analyzed in the sales comparison approach to estimate the adjustments to be made to the sales prices of comparable properties.”⁵

As previously referenced in the “Scope of Work” section, the subject property is improved with the Lakewood International Center. However, the improvements have numerous legal, physical, and financial limitations. Therefore, we have concluded that the improvements do not contribute value to the property. Further, we consider the property to be effectively vacant land. As such, we have analyzed land transactions through the application of the sales comparison approach in order to estimate the market value of the leased fee simple interest. This analysis produced a value indication by comparing the subject property with the most recent comparable sales of similar properties. The prices of these properties indicate a range of appropriate unit values which will be adjusted to the subject. The sales presented in the following summary are those considered most comparable to the subject as of August 5, 2009. Detailed descriptions of each transaction and a location map are included in Section IV of this report.

⁴ *The Appraisal of Real Estate*, Thirteenth Edition (Chicago: Appraisal Institute, 2008)

⁵ *Ibid*

No.	Location	Date of Sale	Size (Acres)	Price PSF
1	SW/C of Kirby Drive and West Main Street	07/21/2008	3.193	\$140.00
2	SW/C of West Alabama Street and Kirby Drive	07/21/2008	0.516	\$231.00
3	SE/C of West Alabama Street and Las Palmas Street	11/14/2007	10.278	\$ 85.00
4	W/S of Greenbriar Street, S of Westpark Toll Road	08/08/2007	3.635	\$ 90.00
5	NE/C of Westheimer Road and Westcreek Lane	01/31/2007	14.622	\$ 85.00
6	SE/C of San Felipe Street and Mid Lane	01/30/2007	3.825	\$ 76.83
7	NE/C of Wesleyan Street and West Alabama Street	10/02/2006	1.406	\$ 94.00
8	SW/C of Westheimer Road and Ferndale Avenue	09/28/2006	1.256	\$ 99.54
9	NW/C of Southwest Freeway and Wesleyan Street	08/15/2006	2.467	\$ 69.80

The sales of these properties range from \$69.80 to \$231.00 per square foot with the oldest sale occurring in August of 2006. Adjustments have been made for property rights conveyed, financing, conditions of sale, and changing market conditions since the dates of sale, location, physical characteristics, and restrictions/zoning. Following is a qualitative adjustment grid comparing the comparable sales to the subject property. (I = Inferior to the subject property; C = Comparable to the subject property; S = Superior to the subject property).

Qualitative Adjustment Grid						
Comparable No.	1	2	3	4	5	6
Date	07/21/08	07/21/08	11/14/07	08/08/07	01/31/07	01/30/07
Size (Ac.)	3.193	0.516	10.278	3.635	14.622	3.825
Price PSF	\$140.00	\$231.00	\$85.00	\$90.00	\$85.00	\$76.83
Property Rights	C	C	C	C	C	C
Financing	C	C	C	C	C	C
Conditions of Sale	S	S	C	C	C	C
Market Conditions	S	S	S	S	S	S
Location	I	C	C	I	C	I
Physical Characteristics	C	S	I	C	I	C
Restrictions/Zoning	S	S	S	S	S	S
Overall Comparison	S	S	S	S	S	C

Qualitative Adjustment Grid			
Comparable No.	7	8	9
Date	10/02/06	09/28/06	08/15/06
Size (Ac.)	1.406	1.256	2.467
Price PSF	\$94.00	\$99.54	\$69.80
Property Rights	C	C	C
Financing	C	C	C
Conditions of Sale	C	C	C
Market Conditions	C	C	C
Location	I	I	C
Physical Characteristics	S	S	C
Restrictions/Zoning	S	S	S
Overall Comparison	S	S	C

Property Rights Conveyed: All of the comparables were sales of the fee simple title and are similar in regards to property rights conveyed.

Financing: All of the comparables were cash to seller transactions and do not require an adjustment for financing.

Conditions of Sale: Comparables 3 through 9 are considered arms-length transactions where both the grantor and grantee were under neither duress nor compulsion to buy or sell the property. As such, no adjustment is warranted to Comparables 3 through 9 for this element of comparison. Comparable 1 has a direct relationship with Comparable 2 and involved a motivated buyer. The grantee in Comparable 1 purchased three separate tracts of land adjacent to one another in order to have a larger parcel and plottage value. In order for the Grantee in Comparable 1 to accomplish the plottage of the three separate tracts, he had to develop an agreement with J.P. Morgan Chase to effectively land swap Comparable 2 for one of the three tracts of land that is involved in Comparable 1. As such, we consider both Comparables 1 and 2 to be superior with regard to conditions of sale and require downward adjustments to reflect this element of comparison.

Market Conditions: Current conditions within the market area can be described as stable demand for properties but a lack of available financing. As such, properties within the market area have been experiencing larger exposure and marketing times than properties have experienced in the past. Additionally, because of the stable demand within the market area, prices have not necessarily decreased, although conversations with market participants have an indicated as much as a 10% drop. With regard to the sales comparables, the middle of 2007 is widely considered to have been the peak of the last real estate boom within the market. As such, given the current market conditions, we consider Comparables 1 through 6 to be superior with regard to market conditions and require downward adjustments to reflect this element of comparison. Comparables 7, 8, and 9 all sold during 2006; a period described as escalating prices but not the

peak of the market. As such, given the current market conditions, it is our opinion that Comparables 7, 8, and 9 are similar with regard to market conditions and do not require an adjustment for this element of comparison.

Location: Location is a key element in estimating the market value of the land by the sales comparison approach. Comparable 1 is located on the southwest corner of Kirby Drive and West Main Street in the Upper Kirby District. Although Comparable 1 is located on a corner on Kirby Drive, the corner is not a lighted intersection. However, Kirby Drive is one of the larger thoroughfares that traverse the market area in a north/south direction. As such, we consider Comparable 1 to be slightly inferior with regard to location and require a slight upward adjustment to reflect this factor. Comparable 2 is located on the southwest corner of West Alabama Street and Kirby Drive within the Upper Kirby District. Similar to Comparable 1, Comparable 2 is located on a corner of Kirby Drive. However, West Alabama Street and Kirby Drive is a lighted intersection and thus provides more exposure and access than Comparable 1. As such, we consider Comparable 2 to be similar with regard to location and do not require an adjustment for this characteristic.

Comparable 3 is located on the southeast and the southwest corner of West Alabama Street and Las Palmas Street. Although West Alabama Street is a major east/west thoroughfare within the market area, it does not have the same visibility and exposure as that of the subject property. Therefore, we consider Comparable 3 to be slightly inferior with regard to location and require a slight upward adjustment for this element of comparison. Comparable 4 is located on the west side of Greenbriar Street, south of Westpark Road. Similar to Comparable 3, Comparable 4 is located on a major thoroughfare but does not have corner access. Additionally, Comparable 4 does not enjoy the same visibility and exposure as the subject property. Therefore, we consider Comparable 4 to be inferior to the subject with regard to location and require an upward adjustment to reflect this characteristic.

Comparable 5 is situated on the northeast corner of Westheimer Road and Westcreek Lane in the western portion of the market area. Westheimer Road (FM 1093) is one of the largest thoroughfares within the City of Houston and the market area. Additionally, Comparable 5 is located on a corner, which is similar to the subject, but the corner is not a lighted intersection. As such, we consider Comparable 5 to be similar with regard to location and do not require an adjustment for this factor. Comparable 6 is on the southeast corner of San Felipe Street and Mid Lane. San Felipe Street is similar to West Alabama Street in the fact that it is a major thoroughfare. However, San Felipe Street does not have the same volume of vehicular traffic when compared to the subject property. As such, we consider Comparable 6 to be slightly inferior with regard to location and require a slight upward adjustment to reflect this element of comparison.

Comparable 7 has a physical address of 2925 Wesleyan Street and is situated on the northeast corner of West Alabama Street and Wesleyan Street. Both West Alabama Street and Wesleyan Street are major thoroughfares within the market area and the intersection of West Alabama Street and Wesleyan Street is a lighted intersection. However, the traffic volume at this intersection is less than the traffic volume near the subject property. As such, we consider Comparable 7 to also be slightly inferior with regard to location and require a slight upward adjustment to account for this factor. Comparable 8 is located on the southwest corner of Westheimer Road and Ferndale Avenue. Although Westheimer Road (FM 1093) is one of the largest thoroughfares within the City of Houston and the market area, Ferndale Avenue is an interior residential roadway. Therefore, we consider Comparable 8 to be slightly inferior with regard to location and require a slight upward adjustment to reflect this characteristic. Comparable 9 is located on the northwest corner of U.S. Highway 59 and Wesleyan Street and is similar with all respects to the subject property's location. As such, no adjustment is warranted to Comparable 9 for this element of comparison.

Physical Characteristics: Larger tracts typically sell for less on a per unit basis than smaller tracts. As previously discussed, the subject is 6.945 acres in size, generally level in topography, appears to not be impacted by the flood plain, and has access to high-density utilities through the City of Houston. All of the comparables are generally level in topography, appear to not be impacted by the flood plain, and have access to high density utilities. As such, all of the comparables are similar to the subject with regard to physical characteristics except for size. Comparables 2, 7, and 8 are all significantly smaller than the subject property and are superior with regard to physical characteristics. Therefore, we have applied downward adjustments to Comparables 2, 7, and 8 to reflect this characteristic. Comparables 1, 4, 6, and 9 are similar in size and do not warrant any adjustments for this element of comparison. Comparables 3 and 5 are significantly larger than the subject property and are thus inferior to the subject with regard to physical characteristics. As such, we have applied upward adjustments to Comparables 3 and 5 to account for this factor.

Restrictions/Zoning: As previously discussed in length throughout this appraisal report, the subject property is subject to numerous restrictions pursuant to deed restrictions and restrictions imposed by existing leases on the subject property. All of the comparables are not subject to any deed restrictions that limit the uses to which the comparables may be put. As such, we consider all of the comparables to be superior with regard to restrictions and require downward adjustments to reflect this element of comparison.

Overall Comparison: The following array demonstrates the property’s relative position among the nine comparable sales:

Property	Overall Comparison	Price PSF
2	Superior	\$231.00
1	Superior	\$140.00
8	Superior	\$99.54
7	Superior	\$94.00
4	Superior	\$90.00
5	Superior	\$85.00
3	Superior	\$85.00
6	Comparable	\$76.83
Subject	-	-
9	Comparable	\$69.80

Based upon our analysis of the property, market area, and comparable transactions, we estimate the market value of the fee simple interest in the underlying land, as of August 5, 2009, to be \$75.00 per square foot. Following is the calculation of the underlying land’s market value as of August 5, 2009:

6.945 acres (302,524 SF) x \$75.00 PSF \$ 22,689,300

Income Capitalization Approach – Yield Capitalization Technique: The income capitalization approach is defined as:

*A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year’s income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate*⁶

As discussed throughout this report, the subject property is currently being leased by Lakewood Church from the City of Houston. As such, we have applied the income capitalization approach - yield capitalization technique to estimate the market value of the leased fee interest in the subject property. Following is an excerpt to better explain the yield capitalization approach to the reader of the appraisal report:

“Yield capitalization is the more complex of the two fundamental methods used in the income capitalization approach to value. Various techniques are available within this methodology for converting a series of future cash flows received over time into an opinion of value.”

⁶ *The Dictionary of Real Estate Appraisal*, Fourth Edition (Chicago: Appraisal Institute, 2002)

“Yield capitalization is used to convert future benefits as an indication of present value by applying an appropriate yield rate. To select an appropriate yield rate for a market value appraisal, an appraiser analyzes market evidence of the yields anticipated by typical investors, supported by market sales data, or both. When investment value is sought, the yield rate used should reflect the individual investor’s requirements, which may differ from the requirements of typical investors in the market. To perform yield capitalization, an appraiser must:

- 1) Select an appropriate projection period;
- 2) Forecasts all future cash flows or cash flow patterns (including the reversion);
- 3) Choose an appropriate yield rate; and,
- 4) Convert future benefits into present value by discounting each annual future benefit or by developing an overall rate that reflects the income pattern, value change, and yield rate using one of the various yield capitalization formulas”

There are two factors that must be considered separately to estimate the market value of the City of Houston’s interest in the property. These factors include the return on investment and the return of the investment. Compiled, these factors constitute our market value estimate of the City’s interest in the property.

Following is the mathematical equation and their application:

$$\begin{array}{r} \text{Present Value of the Lease Payments} \\ + \quad \text{Present Value of Reversion} \\ \hline \text{Market Value Estimate of the City of Houston’s Interest} \end{array}$$

Present Value of the Lease Payments: The discounted present value of the net income stream from the date of value through 2060. The reasoning behind the projection of income stream through 2060 as it is our opinion that Lakewood Church will exercise their right for the renewal term of 30 years. Our opinion is based on the fact that Lakewood Church has already met the required capital expenditures in the redevelopment and renovation of the improvements as specified in the lease. Additionally, we believe Lakewood Church will renew the lease for an additional 30-year term to fully recapture their investment. As such, the renewal term will expire in 2060 given that 7 years have already passed within the initial term, resulting in 23 years remaining in the initial term of the lease agreement, plus the 30 additional years as specified in the renewal term of the lease agreement.

To estimate the return on the investment for the subject, we analyzed the lease agreement which states that the consideration due to the City of Houston for the renewal term is \$22,600,000. However, these additional monies will not be received by the City of Houston until 2031. As such, we have applied an annual payment of \$753,333 to be received by the City of Houston for the leased premises beginning in 2031. Following is a summary of the future annual payments to be received by the City of Houston for the leased premises:

2009	\$0 – Pre Paid
2010	\$0 – Pre Paid
2011	\$0 – Pre Paid
2012	\$0 – Pre Paid
2013	\$0 – Pre Paid
2014	\$0 – Pre Paid
2015	\$0 – Pre Paid
2016	\$0 – Pre Paid
2017	\$0 – Pre Paid
2018	\$0 – Pre Paid
2019	\$0 – Pre Paid
2020	\$0 – Pre Paid
2021	\$0 – Pre Paid
2022	\$0 – Pre Paid
2023	\$0 – Pre Paid
2024	\$0 – Pre Paid
2025	\$0 – Pre Paid
2026	\$0 – Pre Paid
2027	\$0 – Pre Paid
2028	\$0 – Pre Paid
2029	\$0 – Pre Paid
2030	\$0 – Pre Paid
2031	\$753,333
2032	\$753,333
2033	\$753,333
2034	\$753,333
2035	\$753,333
2036	\$753,333
2037	\$753,333
2038	\$753,333
2039	\$753,333
2040	\$753,333
2041	\$753,333
2042	\$753,333
2043	\$753,333
2044	\$753,333
2045	\$753,333
2046	\$753,333
2047	\$753,333
2048	\$753,333
2049	\$753,333

2050	\$753,333
2051	\$753,333
2052	\$753,333
2053	\$753,333
2054	\$753,333
2055	\$753,333
2056	\$753,333
2057	\$753,333
2058	\$753,333
2059	\$753,333
2060	\$753,333

In order to estimate the present value of the income streams as specified in the lease agreement, we have developed a built up a discount rate to convert the future cash flows, as specified in the lease agreement, into present values. We built-up an applicable discount rate to be applied to the future cash flows. A built up discount rate is defined as:

An overall capitalization rate or discount rate that represents the combination of a safe, or risk-free rate and rates that reflect nonliquidity, management, and risk⁷.

Safe or Risk-Free Rate – A safe or risk-free rate is defined as:

The minimum rate of return on invested capital. Theoretically, the difference between the total rate of return and the safe rate is considered a premium to compensate the investor for risk, the burden of management, and the illiquidity of the capital invested; also called riskless rate or relatively riskless rate⁸.

To determine the safe or risk-free rate component of our built-up discount rate, we analyzed the average 10-year treasury yield rates from the period beginning 2004 and ending in 2008. Following is a summary:

Year	Avg. 10 Treasury Yield Rate
2008	3.66
2007	4.63
2006	4.80
2005	4.29
2004	4.27
Average	4.33

⁷ *The Dictionary of Real Estate Appraisal*, Fourth Edition (Chicago: Appraisal Institute, 2002)

⁸ *The Dictionary of Real Estate Appraisal*, Fourth Edition (Chicago: Appraisal Institute, 2002)

Based on our analysis of the treasury yield rates from the period beginning in 2004 and ending in 2008, the average treasury yield rate over the term is 4.33%.

Non-liquidity – Non-liquidity is defined as:

An asset that cannot be easily converted to cash⁹.

For the purposes of our analysis, we have estimated an appropriate rate for non-liquidity to be 1.250%. Our estimate of 1.250% is based on lack of available financing and lack of purchasers for similar properties.

Management – Management is defined as:

An expense item representing the sum paid or the value of management service; a variable operating expense, usually expressed as a percentage of effective gross income¹⁰.

In order to estimate an appropriate management rate to be applied in our built-up discount rate, we considered the management expense of the property by the City of Houston over the remaining holding period. Given that Lakewood Church has pre-paid the rent for the subject property and improvements for the initial term and the likelihood of Lakewood Church making a pre-payment of the entire \$22,600,000 due during the renewal period as well as Lakewood paying all expenses and maintenance fees associated with the leased premises, the City of Houston will have a very small management expense associated with the property. As such, it is our opinion that the management component of the built-up discount rate is 0.250%

Risk – Risk is defined as:

The probability that foreseen events will not occur. Risk may be incurred as a result of the impact of general economic and market conditions upon the performance of the specific property, the interaction of a group of real estate investments in a portfolio, or the operation of the real estate enterprise as an independent venture¹¹.

In developing an estimate of an appropriate rate for risk within the built-up discount rate, we consider the history of the subject property, the lease encumbering the subject property, and the credit-worthiness of Lakewood Church. As previously discussed, the subject property has recently been renovated and redeveloped. Additionally, 23 years remain in the initial term of the lease with the option to extend the lease for an additional 30-year term. Considering the above factors, as well as Lakewood's credit, we have estimated an appropriate risk rate to be 0.250%

⁹ *The Dictionary of Real Estate Appraisal*, Fourth Edition (Chicago: Appraisal Institute, 2002)

¹⁰ *The Dictionary of Real Estate Appraisal*, Fourth Edition (Chicago: Appraisal Institute, 2002)

¹¹ *The Dictionary of Real Estate Appraisal*, Fourth Edition (Chicago: Appraisal Institute, 2002)

Calculation of the Built-Up Discount Rate – Following is the calculation of the built up discount rate to be applied to future income streams pursuant to the lease agreement by and between the City of Houston and Lakewood Church:

Safe or Risk-Free Rate	4.330%
Nonliquidity	1.250%
Management	0.250%
<u>Property Risk</u>	<u>0.250%</u>
Built-Up Discount Rate	6.080%
Rounded to:	6.00%

Based upon our analysis, and considering we estimate the appropriate discount rate to be applied to the future income streams to be 6.0% (rounded). The present values of the lease payments for each year of the holding period were then added together to derive at the total contribution of the return on the investment. Following is the calculation:

Year	Term	Annual Rent	Discount Rate	PV of Rental Income
2009	1	\$ -	6.00%	\$ -
2010	2	\$ -	6.00%	\$ -
2011	3	\$ -	6.00%	\$ -
2012	4	\$ -	6.00%	\$ -
2013	5	\$ -	6.00%	\$ -
2014	6	\$ -	6.00%	\$ -
2015	7	\$ -	6.00%	\$ -
2016	8	\$ -	6.00%	\$ -
2017	9	\$ -	6.00%	\$ -
2018	10	\$ -	6.00%	\$ -
2019	11	\$ -	6.00%	\$ -
2020	12	\$ -	6.00%	\$ -
2021	13	\$ -	6.00%	\$ -
2022	14	\$ -	6.00%	\$ -
2023	15	\$ -	6.00%	\$ -
2024	16	\$ -	6.00%	\$ -
2025	17	\$ -	6.00%	\$ -
2026	18	\$ -	6.00%	\$ -
2027	19	\$ -	6.00%	\$ -
2028	20	\$ -	6.00%	\$ -
2029	21	\$ -	6.00%	\$ -
2030	22	\$ -	6.00%	\$ -
2031	23	\$ 753,333	6.00%	\$ 197,221
2032	24	\$ 753,333	6.00%	\$ 186,057
2033	25	\$ 753,333	6.00%	\$ 175,526
2034	26	\$ 753,333	6.00%	\$ 165,590

2035	27	\$	753,333	6.00%	\$	156,217
2036	28	\$	753,333	6.00%	\$	147,375
2037	29	\$	753,333	6.00%	\$	139,033
2038	30	\$	753,333	6.00%	\$	131,163
2039	31	\$	753,333	6.00%	\$	123,739
2040	32	\$	753,333	6.00%	\$	116,735
2041	33	\$	753,333	6.00%	\$	110,127
2042	34	\$	753,333	6.00%	\$	103,893
2043	35	\$	753,333	6.00%	\$	98,013
2044	36	\$	753,333	6.00%	\$	92,465
2045	37	\$	753,333	6.00%	\$	87,231
2046	38	\$	753,333	6.00%	\$	82,293
2047	39	\$	753,333	6.00%	\$	77,635
2048	40	\$	753,333	6.00%	\$	73,241
2049	41	\$	753,333	6.00%	\$	69,095
2050	42	\$	753,333	6.00%	\$	65,184
2051	43	\$	753,333	6.00%	\$	61,494
2052	44	\$	753,333	6.00%	\$	58,014
2053	45	\$	753,333	6.00%	\$	54,730
2054	46	\$	753,333	6.00%	\$	51,632
2055	47	\$	753,333	6.00%	\$	48,709
2056	48	\$	753,333	6.00%	\$	45,952
2057	49	\$	753,333	6.00%	\$	43,351
2058	50	\$	753,333	6.00%	\$	40,897
2059	51	\$	753,333	6.00%	\$	38,582
2060	52	\$	753,333	6.00%	\$	36,398
Return on Investment					\$	2,877,591

Present Value of the Reversion: The present value of the discounted resale of the property at the end of the holding period. As previously discussed in the “Highest and Best Use” and the “Sales Comparison Approach” sections of the appraisal report, it is our opinion that the improvements do not contribute any value to the property at the end of the lease agreement. As such, the property will effectively be vacant land. However, in order to make the property a developable piece of vacant land at the end of the holding period, the appraiser must account for demolition costs to the improvements. Therefore, in order to develop an opinion as to the return of the investment, we first estimated the market value of land as though vacant as of the date of value, 2) estimated an appropriate escalation rate to be applied to the vacant land as of the date of value, 3) consulted with several demolition companies to estimate the cost of demolition as of the date of value, 4) estimated an appropriate escalation rate for the cost of demolition, 5) add the future value of the land and the cost to demolish the existing improvements, and 6) discount the total future value of the land and the demolition costs with the built-up discount rate (as previously developed).

1) Estimate of the Market Value of the Land as though Vacant as of August 5, 2009 - As previously discussed in the “Sales Comparison Approach” section of the appraisal report, we analyzed nine vacant land transactions and have estimated the market value of the underlying land to be \$75.00 per square foot as of August 5, 2009. Following is our calculation:

6.945 acres (302,524 SF) x \$75.00 PSF \$ 22,689,300

2) Estimate of Land Escalation Rate – We analyzed the Consumer Price Index for all Urban Consumers (CPI-U) for the Houston-Sugar Land-Baytown MSA in order to estimate an appropriate land escalation rate to be applied to our estimate of the market value of the underlying land as of the date of value. In our analysis of the CPI-U, we analyzed the average change in the CPI-U index from the period beginning in 2003 and ending in 2008. Following is a summary:

Year	CPI-U	% Change
2008	190.0	3.4
2007	183.8	1.8
2006	180.6	2.8
2005	175.6	3.6
2004	169.5	3.5
2003	163.7	
Average		3.0

Based upon our analysis of the CPI-U index for the Houston-Sugar Land-Baytown MSA, the CPI-U index has increased at an average annual rate of 3%

for the period beginning in 2003 and ending in 2008. It is our opinion that this estimate is well supported and applicable.

3 and 4) Estimate of Demolition Costs and Demolition Escalation Rate – As previously referenced in the report, we have interviewed Tommy Uzick with *TRU Construction Consulting, L.L.C.* of Bellaire, Texas and Angie Boone with *Texas Port Recycling* to quantify demolition costs to return the property to a development-ready vacant site. Preliminary estimates range from \$1 million to \$1.5 million with an annual escalation rate of 3%. Both companies would require considerable onsite analysis to refine their estimates and prepare formal bids as demolition bids are based on the value and quantity of the scrap metal within the proposed demolished improvements. In our analysis, we have used the middle of this indicated range, or \$1.25 million with an annual escalation rate of 3%.

5a) Estimate of Future Market Value of the Underlying Land – The following table illustrates the future market value of the underlying land assuming a 3.00% annual land escalation rate over the holding period:

Present Market Value of Land	Inflation Rate	Remaining Terms	Future Value of Land
\$ 22,689,300	3.00%	52	\$ 105,525,345

5b) Estimate of Future Demolition Costs – The following table illustrates the future cost to demolish the existing improvements and assuming an annual escalation rate of 3.00% to be applied to the present cost to demolish the existing improvements:

Present Value of Demolition	Inflation Rate	Remaining Terms	Future Value of Demolition
\$ 1,250,000	3.00%	52	\$ 5,813,607

6) Discount the Future Value of the Land and Demolition Costs Using the Built-Up Discount Rate – The following tables illustrate the present value of the future value of the underlying land as well as the future costs to demolish the existing improvements:

Future Value of Land	Discount Rate	Terms	Present Value of Reversion
\$ 105,525,345	6.0%	52	\$ 5,098,610

Future Value of Demolition	Discount Rate	Terms	Present Value of Reversion
\$ 5,813,607	6.0%	52	\$ 280,893

Following is the calculation of the reversion or the return of the investment:

Present Value of the Land Reversion	\$ 5,098,610
- Less Present Value of Demolition	280,893
Return of the Investment	\$ 4,817,717

Market Value Estimate: Following is a summary of the steps applied to estimate the market value of the City of Houston's interest in the subject property:

Return on the Investment		\$ 2,877,591
<u>Return of the Investment</u>	+	<u>\$ 4,817,717</u>
Market Value Estimate		\$ 7,695,308

Rounded: \$ 7,700,000

SEVEN MILLION SEVEN HUNDRED THOUSAND DOLLARS

We have retained all information regarding this appraisal in our files. Please contact us if we can be of further assistance in this matter.

Sincerely,

LEWIS REALTY ADVISORS



David M. Lewis, CRE, MAI, SRA
State Certified TX-1321307-G

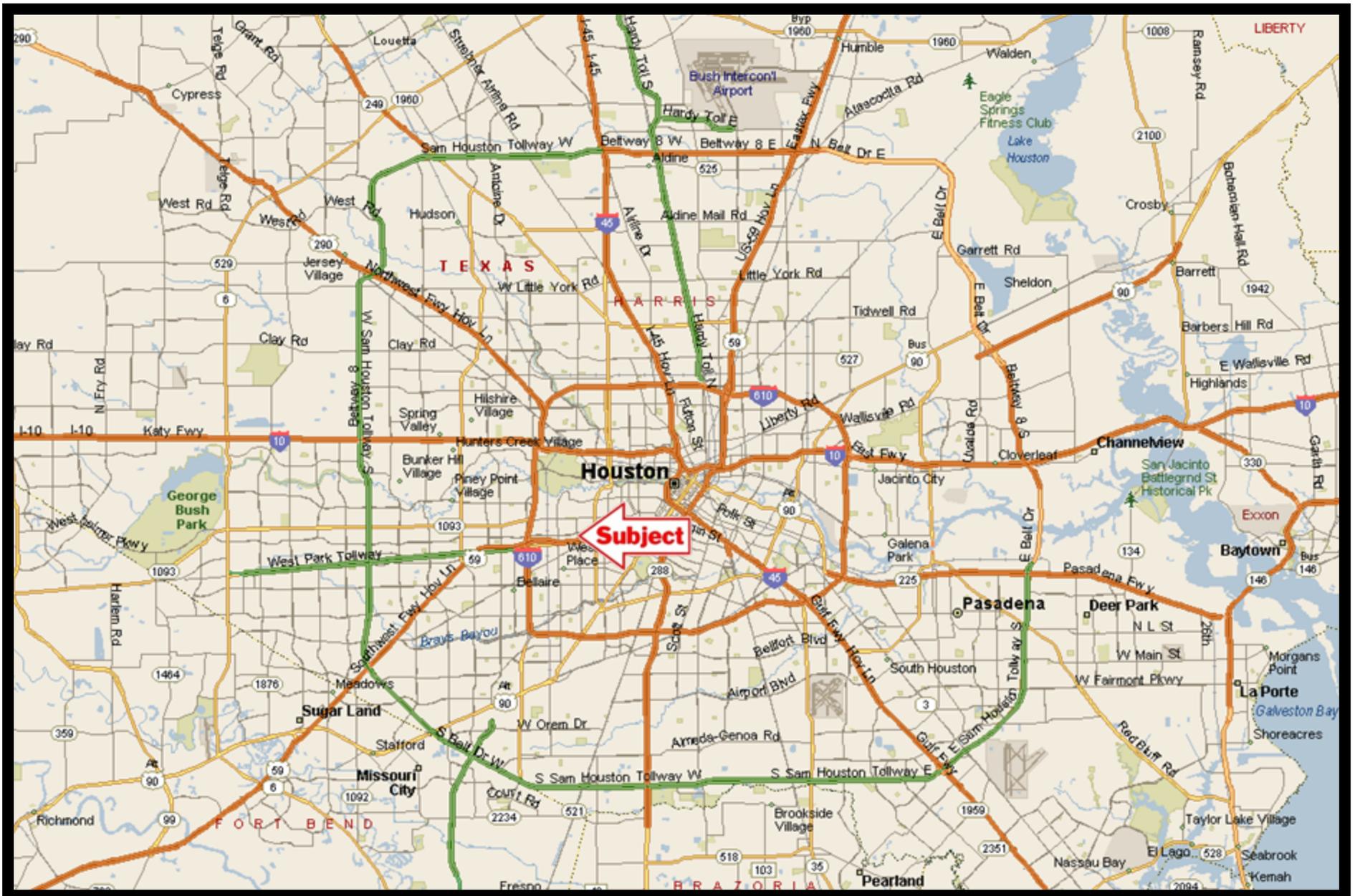


Kim M. Kobriger, CCIM, MAI, Ph. D.
State Certified TX-1338486-G

Section III

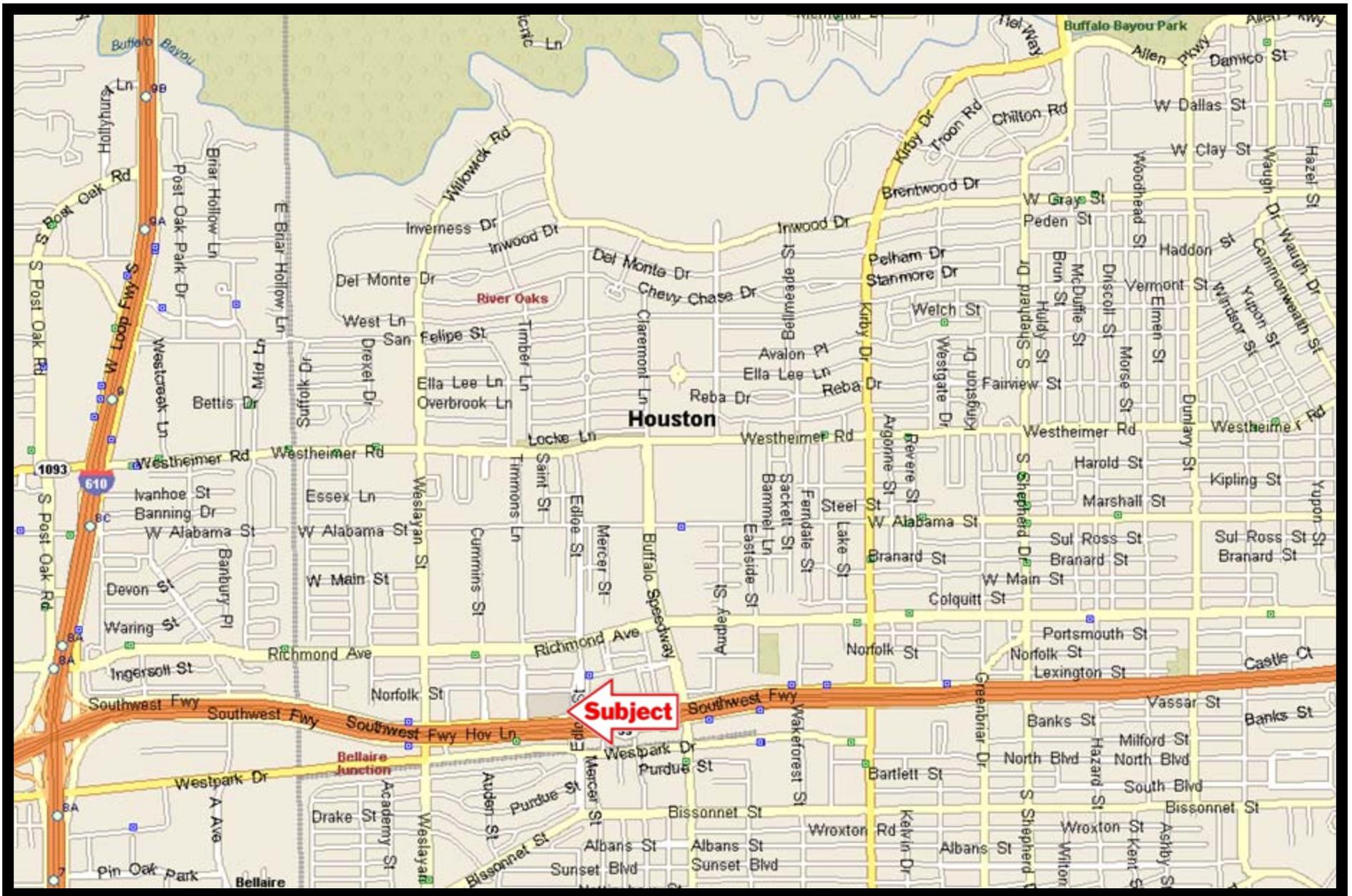
Exhibits:

**Area Map
Market Area Map
Aerial Photograph
Flood Plain Map
Survey
Subject Property Photographs**



Area Map





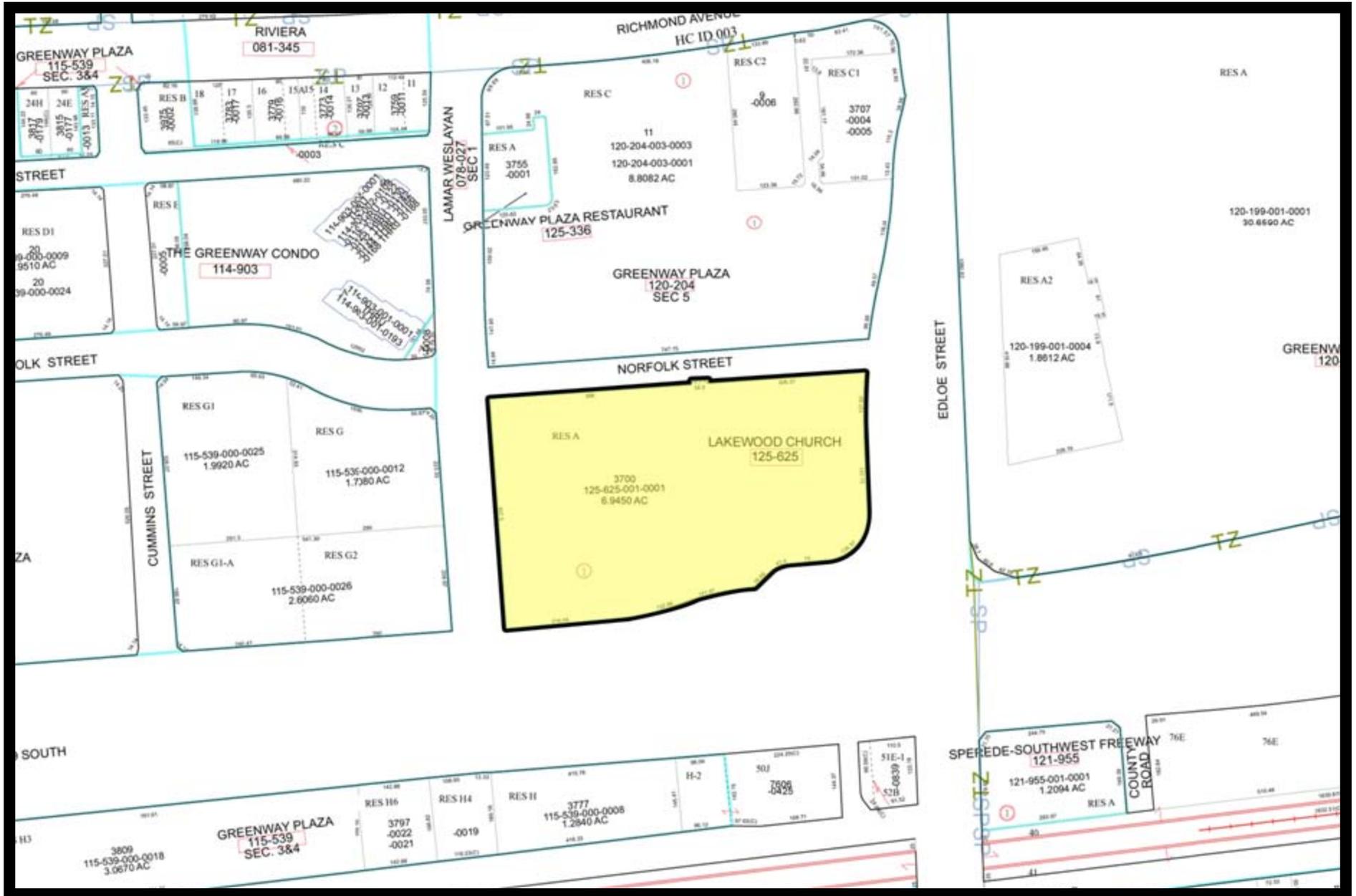
Market Area Map





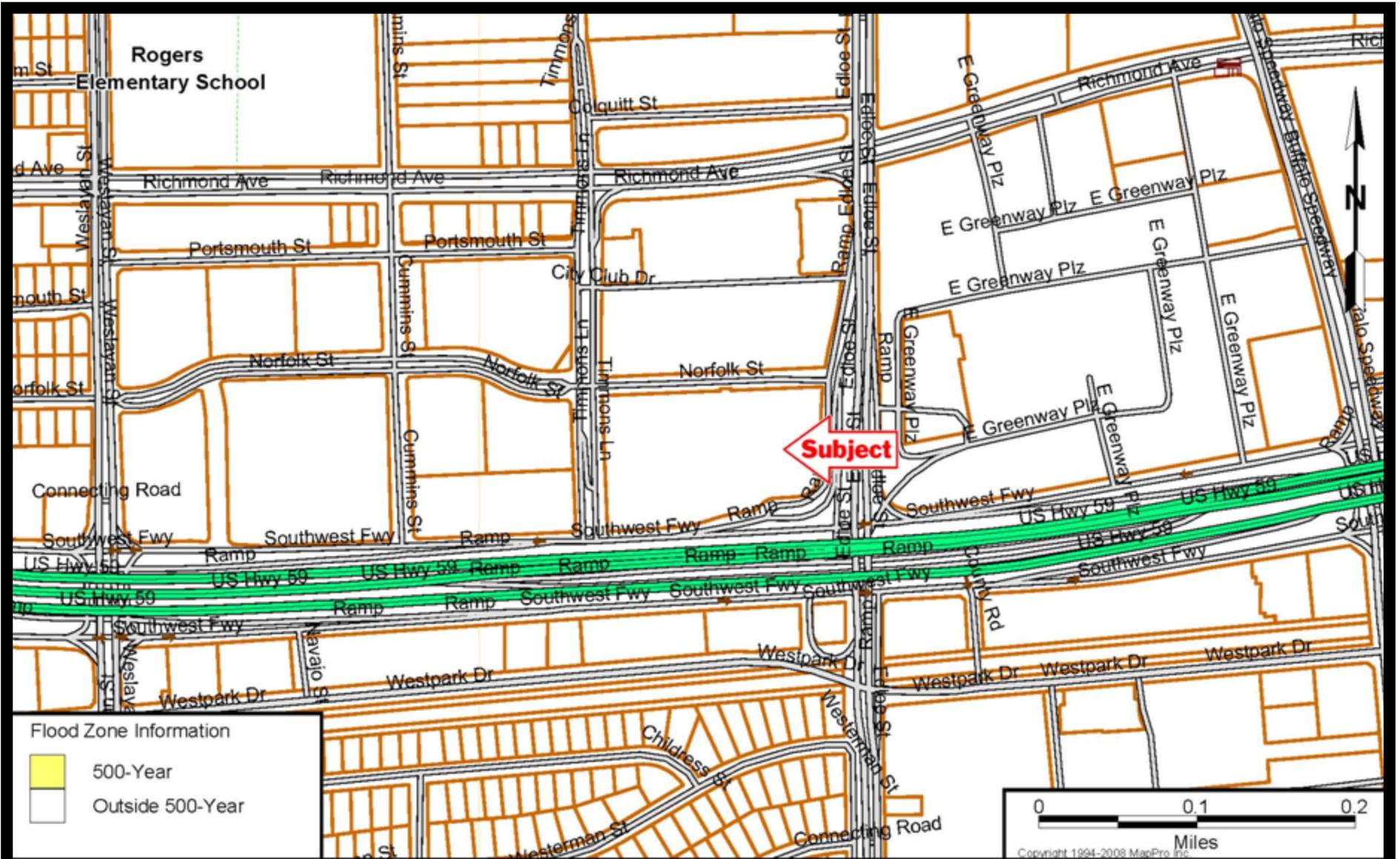
Aerial Photograph





Subject Property Map





CAUTION: The location of flood hazard areas shown on this map are approximate only. Flood hazard boundaries may change from time to time. A property in the general vicinity of a flood hazard area should be evaluated by a civil engineer or other appropriate specialist prior to purchase or investment.

Prepared by Lewis Realty Advisors using MapPro Service. MapPro Inc., 5353 West Alabama St, Suite 303, Houston, TX 77056 (713)789-1406

Flood Plain Map





View of Subject Property, Facing East



View of Subject Property, Facing East



View of Subject Property, Facing East



View of Subject Property, Facing South



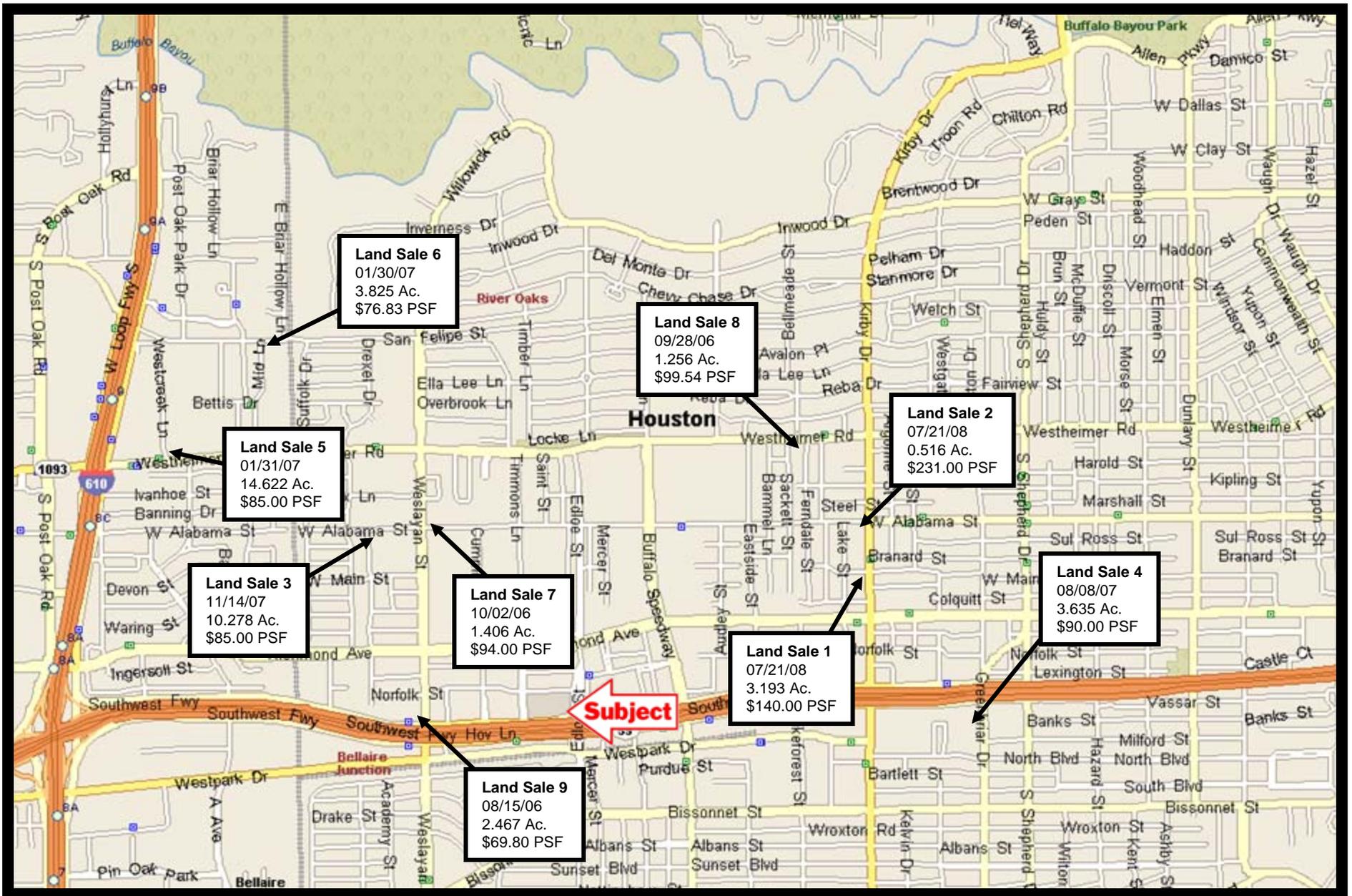
View of Subject Property, Facing South



View of Subject Property, Facing Northwest

Section IV

Land Transactions Map and Detail



Land Sales Map



**LAND SALE
COMPARABLE NO. 1**

Property Identification

Address	3200 Kirby Drive, Houston, Harris County, Texas 77027
Location	SW/C of West Main Street and Kirby Drive, Houston, Harris County, Texas
Legal Description	3.1928 acres of land out of the A.C. Reynolds Survey, Abstract 61, Harris County, Texas

Sales Data

Date of Sale	July 21, 2008, April 15, 2008, and February 28, 2007
Grantor	SCI Illinois Services, Inc., 3200 & 3201 Kirby Drive, Ltd., and Magenta Fund, L.L.C.
Grantee	Thor Kirby I, L.L.C. and Thor Kirby 3 Group, L.L.C.
Recording No.	2007.0126905, 2008.0379836, and 2008.0190042
Property Rights	Fee Simple
Contract Price	\$19,470,780
Conditions of Sale	Arms Length
Financing Terms	Cash to Seller
Sales Price PSF	\$140.00

Property Data

Site Size in Acres	3.1928
Site Size in Square Feet	139,077
Shape	Rectangular
Topography	Generally Level
Water	City of Houston
Sanitary Sewer	City of Houston
Frontage	Kirby Drive: 460 FF West Main Street: 303 FF
Zoning	N/A
Flood Plain	None known to affect property
Proposed Use	Commercial

**LAND SALE
COMPARABLE NO. 2**

Property Identification

Address	3002 Kirby Drive, Houston, Harris County, Texas 77098
Location	SW/C of West Alabama Street and Kirby Drive, Houston, Harris County, Texas
Legal Description	0.516 acre of land out of Tract 7A, Block 7, David Crockett Subdivision, A.C. Reynolds Survey, Abstract 61, Harris County, Texas

Sales Data

Date of Sale	July 21, 2008
Grantor	Magenta Fund, L.L.C.
Grantee	J.P. Morgan Chase Bank, N.A.
Recording No.	2008.0379173
Property Rights	Fee Simple
Sales Price	\$5,197,038
Conditions of Sale	Arms-Length
Financing Terms	Cash to Seller
Sales Price PSF	\$231.00

Property Data

Site Size in Acres	0.516
Site Size in Square Feet	22,498
Shape	Rectangular
Topography	Generally Level
Water	Available
Sanitary Sewer	Available
Frontage	Kirby Drive: 150 FF West Alabama Street: 150 FF
Zoning	N/A
Flood Plain	None known to affect property
Proposed Use	Chase Bank

**LAND SALE
COMPARABLE NO. 3**

Property Identification

Address	3237 West Alabama Street, Houston, Harris County, Texas 77027
Location	SE/C and SW/C of West Alabama Street and Las Palmas Street, Houston, Harris County, Texas
Legal Description	10.2792 acres of land out of the A.C. Reynolds Survey, Abstract 61, Harris County, Texas

Sales Data

Date of Sale	November 14, 2007
Grantor	Willowick, Inc.
Grantee	Willowick Place at River Oaks, L.P.
Recording No.	2007.0694394
Property Rights	Fee Simple
Contract Price	\$38,059,770
Conditions of Sale	Arms Length
Financing Terms	Cash to Seller
Sales Price PSF	\$85.00

Property Data

Site Size in Acres	10.2792
Site Size in Square Feet	447,762
Shape	Rectangular
Topography	Generally Level
Water	City of Houston
Sanitary Sewer	City of Houston
Frontage	West Alabama Street: 600 FF West Main Street: 589 FF E/S Las Palmas Street: 712 FF W/S of Las Palmas Street: 556 FF
Zoning	N/A
Flood Plain	None known to affect property
Proposed Use	Apartment Complex

**LAND SALE
COMPARABLE NO. 4**

Property Identification

Address	4100 Greenbriar Street, Houston, Harris County, Texas 77098
Location	W/S of Greenbriar Street, S. of Westpark Toll Road, Houston, Harris County, Texas
Legal Description	3.635 acres of land out of the A.C. Reynolds Survey, Abstract 61, Harris County, Texas

Sales Data

Date of Sale	August 8, 2007
Grantor	FSC Greenbriar Chateau, Ltd.
Grantee	Bammelbelt, L.P.
Recording No.	2007.0488218
Property Rights	Fee Simple
Sales Price	\$14,251,770
Conditions of Sale	Arms Length
Financing Terms	Cash to Seller
Sales Price PSF	\$90.00

Property Data

Site Size in Acres	3.635
Site Size in Square Feet	158,353
Shape	Rectangular
Topography	Generally Level
Water	City of Houston
Sanitary Sewer	City of Houston
Frontage	Greenbriar Street: 502 FF
Zoning	N/A
Flood Plain	None known to affect property
Proposed Use	Apartment Complex

**LAND SALE
COMPARABLE NO. 5**

Property Identification

Address	4444 Westheimer Road, Houston, Harris County, Texas 77027
Location	NE/C of Westheimer Road and Westcreek Lane, Houston, Harris County, Texas
Legal Description	14.622 acres of land out of the William White Survey, Abstract 836, Harris County, Texas

Sales Data

Date of Sale	January 31, 2007
Grantor	Houston-Westcreek Partners, L.P.
Grantee	OMB Houston Partners, L.P.
Recording No.	2007.0061442
Property Rights	Fee Simple
Sales Price	\$54,138,795
Conditions of Sale	Arms Length
Financing Terms	Cash to Seller
Sales Price PSF	\$85.00

Property Data

Site Size in Acres	14.622
Site Size in Square Feet	636,927
Shape	Rectangular
Topography	Generally Level
Water	City of Houston
Sanitary Sewer	City of Houston
Frontage	Westheimer Road: 684 FF Westcreek Lane: 796 FF
Zoning	N/A
Flood Plain	None known to affect property
Proposed Use	Apartment Complex

**LAND SALE
COMPARABLE NO. 6**

Property Identification

Address	2211 Mid Lane, Houston, Harris County, Texas 77027
Location	SE/C of San Felipe Street and Mid Lane, Houston, Harris County, Texas
Legal Description	3.825 acres of land in the William White Survey, Abstract 836, Harris County, Texas

Sales Data

Date of Sale	January 30, 2007
Grantor	San Felipe Partners, L.P.
Grantee	San Felipe/Midlane, L.P.
Recording No.	2007.0060698
Property Rights	Fee Simple
Sales Price	\$12,800,000
Conditions of Sale	Arms Length
Financing Terms	Cash to Seller
Sales Price PSF	\$76.83

Property Data

Site Size in Acres	3.825
Site Size in Square Feet	166,597
Shape	Irregular
Topography	Generally Level
Water	Available
Sanitary Sewer	Available
Frontage	San Felipe Street: 110 FF Mid Lane Street: 716 FF
Zoning	N/A
Flood Plain	None known to affect property
Proposed Use	Apartment Complex

**LAND SALE
COMPARABLE NO. 7**

Property Identification

Address	2925 Wesleyan Road, Houston, Harris County, Texas 77027
Location	NE/C of Wesleyan Road and West Alabama Street, Houston, Harris County, Texas
Legal Description	1.4062 acres of land out of the A.C. Reynolds Survey, Abstract 61, Harris County, Texas

Sales Data

Date of Sale	October 2, 2006
Grantor	Wesleyan Properties, Ltd.
Grantee	Interfin Holdings, L.P.
Recording No.	2006.0092224
Property Rights	Fee Simple
Sales Price	\$5,757,688
Conditions of Sale	Arms Length
Financing Terms	Cash to Seller
Sales Price PSF	\$94.00

Property Data

Site Size in Acres	1.4062
Site Size in Square Feet	61,252
Shape	Rectangular
Topography	Generally Level
Water	City of Houston
Sanitary Sewer	City of Houston
Frontage	West Alabama Street: 329 FF Wesleyan Road: 166 FF
Zoning	N/A
Flood Plain	None known to affect property
Proposed Use	Mixed Use

**LAND SALE
COMPARABLE NO. 8**

Property Identification

Address	3200 Westheimer Road, Houston, Harris County, Texas 77027
Location	SW/C of Westheimer Road and Ferndale Avenue, Houston, Harris County, Texas
Legal Description	1.2558 acres of land out of the R.C. Reynolds Survey, Abstract 61, Harris County, Texas

Sales Data

Date of Sale	September 28, 2006
Grantor	Westdale I Associates, L.L.C.
Grantee	Grayco Sackett Investment, L.P.
Recording No.	2006.0082803
Property Rights	Fee Simple
Sales Price	\$5,445,230
Conditions of Sale	Arms Length
Financing Terms	Cash to Seller
Sales Price PSF	\$99.54

Property Data

Site Size in Acres	1.2558
Site Size in Square Feet	54,703
Shape	Rectangular
Topography	Generally Level
Water	City of Houston
Sanitary Sewer	City of Houston
Frontage	Westheimer Road: 122 FF Ferndale Avenue: 217 FF
Zoning	N/A
Flood Plain	None known to affect property
Proposed Use	Commercial

**LAND SALE
COMPARABLE NO. 9**

Property Identification

Address	4020 Southwest Freeway (U.S. Highway 59), Houston, Harris County, Texas 77027
Location	NW/C of Southwest Freeway (U.S. Highway 59) and Wesleyan Street, Houston, Harris County, Texas
Legal Description	2.467 acres of land out of the A.C. Reynolds Survey, Abstract 61, Harris County, Texas

Sales Data

Date of Sale	August 15, 2006
Grantor	Greenway Plaza Hospitality, Inc.
Grantee	SW 59 Apartments, L.P.
Recording No.	Z534943 (026-31-0683)
Property Rights	Fee Simple
Sales Price	\$7,501,546
Conditions of Sale	Arms Length
Financing Terms	Cash to Seller
Sales Price PSF	\$69.80

Property Data

Site Size in Acres	2.467
Site Size in Square Feet	107,471
Shape	Rectangular
Topography	Generally Level
Water	Available
Sanitary Sewer	Available
Frontage	Southwest Freeway: 257 FF Wesleyan Street: 163 FF
Zoning	N/A
Flood Plain	None known to affect property
Proposed Use	Apartment Complex

Section V

**Certification of the Appraisal
Assumptions and Limiting Conditions
Qualifications of the Appraisers**

CERTIFICATION OF THE APPRAISAL

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 is 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 no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8. David M. Lewis and Kim M. Kobriger have made a personal inspection of the property that is the subject of this report.
9. James L. Julian III, William C. Boone, and Nicholas Emerson provided significant real property appraisal assistance to the persons signing this certification.
10. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

12. As of the date of this report, David M. Lewis and Kim M. Kobriger have completed the continuing education program of the Appraisal Institute.



David M. Lewis, CRE, MAI, SRA
State Certified TX-1321307-G

August 5, 2009

Date



Kim M. Kobriger, CCIM, MAI, Ph. D.
State Certified TX-1338486-G

August 5, 2009

Date

ASSUMPTIONS AND LIMITING CONDITIONS

- 1) The appraisers assume no responsibility for matters of a legal nature affecting the property or the title thereto; nor do the appraisers render any opinion as to the title, which is assumed to be good and marketable. Any existing liens and/or encumbrances have not been considered, unless so noted.
- 2) Sketches and maps included in the report are incorporated to assist the reader in visualizing the property discussed herein. The appraisers do not warrant the accuracy of this data.
- 3) Data concerning the size of the property was acquired by the client and confirmed through public records.
- 4) The appraisers assume that there are no hidden or non-apparent conditions in the subject property's subsoil or structures (if applicable), which would render it more or less valuable. The appraisers assume no responsibility for such conditions, or for engineering, which might be required to discover such factors.
- 5) Information, estimates, and opinions furnished to the appraisers, and contained herein, were obtained from sources considered reliable and are believed to be true and correct. However, no responsibility for the accuracy of such items furnished can be assumed by the appraisers.
- 6) Disclosure of the contents of this report is governed by the by-laws and regulations of the professional organizations with which the appraisers are affiliated, specifically the Appraisal Institute, the Appraisal Foundation and the State of Texas.
- 7) Possession of this report or copies hereof, does not carry with it the right of publication nor may it be used for any purpose by anyone but the owner without the previous written consent of the appraisers and, in any event, only with proper qualifications.
- 8) This report was prepared by Lewis Realty Advisors and consists of trade secrets and commercial or financial information which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4). Please notify David Lewis or Kim Kobriger of any request of reproduction of this report.
- 9) Neither all nor any part of the contents of this report (especially any conclusions of value, the identity of the appraisers or the firm with which the appraisers are connected, or any reference to the Appraisal Institute or to the MAI and SRA designations) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any

other public means of communication, without prior written consent and approval of the appraisers.

- 10) All opinions of value are presented as the considered opinion of the appraisers based on the facts and data provided and appearing in this report and contained in the appraisers' files. The appraisers assume no responsibility for changes in market conditions or for the inability of the owner to locate a purchaser at the estimated value.
- 11) Under no circumstances shall the company's or appraisers' liabilities exceed the fee actually collected for this report, and then only in case of a gross error, which would have materially affected the appraisers' value opinion as of the date of valuation. Thus, by accepting this report, acknowledgment is made that a value opinion is the product of a professional real estate analyst but, nevertheless, is an opinion only, and not a provable fact. As a personal opinion, valuation may vary between appraisers based on the same facts. Therefore, the company and the appraisers warrant only that the value conclusion is the best opinion as of the exact day of valuation.
- 12) The appraisers have no knowledge of the existence of hazardous materials on or in the property. The appraisers, however, are 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 properties. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required discovering them. The client is urged to retain an expert in this field.
- 13) No environmental impact studies were either requested or provided to the appraisers in conjunction with this appraisal. The appraisers hereby reserve the right to alter, amend, revise, and rescind any of the value opinions based upon any subsequent Environmental Impact Studies, research, or investigation. The market value estimate assumes the property meets the appropriate state and federal environmental standards for its highest and best use.
- 14) The value estimate assumes that the property is under responsible and competent ownership and prudent management.
- 15) Information and data pertaining to the subject property's history and operation provided by the client was utilized as reported and retained in our files. The appraisal has been made subject to the accuracy of this data.
- 16) The market value estimate assumes a generally stable regional and local real estate market. Historical performance, while reasonable and quantified, provides no warranty that future real property values will continue to rise at the stated rate.

David M. Lewis, CRE, MAI, SRA

Biographic Data

David M. Lewis is a state certified (Certification No. TX-1321307-G) real estate appraiser and consultant headquartered at 952 Echo Lane, Suite 315, Houston, Harris County, Texas. Born in Houston, Texas in 1937, Mr. Lewis attended public schools before entering the University of Houston and graduating with a business degree, majoring in real estate economics and finance, in 1958. He served in the US Army Infantry upon graduation.

Lewis served as a member of the City of Houston Planning Commission (1972-1975), a founding member of the Harris County Appraisal District (1980-1982), the Small Business Development Board (1996-1999), as well as served public corporation boards, and charity committees.

Mr. Lewis is a member and former national governor and chairman of the Gulf Coast chapter of the Society of Real Estate Counselors (CRE) and member and past President of the Houston Chapter of the Appraisal Institute (MAI, SRA). He is also a member of the National Association of Realtors, Texas Association of Realtors and the Houston Board of Realtors.

Mr. Lewis' interest in furthering real estate education has brought him to lecture on real estate economics and valuation at the University of Houston (1965 through 1978), the American Institute of Real Estate Appraisers, and the Society of Real Estate Appraiser (1967 through 1982), plus many others. During this period Lewis has acted as managing partner in developing shopping centers, office buildings, subdivisions and restoring historical theaters.

Employment

While attending college, Lewis worked part-time as a real estate broker for his father. Upon leaving the armed services with an honorable discharge, he was employed by the Federal Housing Administration serving 18 months as a staff appraiser. In 1962, Mr. Lewis started his own valuation and consulting practice, which he still currently heads.

Scope of Professional Assignments

Mr. Lewis' consulting assignments have included acquisitions/dispositions, asset management, development/redevelopment, expert witness, facilities planning, financing/joint ventures, investment analysis, land assembly, lease negotiation, location/relocation analyses, management counseling, property management, real estate valuation, economic feasibility, and market studies. His work has involved all types of real property, including but not limited to commercial, industrial, historical, and special purpose.

Specific assignments of interest include acting as real estate consultant to Texas Eastern Corporation (1974-76) in the acquisition of 36 square blocks in the Central Business District of Houston, Texas and the leasing of II Houston Center, a one million square foot office building. Lewis acted as coordinator between engineering, marketing, construction, and planning and headed the leasing team for both retail and office.

Mr. Lewis served from 1978 to 1980 as managing local consultant to the City of Houston for the purpose of appraising the City of Houston (for ad valorem tax); over one million parcels of property. Upon completion Lewis served as a founding member of the Board of Directors of the Harris County Appraisal District with ultimate responsibilities for the appraisal of all properties in Harris County.

In 1992, Mr. Lewis acted as a consultant and headed the negotiating team for Metropolitan Transit Authority (Metro) in the purchase of 60-miles of transportation corridors from Southern Pacific Railroad Company.

Lewis has acted as development, transactional, valuation and market damage consultant on such varied environmental questions as clay, sand, and limestone mining, pipelines, underground gas storage, nesting bald eagles, endangered species, wetlands, asbestos, leaking storage tanks, air, soil, subsoil and groundwater contamination, electromagnetic fields and polybutylene plumbing.

He has valued residential, apartment, office building, shopping centers, vacant land, conservation easements, development rights, transportation rights, pipeline easements, remainder damage, mineral rights, and gas storage.

He has been qualified and testified as an expert witness concerning real estate valuation and was quoted by Fortune Magazine on damage by stigma resulting from electromagnetic fields.

General Business Affiliations

- Member The Counselors of Real Estate (CRE)**
National: Communications (1982-83), Government Affairs (1982), Member, Membership Development Committee (Past).
National Chairman, Chapter Activities Committee (1989-91)
Houston Chapter: Secretary/Treasurer (1988-89)
South Coast Chapter: Chairman (1990-91)
National: Member - Board of Governors (1992-94)
- Member Appraisal Institute (MAI) (SRA)**
Houston Chapter: President (1968), Secretary (1966), Treasurer (1965), Director (1965-69)
National: National Education (1980), External Affairs (1981), Professional Relations (1981), and Regional Professional Standards Panel of the Appraisal Institute (1990).
- Member Houston Board of Realtors**
Chairman of Education Committee (1975)
- Member Texas Association of Realtors**
- Member National Association of Realtors**
- Associate Member Urban Land Institute**
- Former Board Member - Statewide Capital Investments, Inc. (1999-01)**
- Former Board Member - Small Business Development Corporation (1996-99)**
- Co-Managing Partner - Historical Re-Development of Majestic Theater, Broadway style theater in San Antonio, Texas, (1983-88)**
- Founding Board Member - Harris County Appraisal District, (1980-82)**
- Former Board Member - City of Houston Planning Commission, (1972-75)**

Kim M. Kobriger, MAI, MRICS
Senior Consultant

Biographical Data

Kim M. Kobriger is a senior real estate appraiser and consultant with Lewis Realty Advisors in Houston, Harris County, Texas. Kobriger attended Ripon College, Eastern Illinois University, and the University of Wisconsin receiving honors in Biology, Botany/Ecology and Agriculture.

Kobriger has served as past President of the Phoenix Chapter of the Appraisal Institute and previous Chair of Government Relations and Education. He is also the former Chair and Moderator for the National Chief Appraiser's Roundtable for the Risk Management Association (RMA). Kobriger is a member of the Appraisal Institute (MAI) and a member of the Royal Institution of Chartered Surveyors (RICS).

Employment

Kobriger has over 30 years of real estate experience serving as the Chief Appraiser for Pima Savings, Citibank Arizona, and Norwest Arizona. In addition, Kobriger served as the Regional Manager for Wells Fargo Real Estate Technical Services, managing offices in Phoenix, Las Vegas, Salt Lake, Minneapolis, and Denver for commercial real estate markets and owner occupied real estate. In this capacity, Kobriger has provided courses and training on Real Estate Compliance, and the Financial Institutions Reform Recovery and Enforcement Act. Kobriger was the Regional Manager for Fifth Third Bank based in Cincinnati, Ohio and was a Senior Review Appraiser for J P Morgan Chase.

He has extensive appraisal review experience for appraisal compliance with FIRREA and USPAP, including preparation of appraisal reviews of other real estate appraiser's analysis of distressed properties throughout the United States. Kobriger also developed the first Environmental and Commercial Appraisal Standards Policies for Citibank and Norwest.

Prior to becoming a Senior Real Estate Valuation consultant with Lewis Realty Advisors, Mr. Kobriger was the Manager of Internal Audit for the Maricopa County Assessor's Office, the third largest county in the United States behind Cook County, Illinois and Los Angeles County, California.

Kobriger also served nine years as the Chair and Moderator for the Risk Management Association's Chief Appraiser's Roundtable, National Banker's Association. He has participated in legislation for the Arizona Department of Environmental Quality for Underground Storage Tanks, Soil Remediation, and Measuring Biological Diversity.

Scope of Professional Assignments

Mr. Kobriger has served on many commercial real estate assignments carried out throughout the United States, including subdivisions, apartments, special use properties, mini-storage, large manufacturing facilities, easements, condemnation, agricultural properties, hunting ranches or game farms, water rights, marinas, horse farms, mobile home parks, sand and gravel operations, master planned residential and commercial developments, feasibility analysis, market competition analysis, land assembly, lease negotiation, and sale/purchase negotiations.

Some unusual assignments include fish farms, dehydrating plants, water-ski parks, multi-million dollar portfolios in multiple states for large private equity lenders, and Elk Ranch, a fishing lodge, Riparian Rights for a large copper mine, and a conservation easement of property adjacent to a mountain preserve.

In recent years Kobriger has served as an expert witness and consultant to the legal industry in eminent domain, bankruptcy and litigation for Bankruptcy Court, Superior Court, County Tax Appeals Board, Federal Court, and Arbitration, and lender liability at State Superior Court.

Mr. Kobriger has also served as part of the due diligence team that has evaluated potential real estate and portfolio risk for acquisition of small regional banks.

General Business Affiliations

MAI – Member of the Appraisal Institute (No. 8871)

MRCIS – Member of the Royal Institution of Chartered Surveyors (No. 1259541)

Former President – Phoenix Chapter Appraisal Institute

Former Chairman – Government Relations and Education for Chapter Appraisal Institute

CCIM – Certified Commercial Investment Member (No. 7451)

Member – State Legislative Appointed Committee on Underground Storage Tanks

Member – Nature Conservancy Corporate Committee